भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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DBR.No.FID.5/01.02.00/2014-15 June 11, 2015

All-India Term Lending and Refinancing Institutions
(Exim Bank, NABARD, NHB and SIDBI)

Dear Sir,

Guidelines on Sale of Financial Assets to Securitisation Company (SC)/ Reconstruction Company (RC) and Related Issues

Please refer to paragraph 3.4 of circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014 and our subsequent mailbox clarification dated April 9, 2014 on the captioned subject. These guidelines stipulated that, for non-performing assets (NPAs) sold on or after February 26, 2014 to SCs/RCs, banks can reverse the excess provision on sale of NPAs, if the sale value is for a value higher than the net book value (NBV).

2. In this connection, attention is invited to paragraph 28 (extract enclosed) of the Sixth Bi-Monthly Monetary Policy Statement, 2014-15 announced on February 03, 2015. As indicated therein, it has now been decided to permit All-India Term Lending and Refinancing Institutions(AIFIs) to reverse the excess provision (when the sale is for a value higher than the NBV) on sale of NPAs (sold prior to February 26, 2014 to SCs/RCs) to their profit and loss account. We re-iterate that All India Financial Institutions can reverse excess provision arising out of sale of NPAs only when the cash received (by way of initial consideration and/or redemption of security receipts/pass through certificates) is higher than the NBV of the NPAs sold to SCs/RCs. Further, the quantum of excess provision reversed to profit and loss account will be limited to the extent to which cash received exceeds the NBV of the NPAs sold.

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Department of Banking Regulaion, Central Office,P.O.Box No.1004,13th floor,Central Office Building, Shahid Bhagat Singh Marg, Mumbai -1
Tel No: 91-22-2270 1206/Fax No: 91-22-2270 1238 Email ID: cgmicdbodco@rbi.org.in

3. The quantum of excess provision reversed to the profit and loss account on account of sale of NPAs shall be disclosed in the financial statements of the bank under 'Notes to Accounts'.

4. To enhance transparency, it has been decided that in addition to the disclosure requirements quoted in the above paragraph, All India Financial Institutions shall make the following disclosures in the Notes to Accounts in their Annual Financial Statements:

(In Rs. Crore)

Particulars	Backed by NPAs sold by the AIFI as underlying		Backed by NPAs sold by banks / other financial institutions / non-banking financial companies as underlying		Total	
	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Book value of investments in security receipts						

Yours faithfully,

(Rajinder Kumar)
Chief General Manager

Encl: as above

Department of Banking Regulaion, Central Office,P.O.Box No.1004,13th floor,Central Office Building, Shahid Bhagat Singh Marg, Mumbai -1
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Extracts from Sixth Bi-monthly monetary policy Statement, 2014-15

28. Under the Framework for Revitalising Distressed Assets in the economy, banks were allowed in February 2014 to reverse the excess provision on sale of non-performing assets (NPAs) to securitisation companies/reconstruction companies when the cash received (by way of initial sale consideration and/or redemption of security receipts/pass-through certificates) is higher than the net book value (NBV) of the asset, with a view to incentivising banks to recover appropriate value in respect of their NPAs, subject to certain conditions. This dispensation was, however, available on a prospective basis, *i.e*., only with regard to NPAs sold on or after February 26, 2014. On a review and based on banks' representations in this regard, it has now been decided to extend the above dispensation to NPAs sold prior to February 26, 2014 also. Detailed guidelines to this effect will be issued shortly.