


	प्रेस प्रकाशनी PRESS RELEASE
<p>संचार विभाग, केन्द्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001</p> <p>DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001</p> <p>फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279</p>	 <p>भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA</p> <p>वेबसाइट : www.rbi.org.in/hindi Website : www.rbi.org.in ई-मेल email: helpdoc@rbi.org.in</p>

January 2, 2009

Prudential Guidelines on Restructuring of Advances by Banks

The Reserve Bank of India had issued a circular dated August 27, 2008 on 'prudential guidelines on restructuring of advances by banks', which is a comprehensive set of guidelines rationalizing and putting together the existing guidelines. Certain modifications were made vide circular dated December 8, 2008 as the spillover effects of the global downturn had started affecting the Indian economy particularly from September 2008 creating stress for the otherwise viable units. Special regulatory treatment was extended to Commercial Real Estate exposures restructured for the first time as well as to exposures (other than commercial real estate, capital markets and personal/ consumer loans) which were viable but were facing temporary cash flow problems and needed a second restructuring.

The Reserve Bank has received representation that :

- (a) The accounts which turned non-performing between September and December 2008 were excluded from the special regulatory treatment extended in December 2008;
- (b) The period of 90 days allowed for restructuring may not be adequate in view of the large number of accounts potentially requiring restructuring; and
- (c) Drawing power has been affected due to decline in inventory prices necessitating conversion of irregular portions of working capital limits into working Capital Term Loan (WCTL) on restructuring. However, as the borrowers may be unable to provide further tangible security in the current context, accounts even after restructuring will be classified as NPAs. The condition of WCTL being fully secured by tangible security may, therefore, be relaxed.

The above issues have been examined by RBI and it has been decided that:

- (a) 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 January 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.
- (b) 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.
- (c) The 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.

Alpana Killawala
Chief General Manager

Press Release : 2008-2009/1028