

Bill No. LV of 2008

THE NATIONAL FINANCIAL SERVICES AUTHORITY
BILL, 2008

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BILL

to provide for the establishment of a National Financial Services Authority and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Fifty-ninth Year of the Republic of India as follows:—

1. (1) This Act may be called the National Financial Services Authority Act, 2008.

Short title
and com-
mencement.

(2) It shall be deemed to have come into force on the 31st day of October, 2008.

5 2. In this Act, unless the context otherwise requires,—

Definitions.

(a) “National Authority” means the National Financial Services Authority constituted under sub-section (1) of section 3.

(b) “prescribed” means prescribed by rules made under this Act.

10 3. (1) **The Central Government shall by notification, constitute a National Authority to be known as the National Financial Services Authority to exercise the powers conferred on, and to perform the functions assigned to it under this Act.**

Constitution
of National
Financial
Service
Authority.

(2) The National Authority shall consist of the following persons, namely,—

(a) an economist of eminence and international repute—as Chairperson, who shall be of the rank of Cabinet Secretary;

(b) not more than three members of the rank of Secretary to the Government of India to be appointed by the Central Government from amongst persons having experience in the fields of finance and business management, banking, monetary, economic and judiciary: 5

Provided if the powers of the National Authority are vested in an individual, such individual shall be entitled to the same powers and functions and shall be assisted or provided with the same secretarial support and technical expertise as are available to National Authority consisting of more than one person under this Act. 10

(3) The head office of the National Authority shall be in Delhi.

(4) The National Authority may appoint such number of officers and employees as it considers necessary for the efficient discharge of its functions under this Act.

(5) The qualifications and experience, terms of office and allowances of the members, officers and employees of the National Authority shall be such, as may be prescribed. 15

Powers and functions of National Authority.

4. The powers and functions of the National Authority, shall, *inter alia* include,—

(i) to advise the Reserve Bank of India on regulating the long term structural features such as capital inflows including external commercial borrowings, participatory notes, etc.;

(ii) to consider steps on bringing about financial liberalisation and easing capital control;

(iii) to consider the advisability of the level of liquidity required to be maintained by the banks and the cash reserve ratio; 20

(iv) to advise the Reserve Bank of India on reforms for the financial sector including banks under its control and private financial institutions and related aspects;

(v) to study and make recommendations on all aspects related to the capital account liberalisation.

Annual report.

5. The National Authority shall prepare in such manner and form and at such time in each financial year, as may be prescribed, its annual report giving a full account of its activities and recommendations on the functions assigned to it during the previous financial year and submit it to the Central Government. 30

Annual report to be laid before the Parliament.

6. The Central Government shall cause the annual report of the National Authority to be laid, as soon as may be after they are received before each House of Parliament. 35

Power to make rules.

7. (1) The Central Government may, by notification in the Official Gazette, make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters namely:—

(a) the method of the appointment of the National Authority; 40

(b) the composition of the National Authority;

(c) the reports of the National Authority to be submitted to the Government;

(d) any matter or matters not expressly provided for in the Act, but considered necessary for the appointment and functioning of the National Authority.

STATEMENT OF OBJECTS AND REASONS

With the globalisation of the international trade and commerce, large scale inflows of the capital from the developed to developing countries and also the outsourcing of business, many disturbing financial trends have become visible. It is necessary to diagnose them before they damage the economy of the country. At the same time, it is necessary to control the monetary supply to curb inflation and other related financial impacts on trade and commerce.

Hence this Bill.

N. K. SINGH

FINANCIAL MEMORANDUM

Clause **3** of the Bill seeks to constitute the National Financial Services Authority and makes provisions for salary and allowances of the Members, officers and employees of the Authority.

The Bill, if enacted will involve expenditure from the Consolidated Fund of India. It is estimated that a sum of rupees two hundred crore may involve as recurring expenditure from the Consolidated Fund of India.

A non-recurring expenditure of rupees fifty crore is also likely to be incurred.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 7 of the Bill empowers the Central Government to make rules for carrying out the purposes of the Bill. The rules will relate to matters of details only. As such the delegation of legislative power is of normal character.

RAJYA SABHA

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(Shri N. K. Singh, M.P.)