

## SCHEME FOR YES BANK GETS CABINET NOD

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

The Union Cabinet on Friday approved a reconstruction scheme for Yes Bank, as proposed by the Reserve Bank of India, under which the State Bank of India (SBI) will acquire 49% stake in the ailing bank.

“The Cabinet has approved the reconstruction scheme for Yes Bank as was proposed by the RBI. The decision to provide a reconstruction scheme keeps at its core the protection of depositors’ interest, keeps at its core providing stability to Yes Bank, and also keeps at its core keeping a stable financial environment, banking system,” Finance Minister Nirmala Sitharaman said at a press conference after the Cabinet meeting.

Sharing key features of the restructuring plan, the Finance Minister said SBI would invest up to 49% of the equity in the crisis-ridden bank. “Other investors are also being invited, and quite a lot of engagement by the RBI is happening to bring in other investors.”

Ms. Sitharaman said there would be a three-year lock-in period for SBI, but only for up to 26% of investment by them. For other players too, the lock-in will remain at three years. However, it will be for 75% of their investments.

Additionally, “The authorised capital itself has been raised from Rs. 1,100 crore to Rs. 6,200 crore, so that we can accommodate immediate and also subsequent raising of capital requirements,” she said.

The Minister added that further details of the plan would be available in the notification, which would happen as soon as possible. The new board would have at least two directors from SBI as its members.

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