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RBI notifies Kamath-led panel to work out loan recast details

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MUMBAI: The Reserve Bank of India (RBI) has formed a five-member committee with former ICICI Bank chief K V Kamath as its chairman to suggest the process for putting in place a framework for banks to restructure loans that turned bad because of Covid-related issues.

The other members of the committee are Diwakar Gupta, currently serving at Asian Development Bank, T Manoharan, currently chairman of Canara Bank, and Ashvin Parekh, a strategy consultant. The CEO of the Indian Banks' Association will serve the committee as its member secretary. If required, the RBI may bring in new members also, the central bank said in a release.

The committee has been mandated to place its report to the central bank, which will put the recommendations in the public domain in 30 days. While announcing a one-time loan-resolution scheme on Thursday, RBI governor Shaktikanta Das had announced that Kamath would lead the panel, although the names of other members had not been disclosed.

HELPING OUT THE ECONOMY

➤ In addition to veteran banker **K V Kamath**, the panel's other members are Diwakar Gupta (of ADB), T Manoharan (Canara Bank), and Ashvin Parekh (a consultant)

➤ The CEO of the Indian Banks' Association will also be a member



➤ The panel will submit its recommendations on the financial parameters to the central bank

➤ The RBI, in turn, will notify these along with any modifications, if needed, within 30 days

The latest appointment marks the return of the former ICICI Bank chief into the domestic arena after spending the last five years in Shanghai as the first head of New Development Bank, the multilateral funding agency set up by BRICS member nations — Brazil, Russia, India, China and South Africa.

Kamath, the veteran banker credited with transforming the staid development financial institution into a universal bank, is an old hand in helping the revival of stressed companies, having seen several downturns. His appointment also puts an end to speculation in Mumbai over the possibility of the 73-year-old joining the government as a minister.

The panel under Kamath has been tasked with recommending the financial parameters to be included in the resolution plans, with sector-specific benchmark ranges for such parameters. "The committee shall also undertake the process validation for the resolution plans to be implemented under this framework, without going into the commercial aspects, in respect of all accounts

with aggregate exposure of Rs 1,500 crore and above at the time of invocation,” the central bank said.

The committee will submit its recommendations on the financial parameters to the RBI, which, in turn, will notify the same along with modifications, if any, in 30 days, the release said. According to a report by ratings agency CARE, the resolution plan announced by the RBI is a significant relief to entities which have been affected by severe stress caused by the Covid-19 pandemic and subsequent economic disruption. The report, however, said that the current version of the loan-restructuring scheme with several requirements on eligibility, provisioning and loan extension, is more rigorous compared to the earlier restructuring options.

Crisil said the move will ease liquidity pressure on companies amid the Covid-19 pandemic, but underlined the need for timely approval from the lenders.