



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2012-13/304

DBOD.BP.BC.No. 62 /21.04.103/2012-13

November 21, 2012

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

**Second Quarter Review of Monetary Policy 2012-13 –
Non-Performing Assets (NPAs) and Restructuring of Advances**

Please refer to paragraphs 93 and 94 of the Second Quarter Review of Monetary Policy 2012-13 (extract enclosed) announced on October 30, 2012 on 'Non-Performing Assets (NPAs) and Restructuring of Advances'.

2. In terms of our [circular No. DBOD.No.BP.BC.46/08.12.001/2008-09 dated September 19, 2008](#) on 'Lending under Consortium Arrangement / Multiple Banking Arrangements' banks were advised to strengthen their information back-up about the borrowers enjoying credit facilities from multiple banks by obtaining declaration from the borrowers about the credit facilities already enjoyed by them from other banks. Banks were also advised to exchange information about the conduct of borrowers' accounts with other banks in the specified format at least at quarterly intervals. The format specified in the circular was finalised in consultation with Indian Banks' Association. Banks were further advised vide our [circular No. DBOD.BP.BC.94/08.12.001/2008-2009 dated December 8, 2008](#) on 'Lending under Consortium Arrangement / Multiple Banking Arrangements', that the information exchange should also, *inter alia*, cover information relating to borrowers' derivative transactions and unhedged foreign currency exposures.

3. It has been observed that of late the NPAs and restructured loans of banks have been increasing significantly. A major reason for deterioration in the asset quality of

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हिंदी आसान है, इसका प्रयोग बढ़ाएँ

banks is the lack of effective information sharing among banks regarding their credit, derivatives and unhedged foreign currency exposures. Further, lack of effective and timely information exchange among banks may also result in occurrence of frauds.

4. We, therefore, advise that banks should strictly adhere to the instructions regarding sharing of information relating to credit, derivatives and unhedged foreign currency exposures among themselves and put in place an effective mechanism for information sharing by end-December 2012. Any sanction of fresh loans/*ad hoc* loans/renewal of loans to new/existing borrowers with effect from January 1, 2013 should be done only after obtaining/sharing necessary information.

5. Non-adherence to the above instructions by banks would be viewed seriously by the Reserve Bank and they would be liable to action, including imposition of penalty, wherever considered appropriate.

Yours faithfully,

(Rajesh Verma)
Chief General Manager

**Extract from Second Quarter Review of Monetary Policy 2012 - 13 announced
on October 30, 2012**

Non-Performing Assets (NPAs) and Restructuring of Advances

93. NPAs and restructured loans of banks have been increasing significantly. A major reason for deterioration in the asset quality of banks is the lack of effective information sharing among them, despite specific instructions issued in September and December 2008 regarding sharing of information on credit, derivatives and unhedged foreign currency exposure. It is, therefore, advised that:

- banks should strictly adhere to the instructions regarding sharing of information relating to credit, derivatives and unhedged foreign currency exposures among themselves and put in place an effective mechanism for information sharing by end-December 2012;
- any sanction of fresh loans/*ad hoc* loans/renewal of loans to new/existing borrowers with effect from January 1, 2013 should be done only after obtaining/sharing necessary information; and
- non-adherence to these instructions would be viewed seriously by the Reserve Bank and banks would be liable to action, including imposition of penalty, wherever considered appropriate.

94. Detailed guidelines in this regard are being issued separately.