

Financial Stability & Development Council (FSDC)



What is FSDC?

Financial stability and development council an **apex body** which was proposed by Raghuram Rajan Committee in 2008. It was **set up in 2010** as an autonomous body dealing with financial regularities in the financial sector across the country. It **is not a statutory body**.

Why was it introduced?

India has different regulators for various segments of financial sectors, like the RBI for commercial banks and NBFCs, SEBI for the capital market. There should be coordination among these financial sector regulators to ensure better efficiency as well as for avoiding conflicts due to overlapping of functions. For this, the Government has formed the Financial Stability and Development Council in December 2010, with the Finance Minister as the Chairman.

The council will act as a co-ordination agency between the various financial sector regulators- the RBI, SEBI, IRDA and the PFRDA. This Council would monitor macro-prudential supervision of the economy, including the functioning and development of large financial

multinational companies, and deal with inter-regulatory coordination issues.

Composition of FSDC

The council constitutes of the following:

- The Chairman of the Council is the union Finance Minister of India and its members which include:
- Governor of Reserve Bank of India (RBI)
- Chairman of Securities and Exchange Board of India (SEBI)
- Chairman of Insurance Regulatory and Development Authority (IRDA)
- Chairman of Pension Fund Regulatory and Development Authority (PFRDA)
- Chairman of Forward Markets Commission, (FMC) {now merged with SEBI}
- Finance Secretary and/or Secretary, Department of Economic Affairs, (DEA)
- Secretary, Department of Financial Services,
- Chief Economic Adviser.

The Council can invite experts to its meeting if required. The FSDC Secretariat is in the Department of Economic Affairs.

Functions of the FSDC:

1. It pays an edge on financial literacy and financial inclusion.
2. It focuses on strengthening and institutionalising the mechanism of financial stability and development.
3. It will assess the functioning of the large financial companies and monitor macro-prudential supervision of the economy.
4. It will tackle issues related to inter-regulatory coordination

The FSDC Sub-Committee:

The council has a Subcommittee chaired by the Governor of the RBI, which will replace the existing High-Level Coordination Committee on Financial Markets. It meets more often than the full Council. All the members of the FSDC are also the members of the Sub-committee. The additional members include all Deputy Governors of the RBI and Additional Secretary, DEA, in charge of FSDC.

Other GROUPS within the FSDC

There are few other regulatory wings within the FSDC subcommittee are:

- the Inter-regulatory technical group (IR-TG)
- Technical Group on financial inclusion and financial literacy (TGFIFL)
- Inter-regulatory forum for monitoring financial conglomerates (IRFC),
- Early Warning Group,
- Working Group on resolution regime for financial institutions and
- Macro Financial and Monitoring Group (MFMG)

Latest in news:

Under the Chairmanship of the Union Finance Minister Arun Jaitley, Financial Stability and Development Council (FSDC) held its 16th edition on January 5, 2017, in New Delhi. The key highlights discussed were related to challenges faced by Indian economy, the status of NPA in the banking sector, initiatives taken by the government for financial inclusion, issues related to digital innovations and cyber security.