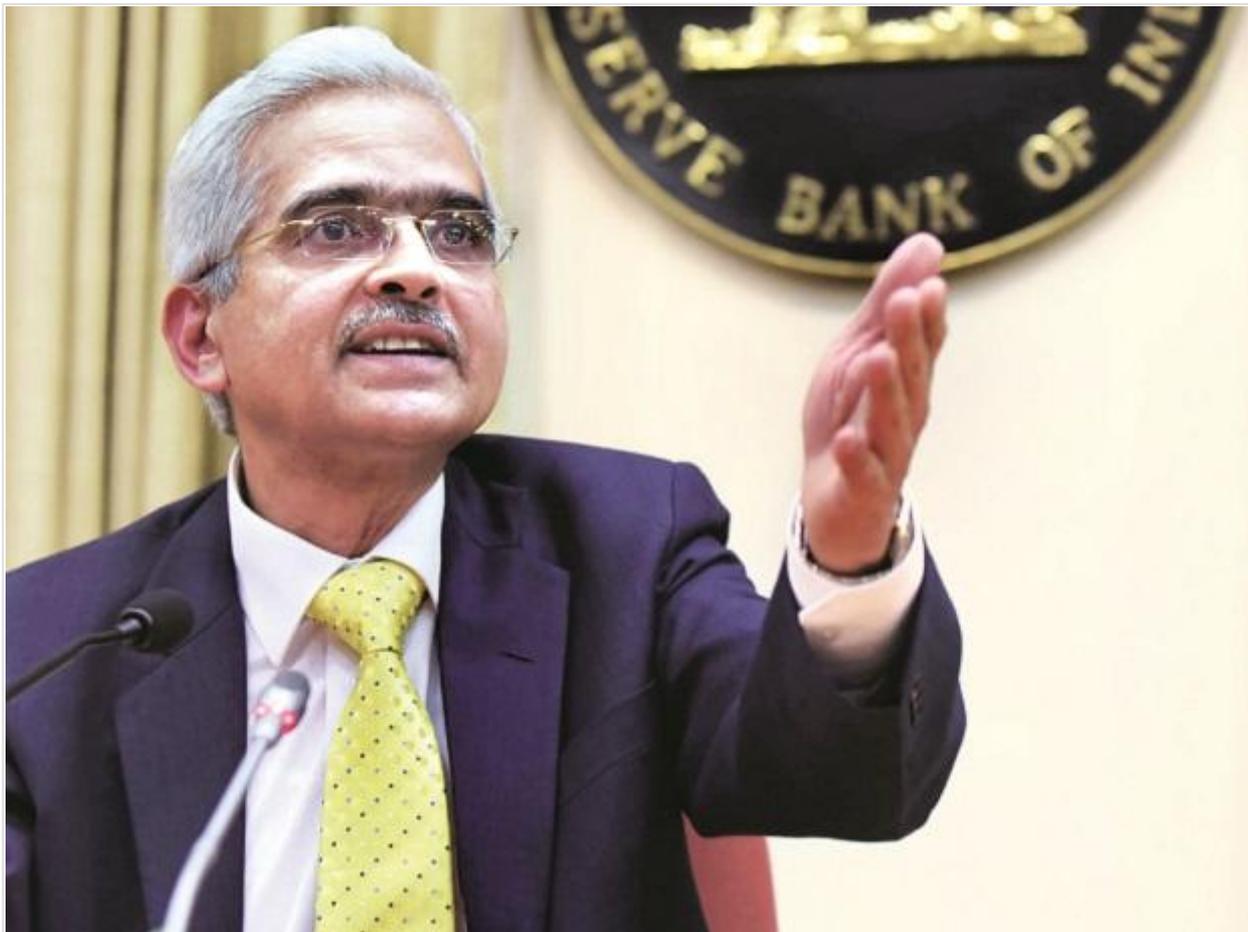


RBI to frame new rules on recasting bad loans after SC scraps circular

The banking regulator did not consult the government before issuing the circular, which drags a bunch of companies to the IBC, the court had said

Abhijit Lele | Mumbai April 04, 2019 Last Updated at 22:36 IST



With the Supreme Court striking down the Reserve Bank of India's (RBI's) February 12, 2018, circular, Governor

RBI governor Shaktikanta Das Photo: Kamlesh D Pednekar

Shaktikanta Das said on Thursday that the central bank would shortly come up with a revised circular for restructuring stressed assets.

Das said the apex court's order had not taken away any powers from the RBI. The powers were still vested with the regulator, he added, but they had to be exercised in a particular manner. The RBI would issue a revised circular without "undue delay", he told reporters after announcing the monetary policy.

"We will exercise the powers which Parliament has given to us and see that the resolution is done fast," he said. On Tuesday, a two-judge Bench of the Supreme Court comprising Justice Rohinton Nariman and Justice Vineet Saran had declared the February 12 circular as ultra vires of the law.

The banking regulator did not consult the government before issuing the circular, which drags a bunch of companies to the IBC, the court had said.

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Under the stringent RBI circular, banks had to recognise even one-day defaults and commence work for a resolution within 180 days to a stressed account. If they failed to cobble up a plan in 180 days, they had to send the account (Rs 2,000 crore and above) to bankruptcy courts.

Thirty-four power companies, which owe over Rs 2.2 trillion to banks, among other petitioners in the case, stand to benefit from the ruling as they will not be dragged to the NCLT now at a go but can negotiate debt restructuring with individual banks.

"The RBI stands committed to maintain and enhance the momentum of resolution of stressed assets and adherence to credit discipline," he said.

Das explained that Section 35AA of the amended Banking Resolution Act had been upheld by the SC but added that as per the statute, the RBI would have to exercise its powers "in respect of specific defaults by specific debtors".