



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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Reserve Bank of India Outlines the action plan to implement the Banking Regulation (Amendment) Ordinance, 2017.

In a Release today, the Reserve Bank of India outlined the steps taken and those on the anvil post the promulgation of the Banking Regulation (Amendment) Ordinance, 2017.

2. The amendments to the BR Act 1949, introduced through the Ordinance, and the notification issued thereafter by the Central Government empower RBI to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default, under the provisions of the Insolvency and Bankruptcy Code, 2016 (IBC). It also enables the Reserve Bank to issue directions with respect to stressed assets and specify one or more authorities or committees with such members as the Bank may appoint or approve for appointment to advise banking companies on resolution of stressed assets.

3. Immediately upon the promulgation of the Ordinance, the Reserve Bank issued a directive bringing the following changes to the existing regulations on dealing with stressed assets.

- (i) It was clarified that a corrective action plan could include flexible restructuring, SDR and S4A.
- (ii) With a view to facilitating decision making in the JLF, consent required for approval of a proposal was changed to 60 percent by value instead of 75 percent earlier, while keeping that by number at 50 percent.
- (iii) Banks who were in the minority on the proposal approved by the JLF are required to either exit by complying with the substitution rules within the stipulated time or adhere to the decision of the JLF
- (iv) Participating banks have been mandated to implement the decision of JLF without any additional conditionality.
- (v) The Boards of banks were advised to empower their executives to implement JLF decisions without further reference to them

It was made clear to the banks that non-adherence would invite enforcement actions.

4. Currently, the Oversight Committee (OC) comprises of two Members. It has been constituted by the IBA in consultation with RBI. It has been decided to reconstitute the OC under the aegis of the Reserve Bank and also enlarge it to include more Members so that the OC can constitute requisite benches to deal with the volume of cases referred to it. While the current Members will continue in the reconstituted OC, names of a few more will be announced soon. The Reserve Bank is planning to expand the scope of cases to be referred to the OC beyond those under S4A as required currently.

5. The Reserve Bank is working on a framework to facilitate an objective and consistent decision making process with regard to cases that may be determined for reference for resolution under the IBC. Reserve Bank has already sought information on the current status of the large stressed assets from the banks. The RBI would also be constituting a Committee comprised majorly of its independent Board Members to advise it in this matter.

6. The current guidelines on restructuring are under examination for such modifications as may be necessary to resolve the large stressed assets in the banking system in a value optimising manner. The Reserve Bank envisages an important role for the credit rating agencies in the scheme of things and, with a view to preventing rating-shopping or any conflict of interest, is exploring the feasibility of rating assignments being determined by the Reserve Bank itself and paid for from a fund to be created out of contribution from the banks and the Reserve Bank.

7. The Reserve Bank notes that the proper exercise of the enhanced empowerment would require coordination with and cooperation from several stakeholders including banks, ARCs, rating agencies, IBBI and PE firms, to which end the Reserve Bank would be holding meetings in the near future with these stakeholders.

8. The Reserve Bank will issue further updates as may be deemed necessary at an appropriate time.

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