

RBI Governor's 5 Priorities for Financial Stability

Prelims: Current events of national and international importance | Economy

Why in News?

Recently, the RBI Governor Sanjay Malhotra highlighted 5 priorities for maintaining financial stability at the 5th Kautilya Economic Conclave.

5 Priorities for Financial Stability

Build Systemic Resilience

- Financial stability does **not require the prevention of all shocks**.
- The emphasis should be on **absorbing shocks and preventing their amplification**.
- Shocks may be categorized as follows:
 - **Endogenous** shocks originate within the financial system.
 - **Exogenous** shocks originate outside the financial system.
- The financial system should maintain its core functions even during **severe shocks**.

Assessment of Emerging Systemic Risks

- Systemic risks are increasingly **cross-border, interconnected, and external**.
- Potential future crises may arise from geopolitical events, cyberattacks, or technological failures.
- It is essential to identify **interdependencies and channels of contagion**.
- **Scenario analysis** should serve as a central component of risk management.

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Enhancing Monitoring and Data Collection

- More comprehensive **and granular data** are required to improve risk assessment.
- Current data gaps are evident in the following areas:
 - Non-bank financial institutions (NBFIs)
 - Interconnected financial exposures
 - Dependencies on technological infrastructure
 - Cross-border financial positions
- Improved data quality directly enhances the effectiveness of risk assessment.

Ensure System-wide Resilience

- Resilience must encompass the entire financial system, not solely the **banking sector**.
- Key components include the following:
 - Banks
 - Non-bank financial institutions (NBFIs)
 - Financial markets
 - Payment systems
 - Technology infrastructure
 - Critical third-party service providers
 - Cross-border financial networks
- Financial instability originating in a single sector has the potential to propagate throughout the entire **financial system**.

Ensure Trustworthy Financial Innovation

- Key Emerging Technologies
 - Artificial Intelligence (AI)

- Tokenisation
- Novel Forms of Financial Intermediation
- Financial innovation must enhance, rather than undermine, **public trust**.
- Essential Elements to Preserve
 - Robust Institutional Frameworks
 - Settlement Finality
 - Singleness of Money
 - Financial Integrity

5th Kautilya Economic Conclave

- It is an initiative of the Institute of Economic Growth (IEG).
- **Held in** - New Delhi from 3 to 5 October 2026.
- **Organised with** - Ministry of Finance.
- **Theme** - “Resilience in an Age of Flux”.
- **First convened in** - 2022, the Conclave provides a forum for dialogue on contemporary economic and policy challenges.
- **Earlier edition’s themes**
 - “Redefining the Future” (2022),
 - “Navigating a World on Fire” (2023),
 - “The Indian Era” (2024) and
 - “Seeking Prosperity in Turbulent Times” (2025).

Reference

[The Hindu | RBI Governor’s 5 Priorities for Financial Stability](#)

