



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2020-21/13
DOR.NBFC(ARC) CC. No. 9/26.03.001/2020-21

July 16, 2020

All Asset Reconstruction Companies

Madam/Dear Sir,

Fair Practices Code for Asset Reconstruction Companies

In exercise of the powers conferred by Section 9 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002, Asset Reconstruction Companies registered with the Bank are advised to adopt 'Fair Practices Code' so as to ensure transparency and fairness in their operation. Guidelines in this regard are enclosed in [Annex](#).

Yours faithfully,

(Manoranjan Mishra)
Chief General Manager

Fair Practices Code for Asset Reconstruction Companies

In order to achieve the highest standards of transparency and fairness in dealing with stakeholders, Asset Reconstruction Companies (ARCs) are advised to put in place Fair Practices Code (FPC) duly approved by their Board. The following paragraphs provide the minimum regulatory expectation while each ARC's Board is free to enhance its scope and coverage. The FPC must be followed in right earnest and the Board must involve itself in its evolution and proper implementation at all times. The FPC shall be placed in public domain for information of all stakeholders.

1. ARC shall follow transparent and non-discriminatory practices in acquisition of assets. It shall maintain arm's length distance in the pursuit of transparency.

2. In order to enhance transparency in the process of sale of secured assets,

(i) invitation for participation in auction shall be publicly solicited; the process should enable participation of as many prospective buyers as possible;

(ii) terms and conditions of such sale may be decided in wider consultation with investors in the security receipts as per SARFAESI Act 2002;

(iii) spirit of Section 29A of Insolvency and Bankruptcy Code, 2016 may be followed in dealing with prospective buyers.

3. ARCs shall release all securities on repayment of dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim they may have against the borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which ARCs are entitled to retain the securities till the relevant claim is settled/ paid.

4. ARCs shall put in place Board approved policy on the management fee, expenses and incentives, if any, claimed from trusts under their management. The Board approved policy should be transparent and ensure that management fee is reasonable and proportionate to financial transactions.

5. ARCs intending to outsource any of their activity shall put in place a comprehensive outsourcing policy, approved by the Board, which incorporates, inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities/ service providers. ARC shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and the RBI nor impede effective supervision by RBI. The outsourced agency, if owned/controlled by a director of the ARC, the same may be made part of the disclosures specified in the Master Circular.

6. In the matter of recovery of loans, ARCs shall not resort to harassment of the debtor. ARCs shall ensure that the staff are adequately trained to deal with customers in an appropriate manner.

(i) ARCs shall put in place a Board approved Code of Conduct for Recovery Agents and obtain their undertaking to abide by that Code. ARCs, as principals, are responsible for the actions of their Recovery Agents.

(ii) It is essential that the Recovery Agents observe strict customer confidentiality.

(iii) ARCs shall ensure that Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly in respect of aspects such as hours of calling, privacy of customer information, etc. They should ensure that Recovery Agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

7. ARCs should constitute Grievance Redressal machinery within the organisation. The name and contact number of designated grievance redressal officer of the ARC should be mentioned in the communication with the borrowers. The designated officer should ensure that genuine grievances are redressed promptly. ARCs' Grievance Redressal machinery will also deal with the issue relating to services provided by the outsourced agency and recovery agents, if any.

8. ARCs shall keep the information, they come to acquire in course of their business, strictly confidential and shall not disclose the same to anyone including other companies in the group except when (i) required by law; (ii) there is duty towards public to reveal information; or (iii) there is borrower's permission.

9. Compliance with FPC shall be subject to periodic review by the Board.