April 04, 2019

Governor’s Statement on Framework for Resolution of Stressed Assets

Hon’ble Supreme Court has held the RBI circular dated February 12, 2018 on Resolution of Stressed Assets as u*ltra vires*. The Court has held that RBI’s directions under Section 35AA of the Banking Regulation Act, 1949 “which are in respect of debtors generally” would be ultra vires of that section. Thus, the order of the Supreme Court mandates RBI to exercise its powers under Section 35AA “in respect of specific defaults by specific debtors”. The powers of RBI under Section 35AA and other sections of the Banking Regulation Act, 1949 are, therefore, not under doubt.

In light of Hon’ble Supreme Court order, the Reserve Bank of India will take necessary steps, including issuance of a revised circular, as may be necessary, for expeditious and effective resolution of stressed assets.

The RBI stands committed to maintain and enhance the momentum of resolution of stressed assets and adherence to credit discipline.