

Yes Bank Limited Reconstruction Scheme, 2020

UNION OF INDIA

India

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Rule YES-BANK-LIMITED-RECONSTRUCTION-SCHEME-2020 of 2020

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Yes Bank Limited Reconstruction Scheme, 2020Published vide Notification No. G.S.R. 174(E), New Delhi, dated 13.3.2020Last Updated 6th June, 2020G.S.R. 174(E). - Whereas, the Yes Bank Limited is a banking company registered under the Companies Act, 1956 (1 of 1956) and carrying on the business of banking in India;And whereas, the rapidly deteriorating financial position of the Yes Bank Limited relating to liquidity, capital and other critical parameters, and the absence of any credible plan for infusion of capital necessitated the Reserve Bank of India to take immediate action in the public interest and particularly in the interest of the depositors and accordingly, the Yes Bank Limited was placed under moratorium by an order of the Government of India in the Ministry of Finance, Department of Financial Services vide notification number S.O. 993(E), dated the 5th March, 2020 in exercise of the powers conferred by sub-section (2) of section 45 of the Banking Regulation Act, 1949 (10 of 1949);And whereas, during the period of moratorium, the Reserve Bank of India has considered it necessary in the public interest and in the interest of the depositors and also to secure the management of the banking company, to prepare a scheme for the reconstruction of the concerned banking company;And whereas, the State Bank of India and certain other investors have expressed their willingness to make investment in the Yes Bank Limited and to participate in its reconstruction scheme;And whereas, the Central Government has accorded its sanction to the said scheme for reconstruction.Now, therefore, in exercise of the powers conferred by sub-section (4) and sub-section (7) of section 45 of the Banking Regulation Act, 1949 (10 of 1949), the Central Government hereby notifies the following scheme, namely: -

1. Short title and commencement.

(1)This Scheme may be called the Yes Bank Limited Reconstruction Scheme, 2020.(2)It shall come into force on the 13th day of March, 2020.

2. Definitions.

(1) In this Scheme, unless the context otherwise requires - (a) "Act" means the Banking Regulation Act, 1949 (10 of 1949); (b) "investor" means any person other than the investor Bank willing to invest in the reconstructed bank under this Scheme; (c) "investor bank" means the State Bank of India, constituted under the State Bank of India Act, 1955 (23 of 1955); (d) "reconstructed bank" means the Yes Bank Limited, a banking company having its registered office at Yes Bank Tower, IFC-2, 15th Floor, Prabhadevi (W), Mumbai - 400013, Maharashtra; (e) "Reserve Bank" means the Reserve Bank of India, constituted under the Reserve Bank of India Act, 1934 (2 of 1934). (2) Words and expressions used herein and not defined but defined in the Act shall have the meanings respectively assigned to them in the Act.

3. Share capital of reconstructed bank.

(1) The authorised capital of the reconstructed bank shall stand altered to Rs. 62,00,00,00,000 (Rupees Six thousand two hundred crore only) and number of equity shares to 30,00,00,00,000 (Three thousand crore only) of rupees two only each, aggregating to Rs. 60,00,00,00,000 (Rupees Six thousand crore only). (2) The authorised preference share capital shall continue to be Rs. 200,00,00,000 (Rupees two hundred crore only). (3) The investor bank and other investors, shall invest in the reconstructed bank and the reconstructed bank shall allot equity shares of the reconstructed bank, at a price of rupees ten only with face value of rupees two only and premium of rupees eight only, subject to the condition that post infusion of equity capital, the equity shareholding of the investor bank shall not be less than twenty-six percent. and not more than forty-nine per cent. of the total equity shares of the reconstructed bank. (4) The investor bank shall not reduce its equity shareholding below twenty six per cent. of the total equity shareholding of the reconstructed bank before completion of three years from the date of allotment of the shares. (5) An investor, other than the investor bank, may exercise voting rights to the extent of - (i) its shareholding; or (ii) nine per cent. of the total voting rights of all the shareholders of reconstructed bank; or (iii) as may be decided by the Reserve Bank, whichever is lower: Provided that the Reserve Bank may after satisfying itself that an investor (other than the investor bank) holding more than nine percent of the equity shares in the reconstructed bank is 'fit and proper' to hold voting rights in excess of nine per cent., permit such investor to exercise voting rights to the extent of its shareholding or up to fifteen per cent. of the total voting rights of all equity shareholders of the reconstructed bank, whichever is less. (6) The reconstructed bank shall allot its equity shares within two working days following the commencement of this Scheme. (7) The investor bank and investors who have subscribed to the shares of the reconstructed bank under this Scheme shall not be liable to pay capital gains tax under the Income-tax Act, 1961 (43 of 1961) for any deemed profits or gains on account of such subscriptions. (8) There shall be a lock-in period of three years from the commencement of this Scheme to the extent of seventy-five per cent. in respect of - (a) shares held by existing shareholders on the date of such commencement; (b) shares allotted to the investors under this Scheme: Provided that the said lock-in period shall not apply to any shareholder holding less than one hundred shares.

4. Alteration of articles of association of reconstructed bank.

- The following articles of association of the reconstructed bank shall be omitted, namely: -(a)article 110(b);(b)article 127 (b);(c)article 127A (a); and(d)article 127A (b).

5. Constitution of Board of Directors.

(1)The office of the Administrator of the reconstructed bank, appointed by the Reserve Bank of India, shall stand vacated immediately after seven calendar days from the date of cessation of moratorium under paragraph 11 and a new Board of Directors shall be reconstituted comprising of the following persons, namely: -(i)Shri Prashant Kumar, former Chief Financial Officer and Deputy Managing Director of State Bank of India, as Chief Executive Officer and Managing Director;(ii)Shri Sunil Mehta, former Non-Executive Chairman of Punjab National Bank, as Non-Executive Chairman;(iii)Shri Mahesh Krishnamurthy as Non-Executive Director;(iv)Shri Atul Bheda as Non-Executive Director.(2)The investor bank shall nominate two officers as Directors in addition to the members appointed under sub-paragraph (1).(3)The Reserve Bank of India may appoint one or more persons as additional directors as it may consider necessary.(4)Any investor who is permitted to have voting right of fifteen per cent. shall have the right to nominate one director on the Board constituted under sub-paragraph (1).(5)It will be open to the Board of Directors to co-opt more directors to it, so however that the total membership in the Board, excluding the additional directors appointed by the Reserve Bank of India under sub-paragraph (3), shall not exceed the maximum prescribed by the articles of association.(6)The appointment of the directors shall have effect, notwithstanding non-fulfillment of any requirement as to minimum shareholding, qualification, experience or any other condition, for being a director of the reconstructed bank.(7)The members of the Board, other than the additional directors, so appointed shall continue in office for a period of one year, or until an alternate Board is constituted by reconstructed bank in accordance with the procedure laid down in its memorandum and articles of association, whichever is later.(8)Any defect in the constitution or any vacancy in the Board shall not invalidate any meetings conducted by the Board or any decision taken by it.(9)The investor bank and the investors shall be treated as 'public shareholders' of the reconstructed bank for a period of five years from the date of allotment of shares to them under all applicable laws.

6. Rights and liabilities of reconstructed bank.

(1)Unless otherwise expressly provided in this Scheme, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature, subsisting or having effect immediately before the commencement of this Scheme, shall be effective to the extent and in the same manner,as was applicable before such commencement.(2)It shall not be necessary to obtain the consent of any third party or other person who is a party to any of the aforesaid instruments or arrangements to give effect to them.(3)All the deposits with and liabilities of the reconstructed bank, except as provided in this Scheme, and the rights, liabilities and obligations of its creditors, shall continue in the same manner and with the same terms and conditions, completely unaffected by this Scheme.(4)No person shall be entitled to get any compensation from the reconstructed bank on account of the changes in the reconstructed bank by

virtue of this Scheme.(5)Any cause of action accrued, suit, appeal or other proceeding of whatever nature pending, and decree or recovery certificate obtained by or against the reconstructed bank, shall remain unaffected by this Scheme.

7. Continuation of services of employees.

- All employees of the reconstructed bank shall continue to be employees of the reconstructed bank with the same remuneration and on the same terms and conditions of service, including terms of determination of service and retirement, as were applicable to such employees immediately before the commencement of this Scheme, for a minimum period of one year:Provided that the Board of Directors of the reconstructed bank shall, for reasons to be recorded in writing and after following the due procedure, discontinue the services of the key managerial personnel at any time as it deems necessary.

8. No change in offices or branch network of reconstructed bank.

(1)The offices and branches of the reconstructed bank shall continue to function in the same manner and at the same location where they were functioning prior to the commencement of this Scheme, without in any way being affected by this Scheme.(2)It shall be open to the reconstructed bank to open new offices and branches or close down existing offices or branches, in accordance with the guidelines of the Reserve Bank and after complying with the necessary terms and conditions.

9. Furnishing statements and information.

- The reconstructed bank shall submit to the Reserve Bank such statements and information as may be required by the Reserve Bank from time to time, regarding the implementation of this Scheme or any other matter relating thereto.

10. Manner of service of notice.

(1)Any notice or other communication required to be given to the reconstructed bank shall be considered to be duly given, if addressed to and sent by speed post or by courier or by prepaid ordinary post or by email at the address of the registered office of the reconstructed bank.(2)Notwithstanding anything contained in sub-paragraph (1), any notice or communication, which is of general interest, shall be advertised, in addition, in one or more daily newspapers, which may be in circulation at the place where the registered office of the reconstructed bank is situated.

11. Cessation of moratorium.

- The order of moratorium on the reconstructed bank issued by the Government of India in the Ministry of Finance, Department of Financial Services vide notification number S.O. 993(E), dated the 5th March, 2020 shall cease to have effect on the third working day at 18:00 hours from the date of commencement of this Scheme.

12. Interpretation of the provisions of the Scheme.

- If any doubt arises in the interpretation of the provisions of this Scheme, the matter shall be referred to the Reserve Bank and its views on the issue shall be final and binding on all concerned.