

# RBI moots US-style trading platform for distressed assets

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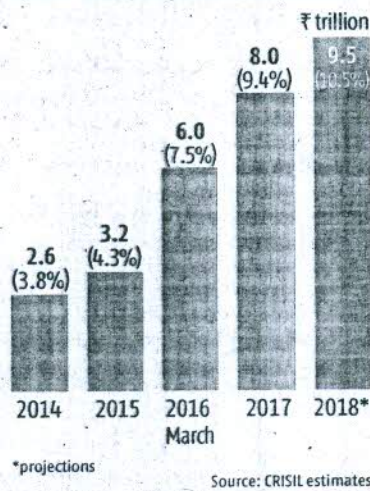
Reserve Bank of India (RBI) Deputy Governor Viral Acharya has suggested setting up of an online trading platform for selling distressed assets to ensure transparency and better price discovery.

Indian Banks' Association (IBA), Association of Asset Reconstruction Companies (ARCON) and credit rating agencies (CRAs) can join hands to establish the equivalent of the US Loan Syndication and Trading Association (LSTA) for this purpose, Acharya said at an ASSOCHAM event on asset reconstruction in Mumbai on Saturday.

Such an arrangement would provide disclosure on credit events, digitisation of loans and legal documents and standardisation along the way. Besides, it also provides online bidding platforms for the sales to take place, ASSOCHAM statement quoted Acharya as saying.

The RBI deputy governor said stakeholders should at least discuss whether there was value to building something like this as the US had built the LSTA over a period of time. South Korea had built a similar structure during the crisis

## CONTINUOUS RISE IN GROSS NON-PERFORMING ASSETS



and it then became an industry standard for loan sales.

It was in the interest of banks to create primary market liquidity in selling loans. That would be also useful for ARCs which may have an interest in secondary

markets for these assets.

The loan sales could occur for risk transfers perhaps even prior to default because recovery adds stress for players who want to come in even before an IBC (Insolvency and Bankruptcy Code) filing takes place. It would be helpful in calculating expected credit losses, Acharya said.

Meanwhile, rating agency CRISIL in a report on ARCs said gross non-performing assets were expected to rise to ₹9.5 trillion by the end of March 2018 and stressed assets were expected to be at ₹11.5 trillion. This provides significant business opportunities for ARCs.

Given that banks are expected to make higher provisioning over and above the provisions made for stressed assets, they may sell the assets at lower discounts, thus increasing the capital requirement.

The existing capital base of ARCs will not support in absorbing the stressed assets available in the market and they are expected to be a part of the multi-platform business model with co-investors/large funds to bring in capital, and stay relevant.

The structural changes are expected

to improve recovery prospects. The recovery rate, which is a good indicator of the effectiveness of ARCs, is expected to rise from 38 per cent earlier to 44-48 per cent, CRISIL said.

In the last three years, the activity of ARCs has grown substantially. According to the Reserve Bank of India's report on Trend and Progress of Banking in India, the book value of assets acquired rose from ₹1,598 billion in 2014 to ₹2,627 billion in 2017. Similarly, security receipts issued by securitisation companies and ARCs also grew from (worth) ₹520 billion in 2014 to ₹940 billion in 2017.

Banks look towards ARCs as acquirers of their stressed accounts for numerous reasons. One is that some ARCs hold a significant exposure in a stressed company, therefore in certain cases it makes sense that one ARC consolidates the various banks' credit exposure to the company.

As in the case of Essar Steel and Edelweiss ARC; where now Edelweiss ARC is the fifth largest lender to the steel giant after having bought Essar Steel's NPA accounts from various banks like HDFC Bank, ICICI Bank, Axis Bank, and Bank of Baroda.

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Another reason is that some banks have issues with their capital requirements, and therefore selling an NPA account to an ARC—even at a discount having already made provisions—would help maintain or improve the banks' capital.

Lenders have made appropriate provisions for these NPA accounts over time, and therefore are willing to sell their exposure at a discount.

# RBI DG suggests e-trading platform for stressed assets

Proposes formation of body on the lines of LSTA of the US

**ENS ECONOMIC BUREAU**  
MUMBAI, JANUARY 20

RESERVE BANK of India (RBI) Deputy Governor Viral Acharya on Saturday proposed the formation of an online trading platform which will help India achieve a thriving market for the sale of non-performing assets (NPAs).

"Indian Banks' Association, ARCON (Association of Asset Reconstruction Companies) and CRAs (credit rating agencies) can come together to set up the equivalent of Loan Syndication and Trading Association (LSTA) in the United States," Acharya said while inaugurating an Assocham meet on stressed assets.

According to Acharya, it provides fundamentally three things — disclosure on credit events, digitisation of loans and legal documents and standardisation along the way. Besides, it also provides online bidding platforms for the sales to take place. "My recommendation or at least I would encourage various players to discuss whether there is value to building some-

thing like this as the United States has built it over the period of time and South Korea has built it during the crisis and then it became an industry standard for doing loan sales thereafter," Acharya said.

Suggesting that it would require an inter-industry effort to form this body, the RBI Deputy Governor said that it is in the interest of banks to create primary market liquidity in selling loans. "It is probably in the interest of ARCs too which may even then have an interest in secondary markets for these assets," Acharya said.

If something like this is done, then overtime many 'good things' could happen, he said.

Acharya said that loan sales could occur for risk transfers perhaps even prior to default or NPA because recovery adds stress for players who want to come in even before an IBC (Insolvency and Bankruptcy Code) filing takes place. "So now you don't have to have a measure of recovery only at the outcome of IBC, you could have measure of recovery even at stress because that will get re-

flected in the loan sales," he said.

"I think if that is the point at which the banks are going to be selling loans, then would be the relevant figure for calculating expected credit losses and so on," he said.

Acharya further said that CRAs could aggregate all this information across sectors, firms over time and they could provide quarterly reports that could help guide banks in calculation of PDs (primary dealers), LGDs (loss given defaults), expected credit losses and so on.

The Loan Syndications and Trading Association of the US is the trade association for the floating rate corporate loan market. The LSTA promotes a fair, orderly, and efficient corporate loan market and provides leadership in advancing the interest of all market participants. The LSTA undertakes a wide variety of activities to foster the development of policies and market practices designed to promote just and equitable marketplace principles and to encourage cooperation and coordination with firms facilitating transactions in loans and related claims.

# भास्कर-एसोचैम ने किया 3 सरकारों के अंतिम पूर्ण बजट का विश्लेषण पिछले तीन अंतिम पूर्ण बजट में नहीं मिली है बड़ी रियायत

■ हालांकि तीनों बजट में आयकर में छोटी छूट जरूर दी, इस बार बड़ी छूट की उम्मीद

धर्मनंद सिंह भदौरिया | नई दिल्ली

मोदी सरकार के मौजूदा कार्यकाल का अंतिम पूर्ण बजट एक फरवरी को पेश होगा। गुजरात चुनाव में भारतीय जनता पार्टी को गांवों में मिली हार और युवाओं के कम वोट के कारण सरकार गांव और युवाओं को सौगात दे सकती है। वहीं शहरी और मध्यमवर्ग ने सरकार का साथ गुजरात में दिया इसलिए इनको बनाए रखने की भी चुनौती है। विशेषज्ञों के अनुसार इस बार आयकर छूट सीमा 2.5 लाख से बढ़ाकर तीन लाख रुपए हो सकती है, साथ ही आयकर स्लैब में बदलाव भी किया जा सकता है। कारोबारियों को कॉर्पोरेशन टैक्स घटने और होम लोन लेने वालों को आयकर की धारा 80सी की सीमा बढ़ने की उम्मीद है।

ऐसे में भास्कर ने उद्योग संगठन एसोचैम के साथ मिलकर पिछले तीन सरकारों के अंतिम तीन पूर्ण बजट का विश्लेषण किया। ताकि हम यह समझ सकें कि सरकारें ऐसे बजट में कैसी घोषणाएं करती हैं। इससे पूर्व की तीन सरकारों - यूपीए-2 के 2013-14 का बजट, यूपीए-1 का 2008-09 का बजट और एनडीए सरकार के 2003-04 के अंतिम पूर्ण बजट को हमने इसमें शामिल किया। यह उभरकर आया कि पिछले तीनों सरकारों के अपने-अपने अंतिम पूर्ण बजट में किसी न किसी रूप में आयकर में छूट अवश्य दी है। लेकिन यह बड़ी नहीं थी। यूपीए-1 का वर्ष 2008-09 का बजट सर्वाधिक जनप्रिय घोषणाओं वाला रहा। जिसमें देश में आजादी के बाद की अब तक की सबसे बड़ी 60 हजार करोड़ रुपए की किसानों की ऋण माफी की घोषणा की गई।

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## 2008-09 के बजट में मिली थी सबसे ज्यादा छूट

पांच लाख आय वालों को मिली थी दो हजार रु की कर छूट

■ दो से पांच लाख रुपए आय वाले प्रत्येक आयकर दाता को दो हजार रुपए की कर छूट की घोषणा की गई। इस तरह 2.2 लाख रुपए की आय कर मुक्त हो गई। 50 हजार करोड़ रुपए के कर मुक्त इंफ्रास्ट्रक्चर बॉण्ड की घोषणा की।

### बजट 2013-14

■ निर्भया केस के बाद सरकार ने बालिकाओं और महिलाओं की सुरक्षा के लिए एक हजार करोड़ रुपए के निर्भया फंड की घोषणा की। अलग महिला बैंक की घोषणा भी हुई।

## उस साल आयकर मुक्त सीमा 40 हजार रुपए बढ़ाई गई थी

■ पुरुषों के लिए 1.1 लाख से 1.5 लाख रु. तक की आय कर मुक्त की गई। महिलाओं के लिए यह 1.45 लाख रु. से बढ़कर 1.8 लाख रु. हुई। वरिष्ठ नागरिकों के लिए 1.95 लाख से 2.25 लाख रु. की गई। वहीं 3 लाख रु. तक की आय पर 10%, 3 लाख से अधिक और 5 लाख रु. तक पर 20% और 5 लाख से अधिक की आय पर 30% कर स्लैब हुआ।

### बजट 2008-09

■ राष्ट्रीय ग्रामीण रोजगार गारंटी योजना (नरेगा) भारत के सभी 596 ग्रामीण जिलों में शुरू करने की घोषणा। 16 हजार करोड़ रुपए का प्रावधान किया गया। पूर्ण स्वच्छता अभियान के लिए 1200 करोड़ रुपए उपलब्ध कराए जाने का प्रावधान।

## वरिष्ठ नागरिकों को आयकर में मिली थी 20 हजार रु. की छूट

■ वरिष्ठ नागरिकों को धारा 88 के तहत कर छूट 20 हजार रुपए बढ़ाकर 1.53 लाख रुपए (पेंशन वाले वरिष्ठ नागरिकों के मामले में मानक कटौती के कारण 1.83 लाख रुपए) करने की घोषणा।

### बजट 2003-04

■ 40 हजार करोड़ रुपए की अनुमानित लागत वाली 48 नई सड़क परियोजनाओं की घोषणा। इसमें एक चौथाई सड़कों का निर्माण सीमेंट कंक्रीट से। आठ हजार करोड़ रुपए की राष्ट्रीय रेल विकास योजना की घोषणा।

तीनों बजट के अन्य महत्वपूर्ण बिंदु | पढ़ें पेज 7 पर

