

Info Capsule

RBI IDENTIFIES ACCOUNTS FOR REFERENCE BY BANKS UNDER THE INSOLVENCY AND BANKRUPTCY CODE (IBC)¹

The Reserve Bank of India had issued a Press Release on May 22, 2017 outlining the steps taken and those on the anvil pursuant to the promulgation of the Banking Regulation (Amendment) Ordinance, 2017. The Press Release had mentioned inter alia that the RBI would be constituting a Committee comprised majorly of its independent Board Members to advise it in regard to the cases that may be considered for reference for resolution under the Insolvency and Bankruptcy Code, 2016 (IBC).

1. An Internal Advisory Committee (IAC) was accordingly constituted and it held its first meeting on June 12, 2017. The IAC, in the meeting, agreed to focus on large stressed accounts at this stage and accordingly took up for consideration the accounts which were classified partly or wholly as non-performing from amongst the top 500 exposures in the banking system.
2. The IAC also arrived at an objective, non-discretionary criterion for referring accounts for resolution under IBC. In particular, the IAC recommended for IBC reference all accounts with fund and non-fund based outstanding amount greater than Rs. 5000 crore, with 60% or more classified as non-performing by banks as of March 31, 2016. The IAC noted that under the recommended criterion, 12 accounts totaling about 25 per cent of the current gross NPAs of the banking system would qualify for immediate reference under IBC.
3. As regards the other non-performing accounts which do not qualify under the above criteria, the IAC recommended that banks should finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks should be required to file for insolvency proceedings under the IBC.
4. The Reserve Bank, based on the recommendations of the IAC, will accordingly be issuing directions to banks to file for insolvency proceedings under the IBC in respect of the identified accounts. Such cases will be accorded priority by the National Company Law Tribunal (NCLT).
5. The details of the resolution framework in regard to the other non-performing accounts will be released in the coming days.
6. The circular on revised provisioning norms for cases accepted for resolution under the IBC is being issued separately.

¹ Available at: https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=40743

STATES SHORTLISTED BY NITI FOR TRANSFORMATIVE CHANGE IN HEALTH AND EDUCATION²

NITI Aayog has initiated a unique and novel initiative to catalyze transformational change in key Social Sectors. Under SATH (Sustainable Action for Transforming Human Capital), NITI Aayog and its knowledge partners will provide strategic, technical and implementation support to three states for each sector. A Committee comprising of Member, NITI Aayog, Advisers of NITI Aayog and representatives of Health and Education Ministry spent two days assessing and vetting presentations by 14 States for each of the two social sectors. The States showcased the initiatives undertaken by them thus far, their willingness to accelerate improvement and justified why they should be selected for the institutional support being offered by NITI Aayog under the program.

Transformative change in social sector is challenging as the pace is slow, as compared to the infrastructure sector. The issues are multi-layered and complex, involving both governance and building capacity of human capital. NITI Aayog has taken up this challenge and has decided to deep dive into handholding the States through a time bound and outcome oriented process. After final selection of the States, a Program Management Unit to push for efficiency and efficacy in governance structures and service delivery will be available at the State level for a period of 30 months. It is expected that these 36 months of focussed attention and support from the premier think tank will lead to a marked transformation and will also provide a model for other States to replicate and adapt.

In Health sector, five States have been shortlisted as run up to the final selection of three. These are, Uttar Pradesh, Bihar, Assam, Karnataka and Gujarat. Similarly in Education, the shortlisted States are Madhya Pradesh, Odisha, Chhattisgarh, Jharkhand and Andhra Pradesh. In both sectors, the States have to commit to a time-bound focus, governance reforms and delivery of outcomes for final selection for the partnership. The proposed partnership of NITI Aayog, States and a knowledge partner is challenging and ambitious as the baseline of various indicators and parameters of education and health in the States are in public domain. All stakeholders will be under pressure from the day of signing of the MOU to initiate reforms or processes which will show improvement in education and learning outcomes.

The initiative is interesting on another theoretical level too, as it defines a new dimension for cooperative federalism, where NITI Aayog and its knowledge partner will actively aid implementation of their recommendations, in addition to just policy inputs. Depending on the promptness of the response of governance commitments posed to them, the final selection of the three States in each of the sectors is expected to be completed in July 2017.

Team ICSI

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² Available at: <http://pib.nic.in/newsite/erelease.aspx>