Banking Regulation Act

Why in news?

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The government has notified the Banking Regulation (Amendment) Act.

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What is the need?

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- The banking sector is stressed with non-performing assets (NPAs) of over Rs 8 lakh crore.
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- The bulk of the NPAs are in sectors such as power, steel, road infrastructure and textiles.
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- So in May the government had promulgated an ordinance authorising the RBI to issue directions to banks to initiate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016.
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- Following this, the RBI had identified 12 accounts each having more than Rs 5,000 crore of outstanding loans and accounting for 25% of total NPAs of banks for immediate referral for resolution under the bankruptcy law.
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- The loan defaulters identified by the RBI include, Essar Steel, Bhushan Steel, ABG Shipyard, Electrosteel and Alok Industries.
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- This act replaces the Banking Regulation Ordinance.
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What are the highlights of the act?

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- Under the act the government can authorise the RBI to issue directions to banks to initiate insolvency resolution process to recover bad loans.

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- RBI can issue directions to banks for resolution of stressed assets.

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- The RBI can specify authorities or committees to advise banks on resolution of stressed assets. The members on the committees will be appointed or approved by the RBI.

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- The Bill inserts a provision to state that it will also be applicable to the State Bank of India, its subsidiaries, and Regional Rural Banks.

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Source: Business Line

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