

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. 4270

TO BE ANSWERED ON THE 22ND MARCH 2021/ CHAITRA 1, 1943 (SAKA)

Foreign Banks

4270. SHRI BALASHOWRY VALLABHANENI:

Will the Minister of FINANCE be pleased to state:

- (a) the details of Prompt and Corrective Action Plan prescribed for foreign banks by the Reserve Bank of India (RBI);
- (b) the action taken by RBI, if foreign bank reaches to significantly or critically undercapitalized situation;
- (c) the manner in which deposits, etc., of customs of such banks are protected by RBI under FDI Act and other relevant Acts; and
- (d) the manner in which the corrective Action Plan of RBI is different from other countries?

ANSWER

THE MINISTER OF STATE FOR FINANCE

(SHRI ANURAG SINGH THAKUR)

(a): Reserve Bank of India (RBI) has informed that 'Revised Prompt Corrective Action (PCA) Framework' guidelines issued, *vide* circular dated 13.4.2017, are applicable to all scheduled commercial banks including foreign banks. Capital, asset quality and profitability are the key triggers for invoking PCA Framework. These parameters are tracked through Capital to Risk Weighted Assets Ratio (CRAR)/Common Equity Tier 1 (CET1) ratio, Net Non-Performing Assets (NNPA) ratio and Return on Assets. Leverage is monitored additionally through Tier 1 Leverage Ratio as part of the PCA framework.

(b): As per RBI inputs, under PCA framework, following actions are taken related to capital position of a bank including foreign bank—

- (i) Detailed Board level review of capital planning;
- (ii) Submission of plans and proposals for raising additional capital; and
- (iii) Requiring the bank to bolster reserves through retained profits

RBI has further informed that breach of 'Risk Threshold 3' of CET 1 capital under the PCA framework, by a bank would identify a bank as a likely candidate for resolution through tools like amalgamation, reconstruction, winding up, etc.

In addition to the above, following actions are taken by RBI under PCA framework, to control credit and market risks, which have bearing on capital position of a bank—

Credit Risk related actions

- (i) Preparation of time bound plan and commitment for reduction of stock of NPAs,
- (ii) Preparation of and commitment to plan for containing generation of fresh NPAs,
- (iii) Strengthening of loan review mechanism,
- (iv) Reduction in unsecured exposures,
- (v) Reduction in loan concentrations in identified sectors, industries or borrowers.

Market Risk related actions

- (i) Restrictions on/reduction in borrowings from the inter-bank market,
- (ii) Restrictions on accessing/renewing wholesale deposits/costly deposits.

(c) RBI has informed that the Deposit Insurance and Credit Guarantee Corporation (DICGC) insures all bank deposits, such as savings, fixed, current, recurring etc. All commercial banks including the branches of foreign banks functioning in India are covered by the Deposit Insurance Scheme. Each depositor in a bank is insured up to a maximum of ₹five lakh.

(d) RBI has informed that no information with regard to corrective action plan of other countries is maintained by it.
