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Market Watch

Yes Bank depositors' money is absolutely safe: RBI governor Shaktikanta Das

BY JOEL REBELLO, RAJESH MASCARENHAS & ASHWIN MANIKANDAN, ET BUREAU

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MUMBAI: The Reserve Bank of India (RBI) governor Shaktikanta Das on Monday dispensed with the usual regulatory formality to assure the man on the street that his deposits at Yes Bank are safe, with the central bank and the private lender's new investors putting together a 'credible' and sustainable' bailout package that seemingly appealed to investors.

In a hurriedly-called press conference, the governor expressed confidence that the depositors of the bank will remain "loyal" even as he reiterated that the RBI will offer necessary liquidity support, if required. "Depositors' money is absolutely safe and there is no reason for any undue worry. Depositors need not be in a rush to withdraw. Never in the banking history of India have depositors lost money. The present scheme also protects the interest of depositors," Das said.

Unlike earlier instances of bank failures in India, RBI this time has chosen not to merge the sick Yes Bank with a healthy one but instead has prepared a reconstruction plan in which an eight-member consortium led by State Bank of India (SBI) has collectively invested ₹10,000 crore in Yes.

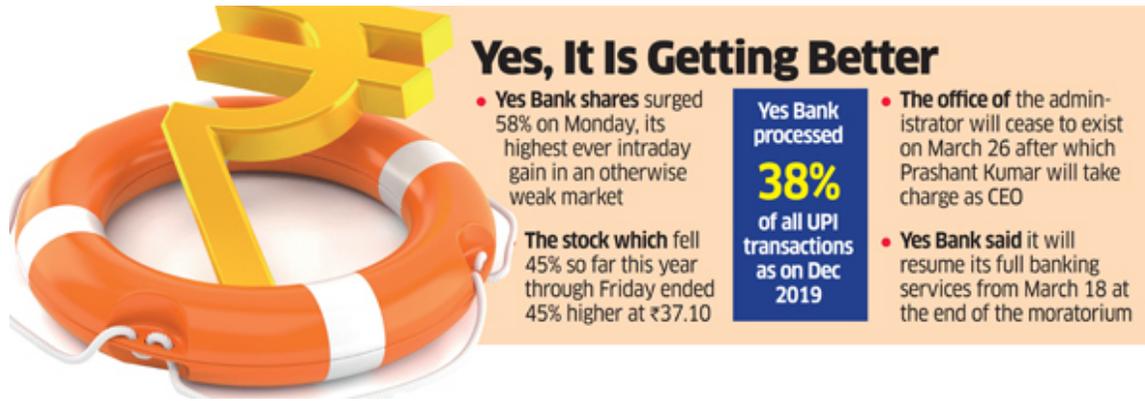
Shares surged 58% on Monday, its highest ever intraday gain in an otherwise weak market, as traders with outstanding positions in the futures segment rushed to buy the stock after the regulator banned investors from selling more than a quarter of their holding for three years.

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The stock which fell 45% so far this year through Friday ended 45% higher at ₹37.10.

“Yes Bank stock rallied 30% in futures after the announcement that all existing shareholders of the bank have been barred from selling more than 25% of their current holding for three years,” said Chandan Taparia, head of derivatives & technical,

Motilal Oswal Financial services. “Those who are holding the position in future market rushed to buy in cash market as they will have to take physical delivery during expiry.”

According to the reconstruction scheme, the bank’s moratorium ends on Wednesday and depositors have no restrictions on withdrawals from Thursday. The office of the administrator will cease to exist on March 26 after which Prashant Kumar will take charge as CEO. Das

hoped that depositors continue their loyalty to the bank.

“A large number of depositors remained loyal to the bank. I do expect them to continue their loyalty because a large part of the banking sector has invested in the bank. Our interactions with SBI and others give us confidence that it is a sound and solid plan,” Das said. RBI officials, however, did not give a clear response on the deviation from the tried and tested merger route.

“According to the banking regulation act, we could have either looked at amalgamation or a scheme of restructuring. In this case, restructuring looked to be the more viable option,” said RBI deputy governor NS Vishwanathan.

Data from Yes Bank revealed that the flight of deposits started much before the bank was placed under moratorium. Since September 2019, the bank has seen a 34% erosion in deposits to ₹1.37 lakh crore from ₹2.09 lakh crore. Its liquidity coverage ratio is down to 20% from the mandatory required 100% and it also breached its statutory liquidity ratio (SLR) — most likely to pay depositors. Governor Das also said that some state governments' advisories on withdrawal of deposits from private sector banks were ill-advised as they are also an essential part of the banking system.

“RBI has written to all state governments on the matter. The Indian banking system is sound and safe. There is no reason for state governments to withdraw deposits from private sector banks,” Das said.

Meanwhile, responding to petitions filed by Yes Bank bond trustee Axis and some of the investors challenging the bank's decision to completely write down the AT1 bonds issued by Yes, the Bombay High Court on Monday said that any action taken by the respondents (Yes, RBI and Union of India) until March 17 shall be subject to further orders by the court. The matter is scheduled to come up for hearing on March 17.

Separately, Yes Bank said it will resume its full banking services from March 18 at the end of the moratorium.

“We will resume full banking services....You will also be able to access all our digital services & platforms,” Yes Bank tweeted on Monday. Facilities such as NEFT, IMPS, UPI payments will be available for customers, the bank said in FAQs uploaded online. Moreover, the bank's UPI channels will also be up and running, allowing payment service providers to again use the bank's APIs to settle instant fund transfers.

“You can start making payments for scheduled EMIs, utility bills, credit cards and loan obligations from your account...(our) platform will

be active for Google Pay, PhonePe,” the bank said as per its latest financials, processed 38% of all UPI transactions and 39% of Aadhar enabled payment services as on December 2019.

Rating agency Moody's on Monday upgraded its ratings with a positive outlook. The credit outlook has also been changed to positive from negative.

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