

India top court extends stay on order quashing write-off of Yes Bank's AT1 bonds

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By Arpan Chaturvedi

NEW DELHI, March 3 (Reuters) - India's Supreme Court on Friday extended a stay on an order by a lower court quashing the write-off of additional Tier-1 (AT1) bonds issued by Yes Bank (YESB.NS).

The top court was hearing the appeal by Yes Bank against a Bombay High Court ruling that had set aside an administrator's decision to write off 84.5 billion rupees (\$1.03 billion) of AT1 bonds in March 2020 after the Reserve Bank of India initiated a restructuring of the lender.

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The RBI had appointed the administrator to manage Yes Bank's affairs in March 2020 after its financial position seriously deteriorated.

AT1 bonds are high-yield securities that typically have loss-absorbing features, meaning they can be written off if a lender's capital falls below a crucial level, which was invoked in Yes Bank's case.

The State Bank of India (SBI.NS), along with ICICI Bank (ICBK.NS), Axis Bank (AXBK.NS), IDFC FIRST Bank (IDFB.NS), Kotak Mahindra Bank (KTKM.NS) and Housing Development Finance Corp (HDFC.NS) had stepped in to rescue the lender as a part of the restructuring exercise.

At the hearing on Friday, the counsel for Yes Bank - Kapil Sibal - argued that the write-off in AT1 bonds was a part of a "well-thought of" restructuring exercise. Without the AT1 bond write-off, banks would not have infused funds in Yes Bank, Sibal added.

The High Court, while pronouncing its decision on Jan. 20, had stayed the order for six weeks.

The Supreme Court on Friday extended the High Court's stay until further orders.

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Meanwhile, the counsel for the RBI -- Solicitor General Tushar Mehta -- said that not extending the lower court's stay would mean that Yes Bank would become a non-viable lender again, and that would put the interest of many depositors in jeopardy.

The counsel representing the bondholders – Mukul Rohatgi – argued that writing off the AT1 bonds was incorrect in law. Yes Bank's administrator had no jurisdiction to write down the bonds, Rohatgi said.

The Supreme Court will hear the case next on March 28.

(\$1 = 81.9830 Indian rupees)

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