

## Arun Jaitley introduces bill in Lok Sabha to replace banking ordinance

**New Delhi:** Finance minister Arun Jaitley introduced in the Lok Sabha on Monday the Banking Regulation (Amendment) Bill, 2017, which empowers the Reserve Bank of India (RBI) to resolve stressed assets clogging the banking system.

This bill seeks to amend the Banking Regulation Act, 1949 and replace the Banking Regulation (Amendment) Ordinance, 2017, which was promulgated on 4 May.

It gives powers to the Reserve Bank of India (RBI) to ask any bank to initiate insolvency proceedings and give directions for resolution of stressed assets.

“Stressed assets in the banking system have reached unacceptably high levels and hence, urgent measures are required for their speedy resolution...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 to effectively use the provisions of the Insolvency and Bankruptcy Code, 2016 for timely resolution of stressed assets,” Jaitley said in a statement of intent, which is a part of the bill.

RBI's internal advisory committee has already identified 12 large stressed cases, accounting for a quarter of India's total gross non-performing assets, for proceedings under the insolvency and bankruptcy code.

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.

Of the 12 stressed accounts, the National Company Law Tribunal has already admitted bankruptcy proceedings against five—Jyoti Structures Ltd, Monnet Ispat and Energy Ltd, Alok Industries Ltd, Electrosteel Steels Ltd and Amtek Auto Ltd.

This means that the boards of the companies will be dissolved and an interim resolution professional (IRP) appointed by lenders.

The IRP will get 180 days, extendable to 270, to run the company and come out with a solution.

If no solution is found within this time frame, the company will be liquidated.

“The turnaround should happen in such a manner that it is acceptable to all stakeholders (especially those banks who have large exposure),” said Karthik Srinivasan, group head of financial sector ratings at Icra.

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