



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

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RBI introduces a 'Scheme for Sustainable Structuring of Stressed Assets'

In order to further strengthen the lenders' ability to deal with stressed assets and to put real assets back on track by providing an avenue for reworking the financial structure of entities facing genuine difficulties, the Reserve Bank of India has today issued guidelines on a '[Scheme for Sustainable Structuring of Stressed Assets](#)'.

Resolution of large borrowal accounts which are facing severe financial difficulties may, inter-alia, require co-ordinated deep financial restructuring which often involves a substantial write-down of debt and/or making large provisions. Often such high write-downs act as a disincentive to lenders to effect a sustainable change in the liability structure of borrows facing stress. Banks have also represented for a regulatory framework which would facilitate lenders taking up the exercise of reworking of the liability structure of companies to which they have significant exposures, in the context of asset quality stress currently faced by them.

Accordingly, the Reserve Bank, after due consultation with lenders, has formulated the 'Scheme for Sustainable Structuring of Stressed Assets' (S4A) as an optional framework for the resolution of large stressed accounts. The S4A envisages determination of the sustainable debt level for a stressed borrower, and bifurcation of the outstanding debt into sustainable debt and equity/quasi-equity instruments which are expected to provide upside to the lenders when the borrower turns around.

In order to make sure that that the entire exercise is carried out in a transparent and prudent manner, S4A envisages that the resolution plan will be prepared by credible professional agencies, while an Overseeing Committee, set up by the Indian Banks Association, in consultation with the RBI, comprising of eminent experts will independently review the processes involved in preparation of the resolution plan, under the S4A, for reasonableness and adherence to the provisions of these guidelines, and opine on it.

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Alpana Killawala
Principal Adviser