

# FSDC moots more early warning signs for economy

'Ensuring financial stability is shared responsibility'

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**A**mid the continuing liquidity crisis in banks of the West, the Financial Stability and Development Council (FSDC) on Monday discussed the need for more early stress indicators in India's financial sector to enable regulators to identify potential signs of trouble and deal with them in advance.

"Regulators should maintain a constant vigil because ensuring financial-sector stability is their shared responsibility. They must take appropriate and timely action to mitigate any vulnerability and strengthen financial stability," Union Finance Minister Nirmala Sitharaman, who heads the FSDC, told the regulators at the meeting of the council in New Delhi.

This was the first FSDC meeting after the 2023 Union Budget.

The regulators who attended the meeting included Reserve Bank of India (RBI) Governor Shaktikanta Das, Securities and Exchange Board of India (Sebi) Chairperson Madhabi Puri Buch, Insurance Regulatory and Development Authority Chairman Debasish Panda, Pension Fund Regulatory and Development Authority Chairman Deepak Mohanty, Insolvency and



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THE MEETING, CHAIRED BY FINANCE MINISTER NIRMALA SITHARAMAN, PITCHED FOR A SPECIAL DRIVE TO FACILITATE THE SETTLEMENT OF UNCLAIMED DEPOSITS AND OTHER CLAIMS

Bankruptcy Board of India Chairman Ravi Mital, and International Financial Services Centres Authority Chairman Injeti Srinivas.

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proposal to set up an IPEF Supply Chain Council to report on the implementation of supply chain provisions and risks. Industry feedback has also been sought on the proposed IPEF Supply Chain Action Plan Teams to address the factors causing delays, shortages impairing cross-border movement of materials, coercive actions causing difficulties, and logistical bottlenecks. The US has also proposed an IPEF Supply Chain Crisis Response Network to address the disruptions caused by natural and other disasters.

The other supply chain issues under discussion include investment promotion, developing vendor-neutral IT frameworks, enhancing interoperability, reducing cyber-security risks, and promotion of low-cost and scalable cross-border e-payment mechanisms, among others.

## FSDC...

The five secretaries in the finance ministry and Chief Economic Advisor V Anantha Nageswaran attended the meeting.

“The council discussed a number of issues starting with financial stability, noting that there were daunting challenges coming from the global economy ... It discussed early-warning indicators for the economy,” Economic Affairs Secretary Ajay Seth told media persons after the meeting.

“The RBI already has some indicators but there needs to be a wide set of those that capture domestic financial markets as well as global markets, and also the real economy. The idea is to identify stresses early enough before they become prominent,” Seth said.

The meeting comes amid a number of regional bank failures in the US, with their impact spilling over to Europe.

“The global financial situation is daunting but at the same time the Indian economy and the Indian financial sector are well protected and well regulated,” Seth said, and added that the FSDC discussed whether there could be a knock-on effect for India from the banking crisis and through what channels those could come.

“I can mention that there is no spillover that can come to Indian banks from the Western

financial crisis,” he said.

In the meeting it was decided regulators should conduct a special drive to facilitate settling unclaimed deposits and claims in the financial sector across all segments, such as bank deposits, shares, mutual funds, and insurance. This follows the announcement by Sitharaman in the last Union Budget that such steps would be taken.

“As for unclaimed shares and dividends, a drive should be undertaken, especially in cases where the data of the nominees is available. Where the nominee details are not there, a process has to be put in place to identify them,” Seth said.

An official statement by the finance ministry on the meeting said the regulators needed to be proactive and ensure cyber-security preparedness of information technology systems to reduce the risk of cyber-attacks, protect sensitive financial data, and maintain overall systems integrity.

A focused approach should

be adopted by the regulators to implement the announcements made in the Budget 2023-24, and for that timelines were also decided, the ministry said. “On the government securities markets, it was discussed how a seamless experience can be provided to potential investors through the use of technology,” Seth said.

The secretary said this meant a seamless experience for retail investors, whether they used RBI- or Sebi-regulated market infrastructure.

“It may be noted that the G-Sec market continues to be regulated by the RBI only. Sebi-regulated market infrastructure will connect to RBI-regulated market infrastructure through technology (APIs) to provide seamless experience to retail investors,” he said.

The council discussed debts of companies and households, a unique value proposition to take insurance to the last mile, and the support required in terms of resolving inter-regulatory issues for GIFT IFSC.

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Solution tomorrow

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