



**13th Meeting of the Sub-Committee, Financial Stability and Development Council
(FSDC-SC)**

1. As earlier indicated in the [press release on August 9, 2014](#), the thirteenth meeting of the FSDC-SC was held on August 9, 2014 at 4:00 p.m. at the New Delhi office of Reserve Bank of India (RBI). In the meeting it was decided that for greater transparency, apart from the usual press release, an abridged version of the detailed minutes of FSDC and FSDC-SC would be put in the public domain with a lag of about four weeks. Accordingly, the main points of discussion in the FSDC-SC meeting are detailed below.

a. Assessment of Financial Stability: Emerging risks to the economy on account of the potential oil price rise due to geopolitical events and likely tightening of interest rates, especially by the United States, were reviewed. On the domestic front, issues such as vulnerabilities in the banking system and the sudden spurt in the sale of assets by banks to asset reconstruction companies (ARCs) were deliberated upon.

b. Standards and Protocol for Setting up Account Aggregation for Financial Assets: The Inter Regulatory Technical Group (IRTG) of the FSDC-SC will work on the modalities with regard to creation of an 'account aggregation facility' that would provide an option to a customer to view all his/her financial assets at a single place.

c. Collective Investment Schemes (CIS): It was decided that the State Level Coordination Committee (SLCC) mechanism would be further strengthened to monitor CIS related issues. State governments which have not yet enacted laws to deal with unauthorised deposit taking activities would be encouraged to do so.

d. Introduction of uniform KYC norms and inter-usability of KYC records across the entire financial sector: A uniform KYC format that would capture basic KYC information has been finalised by Central Registry of Securitisation, Asset Reconstruction and Security Interest of India (CERSAI), in coordination with RBI. CERSAI is envisaged to act as the central KYC repository for the entire financial system. However, considering the presence of multiple agencies (like KYC Registration Agencies), it was decided that the interoperability of these agencies and how best they could be integrated/leveraged upon needed examination.

e. Early steps to be taken by financial sector regulators for a vibrant, deep and liquid corporate bond market: A group headed by a former Law Secretary would examine all the existing laws and a single Bankruptcy Code would be put in place as an effective Bankruptcy Code is critical in developing a sound corporate bond market. It was also decided to constitute a group to recommend various measures for further developing the corporate bond market.

f. Deepen the currency derivatives market by eliminating unnecessary restrictions: The Sub-Committee took note of the measures taken by RBI in easing the

norms pertaining to currency derivatives market and decided to take further steps cautiously in view of the interest rate scenario across the globe.

g. Strengthening and deepening the interest rate futures (IRF) market in India:

The Sub-Committee was apprised of the steps taken in allowing insurance companies, mutual funds and NBFCs with a certain cut-off asset size to participate in the IRF markets.

h. Participation of Domestic Financial Institutions (DFIs) and FIIs/ Foreign Entities in Commodity Markets:

The Sub-Committee discussed various issues associated with the proposal and it was decided that Forward Markets Commission (FMC) and RBI together would examine the issue further.

i. Status of Various Task Forces Proposed by the FSDC:

It was informed that the task forces are being set up in the context of FSDC's suggestion to lay down the roadmap for the establishment of Resolution Corporation (RC), Financial Sector Appellate Tribunal (FSAT), Public Debt Management Agency (PDMA) and Financial Data Management Centre (FDMC). In this regard it was suggested that a cost-benefit analysis associated with the creation of the proposed institutional mechanism may be examined by the task forces.

j. Commission / Incentive Structure of the distributors of financial products:

The skewed incentive structures that exist within similar insurance, mutual funds and pension products were discussed. It was decided that a small task force chaired by a neutral party that would include an academician be formed to make a study on the comparability of incentive structure across financial products offered in these segments.

2. The meeting was chaired by Dr. Raghuram G Rajan, Governor, Reserve Bank of India. The other officials who attended the meeting were Dr. Arvind Mayaram, Finance Secretary; Dr. Gurdial Singh Sandhu, Secretary, Department of Financial Services; Dr. K. P. Krishnan, Additional Secretary, Department of Economic Affairs; Shri U. K. Sinha, Chairman, SEBI; Shri R. V. Verma, Officiating Chairman, PFRDA; Shri Ramesh Abhishek, Chairman, FMC; Deputy Governors of RBI, Shri H. R. Khan, Dr. Urjit Patel, Shri R. Gandhi and Shri S. S. Mundra; Shri R. K. Nair, Member, IRDA; and Executive Director of RBI, Shri Deepak Mohanty (Member-Secretary).