

India not ready for full capital account liberalisation - RBI deputy Khan

India is not ready for opening its capital account fully to foreign investors at this point in time as the pros and cons of such liberalisation are a "contentious issue", Reserve Bank of India deputy governor H R Khan said.

Currently India allows foreign investors to buy upto \$81 billion of Indian debt while there is no limit restrictions for stock market investments.

In a speech given on Jan. 17 to a management institute and published on the central bank's website on Thursday, Khan also said the Reserve Bank of India is keen to develop a wide range of derivatives products but with caution, like considering introducing bond futures in other maturities apart from 10-year maturity allowed now.

The RBI is also considering relaxing prudential rules for credit default swaps, which were introduced with a high dose of safety measures and was perhaps limiting liquidity, Khan said.

"It is wise to learn from other's mistakes and adopt a cautious and gradual approach, recognising at the same time that one cannot cross a chasm in two leaps," Khan said.

(Reuters)