

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**SEVENTH MEETING OF THE FINANCIAL STABILITY AND DEVELOPMENT COUNCIL (FSDC)
HELD UNDER THE CHAIRMANSHIP OF THE UNION FINANCE MINISTER;
REVIEWS THE POSITION OF ASSET QUALITY AND CAPITAL ADEQUACY OF THE
BANKING SYSTEM IN THE COUNTRY, NATIONAL STRATEGY FOR FINANCIAL
EDUCATION AND THE RECOMMENDATIONS OF THE FINANCIAL SECTOR
LEGISLATIVE REFORMS COMMISSION AMONG OTHERS**

New Delhi, June 3, 2013

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The Financial Stability and Development Council (FSDC) reviewed the position of asset quality and capital adequacy of the banking system in the country. The recent initiatives taken by the Government and RBI to monitor credit quality of the banking system were discussed. In addition, an assessment of additional capital requirements for Indian banks under Basel III was deliberated upon. It was felt that despite the concerns about some deterioration in asset quality, largely, due to global and domestic economic conditions, the strong capital adequacy of banks would enable the banking system to withstand stress.

The Seventh Meeting of the Financial Stability and Development Council (FSDC) was held here today under the Chairmanship of the Union Finance Minister Shri P. Chidambaram. The meeting was attended among others by Dr. D. Subbarao, Governor, RBI, Shri U.K.Sinha, Chairman, SEBI, Shri T.S.Vijayan, Chairman, IRDA, Shri R.S.Gujral, Finance Secretary, Shri Sumit Bose, Secretary, Department of Revenue, Dr. Arvind Mayaram, Secretary, Department of Economic Affairs, Shri Rajiv Takru, Secretary, Department of Financial Services, Dr. Raghuram G. Rajan, Chief Economic Adviser, Ms Padma Iyer Kaul, ED, PFRDA and other senior officers of the Government.

The Council also took note of the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC), which submitted its report to the Government of India in March, 2013. The Council felt that while some of the major legal and institutional reforms suggested by the Commission would take time to be examined and taken forward, action on other recommendations, could be taken up separately in consultation with various stakeholders.

Recognizing the role of financial inclusion and financial education for an inclusively growing economy, the Council noted the National Strategy for Financial Education, which envisions "*a financially aware and empowered India*". The Council complimented the Sub-Committee of FSDC, chaired by Governor, RBI, for its efforts in drawing up this National Strategy. While appreciating the steps taken by various agencies for financial inclusion, the Finance Minister mentioned that steps should be taken to encourage and facilitate qualitative improvement in the participation of new subscribers to the financial markets over time.

FSDC was also apprised of the progress made by the FSDC Sub-Committee in a number of areas including moving ahead on key reforms measures proposed under the Financial Stability Board (FSB) framework through various inter-agency/inter-departmental implementation groups, signing of a Memorandum of Understanding by the financial sector regulators for cooperation in the field of supervision and monitoring of financial conglomerates.

The Council noted with concern the significant increase in gold imports in recent months and deliberated on the issues involved in this regard.

The Council also reviewed the progress made in a key priority area for the financial market i.e. development of a vibrant corporate bond market, taken-up in the Fifth Meeting of the FSDC. It noted that a number of steps had been taken in this regard on agreed lines by the member organizations and requested departments/organizations concerned to expedite remaining steps.
