

**Press Information Bureau
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Ministry of Finance**

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Provisions of the Financial Resolution and Deposit Insurance Bill, 2017 meant to protect interests of depositors

The Financial Resolution and Deposit Insurance Bill, 2017 (FRDI Bill), introduced in the Lok Sabha on August 11, 2017, is under consideration of the Joint Committee of the Parliament. The Joint Committee is consulting all the stakeholders on the provisions of the FRDI Bill. Certain misgivings have been expressed in the media regarding “bail-in” provisions of the FRDI Bill. The provisions contained in the FRDI Bill, as introduced in the Parliament, do not modify present protections to the depositors adversely at all. They provide additional protections to the depositors in a more transparent manner.

Presently, each depositor of banks can be only protected up to a limit of Rs. 1 lakh by the guarantee of the Deposit Insurance and Credit Guarantee Corporation (DICGC). Remaining deposits (i.e. beyond Rs. 1 lakh of deposits in a bank) do not have any deposit protection guarantee and are treated, at par with claims of unsecured creditors as of now. Besides providing similar protection / guarantee of Rs. 1 lakh to depositors, as it exists today, the rights of uninsured depositors are being placed at an elevated status in the FRDI Bill compared to the existing legal arrangements over the unsecured creditors and even Government dues.

The FRDI Bill is far more depositor friendly than many other jurisdictions, which provide for statutory bail-in, where consent of creditors / depositors is not required for bail-in.

The FRDI Bill does not propose in any way to limit the scope of powers for the Government to extend financing and resolution support to banks, including public sector banks. Government’s implicit guarantee for public sector banks remains unaffected.

Indian Banks have adequate capital and are also under prudent regulation and supervision to ensure safety and soundness, as well as systemic stability. The existing laws ensure the integrity, security and safety of the banking system. In India, all possible steps and policy measures are taken to prevent the failure of banks and protection of interests of depositors (e.g. issue of directions / prompt corrective action measures, capital adequacy and prudential norms). The FRDI Bill will strengthen the system by adding a comprehensive resolution regime that will help ensure that, in the rare event of failure of a financial service provider, there is a system of quick, orderly and efficient resolution in favour of depositors.
