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RESERVE BANK OF INDIA

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May 30, 2019

RBI hosts Symposium on 'Developing Vibrant Capital Markets in Emerging Market Economies'

The Reserve Bank of India (RBI) on May 29, 2019 held a Symposium on 'Developing Vibrant Capital Markets in Emerging Market Economies' at its Central Office in Mumbai.

Shri Shaktikanta Das, Governor in his opening remarks highlighted the falling saving and investment rates in the economy and the role that the capital markets can play in arresting this trend. He pointed out that capital markets enable economic agents to pool, price, share and exchange risks. If the markets are liquid, price discovery is efficient and intermediation costs are low, the saving habit in an economy improves. Capital markets also bring long-term benefits from reallocating financial resources efficiently. This ultimately lowers incremental capital-output ratios in the economy and helps boost growth.

Dr. Ryan Banerjee, a senior economist at the Bank for International Settlements (BIS) presented the highlights of the report on 'Establishing Viable Capital Markets' of the Committee on the Global Financial System (CGFS) that was co-chaired by Dr. Viral V. Acharya of the RBI and Dr. Li Bo of the People's Bank of China: <https://www.bis.org/publ/cgfs62.pdf>

Dr. Acharya, Deputy Governor, stated that a stable macro-economic environment had been a key driver for growing capital market in India. He suggested that time has now come to enhance market autonomy, strengthen the legal framework for investor protection, and also to make the regulatory regime more efficient and effective so as to deepen domestic institutional base, undertake bi-directional opening to international participation while ensuring macro-prudential stability, and develop complementary markets and supporting market infrastructure.

At the symposium, a panel discussion was held on 'What more will it take for Capital Markets in Emerging Markets and Advanced Economies to converge in a Globalised World'. Panelists Dr. John Clark, Federal Reserve Bank of New York; Shri Ridham Desai, Morgan Stanley; Dr. Ryan Banerjee, BIS; Shri T. Rabi Shankar, RBI and Dr. Mridul Saggur, RBI (moderator) were of the view that despite rapid strides by the Emerging Markets, further policy steps as well as a greater autonomous drive by market participants themselves was needed if the markets were to converge with those in matured markets. Their recommendations covered equity, private and government bond markets.