Q72

What was the purpose of Inter-Creditor Agreement signed by Indian banks and financial institutions recently? (a) To lessen the (b) To support the infrastructure projects of Central and State Governments P a g e | 29 (c) To act as an independent regulator in case of applications for loans of Rs. 50 crore or more (d) To aim at faster resolution of stressed assets of Rs. 50 crore or more which are under consortium lending Official key: D.

UPSC Civil Services Prelims 2019 · General Studies · 2 marks · Current Affairs and GK

Current events, government schemes, miscellaneous GK - Prelims GS Paper I.

Explanation

(a)

(a) To lessen the Government of India's perennial oversight of loss-making banks. The Inter-Creditor Agreement was a lender-to-lender tool for stressed assets, not a cut in governmental bank oversight. Not the key.

(b)

(b) To support infrastructure projects of Central and State Governments. ICA was not an infrastructure-finance pact. Not the key.

(c)

(c) To act as an independent regulator for loans of Rs 50 crore or more. Banks cannot make themselves a regulator by signing an agreement. Not the key.

(d) Official key

(d) Faster resolution of stressed assets of Rs 50 crore or more under consortium lending. That is Project Sashakt's Inter-Creditor Agreement: majority lenders bind the rest on a resolution plan. That is the official key.

Summary

Official key is (d). The 2018 Inter-Creditor Agreement under Project Sashakt aimed at quicker resolution of consortium NPAs of Rs 50 crore or more. It is not a regulator, not an infra fund, and not a cut in government oversight of banks. Honour (d).

Related possible facts

These can be asked in a future Prelims paper.

Project Sashakt
Sunil Mehta committee; 2018 NPA resolution architecture

Threshold
Rs 50 crore and above for the ICA track

Majority bind
Agreement among lenders so a decision binds dissenting creditors

IBC
Statutory insolvency route; ICA was a contractual overlay

Lead bank
Typically drives the resolution in a consortium