

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:12
ANSWERED ON:22.02.2013
RESTRUCTURE OF CORPORATE LOANS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has issued any guidelines/norms for restructured loans recently;
- (b) if so, the details thereof;
- (c) the likely impact on the gross Non-Performing Assets (NPAs) of the banks on the implementation of these guidelines; and
- (d) the steps taken by the Government/Reserve Bank of India (RBI) in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): After the Second Quarter Review of Monetary Policy 2011-12 by the Reserve Bank of India (RBI), a Working Group (WG) was constituted under the Chairmanship of Shri B. Mahapatra, Executive Director, RBI to review the existing prudential guidelines on restructuring of advances by banks/financial institutions and suggest revisions taking into account the best international practices and accounting standards.

The Working Group has submitted its report and the same has been placed on the website of the Reserve Bank for comments of all stakeholders including banks.

(c) & (d): Given the larger objectives of financial stability, and keeping in view international best practices to ensure that banks have sufficient provisioning buffer, RBI has announced, in its second review of Monetary Policy, to raise the provision for restructured standard accounts from the existing 2 per cent to 2.75 per cent.

To address the issue of rise in NPAs and restructured advances of banks, and with a view to improving effective information sharing among banks on credit, derivatives and unhedged foreign currency exposures, banks are advised to put in place, by end-December 2012, an effective mechanism for information sharing. Any sanction of fresh loans/ad-hoc loans/ renewal of loans to new or existing borrowers with effect from January 1, 2013 should be made only after obtaining/sharing necessary information. Non adherence to these instructions would be viewed seriously by RBI and banks would be liable to action including imposition of penalty.

The compliance of the above regulatory and supervisory measures are aimed at reducing growth in NPAs and restructured advances by banks and are closely monitored by RBI on an ongoing basis.