

Press release

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FSB completes peer review of India

The Financial Stability Board (FSB) published today its [peer review of India](#).

The peer review examined two topics relevant for financial stability and important for India: the macroprudential policy framework, and the regulation and supervision of non-banking finance companies (NBFCs) and housing finance companies (HFCs). The review focused on the steps taken by the authorities to implement reforms in these areas, including with respect to the recommendations in the 2012 Financial Sector Assessment Program (FSAP) report by the International Monetary Fund (IMF) and the World Bank.

The peer review finds that progress has been made on both topics. In particular, the Financial Stability and Development Council (FSDC),¹ its sub-committee and technical groups are well bedded down and discuss a range of financial stability issues. The Reserve Bank of India (RBI) has expanded the use of analytical techniques and stress tests to gauge systemic risks. Progress has been made in addressing data gaps, for example via the creation of a repository on large loans and the collection of data on corporates' foreign currency exposures and their hedging. The revisions to the regulatory framework for NBFCs in 2014 streamlined reporting, enhanced prudential requirements, and promoted the development of specialised types of finance. Concerns about the risks from unregulated financial entities and unauthorised financial activities have strengthened the coordination of efforts by the authorities to survey the regulatory perimeter. Finally, the RBI has a broad range of policy tools at its disposal for banks and NBFCs, and has deployed them for macroprudential purposes.

Notwithstanding this progress, the peer review concludes that there is additional work to be done on both topics:

- On the macroprudential framework, this involves explicitly setting out the roles and responsibilities of the relevant bodies, strengthening financial stability analysis and more closely linking it to decision-making, and enhancing public communication. Much of this work relates to making macroprudential policy-setting more explicit, with clearer boundaries between authorities and with other policies, as well as in balancing the objectives of promoting financial development and inclusion.
- On the regulation and supervision of NBFCs and HFCs, this involves improving the timeliness and granularity of data collection, enhancing risk assessments, reviewing

¹ The FSDC was set up in 2010 with the aim of strengthening and institutionalising the mechanism for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development in India. It is chaired by the Minister of Finance and its members include the heads of the regulatory authorities.

regularly the regulatory perimeter to ensure that it remains appropriate, and adopting a more activity-based and risk-sensitive framework for these entities.

The peer review report includes recommendations to the Indian authorities in order to address these issues. These tasks are not unique to India, reflecting challenges faced by many other jurisdictions, and need to be considered as part of managing the transition to a more diverse and interconnected financial system.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The peer review of India is the seventeenth country peer review conducted by the FSB. These reviews are based on the objectives and guidelines set forth in the [Handbook for FSB Peer Reviews](#). FSB member jurisdictions have committed to undergo an FSAP assessment every five years and, to complement that cycle, an FSB peer review two to three years following an FSAP. As part of this commitment, India volunteered to undergo this peer review in 2015-16. The [schedule of completed and planned country peer reviews](#), as well as [all completed peer review reports](#), is available on the FSB website.

Country peer reviews focus on the implementation and effectiveness of regulatory, supervisory or other financial sector standards and policies agreed by the FSB, as well as their effectiveness in achieving desired outcomes. They examine the steps taken or planned by national authorities to address IMF-World Bank FSAP and Report on the Observance of Standards and Codes recommendations on financial regulation and supervision as well as on institutional and market infrastructure that are deemed most important and relevant to the FSB's core mandate of promoting financial stability. Country reviews can also focus on regulatory, supervisory or other financial sector policy issues not covered in the FSAP that are timely and topical for the jurisdiction itself and for the broader FSB membership. Unlike the FSAP, a peer review does not comprehensively analyse a jurisdiction's financial system structure or policies, or its compliance with international financial standards.

The report published today describes the findings and recommendations of the peer review of India. The draft report was prepared by a team of experts drawn from FSB member institutions and led by Masamichi Kono, who was until June 2016 the Vice Minister for International Affairs at the Japan Financial Services Agency. The review benefited from dialogue with the Indian authorities and private sector representatives as well as from discussion in the FSB Standing Committee on Standards Implementation.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.