



Financial Stability and Development Council

Why in News?

Recently, the Union Minister of Finance and Corporate Affairs chaired the 26th Meeting of the [Financial Stability and Development Council \(FSDC\)](#).

What are the Key Highlights?

- The council stressed on the **early warning indicators for the economy and the preparedness to deal with them**, improving the efficiency of the existing financial and credit information systems, and issues of governance and management in systemically important financial institutions.
- It was noted that there is **a need to monitor the financial sector risks**, the financial conditions and market developments on a continuous basis by the Government and the regulators **so that appropriate and timely action can be taken** so as to mitigate any vulnerability and strengthen financial stability.
- The council took note of the **preparation in respect of financial sector issues** to be taken up during [India's G20 Presidency in 2023](#).

What is FSDC?

- **Establishment:**
 - It is a **non-statutory apex council** under the Ministry of Finance constituted by the **Executive Order in 2010**.
 - The Raghuram Rajan committee (2008) on **financial sector reforms first proposed the creation of FSDC**.
- **Composition:**
 - It is chaired by the **Finance Minister and its members include the heads of all Financial Sector Regulators (RBI, SEBI, PFRDA & IRDA)**, Finance Secretary, Secretary of Department of Economic Affairs (DEA), Secretary of Department of Financial Services (DFS), and Chief Economic Adviser.
 - In 2018, the 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.
 - FSDC sub-committee is headed by the **Governor of RBI**.
 - The Council can invite experts to its meeting if required.
- **Functions:**
 - To strengthen and institutionalize the mechanism for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development.
 - **To monitor macro-prudential supervision** of the economy. It assesses the functioning of large financial conglomerates.

UPSC Civil Services, Previous Year Questions (PYQ)

Q. With reference to 'Financial Stability and Development Council', consider the following statements: (2016)

1. It is an organ of NITI Aayog.
2. It is headed by the Union Finance Minister.
3. It monitors macro-prudential supervision of the economy.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

Ans: (c)

Source: PIB

PDF Reference URL: <https://www.drishtiias.com/printpdf/financial-stability-and-development-council-1>

