

Joint Committee Report Summary

Financial Resolution and Deposit Insurance Bill, 2017

- The Joint Committee on the Financial Resolution and Deposit Insurance Bill, 2017 (Chair: Mr. Bhupender Yadav) submitted its report on August 1, 2018. The Bill was introduced in Lok Sabha and subsequently referred to the Joint Committee on August 10, 2017.
- The Bill seeks to create a framework for resolving bankruptcy in financial firms (such as banks and insurance companies). It provides for the establishment of a Resolution Corporation, the functions of which include: (i) classifying financial firms on the basis of their risk of failure, (ii) providing deposit insurance to banks (to repay deposits to consumers in case of failure), and (iii) undertaking resolution or liquidation of financial firms in case of failure.
- The Corporation may resolve the financial firm using any of the following methods: (i) transfer of assets and liabilities to another entity, (ii) merger or acquisition, (iii) transferring assets and liabilities of the financial firm to a temporary firm known as a bridge financial firm, (iv) bail-in (involving internal restructuring of liabilities including conversion of debt into equity), or (v) liquidation.
- **Notice of the motion for withdrawal:** A notice of the motion for withdrawal of the Bill, along with a statement of reasons, was referred to the Joint Committee on July 23, 2018 by the Finance Minister. The statement of reasons for withdrawal specified apprehensions raised by stakeholders and the public about several provisions of the Bill, including: (i) use of a bail-in instrument to resolve a failing bank, (ii) adequacy of the deposit insurance cover, and (iii) application of the resolution framework to public sector banks. The motion stated that resolution of these issues would require a comprehensive examination and reconsideration of the Bill.
- The Committee considered the notice of the motion for withdrawal, and agreed with the proposal of the government to withdraw the Bill. It recommended that the leave to withdraw the Bill be granted.

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