

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:50  
ANSWERED ON:24.11.2006  
FULL CAPITAL ACCOUNT CONVERTIBILITY OF RUPEE  
Chandrappan Shri C.K.;Scindia Shri Jyotiraditya Madhavrao

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has constituted a Committee for full capital account convertibility of rupee;
- (b) if so, whether the Committee has submitted its report to the Government;
- (c) if so, the salient features of the recommendations made by the Committee; and
- (d) the follow-up action taken by the Government to implement the recommendations of the Committee?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a to d): A statement is laid on the Table of the House. Statement referred to in reply to Lok Sabha Starred Question No. 50 by Shri C.K. Chandrappan and Shri Jyotiraditya Scindia for 24-11-06 regarding Full Capital Account Convertibility of Rupee

(a) and (b) No Sir. However, the RBI on March 20, 2006 had constituted a Committee to set out the road map towards Fuller Capital Account Convertibility. The report of the said Committee was submitted to the RBI on 31 July, 2006.

(c) The salient features of the recommendations of the Committee are:

- i. The Committee recommended a detailed road-map for moving towards Fuller Capital Account Convertibility covering specific measures over three phases in the next five years. Phase I would be the current year 2006-07, while Phase II would be the following two years, 2007-08 and 2008-09, and the last phase would be the last two years, 2009-10 and 2010-11.
- ii. Policy initiative should be taken to facilitate development of different financial markets, corporate bond market, Govt. securities market, foreign exchange market and the Gold Market to encourage capital inflows.
- iii. All commercial banks should be subjected to single banking regulations. All banks should be incorporated under the Companies Act. Minimum Govt. shareholdings in public sector banks should be reduced to 33%
- iv. On Exchange Management- RBI should have a monitoring exchange rate band of +/- 5.0% around the neutral REER.

d) The follow up action on the report is being taken by the RBI as under:

- 1. A working group has been constituted by the RBI to examine the policy issues and provide an analysis on the recommendations.
- 2. The RBI has constituted an internal task force to re-examine the extant regulations and remove the operational impediments in the path of liberalisation already in place. As and when the task force submits its recommendations on an ongoing basis, they are being taken up by RBI for implementation.
- 3. As part of the mid term review of the annual policy of the Bank, RBI has announced a number of measures towards further liberalisation of current account and capital account transactions.