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Government Decides to Withdraw FRDI Bill

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The Government has decided to withdraw the Financial Resolution and Deposit Insurance (FRDI) Bill after concerns were raised over the security of bank deposits.

- The Bill was brought in to create a single agency for resolution of financial firms such as banks, insurance companies, non-banking financial companies (NBFCs) and stock exchanges in case of insolvency.
- The two controversial clauses in the Bill are cited as the reasons for its withdrawal. They are:
 - Bail-in provision- This provision stipulated that if a bank fails, depositors will have to bear part of the liability.
 - Insurance on deposits- The Bill proposed to delete the legal provision for the present insurance system wherein deposits are insured up to Rs. 1 lakh and empowered a newly created body the Resolution Corporation to decide the deposit insurance amount.
- The Bill, introduced in August 2017, was referred to a Joint Committee of the Parliament which is consulting all stakeholders.

Joint Parliamentary Committee (JPC)

- It is an ad-hoc body.
- It is set up for a specific object and duration.
- Joint committees are set up by a motion passed in one house of Parliament and agreed to by the other.
- JPC recommendations are not binding on the government and have only persuasive value.

Need for a Resolution Regime

- The current resolution regime is especially inappropriate for private sector financial firms in the light of significant expansion and many of these acquiring systemically important status in India.

- This Bill intended to provide a comprehensive resolution regime that would help ensure that, in the event of failure of a financial service provider, there is quick, orderly and efficient resolution in favour of depositors.
- The provision of a single agency for resolution of financial firms is in line with the recommendations made by the Financial Sector Legislative Reforms Commission (FSLRC), 2011 headed by Justice B N Srikrishna.
- The Insolvency and Bankruptcy Code, 2016 along with the FRDI bill would have streamlined the procedure for the winding up or revival of an ailing financial sector firm.