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RBI Clarification on Banks under Prompt Corrective Action

The Reserve Bank of India has come across some misinformed communication circulating in some section of media including social media, about closure of some Public Sector Banks in the wake of their being placed under the Prompt Corrective Action (PCA) framework. In this context attention is drawn to the [press release issued on June 5, 2017](#), which stated as under:

“The Reserve Bank has clarified that the PCA framework is not intended to constrain normal operations of the banks for the general public.

It is further clarified that the Reserve Bank, under its supervisory framework, uses various measures/tools to maintain sound financial health of banks. PCA framework is one of such supervisory tools, which involves monitoring of certain performance indicators of the banks as an early warning exercise and is initiated once such thresholds as relating to capital, asset quality etc. are breached. Its objective is to facilitate the banks to take corrective measures including those prescribed by the Reserve Bank, in a timely manner, in order to restore their financial health. The framework also provides an opportunity to the Reserve Bank to pay focussed attention on such banks by engaging with the management more closely in those areas. The PCA framework is, thus, intended to encourage banks to eschew certain riskier activities and focus on conserving capital so that their balance sheets can become stronger.

The Reserve Bank has emphasized that the PCA framework has been in operation since December 2002 and the guidelines issued on [April 13, 2017](#) is only a revised version of the earlier framework.”

RBI hereby reiterates the above position.

Press Release: 2017-2018/1719

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