



**Department of Humanities and Social Sciences
Indian Institute of Technology Bombay**



**DIAMOND JUBILEE DISTINGUISHED ALUMNI LECTURE on
Prompt Corrective Action - An Essential Element of Financial Stability Framework**



Speaker: Professor Viral Acharya, Deputy Governor, RBI

Time: 6.30 p.m.

Date: October 12, 2018

Venue: P.C. Saxena Auditorium

Abstract:

The talk explains why the Prompt Corrective Action (PCA) framework of the Reserve Bank of India (RBI) is an essential element of its financial stability framework. It lays out the academic case for structured early intervention and resolution by regulators for banks that become undercapitalised due to poor asset quality or become vulnerable due to loss of profitability. Detailing the mandatory and discretionary actions under the RBI's Revised PCA framework, it compares and contrasts these with the PCA counterpart in the United States. Finally, it documents empirically how Indian banks under the PCA framework are being restored back to health through better capitalisation, preservation of capital, and provisioning for losses.

About the Speaker:

Professor Viral V. Acharya is Deputy Governor, Reserve Bank of India (RBI) and incharge of Monetary Policy, Financial Markets Operations and Regulation, and Research and Statistics. He also holds the position of C V Starr Professor of Economics at the Department of Finance at New York University Stern School of Business (from where is on leave since Jan 20, 2017). Professor Acharya completed 'Bachelor of Technology in Computer Science and Engineering' from Indian Institute of Technology Bombay in 1995 and Ph.D. in Finance from NYU-Stern in 2001. Prior to joining Stern, he was at London Business School (2001-2008), Academic Director of the Collier Institute of Private Equity at London Business School (2007-09) and Senior Houblon-Norman Research Fellow at the Bank of England (Summer 2008). He is the recipient of the inaugural Banque de France – Toulouse School of Economics Junior Prize in Monetary Economics and Finance, 2011, and recently he was awarded 2017 Alexandre Lamfalussy Senior Research Fellowship of the Bank for International Settlements (BIS). Prof. Acharya is recipient of Young Alumnus Achiever Award (2011) and Distinguished Alumnus Award (2018) of IIT Bombay.

Research Interests

Regulation of banks and financial institutions, Nexus of sovereign and financial credit risks, Credit risk and valuation of corporate debt, Asset pricing with a focus on the effects of liquidity risk, Corporate Finance, etc.

Major Publications

He has co-edited the books *Restoring Financial Stability: How to Repair a Failed System*, John Wiley & Sons, March 2009, *Regulating Wall Street: The Dodd-Frank Act and the New Architecture of Global Finance*, John Wiley & Sons, November 2010, and *Dodd-Frank: One Year On*, NYU-Stern and CEPR (released on voxu.org), July 2011. He is also the co-author of the book *Guaranteed to Fail: Fannie Mae, Freddie Mac* and the *Debacle of Mortgage Finance*, Princeton University Press, March 2011 and Harper Collins (India), June 2011.

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Head, Department of Humanities and Social Sciences