Annex-6

Special Regulatory Relaxations for Restructuring (Available upto June 30, 2009)

Since the spillover effects of the global downturn had also started affecting the Indian economy particularly from September 2008 onwards creating stress for the otherwise viable units / activities, certain modifications were made in the guidelines on restructuring i.e RBI/2008-09/143 DBOD.No.BP.BC.No.37/21.04.132/2008-09 dated August 27, 2008 as a onetime measure and for a limited period of time i.e. up to June 30, 2009 vide our circular RBI/2008-09/311.DBOD.BP.BC.93/21.04.132/2008-09 dated December 8, 2008, RBI/2008-09/340.DBOD.BP.BC.104/21.04.132/2008-09 dated January 2, 2009, RBI/2008-09/370.DBOD.BP.BC.105/21.04.132/2008-09 dated February 4, 2009 and RBI/ 2008-09 /435 DBOD. No. BP. BC.No.124 /21.04.132 /2008-09 April 17, 2009. These circular will cease to operate from July 1, 2009. These guidelines are as below:

i) In terms of para 6.1 of the circular RBI/ 2008-09 /143 .DBOD. No. BP.BC .No.37/21.04.132 /2008-09 dated August 27, 2008, exposures to commercial real estate, capital market exposures and personal / consumer loans are not eligible for the exceptional regulatory treatment of retaining the asset classification of the restructured standard accounts in standard category as given in para 6.2 of the circular. As the real estate sector is facing difficulties, it has been decided to extend exceptions / special treatment to the commercial real estate exposures which are restructured up to June 30, 2009.

(ii) In terms of para 6.2.2(vi) of the aforesaid circular, the special regulatory treatment is restricted only to the cases where the restructuring under consideration is not a 'repeated restructuring as defined in para (v) of Annex 2 to the circular. In the face of the current economic downturn, there are likely to be instances of even viable units facing temporary cash flow problems. To address this problem, it has been decided, as a one-time measure, that the second restructuring done by banks of exposures (other than exposures to commercial real estate, capital market exposures and personal / consumer loans) upto June 30, 2009, will also be eligible for exceptional / special regulatory treatment

(iii) All accounts covered under the circular dated December 8, 2008 which were standard accounts on September 1, 2008 would be treated as standard accounts on restructuring provided the restructuring is taken up on or before March 31, 2009 and the restructuring package is put in place within a period of 120 days from the date of taking up the restructuring package.

(iv) The period for implementing the restructuring package would stand extended from 90 days to 120 days in respect of accounts covered under the circular dated August 27, 2008 also.

(v) The value of security is relevant to determine the likely losses which a bank might suffer on the exposure should the default take place. This aspect assumes greater importance in the case of restructured loans. However, owing to the current downturn, the full security cover for the WCTL created by conversion of the irregular portion of principal dues over the drawing power, may not be available due to fall in the prices of security such as inventories. In view of the extraordinary situation, this special regulatory treatment will also be available to 'standard' and 'sub-standard accounts', covered under circulars dated August 27, 2008 and December 8, 2008 even where full security cover for WCTL is not available, subject to the condition that provisions are made against the unsecured portion of the WCTL, as under :

* Standard Assets : 20%.

* Sub-standard Assets : 20% during the first year and to be increased by 20% every year thereafter until the specified period (one year after the first payment is due under the terms of restructuring).

* If the account is not eligible for upgradation after the specified period, the unsecured portion will attract provision of 100%.

These provisions would be in addition to the usual provisions as per the current regulation.

(vi) In this connection, we advise that in terms of Para 3.1.2 of the circular dated August 27, 2008, during the pendency of the application for restructuring of the advance, the usual asset classification norms continue to apply. The process of reclassification of an asset should not stop merely because the application is under consideration. However, as an incentive for quick implementation of the package, if the approved package is implemented by the bank as per the following time schedule, the asset classification status may be restored to the position which existed when the reference was made to the CDR Cell in respect of cases covered under the CDR Mechanism or when the restructuring application was received by the bank in non-CDR cases :

(i) Within 120 days from the date of approval under the CDR Mechanism.

(ii) Within 90 days from the date of receipt of application by the bank in cases other than those restructured under the CDR Mechanism.

(vii) It is further clarified that the cases where the accounts were standard as on September 1, 2008 but slipped to NPA category before 31st March 2009, these can be reported as standard as on March 31, 2009 only if the restructuring package is implemented before 31st March 2009 and all conditions prescribed in para 6.2.2 of the circular dated August 27, 2008 (as amended till date) are also complied with. All those accounts in case of which the packages are in process or have been approved but are yet to be implemented fully will have to be reported as NPA as on March 31, 2009 if they have turned NPA in the normal course. However, in any regulatory reporting made by the bank after the date of implementation of the package within the prescribed period, these accounts can be reported as standard assets with retrospective effect from the date when the reference was made to the CDR Cell in respect of cases covered under the CDR Mechanism or when the restructuring application was received by the bank in non-CDR cases. In this regard, it may be clarified that reporting with retrospective effect does not mean reopening the balance sheet which is already finalised; what it means is that in all subsequent reporting, the account will be reported as standard and any provisions made because of its interim slippage to NPA can be reversed.

viii)The circular dated November 14, 2008 extend special regulatory treatment for asset classification to seven projects (listed below) where the commencement of production/operation had already been considerably delayed. The banks were advised that they may undertake a fresh financial viability study of these projects in order to assess their eligibility for restructuring. In case the projects are found eligible for restructuring and the banks concerned chose to undertake their restructuring, it has been decided, as a one-time measure, having regard to the current market developments, that the aforesaid seven projects under implementation, upon restructuring as per our aforesaid circular dated August 27, 2008, would be categorised in 'standard' category even if the account was NPA at the time of such restructuring provided such restructuring package is implemented within a period of six months from the date of this circular. All other extant norms relating to IRAC and restructuring of advances remain unchanged. These seven projects are:

1) Nandi Economic Corridor Enterprises Ltd., (Road Project and Township)
2) GVK Industries Ltd., (Gas-based Power Project - Phase -II)
3) Gautami Power Ltd. (Gas-based Power Project)
4) Konaseema Gas Power Ltd., (Gas-based Power Project)
5) New Tirupur Area Development Corporation, (Development of Tirupur Area)
6) Vemagiri Power Generation Ltd., (Gas-based Power Project)
7) Delhi Gurgaon Super Connectivity Ltd.

(ix) In addition to the disclosures required in terms of our circular dated August 27, 2008, banks may also disclose the information in the balance sheet as detailed below:

Additional Disclosures regarding Restructured Accounts

S. No	Disclosures	Number	Amount (in Crore of Rs.)
1.	Application received up to March 31, 2009 for restructuring in respect of accounts which were standard as on September 1, 2008.		
2.	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet.		
3.	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category.		
4.	Of (1), proposals under process / implementation which		

	were standard as on March 31, 2009.		
5.	Of (1), proposals under process / implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package.		