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Bank-led resolution of NPAs set to begin

BY [DHEERAJ TIWARI](#), ET BUREAU | DEC 27, 2018, 11.30 PM IST

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[Indian Banks' Association \(IBA\)](#) has set up an oversight committee with a former deputy governor from Reserve Bank of India to kick start bank-led resolution of stressed assets under the inter-creditor agreement.

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The association has now asked the 34 lenders to initiate and send the resolution proposals under the scheme.

A senior IBA official said banks have been told to provide forensic reports and credit rating of the borrower along with the resolution plan “Under Project Sashakt, an overseeing committee (OC) is to be set up to look into these resolutions. We will have six members,” he said, adding that former [RBI](#) deputy governor HR Khan, former Canara Bank chairman MBN Rao, former SEBI chief M Damodaran and former State Bank of India chairman Janki Ballabh will be part of the overseeing committee.

“It is very encouraging that the IBA has taken steps in the right direction and this will definitely help lenders use the bank-led resolution approach (BLRA) in addition to options available under the [Bankruptcy](#) Code,” said Punjab National Bank Chairman Sunil Mehta.

TWIN TRACK

Bank-led resolution of stressed assets set to start



IBA Takes lead

Overseeing committee being set up for resolution

IBA asks lenders to submit proposal



Former RBI deputy governor, former Sebi chairman, among others, to be part of panel

Mandate

Mechanism to resolve loans of ₹50 crore and above



Total stressed assets may be of ₹**3.1 lakh** crore

Lead bank to take the proposal for resolution

Banks also to provide forensic reports and credit ratings

A committee under Mehta on Project Sashakt had submitted a report to the government suggesting a fivepronged approach for resolution of loans. It included an inter-creditor agreement (ICA) to resolve in-house bad loans of Rs 50-500 crore.

About 34 banks have signed the ICA, the bedrock of the in-house, bank-led resolution approach. The agreement binds minority lenders to a resolution plan of the majority of lenders in terms of value of the loan.



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According to the committee report, stressed assets of banks towards loans of up to Rs 500 crore would be around Rs 3.1 lakh crore.

IBA, however, will collect a one time, non-refundable sum of Rs 7 lakh at the time of submission of each proposal to cover the expenses of the committee.

Another official said the country's largest lender State Bank of India is expected to bring at least 10-15 cases for resolution under ICA as the lead lender is authorised to formulate the resolution plan.

"We expect some more developments once the proposed asset management company gets going," the official added.

Sashakt India Asset Management has been registered as an AMC and banks are in talk with investors to set up an alternative investment fund (AIF) to fund the AMC.

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