

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5979
ANSWERED ON:03.05.2013
NEW BASE RATE SYSTEM
Swamygowda Shri N Cheluvarya Swamy

Will the Minister of FINANCE be pleased to state:

- (a) whether a new uniform risk based supervision system has been mooted for all the banks in the country by the Reserve Bank of India (RBI);
- (b) if so, the details thereof and the reasons therefor;
- (c) whether a number of banks have informed RBI about their willingness to switch over to a new uniform risk based supervision system and if so, the details thereof and the reaction of the Government / RBI thereto;
- (d) whether the Non-Performing Assets (NPAs) of the banks are likely to come down after implementation of the new system; and
- (e) if so, the details thereof and the response of the Government thereon?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) & (b): Reserve Bank of India (RBI) has informed that based on recommendation of a High Level Steering Committee (HLSC), they have decided to move to Risk Based Supervision (RBS) and rating framework commencing from FY 2013-14 for 30 banks to begin with. After the Committee's recommendations, RBS in a systemized fashion is effected for those 30 banks whose systems are relatively stronger. Accordingly, based on the risk management systems prevalent in the banks and their ability to meet the data requirements under a risk based supervisory approach it was decided, to switch to risk based supervision only in the case of 30 banks (including public sector banks, private sector banks and foreign banks) in phase-I i.e. starting from April 01, 2013.

(c): All the 30 banks being covered under RBS – Phase I have confirmed their readiness to move to RBS.

(d) & (e): RBI has further informed that RBS is an approach to supervision of risk element in the bank. It has nothing to do with the level of NPAs of banks.