भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2012-13/409
DBOD.BP.BC.No.80/21.04.132/2012-13 January 31, 2013

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

Disclosure Requirements on Advances Restructured by Banks and Financial Institutions

Please refer to paragraph 16 of Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 2, 2012 in terms of which banks should disclose in their published Annual Balance Sheets, under "Notes on Accounts", information relating to number and amount of advances restructured, and the amount of diminution in the fair value of the restructured advances under the following categories:

i. Standard Advances Restructured;
ii. Sub-Standard Advances Restructured; and
iii. Doubtful Advances Restructured.

Under each of the category above, advances restructured under CDR Mechanism, SME Debt Restructuring Mechanism and other categories of restructuring are required to be shown separately.

2. The Working Group (WG) constituted by RBI to Review the existing Prudential Guidelines on Restructuring of Advances (Chairman: Shri B. Mahapatra) had recommended that once the higher provisions and risk weights (if applicable) on restructured advances (classified as standard either *abinitio* or on upgradation from NPA category) revert back to the normal level on account of satisfactory performance during the prescribed period, such advances should no longer be required to be disclosed by banks as restructured accounts in the “Notes on Accounts” in their Annual Balance Sheets. However, the provision for diminution in the fair value of restructured accounts on such restructured accounts should

continue to be maintained by banks as per the existing instructions. The WG also recommended that banks may be required to disclose:

i. details of accounts restructured on a cumulative basis excluding the standard restructured accounts which cease to attract higher provision and risk weight (if applicable);
ii. provisions made on restructured accounts under various categories; and
iii. details of movement of restructured accounts.

3. This recommendation has been accepted in view of the fact that in terms of present guidelines, banks are required to disclose annually all accounts restructured in their books on a cumulative basis even though many of them would have subsequently shown satisfactory performance over a sufficiently long period. As such the present position of disclosures do not take into account the fact that in many of these accounts the inherent weaknesses have disappeared and the accounts are in fact standard in all respects, but continue to be disclosed as restructured advances.

4. Accordingly, banks should henceforth disclose in their published Annual Balance Sheets, under "Notes on Accounts", information relating to number and amount of advances restructured, and the amount of diminution in the fair value of the restructured advances as per the format given in the Annex. Detailed instructions relating to the disclosure are also given in the Annex.

5. The above disclosure requirements will be effective from the financial year 2012-13.

Yours faithfully

(Deepak Singhal)
Chief General Manager-in-Charge

Encls: as above

Annex

Disclosure of Restructured Accounts

(Rs. in Crore)

Sl No	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers																				
		Amount outstanding																				
		Provision thereon																				
2	Fresh restructuring during the year	No. of borrowers																				
		Amount outstanding																				
		Provision thereon																				
3	Upgradations to restructured standard category during the FY	No. of borrowers																				
		Amount outstanding																				

		Provision thereon																				
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers																				
		Amount outstanding																				
		Provision thereon																				
5	Downgradations of restructured accounts during the FY	No. of borrowers																				
		Amount outstanding																				
		Provision thereon																				
6	Write-offs of restructured accounts during the FY	No. of borrowers																				
		Amount outstanding																				
7	Restructured Accounts as on March 31 of the	No. of borrowers																				

	FY (closing figures*)	Amount outstanding																			
		Provision thereon																			

*Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

<u>Instructions</u> – For the purpose of disclosure in the above Format, the following instructions are required to be followed:

(i) Advances restructured under CDR Mechanism, SME Debt Restructuring Mechanism and other categories of restructuring should be shown separately.

(ii) Under each of the above categories, restructured advances under their present asset classification, i.e. standard, sub-standard, doubtful and loss should be shown separately.

(iii) Under the ‘standard’ restructured accounts; accounts, which have objective evidence of no longer having inherent credit weakness, need not be disclosed. For this purpose, an objective criteria for accounts not having inherent credit weakness is discussed below:

(a) As regards restructured accounts classified as standard advances, in view of the inherent credit weakness in such accounts, banks are required to make a general provision higher than what is required for otherwise standard accounts in the first two years from the date of restructuring. In case of moratorium on payment of interest / principal after restructuring, such advances attract the higher general provision for the period covering moratorium and two years thereafter.

(b) Further, restructured standard unrated corporate exposures and housing loans are also subjected to an additional risk weight of 25 percentage point with a view to reflect the higher element of inherent risk which may be latent in such entities (cf. paragraph 5.8.3 of circular DBOD.No.BP.BC.90/20.06.001/2006-07 dated April 27, 2007 on 'Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework' and paragraph 4 of circular DBOD.No.BP.BC.76/21.04.0132/2008-09 dated November 3, 2008 on 'Prudential Guidelines on Restructuring of Advances by Banks' respectively).

(c) The aforementioned [(a) and (b)] additional/ higher provision and risk weight cease to be applicable after the prescribed period if the performance is as per the rescheduled programme. However, the diminution in the fair value will have to be assessed on each balance sheet date and provision should be made as required.

(d) Restructured accounts classified as sub-standard and doubtful (non-performing) advances, when upgraded to standard category also attract a general provision higher than what is required for otherwise standard accounts for the first year from the date of up-gradation, in terms of extant guidelines on provisioning requirement of restructured accounts. This higher provision ceases to be applicable after one year from the date of upgradation if the performance of the account is as per the rescheduled programme. However, the diminution in the fair value will have to be assessed on each balance sheet date and provision made as required.

(e) Once the higher provisions and/or risk weights (if applicable and as prescribed from time to time by RBI) on restructured standard advances revert to the normal level on account of satisfactory performance during the prescribed periods as indicated above, such advances, henceforth, would no longer be required to be disclosed by banks as restructured standard accounts in the "Notes on Accounts" in their Annual Balance Sheets. However, banks should keep an internal record of such restructured accounts till the provisions for diminution in fair value of such accounts are maintained.

(iv) Disclosures should also indicate the intra category movements both on upgradation of restructured NPA accounts as well as on slippage. These disclosures would show the movement in restructured accounts during the financial year on account of addition, upgradation, downgradation, write off, etc.

(v) While disclosing the position of restructured accounts, banks must disclose the total amount outstanding in all the accounts / facilities of borrowers whose accounts have been restructured along with the restructured part or facility. This means that even if only one of the facilities / accounts of a borrower has been restructured, the bank should also disclose the entire outstanding amount pertaining to all the facilities/ accounts of that particular borrower.

(vi) Upgradation during the year (Sl No. 3 in the Disclosure Format) means movement of ‘restructured NPA’ accounts to ‘standard asset classification from substandard or doubtful category’ as the case may be. These will attract higher provisioning and / or risk weight’ during the ‘prescribed period’ as prescribed from time to time. Movement from one category into another will be indicated by a (-) and a (+) sign respectively in the relevant category.

(vii) Movement of Restructured standard advances (Sr. No. 4 in the Disclosure Format) out of the category into normal standard advances will be indicated by a (-) sign in the column “Standard”.

(viii) Downgradation from one category to another would be indicated by (-) ve and (+) ve sign in the relevant categories.

(ix) Upgradation, downgradation and write-offs are from their existing asset classifications.

(x) All disclosures are on the basis of current asset classification and not ‘pre-restructuring’ asset classification.