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Banks must tag IL&FS a/cs as NPAs after default: RBI

New Delhi: The RBI on Tuesday told the National Company Law Appellate Tribunal (NCLAT) that banks will have to classify the accounts of debt-ridden IL&FS and its group companies as NPAs in terms of its master circular and the Supreme Court judgement.

It is the obligation of banks to mark any loan as NPA after a default of 90 days, and they cannot be relieved from doing that, the central bank said, adding that it is a process which every bank has to follow.

Senior advocate Gopal Jain, representing the RBI, submitted before the NCLAT that true reflection in the books of the banks is important for fair accounting because it has early warning signals.

"The whole thing is to have a transparent and fair accounting system, so that the health of the institution is not affected. And whate-

ver process you are having for resolution in IL&FS, we are not on recovery and the resolution process, we are only saying banks have to record the position of NPA in terms of the master circular and the Supreme Court judgement, which

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recognises NPAs in the circular," Jain said. According to him, the job of the regulator is to have right policy for all the banks.

He further said that banks are finalising their accounts and need clarification from the NCLAT on this. "There is obligation for the banks that after 90 days it has to show (as NPA)

in their account," said Jain, adding "banks cannot be relieved of their obligations for bad loans from their account book".

The NCLAT-bench headed by chairman Justice S J Mukhopadhaya said it would hear the central bank on the next date of hearing, which is on April 29.

The RBI has moved the NCLAT seeking modification of its order that restrained banks from declaring accounts of IL&FS and its group companies as NPAs.

According to the apex bank, there was an overlap of power. Passing an order on February 25, the NCLAT had said, "We make it clear that due to non-payment of dues by the IL&FS or its entities including the amber companies, no financial institution will declare the accounts of IL&FS or its entities as NPA without prior permission of this appellate tribunal." AGENCIES