

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4114

ANSWERED ON:26.08.2011

DEBT/NPA TRANSFER

Meghwal Shri Arjun Ram ;Reddy Shri K. Jayasurya Prakash;Sidhu Shri Navjot Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Supreme Court has held that public and private sector banks are empowered to transfer their debts including Non-Performing Assets (NPAs) to other lenders;
- (b) if so, the details thereof;
- (c) the manner in which this would impact the banking system;
- (d) whether the said decision will have any effect on the NPAs of the banks; and
- (e) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) & (b): The Supreme Court, in the Civil Appeal No. 8393 of 2010 between the ICICI Bank Ltd. Vs official liquidator of APS Star Industries Ltd, and Others has held that private sector banks are empowered to transfer their debts including Non-Performing Assets to other lenders.

(c) to (e): In order to increase the options available to banks for resolving their Non-Performing Assets and to develop a healthy secondary market for Non-Performing Assets, where securitisation companies and asset reconstruction companies are not involved, RBI has issued guidelines on purchase / sale of Non-Performing Assets. Since the sale/purchase of non-performing financial assets under this option would be conducted within the financial system, the whole process of resolving the Non Performing Assets and matters related thereto has to be initiated with due diligence and care warranting the existence of a set of clear guidelines which shall be complied with by all entities so that the process of resolving Non-Performing Assets by sale and purchase of NPAs proceeds on smooth and sound lines.