

FSDC flags financial stability risks from AI boom, geopolitical uncertainty; FM Sitharaman seeks frequent meetings

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Finance Minister Nirmala Sitharaman (File image)

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The Financial Stability and Development Council (FSDC), chaired by Finance Minister Nirmala Sitharaman, has called for heightened vigilance to safeguard India’s financial stability amid geopolitical uncertainties, the artificial intelligence (AI) boom and a sharp rise in global bond yields.

At its 30th meeting in New Delhi on Friday, the council reviewed macro-financial stability and India’s preparedness to deal with emerging risks. Sitharaman also urged the council to meet more frequently, with a predefined schedule, citing rising geopolitical headwinds and global uncertainty.

The Finance Ministry said the FSDC stressed the “need to be vigilant especially in view of the ongoing geopolitical uncertainties, AI boom and steep rise in global bond yields”.

The council also recognised the need for “proactive efforts to mitigate potential risks to financial stability” while adopting safeguards to strengthen the resilience of the financial system.

Cybersecurity and tokenisation on agenda

The FSDC discussed measures to promote innovation in financial technology and explored the prospects of tokenisation of financial assets and other real-world assets.

It also reviewed cybersecurity preparedness across the financial sector and took note of the Financial Sector Cyber Security Strategy formulated by an inter-ministerial group comprising financial regulators and cybersecurity agencies, in coordination with the Department of Economic Affairs, Department of Financial Services and Ministry of Electronics and Information Technology.

The strategy is expected to strengthen the financial sector’s overall cyber resilience. Discussions also covered the protection of critical information infrastructure and cybersecurity preparedness at regional rural banks.