



# Govt., RBI call truce after a marathon board meeting

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## **Govt., RBI call truce after a marathon board meeting-Expert panel to review economic capital framework for future earnings**

- The tension between the government and the Reserve Bank of India (RBI) appeared to have defused for the time being with both agreeing to settle for a middle ground at the end of an over nine-hour board meeting.
- The most contentious issue between the central bank and the Finance Ministry was the RBI's capital.
- Now, while the RBI has agreed to set up an expert committee on the economic capital framework (ECF), its mandate is restricted to future earnings and not the existing reserves, sources privy to the board deliberations.

### **Detailed presentations**

- Sources indicate there were detailed presentations by the RBI on economic capital as well as other issues such as the prompt corrective action (PCA) framework.
- On the PCA, the Board for Financial Supervision (BFS) of the RBI will review the norms and take a call if some of the parameters like net non-performing asset (NPA) ratio could be relaxed so that some of the banks come out of the PCA.
- The BFS consists of the Governor, four Deputy Governors and a few other board members. Another significant decision was relief to micro, small and medium enterprises — the sector which is badly hit by the twin blows of demonetisation and patchy implementation of the Goods and Services Tax (GST).
- The Board also advised that the RBI should consider a scheme for restructuring of stressed standard assets of MSME borrowers with aggregate credit facilities of up to Rs.250 million, subject to such

conditions as are necessary for ensuring financial stability.

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