



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

January 30, 2014

RBI releases Framework for Revitalising Distressed Assets in the Economy

The Reserve Bank of India today released on its website the [Framework for Revitalising Distressed Assets in the Economy](#). The Framework outlines a corrective action plan that will incentivise early identification of problem cases, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. The main features of the Framework are:

- (i) Early formation of a lenders' committee with timelines to agree to a plan for resolution.
- (ii) Incentives for lenders to agree collectively and quickly to a plan: better regulatory treatment of stressed assets if a resolution plan is underway, accelerated provisioning if no agreement can be reached.
- (iii) Improvement in current restructuring process: Independent evaluation of large value restructurings mandated, with a focus on viable plans and a fair sharing of losses (and future possible upside) between promoters and creditors.
- (iv) More expensive future borrowing for borrowers who do not co-operate with lenders in resolution.
- (v) More liberal regulatory treatment provided for asset sales:
 - a) Lenders can spread loss on sale over two years provided loss is fully disclosed.
 - b) Take-out financing/refinancing possible over a longer period and will not be construed as restructuring.
 - c) Leveraged buyouts will be allowed for specialised entities for acquisition of 'stressed companies'.
 - d) Steps to enable better functioning of Asset Reconstruction Companies mooted.
 - e) Sector-specific Companies/Private equity firms encouraged to play active role in stressed assets market.

Background

With the slowdown of the Indian economy, a number of companies/projects are under stress. As a result, the Indian banking system has seen increase in NPAs and restructured accounts during the recent years. Not only do financially distressed assets produce less than economically possible, they also deteriorate quickly in value. Therefore, there is a need to ensure that the banking system recognises financial distress early, takes prompt steps to resolve it, and ensures fair recovery for lenders and investors. 'Improving the system's ability to deal with corporate distress and financial institution distress by strengthening real and financial restructuring as well as debt recovery' has been indicated by the Governor, Reserve Bank of India as one of the five pillars on which Reserve Bank's developmental measures will be built for improving the financial system over the next few quarters. Accordingly, a [Discussion Paper on 'Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets in the Economy'](#) was released on December 17, 2013 for comments by January 1, 2014. Today's Framework incorporates public comments on that Paper and outlines the specific proposals the Reserve Bank will implement.

Press Release : 2013-2014/1533

Alpana Killawala
Principal Chief General Manager