Government of India
Ministry of Finance
LOK SABHA
UNSTARRED QUESTION NO - 69
ANSWERED ON 18.11.2019/KARTIKA 27, 1941 (SAKA)

PMC BANK INSPECTION

69. SHRI MANOJ KOTAK:

Will the Minister of FINANCE be pleased to state:

(a) whether the RBI had sought for removal of Chairman of Punjab and Maharashtra Cooperative Bank during its last inspection in October, 2018;

(b) if so, the details thereof and the action taken by the Bank and RBI against Chairman of PMC Bank at that time;

(c) whether the RBI has fixed single entity expose limit upto 15 per cent and PMC Bank's expose to HDIL was 73 per cent; and

(d) if so, the details thereof along with the action taken by the RBI against PMC Bank at that time?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (d): Reserve Bank of India has informed that in exercise of the powers conferred under sub-Section (1) and (2) of Section 36AAA read with Section 56 of the Banking Regulation Act, 1949, RBI superseded the Board of Directors of the bank on September 23, 2019 and appointed an Administrator in its place for a period of six months.

An Advisory Committee comprising of three experienced professionals was appointed to assist the Administrator in discharge of his duties in terms of Section 36AAA(5)(a) read with Section 56 of the Banking Regulation Act, 1949. The Administrator and the Committee are working for speedier resolution of various issues being faced by the bank in conducting its operations. Reserve Bank of India is monitoring the position.

However, no supervisory action for removal of the Chairman of PMC was proposed by RBI, based on the assessment of the bank conducted with reference to its financial position as on March 31, 2018.

In terms of instructions issued vide Master Circular- Exposure Norms and Statutory / Other Restrictions – UCBs dated July 1, 2015, all Urban Co-operative Banks have been advised by Reserve bank of India (RBI) to ensure that exposure to an individual borrower does not exceed 15% of capital funds, and exposure to a group of borrowers does not exceed 40 per cent of capital funds.

However, while reporting the exposures to RBI, the bank had falsified the regulatory returns deliberately withholding information pertaining to the particular firm i.e. HDIL so as to show compliance with the regulatory provisions of exposure norms.

RBI has taken the following measures to protect the interest of the depositors:

- The Reserve Bank of India, after reviewing the bank's liquidity position and its ability to pay its depositors and with a view to mitigating the hardship of the bank's depositors has been progressively enhancing from time to time the limit for such withdrawals, which is presently at Rs.50,000 effective from November 5, 2019. With the latest relaxation, about 78% of the depositors of the bank will be able to withdraw their entire account balance. The withdrawal ceiling is being monitored vis-à-vis the bank's evolving depositor and liquidity profile and further action as deemed fit may be taken in the best interest of depositors of the bank.

- Further, the depositors can also withdraw on hardship grounds (medical expenses and non-medical expenses like educational expenses of self or children, marriage expenses of self, other relatives and for livelihood) an amount upto Rs.1 lakh (with a sub-ceiling of Rs.50,000 for withdrawal on all non-medical grounds). The power to sanction such hardship withdrawals has been delegated to the Administrator of the bank for speedier resolution of such cases.

- To enable the bank to improve its position by concentrating on recovery of NPAs /bad loans, RBI imposed All-inclusive Directions on the bank with effect from close of business on September 23, 2019 for a period of six months in terms of which bank is prohibited from making fresh advances. Withdrawals by depositors have been restricted to the notified amount to avoid a run on the bank. These Directions, inter alia, restricted payment of deposits beyond a threshold limit and increasing liabilities to prevent the possibility of preferential payment of deposits and prevent reckless lending in the interregnum etc. The bank is also required to take prior approval of RBI before making any payments/expenditures that have not been allowed under these Directions, thus protecting the pool of deposits of the depositors from wasteful expenditures and allowing only for productive/useful purposes.

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