

## **RBI Guidelines- Resolution of Stressed Assets- 12.2.2018- Quick Summary**

### Background & Development

RBI had issued from time to time numerous guidelines on resolution of stressed assets.

In view of Insolvency & Bankruptcy Code, 2016 (IBC) now being operational and working well, [RBI has subordinated and harmonised its said guidelines by way of its circular dated 12.2.2018.](#)

### Observations and Key Changes

- Aging for Special Mention Accounts (SMA) classification continues to be same as before
- Report to Central Repository of Information on Large Credits (CRILC):
  - From 23.2.2018: Weekly for defaulters with aggregate exposure of Rs 5 cr and above
  - From 1.4.2018: Monthly Main Report
- Lenders must implement a Resolution Plan within 180 days or file insolvency under IBC
- Implementation means no default continuing & documentation in place/ security created
- Resolution Plan for borrowers with aggregate exposure of Rs.100 crores and above would require Independent Credit Evaluation (ICE) by RBI authorised Credit Rating Agencies (CRAs). 2 ICEs required where aggregate exposure is Rs 500 crores or more
- All RPs must have credit opinion of RP4 and better
- CRA to be directly engaged by lenders
- In case of aggregate exposure of Rs. 2,000 crores and above on or after 1.3.2018 (Reference Date), RP to be implemented within 180 days and no default to occur failing which insolvency under IBC to be filed within 15 days
- In case of aggregate exposure Rs.100 crores and above but below Rs. 2,000 crores on or after 1.3.2018, reference date will be announced.
- Additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) to be 'standard asset' during specified period under the approved RP
- Higher provisioning requirement and monetary penalty in case of non- compliance/ evergreening
- Restructuring norms changed
- FRDA, CDR, FSELTPL, SDR, Ownership change outside SDR, S4A withdrawn and JLF discontinued.

### Comments

- Welcome move to bring in resolution discipline. RPs would be realistic and achievable
- IBC would receive universal adoption as corporate recovery tool
- Will promote "Interim Finance" as product
- Clarity required on treatment to accounts with aggregate exposure below Rs.100.- crores
- Clarity required on applicability to MSMEs considering new MSME definition in offering.

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