RBI Revises Valuation Norms for Government-Guaranteed Security Receipts

The Reserve Bank of India (RBI) vide its **Notification No. RBI/DOR/2024-25/135 – DOR.STR.REC.72/21.04.048/2024-25 dated March 29, 2025**, has revised the prudential treatment of government-guaranteed Security Receipts (SRs) under the Master Direction on Transfer of Loan Exposures (MD-TLE), 2021.

The new guidelines introduce a differentiated approach to valuing SRs backed by the Government of India. If a loan is transferred to an Asset Reconstruction Company (ARC) for a value exceeding its net book value, the excess provision may be reversed to the Profit and Loss Account, provided the sale consideration includes only cash and government-guaranteed SRs.

However, the non-cash component in SRs must be deducted from Common Equity Tier 1 (CET 1) capital, and no dividends can be paid from it. Additionally, periodic valuation of these SRs will be based on the Net Asset Value (NAV) determined by ARCs, considering recovery ratings.

Unrealized gains from fair valuation will also be deducted from CET 1 capital, with no dividend distribution allowed from such gains. Any SRs remaining after the final settlement of the government guarantee or its expiry will be valued at Rs.1. If converted into other financial instruments as part of a resolution, their valuation and provisioning will follow the RBI's Prudential Framework for Resolution of Stressed Assets.

These changes take effect immediately and apply to both existing and future investments involving government-guaranteed SRs. The relevant clauses of MD-TLE have been updated accordingly.

Link - https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12804&Mode=0