



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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RBI/2014-15/496

DBR.No.BP.BC.75/21.04.048/2014-15

March 11, 2015

All Scheduled Commercial Banks  
(Excluding Local Area Banks and Regional Rural Banks)

Dear Sir,

**Guidelines on Sale of Financial Assets to Securitisation Company (SC)/  
Reconstruction Company (RC) and Related Issues**

Please refer to paragraph 3.4 of [circular DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014](#) and our subsequent mailbox clarification dated April 9, 2014 on the captioned subject, wherein we have stipulated that, for non-performing assets (NPAs) sold on or after February 26, 2014 to SCs/RCs, banks can reverse the excess provision on sale of NPAs, if the sale value is for a value higher than the net book value (NBV), to their profit and loss account in the year the amounts are received.

2. In this connection, attention is invited to paragraph 28 (extract enclosed) of the Sixth Bi-Monthly Monetary Policy Statement, 2014-15 announced on February 03, 2015. As indicated therein, it has now been decided to permit banks to reverse the excess provision (when the sale is for a value higher than the NBV) on sale of NPAs (sold prior to February 26, 2014 to SCs/RCs) to their profit and loss account. We re-iterate that banks can reverse excess provision arising out of sale of NPAs only when the cash received (by way of initial consideration and/or redemption of security receipts/pass through certificates) is higher than the NBV of the NPAs sold to SCs/RCs. Further, the quantum of excess provision reversed to profit and loss account will be limited to the extent to which cash received exceeds the NBV of the NPAs sold.

3. The quantum of excess provision reversed to the profit and loss account on account of sale of NPAs shall be disclosed in the financial statements of the bank under 'Notes to Accounts'.

Yours faithfully,

(Sudarshan Sen)  
Chief General Manager-in-Charge

**Extracts from Sixth Bi-Monthly Monetary Policy Statement, 2014-15**

28. Under the Framework for Revitalising Distressed Assets in the economy, banks were allowed in February 2014 to reverse the excess provision on sale of non-performing assets (NPAs) to securitisation companies/reconstruction companies when the cash received (by way of initial sale consideration and/or redemption of security receipts/pass-through certificates) is higher than the net book value (NBV) of the asset, with a view to incentivising banks to recover appropriate value in respect of their NPAs, subject to certain conditions. This dispensation was, however, available on a prospective basis, i.e., only with regard to NPAs sold on or after February 26, 2014. On a review and based on banks' representations in this regard, it has now been decided to extend the above dispensation to NPAs sold prior to February 26, 2014 also. Detailed guidelines to this effect will be issued shortly.