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# Banks to be forced to vote at other forums like in IBC

BY MAYUR SHETTY, TNN | JAN 31, 2018, 10.45 AM IST

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MUMBAI: Bankers plan to replicate the rigid timelines and forced decision-making that is ingrained in the [Insolvency and Bankruptcy Code \(IBC\)](#) in other forums where they meet to decide on resolution of bad loans outside bankruptcy proceedings.

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A major highlight of the bankruptcy process is that lenders are not allowed to abstain from the meetings or voting process. If they do, they are deemed to have voted against the proposals. This has forced fence-sitters to be more active in the bankruptcy process. Besides the voting and compulsion to be present, a key feature of the IBC is the fixed timeline of six to nine months within which lenders have to agree on a resolution, failing which the business gets liquidated.

A senior banker with a large state-owned lender said that a decision has been taken in the Joint Lenders' Forum (JLF) that banks will be forced to vote and a decision to abstain is treated as a vote against. The JLF as a forum was created by the Reserve Bank of India in 2014 to address cases of default where there are multiple lenders and the loan size is above Rs 100 crore. However, due to various shortcomings, the JLF was not able to successfully address the issue of non-performing assets (NPAs).

Sapan Gupta, partner and head of banking and finance at Shardul Amarchand Mangaldas & Co, said, "The IBC is one of the methods for banks to pursue recovery and, in the current environment, IBC is the first option. At some point of time, banks will have to examine various other options including the JLF. So the learning from one framework can get transferred to others."

According to Gupta, the biggest contribution of IBC is that it makes it compulsory for everyone to attend and if they do not attend it is a 'no' vote. "Voting has to happen either immediately when 100% of the [committee of creditors](#) (CoC) is present or within 72 hours of the [CoC](#) meeting through electronic vote. Those timelines are not there in JLF which leads to indecisiveness," said Gupta. "Also, the voting is related to loan exposure as against JLF which goes by number of votes. JLF also needs to take into account different types of lenders including non-institutional."

Another issue that currently comes in the way of resolution is that different lenders choose different forums to pursue recovery. "Bankers can take a stand that, when a bad loan is being pursued under JLF, the lenders will not seek any other remedy so that the borrower can focus and provide a solution," said Gupta.



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