



Public, Private Banks Ink Pact for Faster Resolution of Stressed Assets

 [drishtiiias.com/printpdf/public-private-banks-ink-pact-for-faster-resolution-of-stressed-assets](https://www.drishtiiias.com/printpdf/public-private-banks-ink-pact-for-faster-resolution-of-stressed-assets)

Leading public and private sector banks agreed to put in place an **Inter-Creditor Agreement (ICA)** to ensure faster resolution of stressed assets.

- This will put the onus of deciding action in cases of stressed assets on the respective lead banks.
- The ICA framework envisages effective communication among lenders.
- The agreement, a part of Project Sashakt, will be taken to boards of respective banks and would be cleared in a couple of days.

Key Facts

- Banks have used the voting shares presented in the Insolvency and Bankruptcy Code (IBC) to structure the Inter-Creditor Agreement.
- Accordingly, if **66 per cent of the lenders agree to any particular decision** with regard to a stressed asset, it will be enforceable on the other banks.
- The pact is likely to be used for accounts outside IBC framework.
- Through the pact, financial institutions will authorise the lead bank to implement a resolution plan in 180 days.
- The lead bank would then prepare a **resolution plan** framed by a panel of turnaround specialists and other industry experts - for the operational turnaround of the stressed asset.

Project Sashakt

- Recommended by High-level Committee on Restructuring Stressed Assets and Creating More Value for Public Sector Banks (PSBs) – led by PNB Chairman Sunil Mehta.

- Objectives:
 - Dealing with non-performing assets
 - Strengthening the credit capacity, credit culture and credit portfolio of public sector banks.
- Five Pronged Approach:
 - Outlining a Small & Medium Enterprise resolution approach
 - Bank-led resolution approach
 - Asset Management Company/Alternate Investment Fund led resolution approach
 - National Company Law Tribunal /Insolvency & Bankruptcy Code approach
 - Asset-trading platform