

Draft 'Yes Bank Ltd. Reconstruction Scheme, 2020'

Preamble

Yes Bank Ltd. is a banking company registered under the Companies Act, 1956 and carrying on the business of banking in India;

The rapidly deteriorating financial position of the Yes Bank Ltd. relating to liquidity, capital and other critical parameters, and the absence of any credible plan for infusion of capital has necessitated Reserve Bank of India to take immediate action in public interest and particularly in the interest of the depositors.

Accordingly, Yes Bank Ltd. was placed under moratorium by an order notified by the Central Government on March 5, 2020.

In terms of section 45 of the Banking Regulation Act, 1949 (10 of 1949), during the period of moratorium the Reserve Bank of India may, if so considered necessary in public interest or in the interest of the depositors or to secure the management of the banking company, frame a scheme of reconstruction or amalgamation of the concerned banking company.

State Bank of India has expressed its willingness to make investment in Yes Bank Ltd. and participate in its reconstruction scheme.

Therefore, in exercise of the powers conferred by sub-section (4) of section 45 of the Banking Regulation Act, 1949, the Reserve Bank of India, hereby makes the following scheme:

1. Short title and commencement

(1) The Scheme may be called 'Yes Bank Ltd. Reconstruction Scheme, 2020'.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, specify.

2. Definitions

(1) In the Scheme, unless the context otherwise requires --

(a) "the Act" means the Banking Regulation Act, 1949 (10 of 1949);

(b) "Appointed date" means the date which the Central Government specifies under subparagraph (2) of paragraph 1 of the Scheme;

(c) "Investor bank" means State Bank of India, constituted under the State Bank of India Act, 1955 (23 of 1955).

(d) "Reconstructed bank" means Yes Bank Ltd., a banking company having its Registered Office at Yes Bank Tower, IFC-2, 15th Floor, Prabhadevi (W), Mumbai - 400013, Maharashtra;

(e) "Reserve Bank" means the Reserve Bank of India, constituted under the Reserve Bank of India Act, 1934 (2 of 1934);

(f) "the Scheme" means 'Yes Bank Ltd. Reconstruction Scheme, 2020'.

(2) Words and expressions used herein and not defined but defined in the Act shall have the meaning respectively assigned to them in the Act.

3. Share capital of the Reconstructed bank

From the Appointed date, in 'clause V' of the Memorandum of Association of the Reconstructed bank, the Authorised Capital shall stand altered to Rs.50,00,00,00,000 (Rupees Five thousand crore only) and number of equity shares will stand altered to 24,00,00,00,000 (two thousand four hundred crore only) of Rs.2/- (Rupees Two only) each aggregating to Rs.48,00,00,00,000 (Rupees Four thousand eight hundred crore only).

The Investor bank shall agree to invest in the equity of the Reconstructed bank to the extent that post infusion it holds 49% shareholding in the Reconstructed bank at a price not less than Rs.10/- (Rupees ten only) [Face value of Rs.2/- (Rupees two only) and premium of Rs.8/- (Rupees eight only)]. The Investor bank shall not reduce its holding below 26% before completion of three years from the date of infusion of the capital.

4. Alteration of Articles of Association of Reconstructed bank

The following Articles of Association will stand deleted from the Appointed date:

- (a) Article 110(b)¹
- (b) Article 127 (b)²
- (c) Article 127A (a)³
- (d) Article 127A (b)⁴

5. Constitution of the Board of Directors

From the Appointed date, the office of the Administrator of Yes Bank Ltd. appointed by the Reserve Bank shall stand vacated, and a new Board, shall stand constituted.

- (1) ----- CEO & Managing Director
- (2) ----- Non-Executive Chairman
- (3) ----- Non- Executive Director
- (4) ----- Non- Executive Director

¹**Article 110 (b)**-This relates to rights of Indian Partners to recommend the appointment of three "IP Representative Directors".

²**Article 127 (b)** – This relates to right to Indian partners to recommend the name of Chairman and CEO

³**Article 127A (a)** – This relates to need of recommendations of promoters to appoint WTDs

⁴**Article 127A (b)** - This relates to WTD to necessarily be out of board members

(5) -----

(6) -----

The investor bank shall have two nominee directors appointed on the Board of the Reconstructed Bank.

Reserve Bank of India may appoint Additional Directors in exercise of the powers conferred by sub-section (1) of Section 36AB of the Banking Regulation Act, 1949.

It will be open to the Board of directors of Yes Bank Ltd. to co-opt more directors to it, so however that the total membership in the Board, excluding the Additional Directors appointed by the Reserve Bank of India under section 36AB of the Act, shall not exceed the maximum prescribed by the Articles of Association.

The appointment of the directors as above shall have effect, notwithstanding non-fulfilment of requirements as to minimum shareholding, qualification, experience or any other condition precedent, for being a director of the Yes Bank Ltd.

The members of the Board so appointed shall continue in office for a period of one year, or until an alternate Board is constituted by Yes Bank Ltd. through the normal procedure laid down in its Memorandum and Articles of Association, whichever is later.

Any defect in the constitution or any vacancy in the Board shall not invalidate any meetings conducted by the Board or any decision taken by it.

6. Rights and liabilities of the Reconstructed bank

Unless otherwise expressly provided in the Scheme, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature, subsisting or having effect immediately before the Appointed date, shall be effective to the extent and in the same manner, as was applicable before the Scheme.

It shall not be necessary to obtain the consent of any third party or other person who is a party to any of the aforesaid instruments or arrangements to give effect to them.

All the deposits with and liabilities of the Reconstructed bank, except as provided in the scheme, and the rights, liabilities and obligations of its creditors, will continue in the same manner and with the same terms and conditions, completely unaffected by the Scheme.

The instruments qualifying as Additional Tier 1 capital, issued by the Yes Bank Ltd. under Basel III framework, shall stand written down permanently, in full, with effect from the

Appointed date. This is in conformity with the extant regulations issued by Reserve Bank of India based on the Basel framework.

No accountholder shall be entitled to get any compensation from the Reconstructed bank on account of the changes occurred in the Reconstructed bank by virtue of the Scheme.

Any cause of action accrued, suit, appeal or other proceeding of whatever nature pending, and decree or recovery certificate obtained by or against the Reconstructed bank, will remain unaffected by the Scheme.

7. Continuation of services of the employees

All the employees of the Reconstructed bank shall continue in its service with the same remuneration and on the same terms and conditions of service (T&C), including terms of determination of service and retirement, as were applicable to such employees immediately before the Appointed date, at least for a period of one year. Board of Directors of the Reconstructed Bank will however, have the freedom to discontinue the services of the Key Managerial Personnel (KMPs) at any point of time after following the due procedure.

8. No change in the offices or branch network of the Reconstructed bank

The offices and branches of the Reconstructed bank shall continue to function in the same manner and at the same places they were functioning prior to the effective date, without in any way being affected by this Scheme.

It will be open to the Reconstructed bank to open new offices and branches or close down existing offices or branches, in accordance with the extant policy of the Reserve Bank and complying with the necessary terms and conditions.

9. Furnishing statements and information

The Reconstructed bank shall submit to the Reserve Bank such statements and information as may be required by the Reserve Bank from time to time, regarding the implementation of the Scheme or any other related matter.

10. Manner of service of notice

Any notice or other communication required to be given to the Reconstructed bank shall be considered to be duly given, if addressed to and sent by speed post or by courier or by pre-paid ordinary post or by email at the address of the registered office of the Reconstructed bank

Any notice or communication, which is of general interest shall be advertised, in addition, in one or more daily newspapers, which may be in circulation at the place where the registered office of the Reconstructed bank is situated.

11. Scheme to have effect notwithstanding any other law

The provisions of the Scheme shall have effect notwithstanding anything to the contrary contained in any other law or regulations or directions or agreement, award or other instrument for the time being in force.

12. Interpretation of the provisions of the Scheme

If any doubt arises in the interpretation of the provisions of the Scheme, the matter shall be referred to the Reserve Bank and its views on the issue shall be final and binding on all concerned.

13. Removal of difficulties

If any difficulty arises in giving effect to the provisions of the Scheme, the Central Government may, in consultation with the Reserve Bank, by order, as occasion arises, do anything not inconsistent with the provisions of the Scheme, which appears to it as necessary for the purpose of removing the difficulty.

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Joint Secretary to the Government of India