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May 2, 2014

Report of the High Level Working Group on Resolution Regime for Financial Institutions

The Sub-Committee of the Financial Stability and Development Council (FSDC) constituted a high level Working Group, with Shri Anand Sinha, the then Deputy Governor, RBI as Chairperson and Dr. Arvind Mayaram, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India as Co-Chairperson to suggest extensive strengthening of the resolution regime taking into consideration the structure of Indian financial institutions and the Financial Stability Board's Key Attributes of Effective Resolution Regime for Financial Institutions. The Group has submitted [its report](#) to the Governor, RBI and Chairman of the Sub-Committee of FSDC.

Today, there are some provisions contained in various Acts governing the respective financial institutions, which empower the respective regulator/supervisor and/or the central government to resolve different types of financial institutions in India once they run into viability problems. In order to bridge the gaps and develop an effective resolution regime for all financial institutions in line with the Key Attributes, the Group has made wide ranging recommendations taking into consideration the international best practices and work in major advanced jurisdictions as also the recommendations given by the Financial Sector Legislative Reforms Commission (FSLRC).

The Group emphasizes the need for a separate comprehensive legal framework providing the necessary powers and tools to resolve all financial institutions irrespective of ownership; and setting up of a single Financial Resolution Authority (FRA) that is institutionally independent of regulators/Government. The Group also recommends putting in place an early intervention mechanism in the form of a Prompt Corrective Action (PCA) framework with clear trigger levels for regulatory intervention in the early stages and for handing over to the resolution authority for initiating appropriate actions in the last stage.

The Report of the Working Group on Resolution Regime for Financial Institutions has today been placed in the website of Ministry of Finance (MoF)/Reserve Bank of India (RBI)/Securities and Exchange Board of India (SEBI)/Insurance Regulatory and Development Authority (IRDA)/Pension Fund Regulatory and Development Authority (PFRDA)/Financial Markets Committee (FMC) for inviting public comments. The comments, if any, on the recommendations of the Report, may be [e-mailed](#) or sent by post to the Principal Chief General Manager, Reserve Bank of India, Department of Banking Operations and Development, 12th Floor, Central Office Building, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001 on or before May 31, 2014.