



## FSDC Panel on Credit Ratings

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Recently the **Financial Stability and Development Council (FSDC)** panel has discussed ways to address challenges pertaining to the quality of credit ratings.

It expressed concerns over the inability of rating agencies' to assess credit risk and take timely rating actions.

**Example:** Recent IL&FS defaults crisis which had AAA rating just before it started defaulting.

## Financial Stability and Development Council (FSDC)

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- FSDC is a **non-statutory apex council** under **Ministry of Finance** constituted by Executive Order of Union Govt in 2010.
- The Chairman of the Council is the Finance Minister and its members include the heads of financial sector Regulators (RBI, SEBI, PFRDA, IRDA), Finance Secretary and/or Secretary, Department of Economic Affairs, Secretary, Department of Financial Services, and Chief Economic Adviser.  
In May, 2018 government reconstituted FSDC to include the Minister of State responsible for the Department of Economic Affairs (DEA), Secretary of Department of Electronics and Information Technology, Chairperson of the Insolvency and Bankruptcy Board of India (IBBI) and the Revenue Secretary.
- It aims strengthening and institutionalizing the mechanism of financial stability and development.
- It will monitor macro-prudential supervision of the economy. It will assess the functioning of the large financial conglomerates.
- It will address intra regulatory coordination issues.
- The Raghuram Rajan committee (2008) on financial sector reforms recommended for the creation of FSDC.

## Credit Rating Agencies

- A credit rating agency (CRA) is a company that assigns credit ratings, which rate a debtor's ability to pay back debt by making timely principal and interest payments and the likelihood of default.
- The assessed entities may be companies, special purpose entities, state governments, local governmental bodies, non-profit organisations and even countries.
- There are six credit rating agencies registered under SEBI namely, CRISIL, ICRA, CARE, SMERA, Fitch India and Brickwork Ratings.