



Indian Banks' Association

CORPORATE & INTERNATIONAL BANKING

No. C&I/CIR/2013-14/9307

29th April 2014

The Chief Executives of all Member Banks

Dear Sirs/Madam,

Framework for Revitalising Distressed Assets in the Economy

Reserve Bank of India (RBI) has formulated a 'Framework for Revitalising Distress Assets' in the economy and placed it on its website on 30th January 2014. RBI has further issued detailed guidelines in respect of the Joint Lenders' Forum (JLF) and the Corrective Action Plan (CAP) for operationalizing the Framework vide circular dated 26th February, 2014.

2. In terms of the Framework, RBI entrusted Indian Banks' Association (IBA) with the following tasks:-

- i) Drafting a Master JLF agreement between the all Lenders in respect of Special Mention Accounts (SMA) with an Aggregate Exposure (AE) exceeding ₹ 100 crores.
- ii) Constituting an Independent Evaluation Committee (IEC) to carry out evaluation of Techno-Economic Viability (TEV) study and the proposed restructured package for AE exceeding ₹ 500 crores.
- iii) Put a database on the IBA's website in respect of delinquent third party service providers such as Advocates, Chartered Accountants and Valuers reported by the lender banks.

3. We have to advise you that the task entrusted to IBA in terms of the Framework has since been completed as under:-

- i. The Master JLF agreement, which needs to be executed by all the lenders whether under a Consortium Arrangement or a Multiple Banking Arrangement or any other Lending Arrangement has been drafted. Format of the agreement is attached for your information and will also be available on the IBA's website.

- ii. It has been decided in consultation with RBI to constitute an Independent Evaluation Committee with membership from the professional institutes such as Institute of Chartered Accountants of India, Institute of Cost Accountant of India, Institute of Company Secretaries of India, Institution of Engineers (India) and Institute of Valuers. These institutions have consented to be associated with the IEC. We will place on IBA website the contact details and broad terms of engagement of these Institutional Members in the IEC to be constituted for SMA 2 with AE exceeding ₹ 500 crores.
 - iii. The Managing Committee of IBA has approved creation of a database of delinquent third party service providers such as Advocates, Chartered Accountants and Valuers. The database can be accessed by users with a login and password allotted to each bank. It has to be ensured that the detailed guidelines in this regards vide IBA circular no. LEGAL/CIR/9229 dated 10th April 2014 are meticulously followed.
4. To ensure that the proposed Framework is scrupulously implemented and to achieve its objective of resolution of Special Mention Accounts, it has been further decided, in consultation with RBI that:-
- I) The lending banks should nominate senior executives on JLF with adequate authority and mandate to expedite decision making in respect of stressed assets.
 - II) The timelines that have been laid down in respect of various steps to be taken by lenders and JLF is scrupulously followed and the JLF functions efficiently to expedite decisions.
 - III) The expenses relating to IEC will be recoverable from the borrower and IEC functioning will be monitored by the lender with the largest exposure.

Yours faithfully,



(Sangeet Shukla)
Senior Advisor

Encl: Master JLF Agreement

MASTER JOINT LENDERS FORUM AGREEMENT

THIS AGREEMENT is made at _____ on this __ day of __ 2014, by and between:

A _____ Bank a body corporate constituted by and under the Banking Companies, (Acquisition and transfer of undertakings) Act 1970/80 and having its Head Office at _____, and Zonal/Circle/Regional/ Branch Office amongst other places at _____ (hereinafter called "A Bank", which expression shall, unless it be repugnant to the subject+ or context thereof, include Its successors and assigns) of the FIRST PART.

AND

B _____ Bank, a body corporate constituted by and under the Banking Companies, (Acquisition and transfer of undertakings) Act 1970/80 and having its Head Office at _____, and Zonal/Circle/Regional/Branch Office amongst other places at _____ (hereinafter called "B Bank", which expression shall, unless it be repugnant to the subject or context thereof, include its successors and assigns) of the SECOND PART.

AND

C _____ Bank, a body corporate constituted by and under the Banking Companies, (Acquisition and transfer of undertakings) Act 1970/80 and having its Head Office at _____, and Zonal/Circle/Regional/Branch Office amongst other places at _____ (hereinafter called "C Bank", which expression shall, unless it be repugnant to the subject or context thereof, include its successors and assigns) of the THIRD PART.

AND

D _____ Bank, a body corporate constituted by and under the Banking Companies, (Acquisition and transfer of undertakings) Act 1970/80 and having its Head Office at _____ and Zonal/Circle/Regional/Branch Office amongst other places at _____ (hereinafter called "D Bank", which expression shall,



unless it be repugnant to the subject or context thereof, include its successors and assigns) of the FOURTH PART

The Banks A, B, C & D have extended _____ facilities to M/s _____ (hereinafter referred to as the Borrower.),

AND have formed a Joint Lenders Forum and hereinafter are collectively referred to as "JLF" and individually referred to as "Members of JLF" which expression shall, unless it be repugnant to the subject or context thereof, include each of them or any one or more of them and their respective successors and assigns :

WHEREAS

- (A) Whereas various banks as detailed in Schedule I have financed the Borrower to the extent of their exposure/Facilities as indicated the said Schedule I, hereinafter referred to as the Lender Bank.
- (B) The Lender Banks have to identify incipient stress in the account of the Borrower by classifying the account as 'Special Mention Accounts' (SMA) in terms of guidelines issued by Reserve Bank of India (RBI) from time to time.
- (C) Upon an account with any Lender Bank being identified as an Special Mention Account (SMA), as per the RBI Guidelines, the Lender Bank will adopt all necessary measures so as to be able to avoid it from becoming NPA.
- (D) Lender Banks shall collect credit information of all Lender Banks on the Borrower on a common platform for reporting information, analyzing & making a collective decision with respect to the condition for detection & resolution of the stressed assets & SMAs in order to formulate a Collective Action Plan (CAP) for such accounts.



- (E) JLF Member Banks hereby agree that the Central Repository of Information on Large Credits ("CRILC"), set up by the Reserve Bank of India will be the platform for collating such information, storing, and disseminate credit data of the said Borrower to all its Lender Banks. The credit information agreed to be furnished by the Lender Banks will include all credit exposures under RBI guidelines on Exposure Norms and inter-alia, shall include data on the Lender Banks' investments in bonds/debentures issued by a borrower. The Lender Banks will report credit information, including classification of an account as SMA to CRILC on all their borrowers having aggregate fund-based and non-fund based exposure as per guidelines issued by the Reserve Bank of India from time to time.

NOW THEREFORE, IT IS RECORDED THAT THE PARTIES HERETO HAVE MUTUALLY AGREED AS FOLLOWS :

1. FORMULATION OF THE JOINT LENDER'S FORUM

- 1.1 Once the account of said Borrower is reported to the CRILC as SMA with principal or interest payment overdue between 61 - 90 days, as per extant RBI Guidelines, by one or more of the Lender Banks, the Lender Banks shall mandatorily form a Joint Lenders' Forum ("JLF"), in which all the Lender Banks or the banks who represent Lender Banks will become members. The JLF will together formulate a Corrective Action Plan ("CAP") for early resolution of the stress in the account & shall follow the guidelines issued by the Reserve Bank of India from time to time.
- 1.2 IN terms of RBI guidelines, the Lender Banks are required to form a Joint Lenders Forum (JLF) and enter into JLF Agreement for setting out the terms and conditions upon which the Joint Lenders' Forum be set up and to prescribe the manner of functioning and the role of the JLF for early detection of and resolution in the stressed account.



- 1.3 It is agreed that the Lender Banks will be represented in JLF by Senior Executives with appropriate authority/mandate from the respective banks.

2. ROLE OF THE JOINT LENDERS FORUM

- 2.1 The JLF will be empowered with capability/option to invite representatives of the Central/State Government/Project authorities/Local authorities, if they have a role in the implementation of the project financed by the Lender Banks.

- 2.2 The JLF will explore various options, under CAP, to resolve the stress in the account of the said Borrower, which may be in the form of restructuring or rectification or recovery, which the JLF may deem fit to arrive at an early and feasible resolution to preserve the economic value of the underlying assets as well as the Lender Banks' loans as is described in Schedule I. The Lender Banks have agreed that with respect to the options to be used by the JLF for resolution of the stress in the account of the said Borrower, the decision agreed upon by a minimum of 75% of Lender Banks by value and 60% of Lender Banks by number would be considered as the basis for proceeding with the restructuring or recovery action of the account, and will be binding on the Lender Banks under the terms of the Inter Creditor Agreement, if any. The Lender Banks shall further authorize the JLF in deciding the best recovery process to be followed among the various legal and other recovery options available with a view to optimizing the efforts and results.

3. OBLIGATIONS OF THE JOINT LENDERS' FORUM

Upon formation, the JLF will be responsible for the following actions:

- 3.1 The JLF should explore the possibility of the borrower setting right the irregularities/ weaknesses in the account.

- 3.2 The JLF shall conduct a meeting of all Lender Banks at quarterly intervals to assess the performance of the SMA of the said Borrower which are notified by the Lender Banks and based on the Statements received from a borrower under the Quarterly Information System (QIS) and fix at such Meeting the Operating Limits/Individual Bank's share thereof for the next Quarter which shall be binding on the Members of the Bank Consortium.
- 3.3 In case the Lender Banks or the Borrower have made a reference for Corporate Debt Restructuring, the requirement under the CDR guidelines, as issued by Reserve Bank of India from time to time, including Inter Creditor Agreement (ICA) and Debtor Creditor Agreement (DCA) will be applicable, mutatis mutandis to the JLF reference.
- 3.4 If the JLF decides to restructure any loan of the said Borrower, then the JLF shall consider the following options while restructuring the loan:
- (i) Possibility of transferring equity of the said Borrower by promoters to the Member Banks to compensate for their sacrifices;
 - (ii) Promoters infusing more equity into their companies;
 - (iii) Transfer of the promoters' holdings to a security trustee or an escrow arrangement till turnaround of company. This will enable a change in management control, should the Member Banks favour it.
- 3.5 In order to distinguish the differential security interest available to secured lenders, partially secured lenders and unsecured lenders, amongst the Lender Banks, the JLF/CDR shall consider various options like:
- (i) Prior agreement in the ICA among the above classes of lenders regarding repayments, say, as per an agreed waterfall mechanism;
 - (ii) A structured agreement stipulating priority of secured creditors;



- (iii) Appropriation of repayment proceeds among secured, partially secured and unsecured lenders in certain pre-agreed proportion.

The JLF may also decide on a mutually agreed option, apart from the options in above illustrated list. Banks agree to appreciate the concerns of fellow lenders and arrive at a mutually agreed option with a view to preserve the economic value of assets. Once an option is agreed upon, the bank having the largest exposure may take the lead in ensuring distribution according to agreed terms once the restructuring package is implemented.

4. CORRECTIVE ACTION PLAN ("CAP")

4.1 It is agreed that JLF shall explore various options to resolve the stress in the account. JLF shall make effort to arrive at an early feasible solution to preserve the economic value of the underlying assets, as well as the lenders loan. The options under Corrective Action Plan (CAP) by the JLF would generally include :

- a) Rectification
- b) Restructuring
- c) Recovery

4.2 It is agreed that the decision agreed upon by a minimum of 75% of creditors by value of 60% of creditors by number in JLF would be considered as the basis for proceeding with the restructuring of the account and would be binding on all lenders under the terms of the Inter Creditor Agreement / Debtor Creditor Agreement. However, if the JLF decides to proceed with recovery, the minimum criteria for binding decision, if any, under any relevant laws/Acts would be applicable.

4.3 It is agreed that if the JLF decides to put account of the borrower as CAP, it would do so as per guidelines issued by RBI from time to time.



5. LENDER BANK'S OBLIGATIONS:

- 5.1 The Lender Banks hereby agree to abide by the directions, instructions and clarifications as may be given from time to time by the JLF/ the Steering Committee/the Sub-Committee (if any formed by JLF) in respect of all matters arising out of or in relation to the said Borrower.
- 5.2 In cases where the Lender Banks have constituted a consortium and where the said Borrower owes dues to a consortium, each of the Lender Banks agree to closely monitor the accounts of its borrowers that are reported to the CRILC as SMA-1 (i.e. principal or interest payment overdue between 31 - 60 days) or SMA-0 (i.e. principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress) on an ongoing process, and shall report to the JLF any early warning signs of weaknesses noticed in the performance of the SMA. The Lender Banks further agree to closely monitor every such SMA-1 account and to adopt such actions as the JLF may recommend to be taken up with a view to rectifying the deficiencies at the earliest.
- 5.3 The JLF Member Banks agree to act in the best interests of all lender Banks and Borrowers having due regard to the interests of each of the Lender Banks and keep the leader of the Bank Consortium and the Members duly informed by sharing of information on credit, derivatives, unhedged foreign currency exposure and any other information relating to the Borrower coming to their knowledge. The Members of the Bank Consortium do hereby further agree that they would strictly adhere to, the instructions regarding sharing of information on credit, derivatives, unhedged foreign currency exposure and any other information relating to the Borrower among themselves as mandated by RBI from time to time and would put in place an effective mechanism for such information sharing.



- 5.4 No Lender Bank shall, without the consent of the JLF/its Sub -Committee, agree to any modification of the terms of this Agreement nor waive the penal interest on defaults or charge rate of interest applicable to borrower's accounts or vary the margins stipulated earlier with respect to an SMA.
- 5.5 Subject to the provisions of this Agreement, all proceeds of sale or other proceeds out of or in connection with any of the securities created by the borrower for an SMA account will be shared in accordance with the security document entered into by the said Borrower but subject to the consent of the JLF for adopting any strict action for sale of securities etc.
- 5.6 JLF Member Banks agree to ensure that there will be regular follow up and supervision over credit extended to said Borrower and each of the Member Banks shall keep the Consortium Leader advised/informed of all matters affecting this Agreement and shall initiate such action as may be deemed appropriate in mutual consultation with one another of the Bank Consortium.
- 5.7 Inspection of the Books of Account, verification of securities and spot checks shall be done by JLF Member Bank by rotation as may be decided by Sub-Committee and the Notes of Inspection and Verification shall be forwarded to all the Members of the Bank Consortium. The JLF Member Banks shall ensure that there is no piecemeal collection of data from a borrower by JLF Member Bank separately but that all collection of data is made by the Consortium Leader or a Member Bank appointed for such purpose by the JLF or as it may direct.
- 5.8 Each of the Lender Banks shall at the request of JLF / Sub-Committee join in the exercise of any power hereby made exercisable by the said Banks or any of them, shall join or concur in all such acts, proceedings, things or steps as may be necessary or convenient to enable any of the Lender Banks to recover any moneys due to It upon the said Securities or otherwise to obtain the



benefit of the said securities and in default, the said Lender Bank may be made a defendant/respondent in any action, other Banks may decide to take.

- 5.9 The JLF Member Banks agree to adhere to and act in accordance with the applicable time lines set out for the purpose.
- 5.10 If despite monitoring and the assistance provided, any SMA still turns into a Non Performing Asset with any of the Lender Banks; all the other Lender Banks irrespective of the position of the said Borrower's accounts with them shall immediately stop further withdrawals from the account(s) of the said Borrower with them and shall also not allow any further sanction of facility/advance to a borrower except with a resolution of the JLF.
- 5.11 No Lender Bank will be permitted to leave the Bank Consortium before expiry of at least two years from the date, of its joining the JLF, Member Banks shall not be ordinarily permitted to exit from stressed accounts or from SMAs. Exit may be considered with the approval of the Sub-Committee (formed by JLF), on such terms as is approved by the majority members of the sub-committee.
- 5.12 Where, however, a Lender Bank faces a temporary liquidity constraint it will be open to one or more of the other Lender Banks to agree, on request by the said Lender Bank, to take up for a temporary period not exceeding six months or such other period as may be agreed to by JLF/ Consortium Leader at its sole discretion (hereinafter referred to as "the Stated Temporary Period") that Lender Bank's Share in any Additional Credit Facility that may be sanctioned to the Borrower against the Guarantee of that Lender Bank, if so called upon and on the understanding that the Lender Bank will take over its due share by the end of the Stated Temporary Period. It is specifically agreed that the status of the Consortium Leader in such an event does not get affected if for a temporary period the Consortium Leader ceases to have the required largest exposure in the Fund Based Facilities granted to a borrower during that period.



5.13 The Consortium Leader will be responsible for submission of application to the RBI on behalf of the Bank Consortium for authorization, if any required, and for answering to the requisitions as may from time to time be made by the RBI in regard to the accounts of a borrower.

5.14 Lender Banks shall follow the Prudential Norms of the RBI with respect to Asset Classification and Provisioning. Where a restructuring proposal is under consideration either by the JLF/CDR the usual asset classification norm would continue to apply to all Lender Banks.

6. CONSORTIUM AND MULTIPLE BANKING ARRANGEMENTS

6.1 In cases where the said Borrower has availed of consortium lender's facilities, the Consortium Leader will serve as Convener of JLF. For accounts under Multiple Banking Arrangements, the Lender Bank which has the largest exposure to the said Borrower and the largest share in the lending to the said Borrower shall convene JLF.

6.2 The Bank Consortium shall act in accordance with the directions and instructions given by JLF/ Sub-Committee, if any, in so far as the monitoring of the Borrower's term Loans/Cash credit Account(s) or other Account(s) with them are concerned and abide by the decisions of JLF/ Sub-Committee, which will be binding on the Members of the Bank Consortium. In case of any dispute or difference of view on the quantum of the permissible, bank finances, terms and conditions to be imposed or any other matter pertaining to the Borrower's Term Loan/ Cash Credit Account(s) or other Account(s) the matter shall be resolved by referring the same to JLF.

6.3 The Lender Bank shall abide by all the operational guidelines regarding data coverage, integrity, dissemination, reporting format, frequency, etc. which shall be issued by the RBI from time to time.



7. ROLE OF STEERING COMMITTEE /SUB-COMMITTEE

If there is large number of lenders under the JLF, the JLF may decide to form a Sub-Committee / Steering Committee consisting of Members with higher exposures pursuant to the resolution by JLF Member Banks to that effect. The powers of the Steering Committee will be such as is resolved to be appropriate by JLF Member Banks.

8. GUIDELINES ISSUED BY RESERVE BANK OF INDIA

Guidelines issued by the Reserve Bank of India from time to time on all the related issues shall be applicable on all the Lender Banks of JLF.

IN WITNESS WHEREOF, the Parties hereto have set their hands unto these Presents the day, month and year hereinabove written.

SIGNED AND DELIVERED for and on behalf of A Bank as the Lead Bank by the hand of Shri _____ its Authorized Official in this behalf.

SIGNED AND DELIVERED for and on behalf of the Member Banks as mentioned below by the hand of its duly Authorized Official in this behalf.

B BANK Shri _____
C BANK Shri _____
D BANK Shri _____

DATED THIS THE _____ DAY OF _____ 20__

