

Government to take view on Financial Code after public comments: FM Arun Jaitley

Finance Minister Arun Jaitley today said that the government will take a view on the draft Indian Financial Code, which proposes to dilute powers of the RBI chief, after receiving comments from stakeholders.

"FSLRC has made its recommendations, which have been made public for comments. After the comments are received, it is only then that the government will take a view," he told reporters here.

The draft had proposed taking away Reserve Bank chief's authority to veto the interest rate decision of the central bank's monetary policy committee.

The revised draft of Indian Financial Code (IFC) also proposed that the committee would have four representatives of the government and only three from the central bank, including the 'RBI Chairperson'.

The draft talks of 'RBI Chairperson' and not 'RBI Governor'. RBI is headed by a Governor, at present.

The revised draft of IFC, released by the Finance Ministry last week, is based on the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC), headed by Justice B N Srikrishna.

The IFC, which is conceived as an overarching legislation for the financial sector, proposes a monetary policy committee which will be entrusted with the task of deciding the key policy rate and chasing the annual retail inflation target to be decided by the government in consultation with RBI.

Further, it said the RBI "must constitute a Monetary Policy Committee to determine by majority vote on the Policy Rate required to achieve the inflation target".

At present, the RBI Governor consults a Technical Advisory Committee, but does not necessarily go by the majority opinion while deciding on the monetary policy stance.

(Economic Times)