

PLATINUM JUBILEE CELEBRATIONS OF THE RBI

**Date: 01.04.2010 Time: 1800 hrs Venue: Jamshed Bhabha
Auditorium, NCPA**

Hon'ble Prime Minister
Governor, Maharashtra
Chief Minister, Maharashtra
Governor, Reserve Bank of India
Officials of Reserve Bank of India
Distinguished guests
Ladies and Gentlemen

I am happy to be present here today and join in celebrating the 75th anniversary of one of India's most renowned and respectable institutions. The Reserve Bank of India today enjoys an enviable position and is well respected in the comity of Central Banks across the globe. The credit for this goes to all those associated with it especially the RBI Staff (past and present) who have toiled hard to take it where it is today. Even in recent times, the world holds in high esteem this organisation which along with other institutions in the financial sector played an important role in making the Indian economy show enormous resilience during one of the worst recessions in history. I am proud of the fact that not a single financial institution failed in India on account of the global crisis.

2. Contrary to the view that we weathered the crisis well because we were closed or insulated, I want to state here that we did so because we reformed and strengthened our markets and used a very well calibrated set of fiscal and monetary measures. A well regulated free market economy is what we are striving towards and will continue to work for. The crisis has not deterred us from taking bold measures. We are committed to the reforms process. Our reforms have been deliberate and slow but they are irreversible. These reforms have integrated the Indian economy with the rest of the world. Increasing integration has brought new challenges but along with challenges there are tremendous opportunities for growth.

3. Today, India is one of the most preferred investment destinations in the world. Foreign Investment in India can take place as Foreign Direct Investment (FDI), Portfolio investment (through Foreign Institutional Investment (FIIs), Foreign Venture Capital Investment (FVCI))

or in the form of External Commercial Borrowings (ECBs) and so forth. We must work towards attracting more foreign investment as our economy progressively integrates with the rest of the world. For this, an attempt must be made to eliminate the regulatory gaps and overlaps that persist with regard to these investments. I am of the view that investments from these sources need to be encouraged in India to ensure that it stays on the path of high growth.

4. India today is among the three or four fastest growing economy in the world. While we rightly celebrate this fact, we must at the same time aim for inclusive growth. I am happy to learn about the outreach programme of the RBI whose focus has been financial inclusion and financial literacy. It is creditable that the top management of the Bank travelled to remote villages across the country to listen to ordinary people, see and understand how grassroot institutions function. As I mentioned in my budget speech, the benefits of banking and other financial services need to reach the '*Aam Aadmi*'. There is a huge need for low cost financing in semi-urban and rural areas.

5. The need for financial inclusion has been felt time and again. In my budget speech, I announced the setting up of the Financial Stability and Development Council (FSDC) to focus on this issue. I would like to emphasize that the FSDC is not a super-regulator. It will achieve its mandate without undermining the autonomy of the regulators. FSDC will be doing only what is not currently been done in the existing set up. The council will help us focus on developmental, regulatory coordination and stability issues in a holistic manner. We are looking at the exact structure of the proposed council. We shall soon put a paper in public domain on the subject.

6. In my budget speech, I also announced the Constitution of a Financial Sector Legislative Reforms Commission (FSLRC). Most legislations governing the financial sector are very old (Eg: RBI Act, 1934, Insurance Act, 1938, Public Debt Act, 1944, Securities Contract Regulation Act, 1956). Large number of amendments to these Acts done at different times have increased ambiguity and complexity. The larger the number of laws, the higher is the scope for inconsistency among them and the possibility of regulatory gaps and overlaps. This has also created some disharmony among the regulators and confusion for the market participants. These laws need to be harmonized for the holistic development of the markets and the financial sectors. Given the dynamics of the market and the fact that there are too many legislations with large number of amendments, rules and regulations clouding the legal position these statutes need to be rewritten. Financial Sector Legislative Reforms

Commission could rewrite and clean up the financial sector laws to bring them in time with current requirements. The commission could be chaired by a legal expert (a former judge of the Supreme Court) familiar with financial sector and markets with other members drawn from legal, regulatory and financial sector domain.

7. The RBI has played a laudable role in shaping economic policy in India. We need to strengthen this institution with an appropriate balance of autonomy and accountability in the context of a modern democracy. Our aim is to move towards establishing a modern, financial and monetary system in India with appropriately strengthened and autonomous regulators and central bank.