Ministry of Finance

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Reserve Bank of India (RBI) has constituted an Internal Advisory Committee (IAC), which arrived at an objective, non-discretionary criterion for referring accounts for resolution under Insolvency and Bankruptcy Code, 2016 (IBC). In particular, the IAC recommended for IBC reference all accounts with fund and non-fund based outstanding amount greater than Rs.5000 crore, with 60% or more classified as non-performing by banks as of March 31, 2016.

Accordingly, Reserve Bank of India has issued directions to certain banks for referring 12 accounts, qualifying under the aforesaid criteria, to initiate insolvency process under the Insolvency and Bankruptcy Code, 2016. As regards the other non-performing accounts which do not qualify under the above criteria, the IAC recommended that banks should finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks should be required to file for insolvency proceedings under the IBC.

However, the names and details of borrowers are not disclosed as prescribed under section 45E of the Reserve Bank of India (RBI) Act, 1934 and Banking Laws, which provide for the obligation of a bank or financial institution to maintain secrecy about the affairs of its constituents.

In respect of the above-mentioned 12 accounts, Reserve Bank of India has advised the banks to make provisions as under:

“The minimum provisions required to be maintained against the said accounts would be the higher of the following:

(a) 50 per cent for secured portion of the outstanding balance plus 100 percent for the unsecured portion.

(b) Provisions required to be maintained as per the extant Asset classification norms.”

The additional provisions, as required in each case, should be proportionately spread over the remaining quarters of the current financial year, starting Q2, so that the required provisions are fully in place by March, 2018.

The effect of the provisioning requirement prescribed in respect of the said 12 accounts would vary for each account and for the respective banks depending upon the current asset classification, current provisions held, security coverage, etc.

This was stated by Shri Santosh Kumar Gangwar, Minister of State for Finance in written reply to a question in Rajya Sabha today.

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