



RESERVE BANK OF INDIA

भारतीय रिज़र्व बैंक

बेटी बचाओ
बेटी पढ़ाओ

RBI/DOR/2024-25/135
DOR.STR.REC.72/21.04.048/2024-25

March 29, 2025

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks)
All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ Central Cooperative Banks
All All-India Financial Institutions
All Non-Banking Financial Companies (including Housing Finance Companies)

Revised norms for Government Guaranteed Security Receipts (SRs)

The [Master Direction on Transfer of Loan Exposures, 2021 dated September 24, 2021](#) ("MD-TLE"), prescribes, *inter alia*, prudential treatment for transfer of loans by the eligible transferors to Asset Reconstruction Companies (ARCs). Specifically, reversal of excess provision and the valuation norms for the investors of SRs are detailed in paragraphs 76, 77 and 77A of MD-TLE. Currently, these provisions apply to all the SRs including those with sovereign guarantee.

2. With a view to adopting a differentiated approach in respect of SRs guaranteed by the Government of India, the prudential treatment relating to valuation of such SRs shall be as under:

- (i) If a loan is transferred to an ARC for a value higher than the net book value (NBV), the excess provision can be reversed to the Profit and Loss Account in the year of transfer if the sale consideration comprises only of cash and SRs guaranteed by the Government of India. However, the non-cash component in the form of SRs shall be deducted from CET 1 capital, and no dividends shall be paid out of this component.
- (ii) Such SRs shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments. However, any unrealised gains recognised in the Profit and Loss Account on account of fair valuation of such investments shall be deducted from CET 1 capital, and no dividends shall be paid out of such unrealized gains.

- (iii) Any SRs outstanding after the final settlement of the government guarantee or the expiry of the guarantee period, whichever is earlier, shall be valued at one rupee (₹1).
- (iv) In the event of the SRs being converted to any other form of instruments as part of resolution, then the valuation and provisioning thereof, for such instruments shall be governed by the provisions as laid down under paragraph 19 of the Annex 1 to the [Prudential Framework for Resolution of Stressed Assets dated June 7, 2019](#)¹.

3. The provisions of this circular shall be applicable with immediate effect and be valid for all the existing and subsequent investments involving SRs guaranteed by the Government of India, during the validity of said guarantee by the Government on the concerned SRs.

4. The respective provisions of MD-TLE stand updated as given at [Annex](#).

Yours faithfully,

(Vaibhav Chaturvedi)
Chief General Manager

¹ The same principles shall also apply mutatis mutandis to Regulated Entities which are currently not covered under the Prudential Framework.

The following Sub Clause shall be added after para 76 of MD-TLE:

76A: Notwithstanding the provisions contained in paragraph 76 of MD-TLE, the lenders can reverse the entire excess provision [viz. sale consideration (-) NBV] to the Profit and Loss Account in the year of transfer if the sale consideration comprises only of cash and SRs guaranteed by the Government of India.

Provided that, the non-cash component of the excess provision [viz. excess provision (-) cash received at the time of transfer] shall be deducted from CET 1 capital, and no dividends shall be paid out of this component.

The following Sub Clause shall be added after para 77A of MD-TLE:

77B: (i) Notwithstanding the provisions contained in paragraph 77A, or the proviso to paragraph 77 of MD-TLE, SRs guaranteed by the Government of India shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments.

(ii) However, any unrealized gain recognized in the Profit and Loss Account on account of fair valuation of such investments shall be deducted from CET 1 capital, and no dividends shall be paid out of such unrealized gains.

(iii) Any SRs outstanding after the final settlement of the government guarantee or the expiry of the guarantee period, whichever is earlier, shall be valued at ₹1.

(iv) In the event of the SRs being converted to any other form of instruments as part of resolution, then the valuation and provisioning thereof, for such instruments shall be governed by the provisions as laid down under paragraph 19 of the Annex 1 to the [Prudential Framework for Resolution of Stressed Assets dated June 7, 2019](#)².

² The same principles shall also apply mutatis mutandis to Regulated Entities which are currently not covered under the Prudential Framework.