

# Business Standard

## Banks seek more time on loan default disclosure: Sebi chief Ajay Tyagi

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*Ajay Tyagi*

Months after it silently withdrew a circular mandating corporates to disclose their loan defaults, just a day after it was issued, the markets watchdog Securities and Exchange Board of India (Sebi) on Monday explained that it was pulled back as banks sought more time to implement it.

Sebi  
Chairman

Ajay Tyagi explained the regulator was working with banks to define what would constitute a default as banks provide different types of loans to corporates.

“Banks need further time to examine and see. Because they give various types of debts. There’s term loans, working capital loans, etc,” Tyagi said on the sidelines launching the National E-governance Services (NeSL), an information utility provider here this evening.

On September 30, Sebi had withdrawn its earlier circular which had mandated corporate to disclose to the stock exchanges any loan default within a day.

But just a day before the new rule could kick, Sebi had issued the press release stating that the circular mandating disclosure on loan defaults was being deferred 'until further notice'. The regulator did not offer the reason for the decision at the time of the withdrawal.

The circular was issued as part of the government and regulators' effort at controlling the bad loan menace which had touched almost 15 per cent of the system at over Rs 10 trillion as of the June quarter.

To arrest the slide, the Reserve Bank of India had on June 13 identified 12 of the largest defaulter accounts including Bhushan Steel, Essar Steel, Amtek Auto among others who owed banks more than Rs 2.5 trillion of loans, and asked banks to refer these accounts to the NCLT.

Later in September, the RBI had again listed 28 more accounts and asked banks to refer them to the NCLT and resolve them before December-end.

Last the nation's largest lender SBI had said it expected almost all the 28 accounts from the second list to go the NCLT.

Since the Sebi did not offer any rationale for withdrawing the directive, Tyagi's statement assumes significance.

The Sebi move on disclosure of loan defaults was hailed by the market as it was considered a material information impacting stock prices.

Tyagi also said that Sebi is fully committed to ensure that whatever is required for the markets regulator to function more effectively, it will be done.

He said in the past Sebi used to provide relaxation in ICDR and also the substantial acquisition of shares, because we knew that any restructuring or resolution plan, the new entity which takes over, needed some handholding.

"So, whatever more issues need to be addressed, which I am aware of, we are working closely with the Insolvency and Bankruptcy Board to see that those issues also get resolved at the earliest. I am very sure that with the passage of time, with judicial pronouncements, further improvements can be done," Tyagi said.

NeSL is the country's first information utility and is registered with the Insolvency and Bankruptcy Board under the aegis of Insolvency and Bankruptcy Code. It is set up by leading banks and public institutions and is incorporated as a central government entity.

The primary role of NeSL is to serve as a repository of legal evidence holding information pertaining to any debt claim as submitted by financial creditors and verified and authenticated by the other parties to the debt.