

December 8, 2008

The Chairman and
Managing Directors /
Chief Executive Officers of
All Scheduled Commercial Banks
(Excluding RRBs & LABs)

Dear Sir,

Prudential Guidelines on Restructuring of Advances by Banks

Please refer to our Press Release dated December 6, 2008 regarding RBI's Growth Stimulus. As indicated therein, it has been decided to effect the following modifications to prudential guidelines on restructuring of advances contained in our circular RBI/2008-09/143/ DBOD.No. BP.BC. No.37/ 21.04.132/2008-09 dated August 27, 2008 on the captioned subject.

- (i) In terms of para 6.1 of the aforesaid circular, exposures to commercial real estate, capital market exposures and personal/consumer loans are not eligible for the exceptional regulatory treatment of retaining the asset classification of the restructured standard accounts in standard category as given in para 6.2 of the circular. As the real estate sector is facing difficulties, it has been decided to extend exceptions/special treatment to the commercial real estate exposures which are restructured up to June 30, 2009.
- (ii) In terms of para 6.2.2(vi) of the circular, the special regulatory treatment is restricted only to the cases where the restructuring under consideration is not a 'repeated restructuring' as defined in para (v) of Annex 2 to the circular. In the face of the current economic downturn, there are likely to be instances of even viable units facing temporary cash flow problems. To address this problem, it has been decided, as a one-time measure, that the second restructuring done by banks of exposures (other than exposures to commercial real estate, capital market exposures and personal/consumer loans) upto June 30, 2009, will also be eligible for exceptional/special regulatory treatment.

Yours faithfully,

[P. Vijaya Bhaskar]
Chief General Manager