

RBI expands market for sale of banks' stressed assets

Moots e-auction of NPAs, asks lenders to frame policy

Mumbai, September 1:

The Reserve Bank of India on Thursday expanded the market for banks' stressed assets by permitting them to be sold to other lenders, including non-banking financial companies and financial institutions.

The central bank also issued guidelines specifying that all assets classified as doubtful should be reviewed by the board of banks or a committee of board members.

"Early identification will help in low vintage and better price realisation for banks," RBI said.

"At least once in a year, preferably at the beginning of the year, banks shall, with the approval of their Board, identify and list internally the specific financial assets identified for sale to other institutions, including securitisation companies and reconstruction companies," it added. Currently, banks are required to lay down detailed policies and guidelines on sale of their stressed assets to securitisation companies or reconstruction companies. The policy has to cover the financial assets to be sold; norms and procedures for sale; valuation procedures to be followed to ensure that the realisable value of financial assets is reasonably estimated; besides delegation of powers of various functionaries for taking decision on the sale.

E-auction mechanism

The e-auction mechanism has been mooted besides a public solicitation of bids to attract a wide variety of buyers. Banks should lay down a board-approved policy in this regard, the RBI said.

On asset valuation, the central bank said banks should clearly specify (on a case-to-case basis) whether they would accept internal or external valuation of the asset being sold, besides clearly specifying the discount rate for asset valuation in their policy.

Two external valuation reports have been mandated for loans above ₹ 50 crore.

The cost of valuation has to be borne by the banks. Banks have been directed to review the efficacy of their extant policies on sale of NPAs, with focus on valuation of stressed assets, and rework them according to the new guidelines.

New guidelines

- ***Banks can sell stressed assets to NBFCs, FIs in addition of securitisation companies or reconstruction companies***
- ***Bank boards have to review all doubtful assets at least once a year***
- ***RBI moots e-auction mechanism for sale of NPAs***
- ***Two external valuations reports mandated for loans above ₹50 crore***

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