

Financial Resolution and Deposit Insurance Bill 2017



Introduction :

The union cabinet has approved the Financial Resolution and deposit Insurance Bill 2017 to get introduced in the parliament. This bill is similar to the Insolvency and Bankruptcy code, 2016. It seeks to provide a comprehensive resolution framework to deal with Bankruptcy or other financial distress. Hence, This bill deals with the companies that are in financial sector (Banks, Insurance companies, specified financial sector entities).

Background:

In India there was never an effective framework to deal with Bankruptcy. In the 2016-17 budget speech Union Finance Minister Mr Arun Jaitley said, " A systematic vacuum exists with regard to bankruptcy situation in financial firms. A comprehensive code on resolution on financial firms will be introduced as a bill in the Parliament." On March 15, 2016 a committee headed by Mr. Ajay Tyagi, Additional secretary, Department of Economic Affairs, Ministry of Finance to draft and submit the bill. Purpose of this bill is to create resolution regime for financial Institution when they face crisis without creating financial burden for the taxpayers. On 31st October, 2016 it was approved to be introduced in the Parliament.

Key Features:

- It makes the financial service providers to maintain the discipline in the event of financial crisis.
- It seeks to decrease the time and cost involved in resolving distressed financial entities.
- According to the finance Ministry FRDI bill, 2017 seeks to protect customers of Financial service providers during financial crisis.
- Strengthening and streamlining the current framework of Deposit insurance for the benefit of retail depositor is the main purpose.

What are the benefits:

- It promotes ease of doing business in the country.
- Provides financial Inclusion and increases access to credit.
- The bill would also help in maintaining financial stability in the economy by ensuring adequate prevention measures.
- It can benefit large number of retail depositors as it seeks to decrease the time and cost involved.
- It increases enterprise growth, which leads to overall growth and employment generation.
- The Govt. Has already enacted the Insolvency and Bankruptcy Code, 2016 for the resolution of Insolvency in Non-financial entities.