

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA

STARRED QUESTION NO. *343

ANSWERED ON – MONDAY, MARCH 28, 2022/ CHAITRA 7, 1944 (Saka)

INSURANCE FOR BANK DEPOSITS

*343. SHRI VELUSAMY P.:

SHRI SHANMUGA SUNDARAM K.:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Financial Resolution and Deposit Insurance Bill which was withdrawn in 2018 due to its controversial provision of bail-in that was perceived as undermining safety of depositors is being contemplated and if so, the details thereof;
- (b) whether the Government is having any consultation with the Reserve Bank of India for drafting fresh legislation to deal with the financial firm's insolvency;
- (c) if so, the details thereof along with the steps taken by the Ministry to secure the interest/safety of the depositors;
- (d) whether the Government is having any proposal to bring a comprehensive legislation to deal with the Non-Banking Financial Companies; and
- (e) if so, the details thereof and if not, the reasons therefor?

ANSWER

MINISTER OF FINANCE
(SMT. NIRMALA SITHARAMAN)

(a) to (e): A statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (E) OF LOK SABHA
STARRED QUESTION NO. 343 FOR 28.03.2022 RAISED BY SHRI VELUSAMY P.
AND SHRI SHANMUGA SUNDARAM K. REGARDING “INSURANCE FOR BANK
DEPOSITS”**

(a) to (c): The Financial Resolution and Deposit Insurance Bill, 2017 (FRDI Bill) was introduced in Lok Sabha in August, 2017 and thereafter was referred to the Joint Committee of Parliament for examination and report thereon. The main objective of the FRDI Bill was to create a specialised resolution mechanism for select financial sector entities. The Government had withdrawn the FRDI Bill in August, 2018 for further comprehensive examination and reconsideration of the subject. The Government has not taken a decision to bring a new law to provide for a legal framework for resolution of financial firms.

With a view to provide a greater measure of protection to depositors in banks the Deposit Insurance and Credit Guarantee Corporation (DICGC) has raised the limit of insurance cover for depositors in insured banks from the level of ₹1 lakh to ₹5 lakh per depositor with effect from February 4, 2020 with the approval of Government of India. Further, the DICGC Act, 1961 was amended in August, 2021 with a view to address concerns about difficulties faced by depositors from accessing their own deposits due to imposition of restrictions on withdrawal of deposits placed by the Reserve Bank of India and provide that depositors can get easy and time-bound access to their deposits to the extent of deposit insurance cover through interim payments by DICGC.

(d) and (e): The Government has already notified the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 (“Rules”) on November 15, 2019 to provide a generic framework for insolvency and liquidation proceedings of systemically important Financial Service Providers (FSPs) other than banks. Subsequently, the Government has also notified vide Notification dated November 18, 2019, that the insolvency resolution and liquidation proceedings of the Non-Banking Finance Companies (including housing finance companies) with asset size of Rs.500 crore or more shall be undertaken in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016 (IBC, 2016). Accordingly, the framework to deal with the select Non-Banking Finance Companies is already in place under IBC, 2016.
