



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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All Scheduled Commercial Banks  
(excluding RRBs)  
All-India Term-lending and Refinancing Institutions  
(Exim Bank, NABARD, NHB and SIDBI)

Dear Sir,

**Framework for Revitalising Distressed Assets in the Economy – Review of the Guidelines on Joint Lenders’ Forum (JLF) and Corrective Action Plan (CAP)**

Please refer to the ‘Framework for Revitalising Distressed Assets in the Economy’ issued on our website on [January 30, 2014](#) and the circulars issued in this regard viz. (i) [DBOD.BP.BC.No.97/21.04.132/2013-14 dated February 26, 2014](#) – “Guidelines on Joint Lenders’ Forum (JLF) and Corrective Action Plan (CAP)” and (ii) [DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014](#) – “Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures” read with (iii) [DBS.No.OSMOS.9862/33.01.018/2013-14 dated February 13, 2014](#) - ‘Central Repository of Information on Large Credits (CRILC) – Revision in Reporting’, and (iv) [DBS.OSMOS.No.14703/33.01.001/2013-14 dated May 22, 2014](#) - ‘Reporting to Central Repository of Information on Large Credits (CRILC)’.

2. The above instructions were reviewed and certain clarifications/modifications were issued vide [circular DBOD.BP.BC.No.45 / 21.04.132 / 2014-15 dated October 21, 2014](#). Further, with a view to ensuring more stake of promoters in reviving stressed accounts and provide banks with enhanced capabilities to initiate change of ownership in accounts which fail to achieve the projected viability milestones, the Reserve Bank introduced a ‘Strategic Debt Restructuring (SDR) Scheme’ vide [circular DBR.BP.BC.No.101/21.04.132/2014-15 dated June 8, 2015](#). As a part of continuous assessment of the effectiveness of the Framework, as also based on the

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feedbacks received from banks, the framework has been reviewed and it has been decided to introduce the following changes/additions in the framework to make it more effective.

### **3. Joint Lenders' Forum Empowered Group (JLF – EG)**

3.1 It has been represented to us that sometimes Boards of the banks find it difficult to approve the decisions taken by JLF as the JLFs do not have senior level representations from the participating lenders. In this regard, it is clarified that, although RBI has not explicitly prescribed the level of representation in its guidelines, banks are expected to depute sufficiently empowered senior level officials for deliberations and decisions in the meetings of JLF.

3.2 Nevertheless, it has been decided that JLF will finalise the CAP and the same will be placed before an Empowered Group (EG) of lenders, which will be tasked to approve the rectification/restructuring packages under CAPs. The JLF-EG shall have the following composition:

- i. A representative each of SBI and ICICI Bank as standing members;
- ii. A representative each of the top three lenders to the borrower. If SBI or ICICI Bank is among the top three lenders to the borrower, then a representative of the fourth largest or a representative each of the fourth and the fifth largest lenders as the case may be;
- iii. A representative each of the two largest banks in terms of advances<sup>1</sup> who do not have any exposure to the borrower; and
- iv. The participation in the JLF-EG shall not be less than the rank of an Executive Director in a PSB or equivalent.

The JLF convening bank will convene the JLF-EG and provide the secretarial support to it.

### **4. Restructuring of Doubtful accounts under JLF**

4.1 In terms of paragraph 4.3.6 of the [circular DBOD.BP.BC.No.97/21.04.132/2013-14 dated February 26, 2014](#), *while generally no account classified as doubtful should be considered by the JLF for restructuring, in cases where a small portion of debt is doubtful i.e. the account is standard/sub-standard in the books of at least 90% of creditors (by value), the account may then be considered under JLF for restructuring.*

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<sup>1</sup> Advances of SCBs as per 'Table 2: Liabilities and Assets of Scheduled Commercial Banks' in the latest 'Statistical Tables Relating to Banks in India', available on the RBI website.

4.2 In partial modification of the above, it has been decided that a JLF may decide on restructuring of an account classified as 'doubtful' in the books of one or more lenders similar to that of SMA2 and sub-standard assets, if the account has been assessed as viable under the TEV and the JLF-EG concurs with the assessment and approves the proposal.

## **5. Disagreement on restructuring as CAP and Exit Option**

5.1 In terms of para 10.3 of our [circular DBOD.BP.BC.No.45 / 21.04.132 / 2014-15 dated October 21, 2014](#) banks, *irrespective of whether they are within or outside the minimum 75 per cent and 60 per cent, can exercise the exit option for providing additional finance only by way of arranging their share of additional finance to be provided by a new or existing creditor.*

5.2 It has been brought to our notice that sometimes disagreement arises among lenders on deciding the CAP on rectification or restructuring, resulting in delay in initiating timely corrective action. Although co-operation among lenders for deciding a CAP by consensus is desirable for timely turn-around of a viable account, it is also important to enable all lenders to have an independent view on the viability of account and consequent participation in rectification or restructuring of accounts, without allowing them to free ride on efforts made by others. In view of this, it has been decided that dissenting lenders who do not want to participate in the rectification or restructuring of the account as CAP, which may or may not involve additional financing, will have an option to exit their exposure completely by selling their exposure to a new or existing lender(s) within the prescribed timeline for implementation of the agreed CAP. The exiting lender will not have the option to continue with their existing exposure and simultaneously not agreeing for rectification or restructuring as CAP. The new lender to whom the exiting lender sells its stake may not be required to commit any additional finance, if the agreed CAP involves additional finance. In such cases, if the new lender chooses to not to participate in additional finance, the share of additional finance pertaining to the exiting lender will be met by the existing lenders on a pro-rata basis.

## 6. Duration of application of extant penal provisions (5% in case of Standard account and accelerated provision in case of NPAs)

6.1 In terms of paragraphs 7 & 8 of the [circular DBOD.BP.BC.No.97/21.04.132/2013-14 dated February 26, 2014](#), penal provisions are applicable under certain cases. While the duration of such penal provision has been specified in case of an escrow account maintaining bank which does not appropriate proceeds of repayment by the borrower among the lenders as per agreed terms resulting into down gradation of asset classification of the account in books of other lenders (para 9.4 of [circular DBOD.BP.BC.No.45 / 21.04.132 / 2014-15 dated October 21, 2014](#)), the duration has not been prescribed in other cases.

6.2 In view of the above, banks are advised that the penal provisions in the other cases under the Framework will be applicable for the following durations:

Sl. No.	Reason for Penal Provision	Duration
(i)	Banks fail to report SMA status of the accounts to CRILC or resort to methods with the intent to conceal the actual status of the accounts or evergreen the account.	From the date of imposition of penal provision as advised by RBI Inspection/Statutory Auditor till one year or rectification of defect, whichever is later.
(ii)	Lenders who have agreed to the restructuring decision under the CAP by JLF and are signatories to the ICA and DCA, but change their stance later on, or delay/refuse to implement the package.	
(iii)	Lenders fail to convene the JLF or fail to agree upon a common CAP within the stipulated time frame.	
(iv)	Accelerated provision for existing loans/exposures of banks to companies having director/s (other than nominee directors of government/financial institutions brought on board at the time of distress), whose name/s appear more than once in the list of wilful defaulters.	From the date of notification as wilful defaulter in the list of wilful defaulters till the removal of the name from the list.

## **7. Strategic Debt Restructuring (SDR) Scheme**

With reference to the provisions contained in [circular DBR.BP.BC.No.101/21.04.132/2014-15 dated June 8, 2015](#) on “Strategic Debt Restructuring”, it is advised that in cases of failure of rectification or restructuring as a CAP as decided by JLF in terms of paragraph 3 of [circular DBOD.BP.BC.No.97/21.04.132/2013-14 dated February 26, 2014](#), JLF will have the option to initiate SDR to effect change of management of the borrower company subject to compliance with the conditions as per the circular dated June 8, 2015 referred above.

Yours faithfully,

(Sudarshan Sen)  
Principal Chief General Manager