



Financial Resolution and Deposit Insurance Bill

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.

PDF Reference URL: <https://www.drishtiias.com/printpdf/financial-resolution>