



Cabinet

Cabinet approves proposal to introduce the Financial Resolution and Deposit Insurance Bill 2017

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the proposal to introduce a Financial Resolution and Deposit Insurance Bill, 2017. The Bill would provide for a comprehensive resolution framework for specified financial sector entities to deal with bankruptcy situation in banks, insurance companies and financial sector entities.

The Financial Resolution and Deposit Insurance, Bill 2017 when enacted, will pave the way for setting up of the Resolution Corporation. It would lead to repeal or amendment of resolution-related provisions in sectoral Acts as listed in Schedules of the Bill. It will also result in the repealing of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 to transfer the deposit insurance powers and responsibilities to the Resolution Corporation.

The Resolution Corporation would protect the stability and resilience of the financial system; protecting the consumers of covered obligations up to a reasonable limit; and protecting public funds, to the extent possible.

The Government has recently enacted the Insolvency and Bankruptcy Code, 2016 ("Code") for the insolvency resolution of non- financial entities. The proposed Bill complements the Code by providing a resolution framework for the financial sector. Once implemented, this Bill together with the Code will provide a comprehensive resolution framework for the economy.

The Financial Resolution and Deposit Insurance Bill, 2017 seeks to give comfort to the consumers of financial service providers in financial distress. It also aims to inculcate discipline among financial service providers in the event of financial crises by limiting the use of public money to bail out distressed entities. It would help in maintaining financial stability in the economy by ensuring adequate preventive measures, while at the same time providing the necessary instruments for dealing with an event of crisis. The Bill aims to strengthen and streamline the current framework of deposit insurance for the benefit of a large number of retail depositors. Further, this Bill seeks to decrease the time and costs involved in resolving distressed financial entities.

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