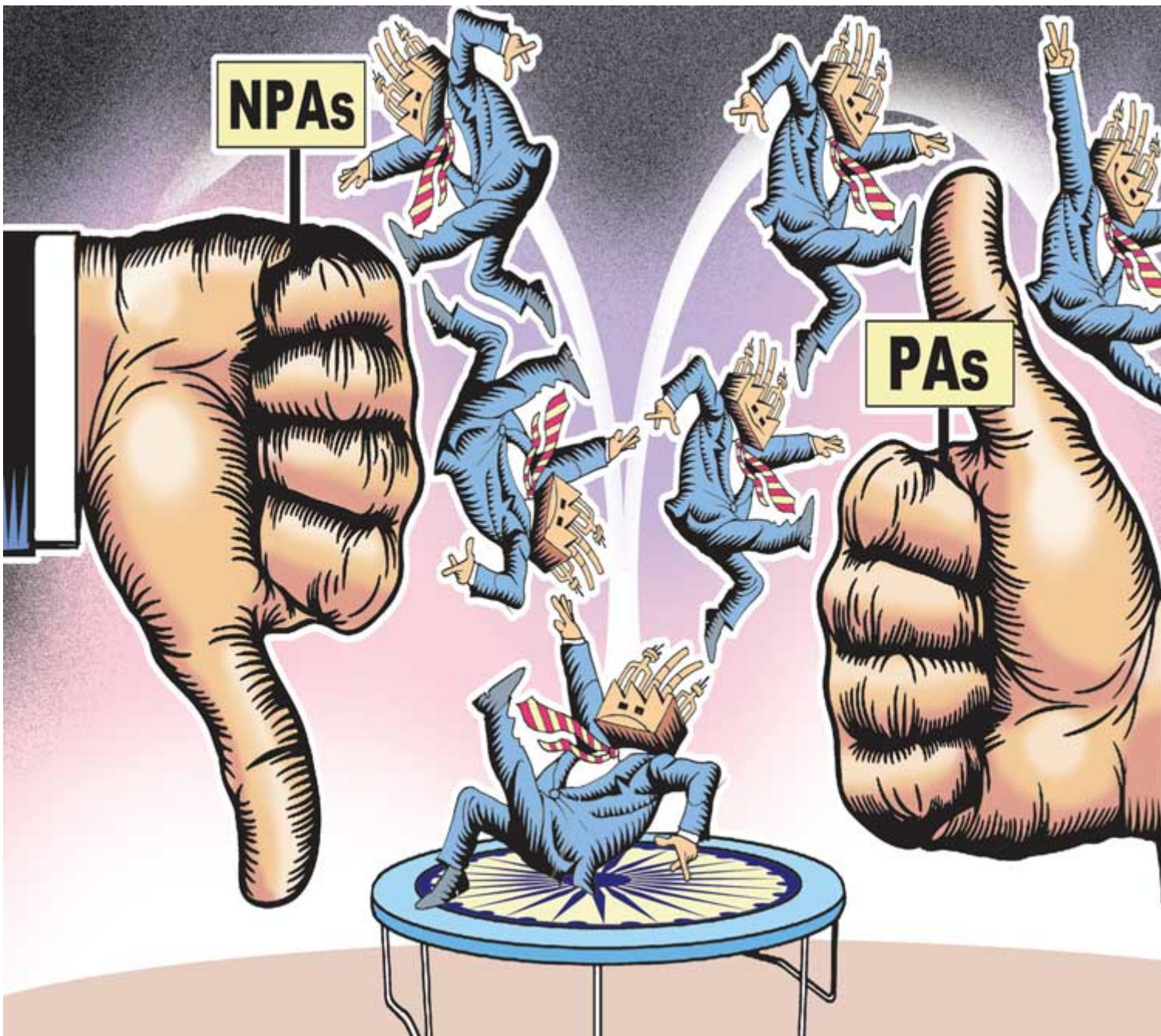




Regulatory Issues in the Financial Sector

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One of the largest cooperative banks in India had its problems uncovered recently. In the process, the RBI needs to be commended after the issues were exposed. However, it is worrying that the Central Bank was unable or unwilling to act proactively in the matter. After all, regulators should be able to detect early warnings of such festering issues, rather than have to take drastic steps after they are revealed. Many Central Banks, such as the US Federal Reserve have unambiguous public manuals on how they conduct supervision in the financial sector. The RBI should also expose its regulatory processes to public scrutiny and debate.

New regulations need to be designed in accordance with the ability to enforce them. Oversight capacity needs to be upgraded urgently.

**Photo Credit: Google*