

Das meet revives hopes of a review of PCA norms

TAKING STOCK New RBI gov hears plea from state-run banks, ahead of board meeting today

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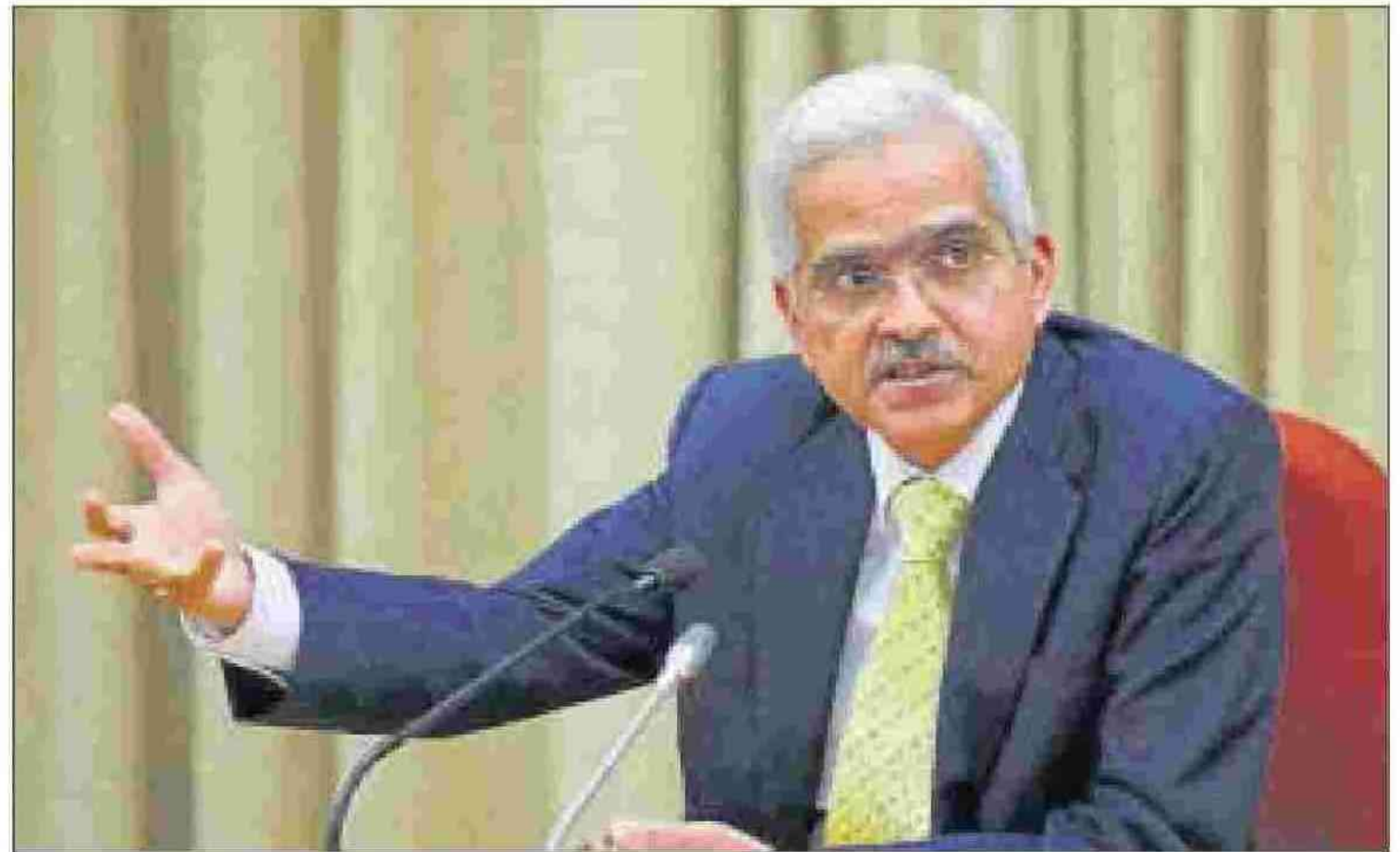
MUMBAI: Hopes of a relaxation in the prompt corrective action (PCA) norms for banks revived after the newly appointed Reserve Bank of India (RBI) governor, Shaktikanta Das, heard out a plea by the heads of seven public sector banks on only his second day in office.

Significantly, the meeting came just a day ahead of an RBI board meeting that is expected to discuss the roadmap for a sub-committee that will look into the demand for a review of PCA norms. These norms were one of the key contentious issues between the RBI led by Urjit Patel and the Union government. Eleven public sector banks under the PCA framework face lending curbs, which, the Union government argued during its ugly face-off with the RBI, were squeezing liquidity and thereby impairing an economic recovery.

On Wednesday, Das signalled good optics at his first press conference. While reiterating that the autonomy of the RBI would be preserved, Das said he was keen to launch stakeholder conversations. Significantly, his first engagement was with public sector bank chiefs, who have been steadfastly lobbying for a review of PCA framework.

In their first meeting with the new governor on Thursday, the public sector banks also sought easing of the February 12 circular on one-day default, two bankers told *Mint*.

Speaking on condition of anonymity, the first banker said that during the 90-minute meeting, the governor was trying to assess the challenges faced by state-owned banks. "The governor



Shaktikanta Das, the new Reserve Bank of India governor

REUTERS/FILE

THE PCA FRAMEWORK WAS ONE OF THE KEY CONTENTIOUS ISSUES BETWEEN RBI LED BY PATEL AND THE GOVT

took time to listen to our issues and also sought our views on what could be done regarding those." According to him, all four deputy governors were present as well, and the meeting was attended by the heads of IDBI Bank, Punjab National Bank, State Bank of India, Union Bank of India, Central Bank of India, Dena Bank and Bank of India.

"We sought easing of PCA norms, considering 11 of the 21 lenders are under the restricted lending framework," the second banker said, adding that the one-day default norm introduced by

the RBI was discussed in detail.

The RBI had asked banks to report defaults by borrowers with systemic exposure of ₹2,000 crore and above, even if the delay was by one day. The measure, deputy governor NS Vishwanathan explained, was to bring bank loans on a par with default norms in the bond market.

The second banker said that while the governor listened to their problems, he did not indicate a follow-up meeting. Das, this banker said, also sought their opinion on the liquidity crisis among non-banking financial companies (NBFCs). "Representatives of private sector banks were not present at the meeting and maybe he will meet them separately."

The government and the central bank have joined issue over the relaxation of PCA norms, a special liquidity window for NBFCs, RBI's February 12 circu-

lar on defaulters and transfer of the additional surplus held by it to the government.

The issues are expected to be taken up when RBI's central board meets on Friday.

The RBI PCA framework was introduced in December 2002 as a structured mechanism, along the lines of the US Federal Deposit Insurance Corporation's PCA framework. Subsequently, in 2017, the framework was reviewed based on the recommendations of the working group of the Financial Stability and Development Council on Resolution Regimes for Financial Institutions in India and the Financial Sector Legislative Reforms Commission.

In a speech on October 12, RBI deputy governor Viral Acharya defended the new PCA rules, calling them the required medicine to prevent further haemorrhaging of bank balance sheets.