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**RBI Announces Constitution of a Committee on Financial Sector Assessment**

Building up resilient, well-regulated financial systems is essential for macroeconomic and financial stability. This is being increasingly recognised as an integral part of financial sector reforms in India. Following the initiation of the Financial Sector Assessment Programme (FSAP) in 1999 by the World Bank and the International Monetary Fund in the aftermath of the Asian financial crisis, and their experience in the conduct of assessment in member countries, the two institutions have jointly brought out in September 2005, a comprehensive *Handbook on Financial Sector Assessment*. The Handbook is designed for use in financial sector assessment, whether conducted by country authorities themselves or by World Bank and IMF teams. The Handbook, available to the public, is intended to serve as an authoritative source on the objectives, analytical framework, and methodologies of financial sector assessment as well as a comprehensive reference book on the techniques of such assessments.

It may be recalled that India, besides being one of the earliest member countries participating voluntarily in the FSAP assessment, has been a forerunner in comprehensive self assessment of various international financial standards and codes. The Reserve Bank has also released a Synthesis Report in May 2002 and a Progress Report in January 2005. The experience has thus far been very encouraging and the financial sector reforms have progressed well in recent years, enhancing the soundness of the financial system and promoting financial stability.

Consistent with this approach, it would be appropriate and expedient for India to undertake a self assessment of financial sector stability and development, using the new Handbook as the base as also any other pertinent documents for financial sector assessment. Accordingly, the Government of India has decided in consultation with the Reserve Bank of India to constitute a "Committee on Financial Sector Assessment" with the following terms of reference:

- (i) To identify the appropriate areas, techniques and methodologies in the Handbook and also in any other pertinent documents for financial sector assessment relevant in the current and evolving context of the Indian financial sector;
- (ii) To apply relevant methodologies and techniques adapted to Indian system and attempt a comprehensive and objective assessment of Indian financial sector, including its development, efficiency, competitiveness and prudential aspects;
- (iii) To analyse specific development and stability issues as relevant to India; and

- (iv) To make available its report(s) through Reserve Bank of India/Government of India websites.

The Committee may co-opt members depending upon the subject area of assessment under consideration and may also constitute Technical/Advisory groups to study and report on specific areas of assessment.

The Committee will be chaired by Dr.Rakesh Mohan, Deputy Governor, Reserve Bank of India, with Shri Ashok Jha, Secretary (Economic Affairs) as Co-Chairman. Dr.Ashok Lahiri, Chief Economic Adviser and Shri Madhusudan Prasad, Joint Secretary (Fund Bank), Government of India will be its members. The Secretariat will be provided by the Reserve Bank of India.

The Committee will review its own status and report the progress to the Government of India/Reserve Bank of India in six months from commencement of its work.

**Alpana Killawala**  
Chief General Manager

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