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An Ordinance {Banking Regulation (Amendment) Ordinance, 2017} has been promulgated on 4th May 2017 authorising RBI to issue directions to any banking company 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.

The Overseeing Committee (OC) has been brought under the aegis of the Reserve Bank and the membership of the same has been enlarged to five. The reconstituted OC has been mandated to review resolution of cases where the aggregate exposure of the banking sector to the borrowing entity is greater than Rs.500 crore.

An Internal Advisory Committee (IAC) was constituted by Reserve Bank of India, which arrived at an objective, non-discretionary criterion for referring accounts for resolution under IBC. In particular, the IAC recommended for IBC reference of all accounts with fund and non-fund based outstanding amount greater than Rs.5000 crore, with 60% or more classified as non-performing by banks as of March 31, 2016. Accordingly, Reserve Bank of India has issued directions to certain banks for referring 12 accounts, qualifying under the aforesaid criteria, to initiate insolvency process under the Insolvency and Bankruptcy Code, 2016. As regards the other non-performing accounts which do not qualify under the above criteria, the IAC recommended that banks should finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks should be required to file for insolvency proceedings under the IBC.

This was stated by Shri Santosh Kumar Gangwar, Minister of State for Finance in written reply to a question in Rajya Sabha today.

DSM/SBS/KA

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