

FICCI suggests setting up of National Asset Management Company to resolve issue of mounting NPAs in banking system

May 28, 2014, New Delhi. A strong banking system is critical to effectively support the process of economic recovery. Indian banking system is going through a challenging phase due to build up of a large volume of stressed assets. FICCI has therefore suggested **setting up a National Asset Management Company (NAMCO)** as a new special purpose asset management company (AMC) to take over stressed assets from the banking system for effective recovery and rehabilitation.

"FICCI's concept note on NAMCO draws upon the challenges faced by Indian asset reconstruction companies (ARCs) and the experience of specialized Public AMCs in various countries including Korea, Thailand, Taiwan, Malaysia, China and Japan. The common underlying success factors include a supportive legal and regulatory environment, strong leadership, operational independence, appropriately structured incentives, and commercial orientation. It is imperative that the Government and RBI should help establish NAMCO to address the challenge posed by stressed assets in the banking system. A pro-active and preventive approach is much desirable if we have to ensure speedy revival of the economy", said Mr. Sidharth Birla, President, FICCI.

The key features of National Asset Management Company (NAMCO) as proposed by FICCI include:

- *NAMCO to be established as a 'special purpose' asset reconstruction company (ARC) with **sponsorship of the government.***
- *To focus on large ticket stressed assets mainly in **Infrastructure, Power, Steel and Telecom sectors** to be transferred from the banking system quickly.*
- *Starts with **high level of capitalization** (up to Rs 5,000 crore) that will allow it to build up a sizeable portfolio of stressed assets.*
- *Majority (51 per cent) owned by private sector and managed as a board driven private company; the board to have adequate number of independent directors with right skills and capabilities.*
- *Government to encourage PSBs to participate in equity of NAMCO up to 49 per cent.*
- *NAMCO to issues security receipts (SRs) of up to 12 years maturity for **longer term** assets they acquire.*
- *Gets **government and regulatory support in its functioning** including support in encouraging banks to transfer assets, forbearance in amortizing over longer term the losses incurred by banks upon transfer of stressed assets and to provide additional working capital financing.*

ATTACHED: [FICCI's Concept Note on NAMCO](#)

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