

Yes Bank's Founder Rana Kapoor Arrested by ED

Rana Kapoor at the centre of the ED probe.

March 7, 2020. *Early hours.*

The Enforcement Directorate (ED) has finally arrested Rana Kapoor in a money-laundering case against him and others. Rana Kapoor was arrested after two days of questioning by the ED at the agency's Ballard Estate office in Mumbai. He was interrogated for over 15 hours and then arrested. His statements have been recorded by the ED under the Prevention of Money Laundering Act (PMLA).



The premises of Kapoor's three daughters in Delhi and Mumbai were also explored a day ago to collect more knowledge and proof. The ED had explored Rana Kapoor's home at the high-profile 'Samudra Mahal' dwelling in the Worli area and interrogated him there also.

Action against Kapoor is being conducted under the PMLA. The ED is now probing Rana Kapoor's role in connection with a number of cases. The case against Rana Kapoor is related to a number of alleged irregularities:

- The loans granted by the bank to the scam-hit Dewan Housing Finance Corporation (DHFL) assertedly became non-performing assets (NPAs).
- A Rs 600-crore worth loan extended by the DHFL to an entity
- the disbursement of loans to some corporate entities and the subsequent alleged kickbacks received in Kapoor's wife's accounts.
- the alleged Rs 2,267-crore Employees' Provident Fund (EPF) fraud in Uttar Pradesh Power Corporation Limited (UPPCL). The CBI has recently taken over the investigation.

Yes Bank's decline

Yes Bank was founded by Rana Kapoor and Ashok Kapoor 16 years ago. Ashok Kapoor was killed in the Mumbai terrorist attack in 2008. A year later, a legal battle commenced when Madhu Kapoor, wife of late Ashok Kapoor, was not accepted by the Yes Bank board as one of the biggest shareholders. Her name was also missing in its annual report as one of the major shareholders. The dispute arrived before the Mumbai High

Court. Then the court ruled that both Rana and Madhu can be nominated as joint directors. In 2018, on the discrepancy over bad loan reporting, the RBI said that Rana Kapur could not be MD after Jan 2019.

Yes Bank, now the fifth-largest private bank in India, has almost lost the ability to pay back to the depositors' money today. Its depositors are now scared and shocked whether their money is safe with the bank or not. Generally, the common people feel that something is wrong with Yes Bank and are yet to realise fully the gravity of the situation. They are only worried about their deposits now.

Some depositors have even started to withdraw their money from the bank amid the alarm of failure. The Tirumala Tirupati Devasthanam (TTD), a high-net-worth depositor, withdrew deposits of Rs 1,300 crore from its account in Yes Bank recently. This led to a negative deposit growth rate in the bank for the last six months or so.

The RBI Intervention

16 years ago, one private lender GTB had also similarly failed. Then India's central bank the Reserve Bank of India (RBI) stepped in and with mediation, a public sector bank, the Oriental Bank of Commerce came forward to its rescue. The RBI imposed a moratorium on Global Trust Bank (GTB) case.

Today, once again, the RBI has intervened similarly to seize Yes Bank and to save its depositors' money. Following the deliberation with the Government of India, the RBI imposed a moratorium on the capital-starved Yes Bank a couple of days

ago, capping withdrawals at Rs 50,000 per account, and superseded the board of Yes Bank after removing the top bosses of the bank. The RBI has assured the depositors that their interest will be entirely guarded and there is no need to panic.

It is alleged that Yes Bank has fudged numbers, especially those of bad loans. It has deceived both its investors and customers. In 2017, the bank announced Rs 2,000 crore as bad loans but the RBI special audit found that the actual figure was around Rs 8,300 crore. Again, the RBI also found out later that the bank has underreported bad loans by Rs 3,277 crore as on March 31, 2019. Later on, the bank unveiled the mounting poor loan records.

India's largest bank, the State Bank of India, SBI, is ready to rescue Yes Bank. The SBI would like to explore the investment opportunity here.

As per the RBI's draft reconstruction scheme, the SBI will acquire 49 per cent stake in Yes Bank under a government-approved bailout plan. The crisis-ridden Yes Bank will not be able to give or renew any loan or advance, make any investment, acquire any liability or accept to distribute any payment.

Today's ED action came because such Yes Bank like incidents sets a bad pattern in the Indian banking system. The part of the bank's directors, auditors, RBI inspectors and rating agencies should be completely reviewed.