SHANKAR IAS PARLIAMENT
Information is Empowering

Banking Regulation (Amendment) Bill, 2017

Why in news?

\n\n

Recently, the Union Finance Minister introduced the Banking Regulation (Amendment) Bill, 2017, in the Lok Sabha.

\n\n

What are the provisions of the bill?

\n\n

\n
- It seeks to amend the Banking Regulation Act, 1949 and replace the Banking Regulation (Amendment) Ordinance, 2017.
\n
- It empowers the RBI to resolve the problem of stressed assets.
\n
- It allows the RBI to initiate insolvency resolution process on specific stressed assets.
\n
- The RBI will also be empowered to issue directives for resolution and appoint authorities or committees to advise the banking companies on stressed asset resolution.
\n
- The recovery proceedings will be carried out under the Insolvency and Bankruptcy Code, 2016 that provides for a time-bound process to resolve defaults.
\n

\n\n

What was the need?

\n\n

\n
- Non-performing assets of the banks have risen to Rs.9 lakh crore.
\n
- Hence, urgent measures are required for their speedy resolution.
\n

- Therefore, it was considered necessary to make provisions in the Banking Regulation Act, 1949 for authorizing the Reserve Bank of India to issue directions to any banking company or banking companies in this regard.
\n
- It has to be done to effectively use the provisions of the Insolvency and Bankruptcy Code, 2016 for timely resolution of stressed assets.
\n

\n\n

What actions are taken by RBI?

\n\n

\n
- RBI’s internal advisory committee has already identified 12 large stressed cases, for proceedings under the insolvency and bankruptcy code.
\n
- Subsequently, the central bank advised banks to set aside 50% provisioning against secured exposure and 100% against unsecured exposure in all cases referred for bankruptcy.
\n
- Action under the Insolvency and Bankruptcy Code has already begun in certain cases, including Essar Steel, Bhushan Steel and Bhushan Power & Steel.
\n
- Critics also feel that giving such powers to the RBI will switch its attention from macro-economic issues to micro-economic issues and render the bank management useless.
\n

\n\n

\n\n

Source: The Hindu, Live Mint

\n