

## INDUSTRY SPEAKS

# Assocham asks Centre to drop 'bail-in' clause

■ Panic among depositors only due to the said provision

AGE CORRESPONDENT  
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The government should remove the "bail-in" provision in the Financial Resolution and Deposit Insurance (FRDI) Bill as part of its commitment that depositors' interest in case of a bank failure under would be fully protected, said Assocham on Thursday.

"The Centre's assurance that the depositors' interest in case of a bank going down under would be fully protected should be clearly and unambiguously spelt out in the Financial Resolution and Deposit Insurance (FRDI) bill and a clause that seeks to treat depositors as other creditors and shareholders for bail-in, must be removed," said Assocham.

The chamber said that the panic among the bank depositors has risen largely due to "bail-in" provisions in the FRDI Bill, something being tried for the first time in Indian financial markets.

"The intention seems to

## MOVE OPPOSED

■ Any move to copy the western model of "bail-in" must be avoided, said Assocham.

“The trust in the banking system runs the risk of being eroded and the savings by the households would find way into unproductive avenues like real estate, gold, jewellery and even in the unorganised and informal financial markets run by unscrupulous people



— D.S. Rawat,  
Secretary general,  
Assocham

be that it should not always be the government which should take a hit for a bail-out of a bank in trouble; and let the shareholders and other stakeholders, which include even the depositors be responsible for saving a financial entity," said Assocham.

It said that the government's assurance notwithstanding, sub-section 7 of Section 52 of the pro-

posed law clearly says that the "bail-in", to which depositors have strong objection to, shall not be applicable to deposits to the extent only covered by insurance. Now as of now, the deposits are covered only up to ₹1 lakh, which is a measly sum for millions of middle class families which have kept their life time savings in bank deposits, said Assocham.

Assocham secretary general D.S. Rawat said in the Indian context, the concept of "bail-in" especially by depositors should be completely done away with and their monies in the banks have to be protected at any cost.

"Otherwise, the trust in the banking system runs the risk of being eroded and the savings by the households would find way into unproductive avenues like real estate, gold, jewellery and even in the unorganised and informal financial markets run by unscrupulous people," said Mr Rawat.

He said the middle class families and especially those the pensioners, other old aged people have no social security and the bank deposits are the only financial security out of their life time savings. any case, the rising cost of health, which is mostly available in the private sector, is hurting this class. Any move to copy the western model of "bail-in" must be avoided, said Assocham.



## Assocham for removal of 'bail-in' clause in FRDI Bill

NEW DELHI, DECEMBER 14

Industry chamber Assocham today sought removal of the "bail-in" clause in the draft Financial Resolution and Deposit Insurance (FRDI) Bill.

It said the panic among the bank depositors has arisen largely due to "bail-in" provisions in the FRDI Bill, cautioning that the trust in the banking system runs the risk of being eroded if the clause is not done away with.

The draft Bill envisages a 'Resolution Corporation' which would prevent banks from going bankrupt by "writing down of the liabilities", a phrase some have interpreted as a "bail in".

"The government's assurance notwithstanding, Sub-section 7 of Section 52 of the proposed law clearly says that the bail-in, to which depositors have strong objection to, shall not be applicable to deposits to the extent only covered by insurance," said the chamber.

Assocham secretary general DS Rawat said in the Indian context, the concept of "bail-in" especially by depositors should be completely done away with and their monies in the banks have to be protected at any cost. — PTI



## Removal of 'bail-in' clause in FRDI Bill sought by Assocham

PTI ■ NEW DELHI

Industry chamber Assocham on Thursday sought removal of the 'bail-in' clause in the draft Financial Resolution and Deposit Insurance (FRDI) Bill. It said the panic among the bank depositors has arisen largely due to 'bail-in' provisions in the FRDI Bill, cautioning that the trust in the banking system runs the risk of being eroded if the clause is not done away with.

The draft bill envisages a 'Resolution Corporation' which would prevent banks from going bankrupt by 'writing down of the liabilities', a phrase some have interpreted as a 'bail in'. Prime Minister Narendra Modi on Wednesday said the Government is working to protect interest of bank customers and their deposits, as he sought to dispel rumours regarding the proposed FRDI Bill.

"The Government's assurance notwithstanding, Sub-section 7 of Section 52 of the proposed law clearly says that the bail-in, to which depositors have strong objection to, shall not be applicable to deposits to the extent only covered by insurance," said the chamber.

In a statement, it said the intention seems to be that it should not always be the Government which should take a hit for the bail-out of a bank in trouble; and let the shareholders and other stakeholders, which include even the depositors (above the limit of insured amount) be responsible for saving a financial entity.

"Now as of now, the deposits are covered only up to ₹one lakh, which is a measly sum for millions of middle class families which have kept their life time savings in bank deposits," it

... mulling increase in deposit insurance cover, says report

**NEW DELHI:** Amid concerns being raised on bank deposits under the draft FRDI Bill, an SBI research report on Thursday said the proposed law is contemplating an increase in deposit insurance coverage from the current ₹1 lakh. The proposed 'bail-in' clause in the draft Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 has raised a lot of concern among depositors who are worried that they may lose their deposits with banks, the SBI Ecwrap report said. **PTI**

said. Assocham Secretary General DS Rawat said in the Indian context, the concept of 'bail-in' especially by depositors should be completely done away with and their monies in the banks have to be protected at any cost.

"Otherwise, the trust in the banking system runs the risk of being eroded and the savings by the households would find way into unproductive avenues like real estate, gold, jewellery and even in the unorganised and informal financial markets run by unscrupulous people," he said.

He said the middle class families and especially the pensioners and other old-aged people have no social security and the bank deposits are their only financial security. The so-called 'bail-in' clause in the draft FRDI Bill, 2017 has been commented upon by experts as bringing potential harm to deposits, in the form of savings accounts.

