



Financial Resolution and Deposit Insurance Bill

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The Financial Resolution and Deposit Insurance Bill, 2017 proposes a comprehensive resolution framework for specified financial sector entities and service providers to deal with bankruptcy in banks, insurance companies and financial sector entities

Key Highlights

The Bill proposes the setting up of a Resolution Corporation (RC) by the Central government.

- The functions of the Resolution Corporation will be protecting the stability and resilience of the financial system, public funds, and consumers of covered obligations up to a “reasonable limit”.
- The Corporation will be empowered to bail-in the company. While a bail-out is the use of public funds to inject capital into an ailing company, a bail-in involves the use of depositors’ funds to achieve those ends.
- This has caused a lot of concern among depositors who are worried they may lose their hard-earned money deposited with banks.
- Even the Deposit Insurance and Credit Guarantee Corporation provide deposit insurance of up to Rs. 1 lakh. The rest is forfeited in the event of a bank failure.

The recently enacted Insolvency and Bankruptcy Code, 2016 to deal with the insolvency resolution issues of non-financial entities will be complemented by the FRDI.