

## Union Cabinet approves Yes Bank reconstruction plan

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### Synopsis

While announcing it, Finance Minister Nirmala Sitharaman said that the scheme's aim is to safeguard depositors and ensure the stability of the financial system. She also said that SBI will have a lock-in period of three years for only 26% of its stake in Yes Bank. For other likely investors, the lock-in period would be 75 per cent till three years.



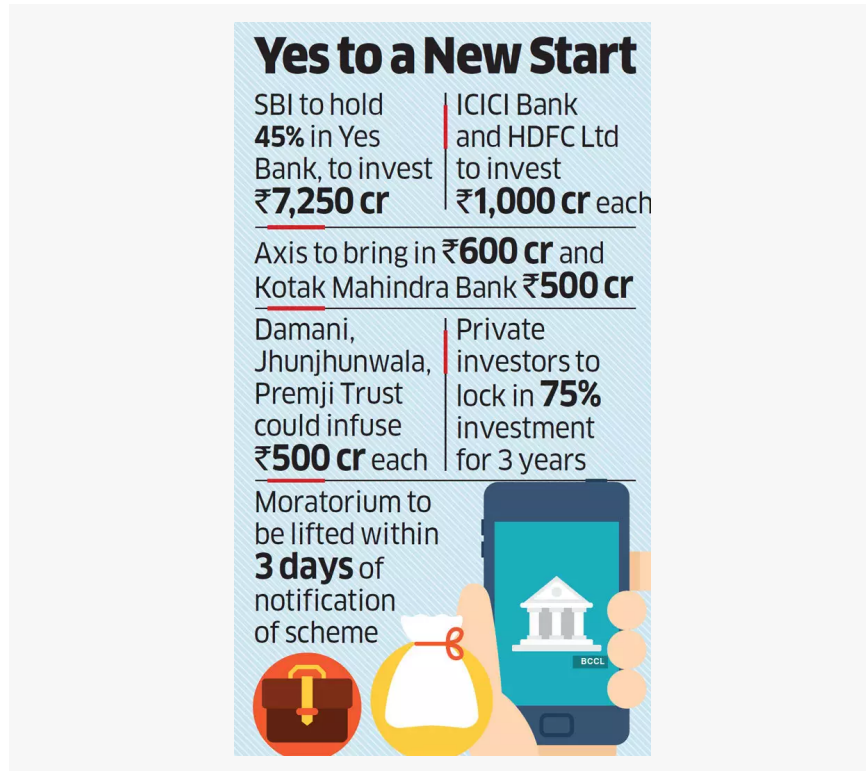
Cabinet approves Yes Bank reconstruction plan as proposed by RBI: Nirmala Sitharaman

Mumbai | New Delhi: The Cabinet approved the reconstruction scheme proposed by the Reserve Bank of India (RBI) for private sector lender Yes Bank that will be led by State Bank of India (SBI). Other participants in the plan include HDFC Ltd, ICICI Bank, Axis Bank, Kotak Mahindra Bank, RK Damani, Rakesh Jhunjhunwala and the Azim Premji Trust. [SBI](#) and the other

investors will infuse a total ₹12,000 crore, said people with knowledge of the matter. SBI had said Thursday it will invest ₹7,250 crore in Yes Bank. The others will invest the rest.

HDFC and ICICI Bank said they will invest ₹1,000 crore each, while Axis Bank said it will put in ₹600 crore. SBI will have to retain a minimum 26% stake in Yes Bank for three years, as per the RBI plan. **As for the other investors, they will have to keep three-fourths of their holdings for three years, finance minister Nirmala Sitharaman told reporters in a briefing after the cabinet meeting.** The plan will involve 12-13 billion new shares being issued, said the people cited above.

**While SBI's stake will be 45%, ICICI Bank and HDFC will own about 6% each and Axis Bank 3-4%, said the people cited above. Kotak, Damani, Jhunjhunwala and the Premji trust are expected to chip in nearly ₹500 crore each and will own about 3% each, they said.** As per SBI's plan submitted to the RBI, this will be the first round of investment and more equity will be raised once the new [Yes Bank board](#) is constituted.



### AT1 Bondholders to Get 10.5% Equity

According to the SBI proposal, additional tier 1 (AT1) bondholders will get 10.5% of the new equity, having an approximate value of Rs 1,700 crore, which translates to an 80% haircut on investments valued at Rs 8,500 crore. The government is also expected to nominate the non-executive chairman and two independent directors on the board of Yes Bank. The new board will have eight board members including the chief executive officer.

“Quite a lot of engagement is happening by the RBI to bring in other investors also,” Sitharaman said. “The decision to provide a reconstruction scheme keeps at its core the protection of depositors’ interest, providing stability to Yes Bank and keeping a stable financial environment and banking system.”

Authorised capital has been raised to Rs 6,200 crore from Rs 1,100 crore to accommodate the immediate and subsequent increase in capital requirements, the minister said. The RBI superseded the Yes Bank board, imposed a 30-day moratorium and ordered a Rs 50,000 withdrawal limit on March 5. It made the SBI-helmed rescue proposal public the next day.

Sitharaman said the RBI will lift the moratorium within three working days after notification of the scheme. The new board, which will include at least two directors from SBI, will be constituted within seven calendar days of the notification.

“The RBI-appointed administrator will also vacate his office within seven days after the notification and the new board will take full charge,” Sitharaman said.

### OVERSEAS INVESTORS

The next round of funding will likely see the participation of overseas

investors, said one of the officials cited above.

“This is the initial round of fundraising. More capital will be raised, especially from global investors who have expressed inability to invest due to the short timelines and the impact of coronavirus which has delayed several investment plans,” he said. “Once the new CEO is in place and the new board is constituted they can put in place plans to raise further capital.”

Public sector banks will bring in Rs 30,000 crore as bulk deposits to stabilise the bank in case of withdrawals and fund transfers once the moratorium is lifted.

RBI had named Prashant Kumar, former deputy managing director and chief financial officer of SBI, as Yes Bank administrator in its March 5 announcement. SBI is said to have recommended that he be appointed as the new CEO of the bank, ET reported on March 13.

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In Video: **Cabinet approves Yes Bank reconstruction plan as proposed by RBI: Nirmala Sitharaman**