

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
LOK SABHA  
UNSTARRED QUESTION NO-5147  
ANSWERED ON- 04/04/2022

ASSETS RECOVERY COMPANIES

5147. DR. PRITAM GOPINATHRAO MUNDE  
SHRI RAHUL RAMESH SHEWALE  
SHRI GIRISH BHALCHANDRA BAPAT  
SHRI CHANDRA SEKHAR SAHU

Will the Minister of FINANCE be pleased to state:-

- (a) whether Assets Recovery Companies (ARCs) purchase the portfolio for very little amount and recover the actual dues with interest at a higher rate from the borrowers;
- (b) if so, whether this means that the public money in the hands of the bank directly goes into the hands of the private companies which makes an adverse effect on the Indian economy;
- (c) if so, the details of the facts in this regard;
- (d) whether there is a need to frame rules so that the ARCs shall work as agents only for recovery of dues of the bank with mandatory Standard Operating Procedure;
- (e) if so, the response of the Government and the action taken in this regard; and
- (f) the steps taken by the Government for compulsory audits of ARCs like banks?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (f): As per inputs received from Reserve Bank of India (RBI), an Asset Recovery Company (ARC) is envisaged to be a company set up for the purposes of carrying on the business of asset reconstruction or securitisation, or both. Further, under the provisions of SARFAESI Act, 2002, an ARC is permitted to act as an agent for any bank or financial institution for the purpose of recovering their dues from the borrower on payment of such fees or charges as may be mutually agreed upon between the parties.

RBI has also informed that as per its Master Directions on Transfer of Loan Exposures, banks are required to have clear policies with regard to valuation of loan exposures proposed to be transferred to ARCs. The discount rate used by them in the internal valuation exercise is also required to be spelt out in the policy. Further, the transfer of stressed loans to ARCs must be done through assignment or novation only. Recovery proceeds from such assets is shared by ARCs with the holders of the Security Receipts.

As per inputs received from RBI, ARCs are required to comply with the guidelines issued by it from time to time. Compliance to RBI guidelines issued to ARCs is examined during the Supervisory Assessment and any non-compliance observed is taken up with them for the rectification apart from initiating supervisory/ enforcement action, as RBI deems fit.

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