

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7238

ANSWERED ON:12.05.2000

CREATION OF FINANCIAL RESTRUCTURING AUTHORITY

ADHIR RANJAN CHOWDHURY;BASUDEB ACHARIA;BHIM PRASAD DAHAL;M. JAGANNATH;MALYALA RAJAJIAH;MOINUL HASSAN AHAMED;SHYAMA SINGH

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government propose to amend the laws governing banks and to create a Financial Restructuring Authority which would have the powers to supersede the boards of weak banks and facilitate their effective restructuring;
- (b) if so, the details thereof;
- (c) whether RBI has examined the recommendations of the Verma Working Group Report;
- (d) if so, the details of the recommendations accepted by the Government and the action taken thereon;
- (e) the reasons for non acceptance of rest of the recommendations; and
- (f) to what extent the efforts of the Government are going to save the weak banks in the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

- (a) & (b) : In respect of any bank which is considered to be weak or potentially weak, the statutes governing public sector banks would be amended to provide for supersession of the Board of Directors on the basis of recommendations of the RBI and constitution of a Financial Restructuring Authority (FRA) for such a bank, comprising experts and professionals. The amendment would also enable FRA to exercise special powers including all the powers of the Board of the bank.
- (c) Yes, Sir.
- (d) & (e) : Verma Working Group on weak public sector banks has suggested a comprehensive restructuring of three weak public sector banks covering operational, organizational, financial and systemic restructuring. Government has directed the Chief Executives of three weak public sector banks to prepare a comprehensive restructuring plan for the respective bank keeping in view the recommendations of Verma Working Group.
- (f) The comprehensive restructuring of the three weak banks is expected to help them to become viable and financially strong.