

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7875
ANSWERED ON:17.05.2002
CORPORATE DEBT RESTRUCTURING
AMBATI BRAHMANIAH

Will the Minister of FINANCE be pleased to state:

- (a) whether some foreign banks have represented to the Government against the Corporate Debt Restructuring Mechanism laid down by the RBI;
- (b) if so, the number of foreign banks who have resisted this new policy of RBI;
- (c) whether the RBI has reviewed this mechanism for corporate debt restructuring;
- (d) the specific objections of foreign banks to the latest policy of RBI; and
- (e) the steps being taken to resolve such differences?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) No, Sir.

(b) Does not arise.

(c) As per the announcement made in the Union Budget 2002-03, a high level group under the chairmanship of Deputy Governor, Reserve Bank of India has been setup on 2200 April, 2002 to review the operation of the COR scheme, to identify the operational difficulties, if any, in smooth implementation of the scheme and to suggest measures to make the operations of the scheme more efficient.

(d) & (e) Legal basis for the Corporate Debt Restructuring (COR) mechanism is provided by a legally binding Inter Creditor Agreement (ICA) with necessary enforcement and penal provisions. In a meeting of the CDR Forum held on 25 February, 2002 attended by 63 Public Sector Banks, All India Financial Institutions

(AIFIs), Private Sector and Foreign Banks, 49 institutions comprising 8 AIFIs, 26 Public Sector Banks and 15 Private Sector Banks signed the ICA. The remaining banks and institutions were expected to sign the ICA after obtaining the requisite authority from the respective Boards. Subsequently, CDR Cell jointly with Indian Banks Association (IBA) organized a workshop for the benefit of foreign banks on 12th April, 2002 to exchange views and forward clarifications. During the course of the discussions, it appeared that major areas of concern of the foreign banks are stringent penalty clauses under the ICA, modalities for participation of representatives of foreign banks in the CDR mechanism and difficulties arising in respect of overseas syndicate loans. The consensus that finally emerged was that the above issues would be discussed at the meeting of the Management Committee of IBA and based on the decision taken, the next course of action would be decided by foreign banks on execution of ICA.