

23rd meeting of Financial Stability and Development Council (FSDC)

December 16, 2020

In news

Finance minister chaired the 23rd meeting of the Financial Stability and Development Council (FSDC)

Key highlights of the meeting

- The Union Finance minister met the Financial Stability and Development Council (FSDC) to discuss the state of economy, budget proposals and to prepare a roadmap for India's recovery for the next financial year amid the ongoing coronavirus pandemic.
- During the meeting, the council stressed on the need for the government and all regulators to maintain continuous vigil on the financial conditions that could expose the country to financial vulnerabilities in the medium and long term.
- It reviewed the major macroeconomic developments and Financial Stability issues (global and domestic) with special reference to vulnerability related issues
- It also discussed measures which may be required to be taken to ensure consistent support of the financial sector for achieving faster real economic growth and achieving the overall macroeconomic targets, while continuing to maintain financial stability.
- Discussion were also held on the challenges involved in the smooth transition of London Interbank Offer Rate (LIBOR) based contracts and FSDC noted that a multipronged strategy involving relevant stakeholder institutions and departments is required in this regard

About FSDC

Formation

- **It was set up by the government of India in 2010** to strengthen and institutionalize the mechanism for maintaining financial stability and enhancing inter-regulatory coordination.
- **FSDC has replaced the High Level Coordination Committee on Financial Markets (HLCCFM)**, which was facilitating regulatory coordination, though informally, prior to the setting up of FSDC.
- The technical committee under HLCCFM for RBI regulated entities, though at a modest level, had set up a Financial Conglomerate Monitoring Mechanism since 2004.

Composition

- Chairperson: The Union Finance Minister of India
- Members:
 1. Governor Reserve Bank of India (RBI),
 2. Finance Secretary and/ or Secretary, Department of Economic Affairs (DEA),
 3. Secretary, Department of Financial Services (DFS),
 4. Secretary, Ministry of Corporate Affairs,
 5. Secretary, Ministry of Electronics and Information Technology,
 6. Chief Economic Advisor, Ministry of Finance,
 7. Chairman, Securities and Exchange Board of India (SEBI),
 8. Chairman, Insurance Regulatory and Development Authority (IRDA),
 9. Chairman, Pension Fund Regulatory and Development Authority (PFRDA),
 10. Chairman, Insolvency and Bankruptcy Board of India (IBBI).
- Additional Secretary, Ministry of Finance, DEA, will be

the Secretary of the Council.

- The Chairperson may invite any person whose presence is deemed necessary for any of its meeting(s).

Mandate

- Without prejudice to the autonomy of regulators, this Council would monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates.
- It will address inter-regulatory coordination issues and thus spur financial sector development.
- It will also focus on financial literacy and financial inclusion.
- What distinguishes FSDC from other such similarly situated organizations across the globe is the additional mandate given for development of financial sector