Q56

With reference to 'Financial Stability and Development Council', consider the following statements: 1. It is an organ of NITI Aayog. 2. It is headed by the Union Finance Minister. 3. It monitors macroprudential 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 Official key: C.

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Explanation

(a)

Statement 1 calls FSDC an organ of NITI Aayog and statement 2 says it is headed by the Union Finance Minister. Statement 2 is true, but FSDC is a government council set up in 2010 after the Raghuram Rajan Committee, not an organ of NITI Aayog (created in 2015). 1 and 2 only is therefore not the key.

(b)

Statement 3 alone - macroprudential supervision of the economy - is correct but incomplete, because the chair of the Finance Minister is also correct. 3 only is not the key.

(c) Official key

The Financial Stability and Development Council is headed by the Union Finance Minister and is the apex body for financial-stability and macroprudential coordination among RBI, SEBI, IRDAI, PFRDA and the Finance Ministry. It is not part of NITI Aayog. Statements 2 and 3 are correct; 1 is not. Hence (c) is the official key.

(d)

Including statement 1 would treat FSDC as a NITI Aayog organ. That is false, so all three cannot be the key.

Summary

Official key is (c) 2 and 3 only. FSDC was created in 2010 to coordinate regulators on stability, development of the financial sector, and macroprudential supervision, including inter-regulatory issues and financial literacy. The Union Finance Minister chairs it; the RBI Governor is a member. NITI Aayog is a separate policy think tank and does not house FSDC. Statement 1 is the trap.

Related possible facts

These can be asked in a future Prelims paper.

Created
2010, following the Raghuram Rajan Committee on financial sector reforms

Chair
Union Finance Minister

Sub-committee
FSDC Sub-Committee chaired by the RBI Governor

Members
Heads of RBI, SEBI, IRDAI, PFRDA and Finance Ministry officials

Macroprudential policy
System-wide buffers and coordination beyond single-institution supervision