

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5892
ANSWERED ON:03.05.2002
MECHANISM FOR BANKING SECTOR
YEMPARALA VENKATESWARA RAO

Will the Minister of FINANCE be pleased to state:

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- (a) whether the Government have agreed to the prompt corrective action mechanism for the banking sector;
- (b) if so, the details in this regard; and
- (c) the time by when it is likely to be implemented?

Answer

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

(a) to (c) Yes, Sir. Under the Prompt Corrective Action (PCA) scheme, a pre-determined rule based structured early intervention is proposed to be put in place to enhance the existing supervisory framework. Under the scheme, certain trigger points have been determined based on three parameters i.e. Capital to Risk Assets Ratio, Net Non- Performing Assets and Return on Assets. These trigger points are linked to bank's performance in these three critical areas, which are quantifiable and form an integral part of supervisory oversight. The PCA scheme is likely to be put in place soon.