

Business Standard

Urjit Patel's resignation: What RBI, Modi govt locked horns over

During Urjit Patel's tenure as governor, RBI had run-ins with the government on numerous issues

BS Reporter December 10, 2018 Last Updated at 23:45 IST



During Urjit Patel's tenure as governor, the Reserve Bank of India had run-ins with the government on a number of issues. Here are some of the instances:

Financial Resolution and Deposit Insurance Bill 2017

Govt: Proposed a resolution corporation for financial firms in

distress

RBI: Opposed various provisions, including the role of the corporation to avoid conflicts of jurisdiction

Economic capital framework

Govt: Review rules to allow RBI to part with more surplus funds to the government

RBI: Need a strong balance sheet to perform critical functions

Chairperson of Economic capital framework

Govt: Batted for former RBI governor Bimal Jalan

RBI: Wanted ex-RBI deputy governor Rakesh Mohan as the panel head

Regulatory powers over public, private banks

Govt: RBI has wide-ranging powers over PSBs

RBI: Regulatory powers over PSBs weaker than over private banks

Regulatory capital norms

Govt: Align them with global norms

RBI: Important to continue; any slack will be harmful

NBFC liquidity

Govt: Provide special refinance window and take other measures

RBI: Not a systematic issue; no need to act as lender of last resort for NBFCs

February 12 circular on NPAs

Govt: Dilute the norms to help power firms

RBI: No relaxation; duty-bound to resolve stressed assets in a time-bound manner

Norms for payments system

Govt: Proposed an independent payments regulatory board

RBI: Released a dissent note to say the board must remain within overall structure of RBI

RBI nominee on PSB boards

Govt: Gives us comfort

RBI: Our presence on boards is a conflict of interest

Governance reform in RBI

Govt: Need for participation of independent directors to ensure meetings are not closed doors

RBI: Governance structure robust; proposed minimal changes from its end

EXPERTS SPEAK

EXPERTSPEAK



Surprised that the RBI governor has resigned. The previous meeting was held in such cordial atmosphere. All directors said media had created a wrong perception while inside it was totally different

S GURUMURTHY, RBI part-time director



The resignation gives me mixed emotions. There should always be healthy creative tension between the RBI and the govt; but when it turns to destructive tension one of the parties have got to wilt

HARSH GOENKA, Chairman, RPG Group



The markets will obviously react badly because this is really very, very big and unsettling news. I suspect markets will take a while to come back to normalcy

SHANKAR SHARMA,
Vice-chairman & joint MD, First Global



After the last battle, it was clear something like this could happen. How can a self-respecting person stay on when being pushed around in this fashion

JAMAL MECKLAI,
CEO, Mecklai Financial Services



The Indian markets place great faith in the RBI. A lot will depend on the statements from the PMO and finance ministry in the next 24 hours. The market needs reassurance

SAURABH MUKHERJEA,
Founder, Marcellus Investment Managers



It is an unprecedented event. I expect the market downturn to extend further. If election results are not favorable, it could further intensify the sell-off

UR BHAT,
Director, Dalton Capital Advisor



More important, than post-mortem, is to watch who succeeds. It's very important that the government quickly finds a replacement with impeccable and high credentials to ensure continuity and stability

NIRMAL JAIN, chairman, IIFL Group



The government has to think about what signals it will send out. If the replacement is by a capable person this will all blow over

RAJEEV TALWAR, PHD Chamber of Commerce and Industry president