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Yes Bank Ltd. placed under Moratorium

Reserve Bank of India

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Yes Bank Ltd. placed under Moratorium

The financial position of Yes Bank Ltd. (the bank) has undergone a steady decline largely due to inability of the bank to raise capital to address potential loan losses and resultant downgrades, triggering invocation of bond covenants by investors, and withdrawal of deposits. The bank has also experienced serious governance issues and practices in the recent years which have led to steady decline of the bank. The Reserve Bank has been in constant engagement with the bank’s management to find ways to strengthen its balance sheet and liquidity. The bank management had indicated to the Reserve Bank that it was in talks with various investors and they were likely to be successful. The bank was also engaged with a few private equity firms for exploring opportunities to infuse capital as per the filing in stock exchange dated February 12, 2020. These investors did hold discussions with senior officials of the Reserve Bank but for various reasons eventually did not infuse any capital. Since a bank and market led revival is a preferred option over a regulatory restructuring, the Reserve Bank made all efforts to facilitate such a process and gave adequate opportunity to the bank’s management to draw up a credible revival plan, which did not materialise. In the meantime, the bank was facing regular outflow of liquidity.

After taking into consideration these developments, the Reserve Bank came to the conclusion that in the absence of a credible revival plan, and in public interest and the interest of the bank’s depositors, it had no alternative but to apply to the Central Government for imposing a moratorium under section 45 of the Banking Regulation Act, 1949. Accordingly, the Central Government has imposed moratorium effective from today.

The Reserve Bank assures the depositors of the bank that their interest will be fully protected and there is no need to panic. In terms of the provisions of the Banking Regulation Act, the Reserve Bank will explore and draw up a scheme in the next few days for the bank’s reconstruction or amalgamation and with the approval of the Central Government, put the same in place well before the period of moratorium of thirty days ends so that the depositors are not put to hardship for a long period of time.

The Reserve Bank has also issued certain directions to the bank under section 35A of the Act ibid.