



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA



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RBI/2023-24/06

DOR.STR.REC.3/21.04.048/2023-24

April 1, 2023

All Commercial Banks (excluding RRBs)

Madam/Dear Sir

**Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances**

Please refer to the [Master Circular DOR.STR.REC.4/21.04.048/2022-23 dated April 1, 2022](#) consolidating instructions / guidelines issued to banks till March 31, 2022 on matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances.

2. This [Master Circular](#) consolidates instructions on the above matters issued up to March 31, 2023. A list of circulars consolidated in this Master Circular is contained in [Annex 5](#).

Yours faithfully

(Manoranjan Mishra)  
Chief General Manager

Encl.: As above

# MASTER CIRCULAR - PRUDENTIAL NORMS ON INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING PERTAINING TO ADVANCES

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**Master Circular - Prudential Norms on Income Recognition,**  
**Asset Classification and Provisioning pertaining to Advances**

**Part A**

**1. GENERAL**

1.1 In line with the international practices and as per the recommendations made by the Committee on the Financial System (Chairman Shri M. Narasimham), the Reserve Bank of India has introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks so as to move towards greater consistency and transparency in the published accounts.

1.2 The policy of income recognition should be objective and based on record of recovery rather than on any subjective considerations. Likewise, the classification of assets of banks has to be done on the basis of objective criteria which would ensure a uniform and consistent application of the norms. Also, the provisioning should be made on the basis of the classification of assets based on the period for which the asset has remained non-performing and the availability of security and the realisable value thereof.

1.3 Banks are urged to ensure that while granting loans and advances, realistic repayment schedules may be fixed on the basis of cash flows with borrowers. This would go a long way to facilitate prompt repayment by the borrowers and thus improve the record of recovery in advances.

**2. DEFINITIONS**

**2.1 Non-performing Assets**

2.1.1 An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

2.1.2 A non-performing asset (NPA) is a loan or an advance where;

- i. interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii. the account remains 'out of order' as indicated at paragraph 2.2 below, in respect of an Overdraft/Cash Credit (OD/CC),
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

- iv. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the [Reserve Bank of India \(Securitisation of Standard Assets\) Directions, 2021](#) as amended from time to time.
- vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

2.1.3 In addition, an account may also be classified as NPA in terms of certain specific provisions of this Master Circular, including inter alia Paragraphs 4.2.4, 4.2.9 and Part B2.

## 2.2 'Out of Order' status

2.2.1 A CC/OD account shall be treated as 'out of order' if:

- i) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- ii) The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period<sup>1</sup>.

2.2.2 The definition of "out of order" as at paragraph 2.2.1 above shall be applicable to all loan products being offered as an overdraft facility, including those not meant for business purpose and/or which entail interest repayments as the only credits.

## 2.3 'Overdue' status

2.3.1 Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank. The borrower accounts shall be flagged as overdue by the banks as part of their day-end processes for the due date, irrespective of the time of running such processes.

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<sup>1</sup> 'Previous 90 days period' shall be inclusive of the day for which the day-end process is being run.

### 3. INCOME RECOGNITION

#### 3.1 Income Recognition Policy

3.1.1 The policy of income recognition has to be objective and based on the record of recovery. Therefore, the banks should not charge and take to income account interest on any NPA. **This will apply to Government guaranteed accounts also.**

3.1.2 However, interest on advances against Term Deposits, National Savings Certificates (NSCs), Kisan Vikas Patras (KVPs) and life insurance policies may be taken to income account on the due date, provided adequate margin is available in the accounts.

3.1.3 Fees and commissions earned by the banks as a result of renegotiations or rescheduling of outstanding debts should be recognised on an accrual basis over the period of time covered by the renegotiated or rescheduled extension of credit.

3.1.4 In cases of loans where moratorium has been granted for repayment of interest, income may be recognised on accrual basis for accounts which continue to be classified as 'standard'. This shall be evaluated against the definition of 'restructuring' provided in paragraph 16 of this Master Circular.

3.1.5 Income recognition norms for loans towards projects under implementation involving deferment of DCCO shall be subject to the instructions contained in paragraph 4.2.15 of this Master Circular and that for loans against gold ornaments and jewellery for non-agricultural purposes shall be subject to the instructions contained in [circular DBOD.No.BP.BC.27/21.04.048/2014-15 dated July 22, 2014](#) on the subject, as updated from time to time.

#### 3.2 Reversal of income

3.2.1 If any advance, including bills purchased and discounted, becomes NPA, the entire interest accrued and credited to income account in the past periods, should be reversed if the same is not realised. This will apply to Government guaranteed accounts also.

3.2.2 If loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalized interest, if any, corresponding to the interest accrued during such moratorium period need not be reversed.

3.2.3 In respect of NPAs, fees, commission and similar income that have accrued should cease to accrue in the current period and should be reversed with respect to past periods, if uncollected.

3.2.4 Leased Assets - The *finance charge* component of finance income [as defined in 'AS 19 Leases')] on the leased asset which has accrued and was credited to income account before the asset became non-performing, and remaining unrealised, should be reversed or provided for in the current accounting period.

### 3.3 Appropriation of recovery in NPAs

3.3.1 Interest realised on NPAs may be taken to income account provided the credits in the accounts towards interest are not out of fresh/ additional credit facilities sanctioned to the borrower concerned.

3.3.2 In the absence of a clear agreement between the bank and the borrower for the purpose of appropriation of recoveries in NPAs (i.e. towards principal or interest due), banks should adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner.

### 3.4 Interest Application

On an account turning NPA, banks should reverse the interest already charged and not collected by debiting Profit and Loss account and stop further application of interest. However, banks may continue to record such accrued interest in a Memorandum account in their books. For the purpose of computing Gross Advances, interest recorded in the Memorandum account should not be taken into account.

### 3.5 Computation of NPA levels

Banks are advised to compute their Gross Advances, Net Advances, Gross NPAs and Net NPAs, as per the format in [Annex-1](#).

## 4. ASSET CLASSIFICATION

### 4.1 Categories of NPAs

Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the realisability of the dues:

**(i) Substandard Assets**

**(ii) Doubtful Assets**

**(iii) Loss Assets**



#### 4.1.1 Substandard Assets

With effect from March 31, 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

#### 4.1.2 Doubtful Assets

With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

#### 4.1.3 Loss Assets

A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

### 4.2 Guidelines for classification of assets

#### 4.2.1 General

Broadly speaking, classification of assets into above categories should be done taking into account the degree of well-defined credit weaknesses.

#### 4.2.2 Appropriate internal systems for proper and timely identification of NPAs

Banks should establish appropriate internal systems (including technology enabled processes) for proper and timely identification of NPAs, including putting in place the necessary infrastructure to comply with the requirements of the [circular DoS.CO.PPG./SEC.03/11.01.005/2020-21 dated September 14, 2020](#) on Automation of Income Recognition, Asset Classification and Provisioning processes in banks (as updated).

#### 4.2.3 Availability of security / net worth of borrower/ guarantor

The availability of security or net worth of borrower/ guarantor should not be taken into account for the purpose of treating an advance as NPA or otherwise, except to the extent provided in Paragraph 4.2.9.

#### 4.2.4 Accounts with temporary deficiencies

The classification of an asset as NPA should be based on the record of recovery. Bank should not classify an advance account as NPA merely due to the existence of some deficiencies which are temporary in nature such as non-availability of adequate drawing power based on the latest available stock statement, balance outstanding exceeding the limit temporarily, non-submission of stock statements and non-renewal of the limits on the due date, etc. In the matter of classification of accounts with such deficiencies banks may follow the following guidelines:

- a) Banks should ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Drawing power is required to be arrived at based on the stock statement which is current. However, considering the difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular.
- b) A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.
- c) Regular and *ad hoc* credit limits need to be reviewed/ regularised not later than three months from the due date/date of ad hoc sanction. In case of constraints such as non-availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal/ review of credit limits is already on and would be completed soon. In any case, delay beyond six months is not considered desirable as a general discipline. Hence, an account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

#### 4.2.5 Upgradation of loan accounts classified as NPAs

The loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. In case of borrowers having more than one credit facility from a bank, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement

of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

#### 4.2.6 Accounts regularised near about the balance sheet date

The asset classification of borrowal accounts where a solitary or a few credits are recorded before the balance sheet date should be handled with care and without scope for subjectivity. Where the account indicates inherent weakness on the basis of the data available, the account should be deemed as a NPA. In other genuine cases, the banks must furnish satisfactory evidence to the Statutory Auditors/Inspecting Officers about the manner of regularisation of the account to eliminate doubts on their performing status.

#### 4.2.7 Asset Classification to be borrower-wise and not facility-wise

4.2.7.1 It is difficult to envisage a situation when only one facility to a borrower/one investment in any of the securities issued by the borrower becomes a problem credit/investment and not others. Therefore, all the facilities granted by a bank to a borrower and investment in all the securities issued by the borrower will have to be treated as NPA/NPI and not the particular facility/investment or part thereof which has become irregular.

4.2.7.2 If the debits arising out of devolvement of letters of credit or invoked guarantees are parked in a separate account, the balance outstanding in that account also should be treated as a part of the borrower's principal operating account for the purpose of application of prudential norms on income recognition, asset classification and provisioning.

4.2.7.3 The bills discounted under LC favouring a borrower may not be classified as a Non-performing assets (NPA), when any other facility granted to the borrower is classified as NPA. However, in case documents under LC are not accepted on presentation or the payment under the LC is not made on the due date by the LC issuing bank for any reason and the borrower does not immediately make good the amount disbursed as a result of discounting of concerned bills, the outstanding bills discounted will immediately be classified as NPA with effect from the date when the other facilities had been classified as NPA.

#### 4.2.7.4 Derivative Contracts

- a) The overdue receivables representing positive mark-to-market value of a derivative contract will be treated as a non-performing asset, if these remain unpaid for 90 days or more. In case the overdues arising from forward contracts and plain vanilla swaps and options become NPAs, all other funded facilities granted to the client shall also be classified as nonperforming asset following the principle of borrower-wise classification as per the existing asset classification norms. However, any amount, representing

positive mark-to-market value of the foreign exchange derivative contracts (other than forward contract and plain vanilla swaps and options) that were entered into during the period April 2007 to June 2008, which has already crystallised or might crystallise in future and is / becomes receivable from the client, should be parked in a separate account maintained in the name of the client / counterparty. This amount, even if overdue for a period of 90 days or more, will not make other funded facilities provided to the client, NPA on account of the principle of borrower-wise asset classification, though such receivable overdue for 90 days or more shall itself be classified as NPA, as per the extant Income Recognition and Asset Classification (IRAC) norms. The classification of all other assets of such clients will, however, continue to be governed by the extant IRAC norms.

- b) If the client concerned is also a borrower of the bank enjoying a Cash Credit or Overdraft facility from the bank, the receivables mentioned at sub-paragraph (a) above may be debited to that account on due date and the impact of its non-payment would be reflected in the cash credit / overdraft facility account. The principle of borrower-wise asset classification would be applicable here also, as per extant norms.
- c) In cases where the contract provides for settlement of the current mark-to-market value of a derivative contract before its maturity, only the current credit exposure (not the potential future exposure) will be classified as a non-performing asset after an overdue period of 90 days.
- d) As the overdue receivables mentioned above would represent unrealised income already booked by the bank on accrual basis, after 90 days of overdue period, the amount already taken to 'Profit and Loss a/c' should be reversed and held in a 'Suspense Account- Crystallised Receivables' in the same manner as done in the case of overdue advances.
- e) Further, in cases where the derivative contracts provide for more settlements in future, the MTM value will comprise of (a) crystallised receivables and (b) positive or negative MTM in respect of future receivables. If the derivative contract is not terminated on the overdue receivable remaining unpaid for 90 days, in addition to reversing the crystallised receivable from Profit and Loss Account as stipulated in sub-paragraph (d) above, the positive MTM pertaining to future receivables may also be reversed from Profit and Loss Account to another account styled as 'Suspense Account – Positive MTM'. The subsequent positive changes in the MTM value may be credited to the 'Suspense Account – Positive MTM', not to P&L Account. The subsequent decline in MTM value may be adjusted against the balance in 'Suspense Account – Positive MTM'. If the balance in this account is not sufficient, the remaining amount may be debited to the P&L Account. On payment of the overdues in cash, the balance in the 'Suspense Account-

Crystallised Receivables' may be transferred to the 'Profit and Loss Account', to the extent payment is received.

- f) If the bank has other derivative exposures on the borrower, it follows that the MTMs of other derivative exposures should also be dealt with / accounted for in the manner as described in sub-paragraph (e) above, subsequent to the crystallised/settlement amount in respect of a particular derivative transaction being treated as NPA.
- g) Similarly, in case a fund-based credit facility extended to a borrower is classified as NPA, the MTMs of all the derivative exposures should be treated in the manner discussed above.

#### 4.2.8 Advances under consortium arrangements

Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances. Where the remittances by the borrower under consortium lending arrangements are pooled with one bank and/or where the bank receiving remittances is not parting with the share of other member banks, the account will be treated as not serviced in the books of the other member banks and therefore, be treated as NPA. The banks participating in the consortium should, therefore, arrange to get their share of recovery transferred from the lead bank or get an express consent from the lead bank for the transfer of their share of recovery, to ensure proper asset classification in their respective books.

#### 4.2.9 Accounts where there is erosion in the value of security/frauds committed by borrowers

4.2.9.1 In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate:

- a) Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category.
- b) If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

#### 4.2.9.2 Provisioning norms in respect of all cases of fraud

- a) Banks should normally provide for the entire amount due to the bank or for which the bank is liable (including in case of deposit accounts), immediately upon a fraud being detected. While computing the provisioning requirement, banks may adjust financial collateral eligible under Basel III Capital Regulations - Capital Charge for Credit Risk (Standardised Approach), if any, available with them with regard to the accounts declared as fraud account;
- b) However, to smoothen the effect of such provisioning on quarterly profit and loss, banks have the option to make the provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected;
- c) Where the bank chooses to provide for the fraud over two to four quarters and this results in the full provisioning being made in more than one financial year, banks should debit 'other reserves' [i.e., reserves other than the one created in terms of Section 17(2) of the Banking Regulation Act 1949] by the amount remaining un-provided at the end of the financial year by credit to provisions. However, banks should proportionately reverse the debits to 'other reserves' and complete the provisioning by debiting profit and loss account, in the subsequent quarters of the next financial year;
- d) Banks shall make suitable disclosures with regard to number of frauds reported, amount involved in such frauds, quantum of provision made during the year and quantum of unamortised provision debited from 'other reserves' as at the end of the year.

#### 4.2.10 Advances to Primary Agricultural Credit Societies (PACS)/Farmers' Service Societies (FSS) ceded to Commercial Banks

In respect of agricultural advances as well as advances for other purposes granted by banks to PACS/ FSS under the on-lending system, only that particular credit facility granted to PACS/ FSS which is in default for a period of two crop seasons in case of short duration crops and one crop season in case of long duration crops, as the case may be, after it has become due will be classified as NPA and not all the credit facilities sanctioned to a PACS/ FSS. The other direct loans & advances, if any, granted by the bank to the member borrower of a PACS/ FSS outside the on-lending arrangement will become NPA even if one of the credit facilities granted to the same borrower becomes NPA.

#### 4.2.11 Advances against Term Deposits, NSCs, KVPs, etc.

Advances against term deposits, NSCs eligible for surrender, KVPs and life insurance policies need not be treated as NPAs, provided adequate margin is available in the accounts. Advances

against gold ornaments, government securities and all other securities are not covered by this exemption.

#### 4.2.12 Loans with moratorium for payment of interest

4.2.12.1 In the case of bank finance given for industrial projects or for agricultural plantations etc. where moratorium is available for payment of interest, payment of interest becomes 'due' only after the moratorium or gestation period is over. Therefore, such amounts of interest do not become overdue and hence do not become NPA, with reference to the date of debit of interest. They become overdue after due date for payment of interest, if uncollected.

4.2.12.2. In the case of housing loan or similar advances granted to staff members where interest is payable after recovery of principal, interest need not be considered as overdue from the first quarter onwards. Such loans/advances should be classified as NPA only when there is a default in repayment of instalment of principal or payment of interest on the respective due dates.

#### 4.2.13 Agricultural advances

4.2.13.1 A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season. For the purpose of these guidelines, "long duration" crops would be crops with crop season longer than one year and crops, which are not "long duration" crops, would be treated as "short duration" crops. The crop season for each crop, which means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers' Committee (SLBC) in each State. Depending upon the duration of crops raised by an agriculturist, the above NPA norms would also be made applicable to agricultural term loans availed of by him.

4.2.13.2 The above norms should be made applicable only to Farm Credit extended to agricultural activities as listed at [Annex - 2](#). In respect of agricultural loans, other than those specified in the [Annex - 2](#), identification of NPAs would be done on the same basis as non-agricultural advances, which, at present, is the 90 days delinquency norm.

4.2.13.3 Where natural calamities impair the repaying capacity of agricultural borrowers for the purposes specified in [Annex - 2](#), banks may decide on their own as a relief measure conversion of the short-term production loan into a term loan or re-schedulement of the repayment period; and the sanctioning of fresh short-term loan, subject to [Master Direction –](#)

[Reserve Bank of India \(Relief Measures by Banks in Areas affected by Natural Calamities\) Directions 2018 – SCBs dated October 17, 2018](#), as updated from time to time.

4.2.13.4 In such cases of conversion or re-schedulement, the term loan as well as fresh short-term loan may be treated as current dues and need not be classified as NPA. The asset classification of these loans would thereafter be governed by the revised terms & conditions and would be treated as NPA if interest and/or instalment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.

4.2.13.5 While fixing the repayment schedule in case of rural housing advances granted to agriculturists under Indira Awas Yojana / Pradhan Mantri Gram Awas Yojana and Golden Jubilee Rural Housing Finance Scheme, banks should ensure that the interest/instalment payable on such advances are linked to crop cycles.

#### 4.2.14 Government guaranteed advances

4.2.14.1 The credit facilities backed by guarantee of the Central Government though overdue may be treated as NPA only when the Government repudiates its guarantee when invoked. This exemption from classification of Government guaranteed advances as NPA is not for the purpose of recognition of income.

4.2.14.2 The requirement of invocation of guarantee has been delinked for deciding the asset classification and provisioning requirements in respect of State Government guaranteed exposures.

4.2.14.3 With effect from the year ending March 31, 2006, State Government guaranteed advances and investments in State Government guaranteed securities would attract asset classification and provisioning norms if interest and/or principal or any other amount due to the bank remains overdue for more than 90 days.

#### 4.2.15 Projects under implementation

##### 4.2.15.1 *'Date of Commencement of Commercial Operations' (DCCO)*

For all projects financed by the FIs/ banks, the DCCO of the project should be clearly spelt out at the time of financial closure of the project and the same should be formally documented. These should also be documented in the appraisal note by the bank during sanction of the loan.



#### 4.2.15.2 Deferment of DCCO

(i) There are occasions when the completion of projects is delayed for legal and other extraneous reasons like delays in Government approvals etc. All these factors, which are beyond the control of the promoters, may lead to delay in project implementation and involve restructuring / reschedulement of loans by banks. Accordingly, the following asset classification norms would apply to the project loans before commencement of commercial operations.

(ii) For this purpose, all project loans have been divided into the following two categories:

- a) Project Loans for infrastructure sector
- b) Project Loans for non-infrastructure sector

*‘Project Loan’ would mean any term loan which has been extended for the purpose of setting up of an economic venture. Further, Infrastructure Sector is a sector included in the Harmonised Master List of Infrastructure sub-sectors issued by the Department of Economic Affairs, Ministry of Finance, Government of India, from time to time.*

(iii) Deferment of DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided that:

- a) The revised DCCO falls within the period of two years and one year from the original DCCO stipulated at the time of financial closure for infrastructure projects and non-infrastructure projects (including commercial real estate projects) respectively; and
- b) All other terms and conditions of the loan remain unchanged.

As such project loans will be treated as standard assets in all respects, they will attract standard asset provision of 0.40 per cent.

(iv) Banks may restructure project loans, by way of revision of DCCO beyond the time limits quoted at Paragraph 4.2.15.2(iii)(a) above and retain the ‘standard’ asset classification, if the fresh DCCO is fixed within the following limits, and the account continues to be serviced as per the restructured terms:

- a) *Infrastructure Projects involving court cases*

Up to another two years (beyond the two-year period quoted at Paragraph 4.2.15.2(iii)(a) above, i.e., total extension of four years), in case the reason for extension of DCCO is arbitration proceedings or a court case.

*b) Infrastructure Projects delayed for other reasons beyond the control of promoters*

Up to another one year (beyond the two-year period quoted at Paragraph 4.2.15.2(iii)(a) above, i.e., total extension of three years), in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).

*c) Project Loans for Non-Infrastructure Sector (Other than Commercial Real Estate Exposures)*

Up to another one year (beyond the one-year period quoted at Paragraph 4.2.15.2(iii)(a) above, i.e., total extension of two years).

*d) Project Loans for Commercial Real Estate Exposures delayed for reasons beyond the control of promoter(s)*

Up to another one-year (beyond the one-year period quoted at Paragraph 4.2.15.2(iii)(a) above, i.e., total extension of two years), provided that the revised repayment schedule is extended only by a period equal to or shorter than the extension in DCCO and all provisions of the Real Estate (Regulation and Development) Act, 2016 are complied with.

(v) It is re-iterated that a loan for a project may be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue). It is further re-iterated that the dispensation at Paragraph 4.2.15.2 (iv) is subject to the condition that the application for restructuring should be received before the expiry of period mentioned at Paragraph 4.2.15.2 (iii) (a) above and when the account is still standard as per record of recovery. The other conditions applicable would be:

a) In cases where there is moratorium for payment of interest, banks should not book income on accrual basis beyond two years and one year from the original DCCO for infrastructure and non-infrastructure projects (including commercial real estate projects) respectively, considering the high risk involved in such restructured accounts.

b) Banks should maintain following provisions on such accounts as long as these are classified as standard assets:-

Particulars	Provisioning Requirement
If the revised DCCO is within two years/one year from the original DCCO prescribed at the time of financial closure for infrastructure and non-infrastructure projects (including commercial real estate projects) respectively	0.40 per cent
If the DCCO is extended: i) Beyond two years and upto four years or three years from the original DCCO, as the case may be, for infrastructure projects depending upon the reasons for such delay; ii) Beyond one years and upto two years from the original DCCO, for non-infrastructure projects (including real estate projects)	5.00 per cent – From the date of such restructuring till the revised DCCO or 2 years from the date of restructuring, whichever is later

(vi) In case of infrastructure projects, where Appointed Date (as defined in the concession agreement) is shifted due to the inability of the Concession Authority to comply with the requisite conditions, change in date of commencement of commercial operations (DCCO) need not be treated as 'restructuring', subject to following conditions:

- a) The project is an infrastructure project under public private partnership model awarded by a public authority;
- b) The loan disbursement is yet to begin;
- c) The revised date of commencement of commercial operations is documented by way of a supplementary agreement between the borrower and lender and;
- d) Project viability has been reassessed and sanction from appropriate authority has been obtained at the time of supplementary agreement.

#### 4.2.15.3 Projects under Implementation – Change in Ownership

4.2.15.3.1 In order to facilitate revival of the projects stalled primarily due to inadequacies of the current promoters, if a change in ownership takes place any time during the periods quoted in Paragraph 4.2.15.2 above or before the original DCCO, banks may permit extension of the DCCO of the project up to two years in addition to the periods quoted at Paragraph 4.2.15.2 above, as the case may be, without any change in asset classification of the account subject to the conditions stipulated in the following paragraphs. Banks may also consequentially shift/extend repayment schedule, if required, by an equal or shorter duration.

4.2.15.3.2 In cases where change in ownership and extension of DCCO (as indicated in Paragraph 4.2.15.3.1 above) takes place before the original DCCO, and if the project fails to commence commercial operations by the extended DCCO, the project will be eligible for further extension of DCCO in terms of guidelines quoted at Paragraph 4.2.15.2 above. Similarly, where change in ownership and extension of DCCO takes place during the period quoted in Paragraph 4.2.15.2(iii)(a) above, the account may still be restructured by extension of DCCO in terms of guidelines quoted at Paragraph 4.2.15.2(iv) above, without classifying the account as non-performing asset.

4.2.15.3.3 The provisions of Paragraphs 4.2.15.3.1 and 4.2.15.3.2 above are subject to the following conditions:

- a) Banks should establish that implementation of the project is stalled/affected primarily due to inadequacies of the current promoters/management and with a change in ownership there is a very high probability of commencement of commercial operations by the project within the extended period;
- b) The project in consideration should be taken-over/acquired by a new promoter/promoter group with sufficient expertise in the field of operation. If the acquisition is being carried out by a special purpose vehicle (domestic or overseas), the bank should be able to clearly demonstrate that the acquiring entity is part of a new promoter group with sufficient expertise in the field of operation;
- c) The new promoters should own at least 51 per cent of the paid up equity capital of stake in the acquired project. If the new promoter is a non-resident, and in sectors where the ceiling on foreign investment is less than 51 per cent, the new promoter should own at least 26 per cent of the paid up equity capital or up to applicable foreign investment limit, whichever is higher, provided banks are satisfied that with this equity stake the new non-resident promoter controls the management of the project;
- d) Viability of the project should be established to the satisfaction of the banks.
- e) Intra-group business restructuring/mergers/acquisitions and/or takeover/acquisition of the project by other entities/subsidiaries/associates etc. (domestic as well as overseas), belonging to the existing promoter/promoter group will not qualify for this facility. The banks should clearly establish that the acquirer does not belong to the existing promoter group;

- f) Asset classification of the account as on the 'reference date' would continue during the extended period. For this purpose, the 'reference date' would be the date of execution of preliminary binding agreement between the parties to the transaction, provided that the acquisition/takeover of ownership as per the provisions of law/regulations governing such acquisition/takeover is completed within a period of 90 days from the date of execution of preliminary binding agreement. During the intervening period, the usual asset classification norms would continue to apply. If the change in ownership is not completed within 90 days from the preliminary binding agreement, the 'reference date' would be the effective date of acquisition/takeover as per the provisions of law/regulations governing such acquisition/takeover;
- g) The new owners/promoters are expected to demonstrate their commitment by bringing in substantial portion of additional monies required to complete the project within the extended time period. As such, treatment of financing of cost overruns for the project shall be subject to the guidelines prescribed in Paragraph 4.2.15.5 of this circular. Financing of cost overrun beyond the ceiling prescribed in Paragraph 4.2.15.5 of this circular would be treated as an event of restructuring even if the extension of DCCO is within the limits prescribed above;
- h) While considering the extension of DCCO (up to an additional period of 2 years) for the benefits envisaged hereinabove, banks shall make sure that the repayment schedule does not extend beyond 85 per cent of the economic life/concession period of the project; and
- i) This facility would be available to a project only once before achievement of DCCO and will not be available during subsequent change in ownership, if any.

4.2.15.3.4 Loans covered under this guideline would attract provisioning as per the extant provisioning norms depending upon their asset classification status.

#### *4.2.15.4 Deemed DCCO*

4.2.15.4.1 A project with multiple independent units may be deemed to have commenced commercial operations from the date when the independent units representing 50 per cent (or higher) of the originally envisaged capacity have commenced commercial production of the final output as originally envisaged, subject to the following conditions:

- a. The units representing remaining 50 per cent (or lower) of the originally envisaged capacity shall commence commercial operations within a maximum period of one year from the deemed date of commencement of commercial operations;
- b. Commercial viability of the project is reassessed beyond doubt; and
- c. Capitalisation of interest obligation in respect of project debt component attributable to the units of the plant which have commenced commercial operations has to cease and the revenue expenditure is booked under revenue account.

4.2.15.4.2 In such cases, banks may, at their discretion, also effect a consequential shift in repayment schedule of the debt attributable to units which have not commenced commercial operations for equal or shorter duration (including the start date and end date of revised repayment schedule) i.e., one year, subject to no other changes being carried out.

4.2.15.4.3 If the remaining units do not commence commercial operations within the stipulated time of one year at paragraph 4.2.15.4.1 (a) above, the account shall be treated as non-performing asset and the provisions shall be made accordingly.

#### *4.2.15.5 Financing of Cost Overruns for Projects under Implementation*

4.2.15.5.1 Internationally, project finance lenders sanction a 'standby credit facility' to fund cost overruns if needed. Such 'standby credit facilities' are sanctioned at the time of initial financial closure; but disbursed only when there is a cost overrun. At the time of credit assessment of borrowers/project, such cost overruns are also taken into account while determining the project Debt Equity Ratio, Debt Service Coverage Ratio, Fixed Asset Coverage Ratio etc. Such 'standby credit facilities' rank *pari passu* with base project loans and their repayment schedule is also the same as that of the base project loans.

4.2.15.5.2 Accordingly, in cases where banks have specifically sanctioned a 'standby facility' at the time of initial financial closure to fund cost overruns, they may fund cost overruns as per the agreed terms and conditions.

4.2.15.5.3 Where the initial financial closure does not envisage such financing of cost overruns, banks are allowed to fund cost overruns, which may arise on account of extension of DCCO up to two years and one year from the original DCCO stipulated at

the time of financial closure for infrastructure projects and non-infrastructure projects (including commercial real estate projects) respectively, without treating the loans as 'restructured asset', subject to the following conditions:

- a) Banks may fund additional 'Interest During Construction', which may arise on account of delay in completion of a project;
- b) Other cost overruns (excluding Interest During Construction) up to a maximum of 10% of the original project cost;
- c) The Debt Equity Ratio as agreed at the time of initial financial closure should remain unchanged subsequent to funding cost overruns or improve in favour of the lenders and the revised Debt Service Coverage Ratio should be acceptable to the lenders;
- d) Disbursement of funds for cost overruns should start only after the Sponsors/Promoters bring in their share of funding of the cost overruns; and
- e) All other terms and conditions of the loan should remain unchanged or enhanced in favour of the lenders.

4.2.15.5.4 The ceiling of 10 per cent of the original project cost prescribed in Paragraph 4.2.15.5.3 (b) above is applicable to financing of all other cost overruns (excluding interest during construction), including cost overruns on account of fluctuations in the value of Indian Rupee against other currencies, arising out of extension of date of commencement of commercial operations.

#### *4.2.15.6 Other Issues*

4.2.15.6.1 All other aspects of restructuring of project loans before commencement of commercial operations would be governed by the provisions of Parts B1 and B2 of this Master Circular. Restructuring of project loans after commencement of commercial operations will also be governed by these instructions.

4.2.15.6.2 Any change in the repayment schedule of a project loan caused due to an increase in the project outlay on account of increase in scope and size of the project, would not be treated as restructuring if:

- a) The increase in scope and size of the project takes place before commencement of commercial operations of the existing project.
- b) The rise in cost excluding any cost-overrun in respect of the original project is 25% or more of the original outlay.

c) The bank re-assesses the viability of the project before approving the enhancement of scope and fixing a fresh DCCO.

d) On re-rating, (if already rated) the new rating is not below the previous rating by more than one notch.

4.2.15.6.3 Multiple revisions of the DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will be treated as a single event of restructuring provided that the revised DCCO is fixed within the respective time limits stipulated at Paragraph 4.2.15.2(iv) above, and all other terms and conditions of the loan remained unchanged.

4.2.15.6.4 Banks, if deemed fit, may extend DCCO beyond the respective time limits stipulated at Paragraph 4.2.15.2(iv) above; however, in that case, banks will not be able to retain the 'standard' asset classification status of such loan accounts.

4.2.15.6.5 In all the above cases of restructuring where regulatory forbearance has been extended, the Boards of banks should satisfy themselves about the viability of the project and the restructuring plan.

*4.2.15.7 Asset classification and Income recognition for projects under implementation relating to Deferment of DCCO and Cost Overruns*

4.2.15.7.1 In cases where DCCO is extended within the periods stipulated in Paragraph 4.2.15.2 and funding of cost overruns complies with the thresholds/conditions stipulated in Paragraph 4.2.15.5, such loans shall be treated as 'standard' in all respects.

4.2.15.7.2 In cases where DCCO is extended within the periods stipulated in Paragraph 4.2.15.2, but funding of cost overruns does not comply with the thresholds/conditions stipulated in Paragraph 4.2.15.5, such loans shall be treated as 'restructured standard' and attract a provision of 5 per cent from the date of such restructuring till the commencement of commercial operations or 2 years from the date of restructuring, whichever is later. These loans may be upgraded to 'standard' category once the entire project commences commercial operations.

4.2.15.7.3 In cases where DCCO is extended beyond the periods stipulated in Paragraph 4.2.15.2 (iii) but up to periods stipulated in Paragraph 4.2.15.2(iv) and



funding of cost overruns complies with the thresholds/conditions stipulated in Paragraph 4.2.15.5, such loans shall be treated as 'restructured standard' and attract a provision of 5 per cent from the date of such restructuring till the commencement of commercial operations or 2 years from the date of restructuring, whichever is later. These loans may be upgraded to 'standard' category once the entire project commences commercial operations.

4.2.15.7.4 In cases where DCCO is extended beyond the periods stipulated in paragraph 4.2.15.2(iii) but up to periods stipulated in paragraph 4.2.15.2(iv) and funding of cost overruns does not comply with the thresholds/conditions stipulated in paragraph 4.2.15.5, such loans will be treated as 'non-performing asset'. These loans may be upgraded to 'standard' category only after the account performs satisfactorily during the 'monitoring period' post DCCO;

4.2.15.7.5 Any changes to the major terms and conditions of the original project loans (i.e. promoters equity contribution, interest rate, etc.) of a borrower with financial difficulties, except what is specifically allowed such as changes in the DCCO, consequential parallel shift in repayment schedule and funding of cost overruns, as permitted within the thresholds, shall be treated as an event of 'restructuring' requiring the accounts to be classified as 'non-performing asset' and provided for accordingly. These loans may be upgraded to 'standard' category only after the account performs satisfactorily during the 'monitoring period' post DCCO.

4.2.15.7.6 Banks may treat need based working capital sanctioned to projects after commencement of commercial operations as 'standard' irrespective of the asset classification category of the project loans, subject to satisfactory performance of such working capital accounts. Banks shall ensure that assessment of working capital loans are strictly need based and banks shall desist from over-financing. If the project loans classified as 'non-performing asset' do not perform satisfactorily during the 'monitoring period' and therefore fail to get upgraded to 'standard' category, then the working capital loans also shall be placed in the same asset classification category as that of project loans on completion of 'monitoring period'.

#### *4.2.15.8 Income recognition*

4.2.15.8.1 Banks may recognise income on accrual basis in respect of the projects under implementation, which are classified as 'standard'.

4.2.15.8.2 Banks should not recognise income on accrual basis in respect of the projects under implementation which are classified as a 'substandard' asset. Banks may recognise income in such accounts only on realisation i.e. on cash basis.

4.2.15.8.3 The regulatory treatment of FITL / debt / equity instruments created by conversion of principal / unpaid interest, as the case may be, shall be as per paragraph 21 of Part B2 of this Master Circular.

#### 4.2.16 Post-shipment Supplier's Credit

4.2.16.1 In respect of post-shipment credit extended by the banks covering export of goods to countries for which the Export Credit Guarantee Corporation's (ECGC) cover is available, EXIM Bank has introduced a guarantee-cum-refinance programme whereby, in the event of default, EXIM Bank will pay the guaranteed amount to the bank within a period of 30 days from the day the bank invokes the guarantee after the exporter has filed claim with ECGC.

4.2.16.2 Accordingly, to the extent payment has been received from the EXIM Bank, the advance may not be treated as a non-performing asset for asset classification and provisioning purposes.

#### 4.2.17 Export Project Finance

4.2.17.1 In respect of export project finance, there could be instances where the actual importer has paid the dues to the bank abroad but the bank in turn is unable to remit the amount due to political developments such as war, strife, UN embargo, etc.

4.2.17.2 In such cases, where the lending bank is able to establish through documentary evidence that the importer has cleared the dues in full by depositing the amount in the bank abroad before it turned into NPA in the books of the bank, but the importer's country is not allowing the funds to be remitted due to political or other reasons, the asset classification may be made after a period of one year from the date the amount was deposited by the importer in the bank abroad.

#### 4.2.18 Transfer of Loan Exposures

The asset classification and provisioning requirements in respect of transactions involving transfer of loans shall be as per the [Reserve Bank of India \(Transfer of Loan Exposures\) Directions, 2021](#).

#### 4.2.19 Credit Card Accounts

4.2.19.1 In credit card accounts, the amount spent is billed to the card users through a monthly statement with a definite due date for repayment. Banks give an option to the card users to pay either the full amount or a fraction of it, i.e., minimum amount due, on the due date and roll-over the balance amount to the subsequent months' billing cycle.

4.2.19.2 A credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the payment due date mentioned in the statement.

4.2.19.3 Banks shall report a credit card account as 'past due' to credit information companies (CICs) or levy penal charges, viz. late payment charges, etc., if any, only when a credit card account remains 'past due' for more than three days. The number of 'days past due' and late payment charges shall, however, be computed from the payment due date mentioned in the credit card statement.

### 5. PROVISIONING NORMS

#### 5.1 General

5.1.1 The primary responsibility for making adequate provisions for any diminution in the value of loan assets, investment or other assets is that of the bank managements and the statutory auditors. The assessment made by the inspecting officer of the RBI is furnished to the bank to assist the bank management and the statutory auditors in taking a decision in regard to making adequate and necessary provisions in terms of prudential guidelines.

5.1.2 In conformity with the prudential norms, provisions should be made on the non-performing assets on the basis of classification of assets into prescribed categories as detailed in paragraph 4 supra. Taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged to the bank, the banks should make provision against substandard assets, doubtful assets and loss assets as below.

#### 5.2 Loss assets

Loss assets should be written off. If loss assets are permitted to remain in the books for any reason, 100 percent of the outstanding should be provided for.

### 5.3 Doubtful assets

5.3.1 100 percent of the extent to which the advance is not covered by the realisable value of the security to which the bank has a valid recourse and the realisable value is estimated on a realistic basis.

5.3.2 In regard to the secured portion, provision may be made on the following basis, at the rates ranging from 25 percent to 100 percent of the secured portion depending upon the period for which the asset has remained doubtful:

<b>Period for which the advance has remained in 'doubtful' category</b>	<b>Provisioning requirement (%)</b>
Up to one year	25
One to three years	40
More than three years	100

5.3.3 With a view to bringing down divergence arising out of difference in assessment of the value of security, in cases of NPAs with balance of ₹5 crore and above stock audit at annual intervals by external agencies appointed as per the guidelines approved by the Board would be mandatory in order to enhance the reliability on stock valuation. Collaterals such as immovable properties charged in favour of the bank should be got valued once in three years by valuers appointed as per the guidelines approved by the Board of Directors.

### 5.4 Substandard assets

5.4.1 A general provision of 15 percent on total outstanding should be made without making any allowance for ECGC guarantee cover and securities available.

5.4.2 The 'unsecured exposures' which are identified as 'substandard' would attract additional provision of 10 per cent, i.e., a total of 25 per cent on the outstanding balance. However, in view of certain safeguards such as escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20 per cent instead of the aforesaid prescription of 25 per cent. To avail of this benefit of lower provisioning, the banks should have in place an appropriate mechanism to escrow the cash flows and also have a clear and legal first claim on these cash flows.

5.4.3 The provisioning requirement for unsecured 'doubtful' assets is 100 per cent. Unsecured exposure is defined as an exposure where the realisable value of the security, as assessed by the bank/approved valuers/Reserve Bank's inspecting officers, is not more than 10 percent, *ab-initio*, of the outstanding exposure. 'Exposure' shall include all funded and non-funded exposures (including

underwriting and similar commitments). 'Security' will mean tangible security properly charged to the bank and will not include intangible securities like guarantees (including State government guarantees), comfort letters etc.

5.4.4 In order to enhance transparency and ensure correct reflection of the unsecured advances in Schedule 9 of the banks' balance sheet, it is advised that the following would be applicable from the financial year 2009-10 onwards:

- a) For determining the amount of unsecured advances for reflecting in schedule 9 of the published balance sheet, the rights, licenses, authorisations, etc., charged to the banks as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured.
- b) However, banks may treat annuities under build-operate-transfer (BOT) model in respect of road / highway projects and toll collection rights, where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved, as tangible securities subject to the condition that banks' right to receive annuities and toll collection rights is legally enforceable and irrevocable.
- c) It is noticed that most of the infrastructure projects, especially road/highway projects are user-charge based, for which the Planning Commission has published Model Concession Agreements (MCAs). These have been adopted by various Ministries and State Governments for their respective public-private partnership (PPP) projects and they provide adequate comfort to the lenders regarding security of their debt. In view of the above features, in case of PPP projects, the debts due to the lenders may be considered as secured to the extent assured by the project authority in terms of the Concession Agreement, subject to the following conditions:
  - i. User charges / toll / tariff payments are kept in an escrow account where senior lenders have priority over withdrawals by the concessionaire;
  - ii. There is sufficient risk mitigation, such as pre-determined increase in user charges or increase in concession period, in case project revenues are lower than anticipated;
  - iii. The lenders have a right of substitution in case of concessionaire default;
  - iv. The lenders have a right to trigger termination in case of default in debt service; and

- v. Upon termination, the Project Authority has an obligation of (i) compulsory buy-out and (ii) repayment of debt due in a pre-determined manner.
  - vi. In all such cases, banks must satisfy themselves about the legal enforceability of the provisions of the tripartite agreement and factor in their past experience with such contracts.
- d) Banks should also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure may be made under a separate head in "Notes to Accounts". This would differentiate such loans from other entirely unsecured loans.

## 5.5 Standard assets

5.5.1 The provisioning requirements for all types of standard assets stands as below. Banks should make general provision for standard assets at the following rates for the funded outstanding on global loan portfolio basis:

- a) Farm Credit to agricultural activities, individual housing loans and Small and Micro Enterprises (SMEs) sectors at 0.25 per cent;
- b) advances to Commercial Real Estate (CRE)<sup>2</sup> Sector at 1.00 per cent;
- c) advances to Commercial Real Estate – Residential Housing Sector (CRE - RH)<sup>3</sup> at 0.75 per cent
- d) housing loans extended at teaser rates as indicated in Paragraphs 5.9.9;
- e) restructured advances – as stipulated in the prudential norms for restructuring of advances.
- f) Advances restructured and classified as standard in terms of the [Master Direction – Reserve Bank of India \(Relief Measures by Banks in Areas affected by Natural Calamities\) Directions 2018 – SCBs](#), as updated from time to time, at 5%.
- g) All other loans and advances not included in (a) – (f) above at 0.40 per cent.

5.5.2 The provisions on standard assets should not be reckoned for arriving at net NPAs.

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<sup>2</sup> CRE as defined in terms of the [circular DBOD.BP.BC.No.42/08.12.015/2009-10 dated September 9, 2009](#) on 'Guidelines on Classification of Exposures as Commercial Real Estate (CRE) Exposures'

<sup>3</sup> CRE-RH as defined in the [circular DBOD.BP.BC.No.104/08.12.015/2012-13 dated June 21, 2013](#) on 'Housing Sector: New sub-sector CRE (Residential Housing) within CRE & Rationalisation of provisioning, risk-weight and LTV ratios'

5.5.3 The provisions towards Standard Assets need not be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions Others' in Schedule 5 of the balance sheet.

5.5.4 It is clarified that the Medium Enterprises will attract 0.40% standard asset provisioning. The definition of the terms Micro Enterprises, Small Enterprises, and Medium Enterprises shall be in terms of the [circular FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated July 2, 2020](#) on 'Credit flow to Micro, Small and Medium Enterprises Sector' as updated from time to time.

5.5.5 A high level of unhedged foreign currency exposures of the entities can increase the probability of default in times of high currency volatility. Hence, banks are required to estimate the riskiness of unhedged position of their borrowers, and make incremental provisions on their exposures to such entities as per the instructions contained in our [Master Direction DOR.MRG.77/00-00-007/2022-23 dated October 11, 2022](#) titled 'Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions'.

<b>Likely Loss / EBID* (%)</b>	<b>Incremental Provisioning Requirement on the total credit exposures over and above extant</b>
Up to 15 per cent	0
More than 15 per cent and up to 30 per cent	20 bps
More than 30 per cent and up to 50 per cent	40 bps
More than 50 per cent and up to 75 per cent	60 bps
More than 75 per cent	80 bps

\* EBID shall have the same meaning as defined for computation of Debt Service Coverage Ratio (DSCR), i.e.  $EBID = Profit\ After\ Tax + Depreciation + Interest\ on\ debt + Lease\ Rentals, if\ any.$

## 5.6 Prudential norms on creation and utilisation of floating provisions

### 5.6.1 Principle for creation of floating provisions by banks

The bank's board of directors should lay down approved policy regarding the level to which the floating provisions can be created. The bank should hold floating provisions for 'advances' and 'investments' separately and the guidelines prescribed will be applicable to floating provisions held for both 'advances' & 'investment portfolios'.

### 5.6.2 Principle for utilisation of floating provisions by banks

5.6.2.1 The floating provisions should not be used for making specific provisions as per the extant prudential guidelines in respect of non-performing assets or for making regulatory

provisions for standard assets. The floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining board's approval and with prior permission of RBI. The Boards of the banks should lay down an approved policy as to what circumstances would be considered extraordinary.

5.6.2.2 To facilitate banks' Boards to evolve suitable policies in this regard, it is clarified that the extra-ordinary circumstances refer to losses which do not arise in the normal course of business and are exceptional and non-recurring in nature. These extra-ordinary circumstances could broadly fall under three categories viz. General, Market and Credit. Under general category, there can be situations where bank is put unexpectedly to loss due to events such as civil unrest or collapse of currency in a country. Natural calamities and pandemics may also be included in the general category. Market category would include events such as a general melt down in the markets, which affects the entire financial system. Among the credit category, only exceptional credit losses would be considered as an extra-ordinary circumstance.

5.6.2.3 In order to mitigate the adverse impact of COVID 19 related stress on banks, as a measure to enable capital conservation, banks were allowed to utilise 100 per cent of floating provisions held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. Such utilisation was permitted up to March 31, 2022.

#### 5.6.3 Accounting

Floating provisions cannot be reversed by credit to the profit and loss account. They can only be utilised for making specific provisions in extraordinary circumstances as mentioned above. Until such utilisation, these provisions can be netted off from gross NPAs to arrive at disclosure of net NPAs. Alternatively, they can be treated as part of Tier II capital within the overall ceiling of 1.25% of total risk weighted assets.

#### 5.6.4 Disclosures

Banks should make the required disclosures on floating provisions in the "notes on accounts" to the balance sheet in terms of the Master Direction on Financial Statements - Presentation and Disclosures, as updated from time to time.

### 5.7 Additional Provisions at higher than prescribed rates

#### 5.7.1 For NPAs

The regulatory norms for provisioning represent the minimum requirement. A bank may voluntarily make specific provisions for advances at rates which are higher than the rates prescribed under existing regulations, to provide for estimated actual loss in collectible amount, provided such higher rates are approved by the Board of Directors and consistently adopted



from year to year. Such additional provisions are not to be considered as floating provisions. The additional provisions for NPAs, like the minimum regulatory provision on NPAs, may be netted off from gross NPAs to arrive at the net NPAs

#### 5.7.2 For standard assets

The provisioning rates prescribed in this Master Circular are the regulatory minimum and banks are encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy. In this regard, it is advised as under:

- (i) Banks shall put in place a Board–approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors.
- (ii) The policy shall require a review, at least on a quarterly basis, of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets/stressed assets, industry performance and outlook, legal/ regulatory issues faced by the sector, etc. The reviews may also include sector specific parameters.

### 5.8 Provisions on Leased Assets

#### 5.8.1 Substandard assets

- (i) 15 percent of the sum of the net investment in the lease and the unrealised portion of finance income net of finance charge component. The terms 'net investment in the lease', 'finance income' and 'finance charge' are as defined in 'AS 19 Leases'.
- (ii) Unsecured (as defined in Paragraph 5.4 above) lease exposures, which are identified as 'substandard' would attract additional provision of 10 per cent, i.e., a total of 25 per cent.

#### 5.8.2 Doubtful assets

100 percent of the extent to which the finance is not secured by the realisable value of the leased asset, should be provided for. Realisable value is to be estimated on a realistic basis. In addition to the above provision, provision at the following rates should be made on the sum of the net investment in the lease and the unrealised portion of finance income net of finance charge component of the secured portion, depending upon the period for which asset has been doubtful:

<b>Period for which the advance has remained in 'doubtful' category</b>	<b>Provisioning requirement (%)</b>
Up to one year	25
One to three years	40
More than three years	100

### 5.8.3 Loss assets

The entire asset should be written off, if for any reason, an asset is allowed to remain in books, 100 percent of the sum of the net investment in the lease and the unrealised portion of finance income net of finance charge component should be provided for.

## 5.9 Guidelines for Provisions under Special Circumstances

### 5.9.1 Advances against deposits/specific instruments

Advances against term deposits, NSCs eligible for surrender, KVPs, gold ornaments, government & other securities and life insurance policies would attract provisioning requirements as applicable to their asset classification status.

### 5.9.2 Treatment of interest suspense account

Amounts held in Interest Suspense Account should not be reckoned as part of provisions. Amounts lying in the Interest Suspense Account should be deducted from the relative advances and thereafter, provisioning as per the norms, should be made on the balances after such deduction.

### 5.9.3 Advances covered by ECGC guarantee

In the case of advances classified as doubtful and guaranteed by ECGC, provision should be made only for the balance in excess of the amount guaranteed by the Corporation. Further, while arriving at the provision required to be made for doubtful assets, realisable value of the securities should first be deducted from the outstanding balance in respect of the amount guaranteed by the Corporation and then provision made as illustrated hereunder:

Example:

Outstanding Balance	₹4 lakh
ECGC Cover	50 percent
Period for which the advance has remained doubtful	More than 2 years remained doubtful (say as on March 31, 2014)
Value of security held	₹1.50 lakh

Provision required to be made:

Outstanding balance	₹4.00 lakh
Less: Value of security held	₹1.50 lakh
Unrealised balance	₹2.50 lakh
Less: ECGC Cover (50% of unrealisable balance)	₹1.25 lakh
Net unsecured balance	₹1.25 lakh
Provision for unsecured portion of advance	₹1.25 lakh (@ 100 percent of unsecured portion)
Provision for secured portion of advance (as on March 31, 2012)	₹0.60 lakh (@ 40 per cent of the secured portion)
Total provision to be made	₹1.85 lakh (as on March 31, 2014)

#### 5.9.4 Exposures guaranteed by Credit Guarantee Schemes

In terms of [circular DOR.STR.REC.67/21.06.201/2022-23 dated September 07, 2022](#), banks have been permitted to apply zero risk weight to advances guaranteed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC), subject to certain conditions. In case such advances become nonperforming, no provision need be made towards the guaranteed portion. The amount outstanding, in excess of the guaranteed portion, should be provided for as per the extant guidelines on provisioning for non-performing assets. An illustrative example is given below:

Example:

Outstanding Balance	₹10 lakh
CGTMSE/CRGFTLIH Cover	75% of the amount outstanding or 75% of the unsecured amount or ₹37.50 lakh, whichever is the least
Period for which the advance has remained doubtful	More than 2 years remained doubtful (say as on March 31, 2014)
Value of security held ₹1.50 lakh	Value of security held ₹1.50 lakh

Provision required to be made:

Balance outstanding	₹10.00 lakh
Less: Value of security	₹1.50 lakh
Unsecured amount	₹8.50 lakh
Less: CGTMSE/CRGFTLIH cover (75%)	₹6.38 lakh
Net unsecured and uncovered portion:	₹2.12 lakh
Provision for Secured portion @ 40% of ₹1.50 lakh	₹0.60 lakh
Provision for Unsecured & uncovered portion @ 100% of ₹2.12 lakh	₹2.12 lakh
Total provision required	₹2.72 lakh

#### 5.9.5 Reserve for Exchange Rate Fluctuations Account (RERFA)

When exchange rate movements of Indian rupee turn adverse, the outstanding amount of foreign currency denominated loans (where actual disbursement was made in Indian Rupee) which becomes overdue, goes up correspondingly, with its attendant implications of provisioning requirements. Such assets should not normally be revalued. In case such assets need to be revalued as per requirement of accounting practices or for any other requirement, the following procedure may be adopted:

- The loss on revaluation of assets has to be booked in the bank's Profit & Loss Account.
- In addition to the provisioning requirement as per Asset Classification, the full amount of the Revaluation Gain, if any, on account of foreign exchange fluctuation should be used to make provisions against the corresponding assets.

#### 5.9.6 Provisioning for country risk

5.9.6.1 Banks shall make provisions, with effect from the year ending March 31, 2003, on the net funded country exposures on a graded scale ranging from 0.25 to 100 percent according to the risk categories mentioned below. To begin with, banks shall make provisions as per the following schedule:

<b>Risk category</b>	<b>ECGC Classification</b>	<b>Provisioning Requirement (per cent)</b>
Insignificant	A1	0.25
Low	A2	0.25

Moderate	B1	5
High	B2	20
Very high	C1	25
Restricted	C2	100
Off-credit	D	100

5.9.6.2 Banks are required to make provision for country risk in respect of a country where its net funded exposure is one per cent or more of its total assets.

5.9.6.3 The provision for country risk shall be in addition to the provisions required to be held according to the asset classification status of the asset. However, in the case of 'loss assets' and 'doubtful assets', provision held, including provision held for country risk, may not exceed 100% of the outstanding.

5.9.6.4 Banks may not make any provision for 'home country' exposures i.e. exposure to India. The exposures of foreign branches of Indian banks to the host country should be included. Foreign banks shall compute the country exposures of their Indian branches and shall hold appropriate provisions in their Indian books. However, their exposures to India will be excluded.

5.9.6.5 Banks may make a lower level of provisioning (say 25% of the requirement) in respect of short-term exposures (i.e. exposures with contractual maturity of less than 180 days).

#### 5.9.7 Provisioning norms for Liquidity facility provided for Securitisation transactions

The amount of liquidity facility drawn and outstanding for more than 90 days, in respect of securitisation transactions undertaken in terms of [Reserve Bank of India \(Securitisation of Standard Assets\) Directions, 2021](#), as amended from time to time, should be classified as NPA and fully provided for.

#### 5.9.8 Provisioning requirements for derivative exposures

Credit exposures computed as per the current marked to market value of the contract, arising on account of the interest rate & foreign exchange derivative transactions, credit default swaps and gold, shall also attract provisioning requirement as applicable to the loan assets in the 'standard' category, of the concerned counterparties. All conditions applicable for treatment of

the provisions for standard assets would also apply to the aforesaid provisions for derivative and gold exposures.

#### 5.9.9 Provisioning for housing loans at teaser rates

It has been observed that some banks are following the practice of sanctioning housing loans at teaser rates i.e. at comparatively lower rates of interest in the first few years, after which rates are reset at higher rates. This practice raises concern as some borrowers may find it difficult to service the loans once the normal interest rate, which is higher than the rate applicable in the initial years, becomes effective. It has been also observed that many banks at the time of initial loan appraisal, do not take into account the repaying capacity of the borrower at normal lending rates. Therefore, the standard asset provisioning on the outstanding amount of such loans has been increased from 0.40 per cent to 2.00 per cent in view of the higher risk associated with them. The provisioning on these assets would revert to 0.40 per cent after 1 year from the date on which the rates are reset at higher rates if the accounts remain 'standard'.

#### 5.9.10 Provisioning requirement in terms of Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism

In respect of specified borrowers, as per the provisions of the [Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism dated August 25, 2016](#), banks shall make additional provisions of 3 percentage points over and above the applicable provision on the incremental exposure of the banking system in excess of Normally Permitted Lending Limit (NPLL) as defined in the said guidelines. This higher provisioning requirement shall be distributed in proportion to each bank's funded exposure to the specified borrower.

### 5.10 Provisioning Coverage Ratio

5.10.1 Provisioning Coverage Ratio (PCR) is essentially the ratio of provisioning to gross non-performing assets and indicates the extent of funds a bank has kept aside to cover loan losses.

5.10.2 From a macro-prudential perspective, banks should build up provisioning and capital buffers in good times i.e. when the profits are good, which can be used for absorbing losses in a downturn. This will enhance the soundness of individual banks, as also the stability of the financial sector. It was, therefore, decided that banks should augment their provisioning cushions consisting of specific provisions against NPAs as well as floating provisions, and ensure that their total provisioning coverage ratio, including floating provisions, is not less than 70 per cent. Accordingly, banks were advised to achieve this norm not later than end-September 2010.

5.10.3 Majority of the banks had achieved PCR of 70 percent and had represented to RBI whether the prescribed PCR is required to be maintained on an ongoing basis. The matter was examined and, the banks were advised that:

- (i) the PCR of 70 percent may be with reference to the gross NPA position in banks as on September 30, 2010;
- (ii) the surplus of the provision under PCR vis-a-vis as required as per prudential norms should be segregated into an account styled as “countercyclical provisioning buffer”, computation of which may be undertaken as per the format given in [Annex -3](#); and
- (iii) this buffer will be allowed to be used by banks for making specific provisions for NPAs during periods of system wide downturn, with the prior approval of RBI.

5.10.4 The PCR of the bank should be disclosed in the Notes to Accounts to the Balance Sheet.

## **6. Writing-off of NPAs**

### **6.1 General**

6.1.1 In terms of Section 43(D) of the Income Tax Act 1961, income by way of interest in relation to such categories of bad and doubtful debts as may be prescribed having regard to the guidelines issued by the RBI in relation to such debts, shall be chargeable to tax in the previous year in which it is credited to the bank’s profit and loss account or received, whichever is earlier.

6.1.2 This stipulation is not applicable to provisioning required to be made as indicated above. In other words, amounts set aside for making provision for NPAs as above are not eligible for tax deductions.

6.1.3 Therefore, the banks should either make full provision as per the guidelines or write-off such advances and claim such tax benefits as are applicable, by evolving appropriate methodology in consultation with their auditors/tax consultants. Recoveries made in such accounts should be offered for tax purposes as per the rules.

### **6.2 Write-off at Head Office Level**

6.2.1 Banks may write-off advances at Head Office level, even though the relative advances are still outstanding in the branch books. However, it is necessary that provision is made as per the classification accorded to the respective accounts. In other words, if an advance is a loss asset, 100 percent provision will have to be made therefor.

6.2.2 Banks are custodians of public deposits and are therefore expected to make all efforts to protect the value of their assets. Banks are required to extinguish all available means of recovery before writing off any account fully or partly. It is observed that some banks are resorting to technical write off of accounts, which reduces incentives to recover. Banks resorting to partial and technical write-offs should not show the remaining part of the loan as standard asset. With a view to bring in more transparency, henceforth banks should disclose full details of write offs, including separate details about technical write offs, in their annual financial statements as per the format prescribed in the Annex III – 4(a) of the [Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021](#), as updated from time to time.

## **7. NPA Management – Requirement of Effective Mechanism and Granular Data**

7.1 Asset quality of banks is one of the most important indicators of their financial health. Banks should, therefore put in place a robust MIS mechanism for early detection of signs of distress at individual account level as well as at segment level (asset class, industry, geographic, size, etc.). Such early warning signals should be used for putting in place an effective preventive asset quality management framework, including a transparent restructuring mechanism for viable accounts under distress within the prevailing regulatory framework, for preserving the economic value of those entities in all segments.

7.2 The banks' IT and MIS system should be robust and able to generate reliable and quality information with regard to their asset quality for effective decision making. There should be no inconsistencies between information furnished under regulatory / statutory reporting and the banks' own MIS reporting. Banks should also have system generated segment wise information on non-performing assets and restructured assets which may include data on the opening balances, additions, reductions (upgradations, actual recoveries, write-offs etc.), closing balances, provisions held, technical write-offs, etc.



## PART B1 - Framework for Resolution of Stressed Assets

### 8. Early identification and reporting of stress

8.1 Lenders<sup>4</sup> shall recognise incipient stress in loan accounts, immediately on default<sup>5</sup>, by classifying such assets as special mention accounts (SMA) as per the following categories.

<b>SMA Sub-categories</b>	<b>Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between</b>
SMA-0	Up to 30 days
SMA-1	More than 30 days and up to 60 days-
SMA-2	More than 60 days and up to 90 days

8.2 In the case of revolving credit facilities like cash credit/overdraft, the SMA sub-categories will be as follows:

<b>SMA Sub-categories</b>	<b>Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:</b>
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days

8.3 The above-mentioned instructions on classification of borrower accounts into SMA categories are applicable for all loans (including retail loans), other than agricultural advances governed by crop season-based asset classification norms, irrespective of size of exposure of the bank.

8.4 Classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

<sup>4</sup> For the purpose of instructions in part B1 and B2 of this Master Circular, 'lenders' shall mean:

- Scheduled Commercial Banks (excluding Regional Rural Banks);
- All India Term Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI);
- Small Finance Banks; and,
- Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SI) and Deposit taking Non-Banking Financial Companies (NBFC-D).

<sup>5</sup> 'Default' means non-payment of debt (as defined under the IBC) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be. For revolving facilities like cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

*Example: If due date of a loan account is March 31, 2022, and full dues are not received before the bank runs the day-end process for this date, the date of overdue shall be March 31, 2022. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2022 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2022.*

*Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2022 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2022.*

8.5 As provided in terms of the [circular DBS.Dir.OSMOS.No.3327/33.01.001/2013-14 dated September 11, 2013](#) and subsequent instructions related thereto, scheduled commercial banks shall report credit information, including classification of an account as SMA to Central Repository of Information on Large Credits (CRILC), on all borrowers having aggregate exposure<sup>6</sup> of ₹5 crore and above with them. The CRILC-Main Report shall be submitted on a monthly basis. In addition, the lenders shall submit a weekly report of instances of default by all borrowers (with aggregate exposure of ₹5 crore and above) by close of business on every Friday, or the preceding working day if Friday happens to be a holiday.

## 9. Implementation of Resolution Plan

9.1 All lenders must put in place Board-approved policies for resolution of stressed assets, including the timelines for resolution. Since default with any lender is a lagging indicator of financial stress faced by the borrower, it is expected that the lenders initiate the process of implementing a resolution plan (RP) even before a default. In **any case, once a borrower is reported to be in default by any of the lenders, lenders shall undertake a prima facie review of the borrower** account within thirty days from such default (“**Review Period**”). During this Review Period of thirty days, lenders may decide on the resolution strategy, including the nature of the RP, the approach for implementation of the RP, etc. The lenders may also choose to initiate legal proceedings for insolvency or recovery.

9.2 In cases where RP is to be implemented, all lenders shall enter into an inter-creditor agreement (ICA), during the above-said Review Period, to provide for ground rules for finalisation and implementation of the RP in respect of borrowers with credit facilities from more than one lender.<sup>7</sup> The ICA shall provide that any decision agreed by lenders representing 75 per cent by

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<sup>6</sup> Aggregate exposure under the guidelines would include all fund based and non-fund based exposure, including investment exposure with the lenders.

<sup>7</sup> In cases where asset reconstruction companies (ARCs) have exposure to the borrower concerned, they shall also sign the ICA and adhere to all its provisions.

value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of lenders by number shall be binding upon all the lenders. Additionally, the ICA may, *inter alia*, provide for rights and duties of majority lenders, duties and protection of rights of dissenting lenders, treatment of lenders with priority in cash flows/differential security interest, etc. In particular, the RPs shall provide for payment not less than the liquidation value<sup>8</sup> due to the dissenting lenders.

9.3 In respect of accounts with aggregate exposure above a threshold with the lenders, as indicated below, on or after the 'reference date', RP shall be implemented within 180 days from the end of Review Period. The Review Period shall commence not later than:

- a. The reference date, if in default as on the reference date; or
- b. The date of first default after the reference date.

9.4 The reference dates for the above purpose shall be as under:

<b>Aggregate exposure of the borrower to lenders mentioned at 3(a), 3(b) and 3(c)</b>	<b>Reference date</b>
₹2000 crore and above	June 7, 2019
₹1500 crore and above, but less than ₹2000 crore	January 1, 2020
Less than ₹1500 crore	To be announced in due course

9.5 The RP may involve any action / plan / reorganization including, but not limited to, regularisation of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership and restructuring<sup>9</sup>. The RP shall be clearly documented by the lenders concerned (even if there is no change in any terms and conditions).

## 10. Implementation Conditions for RP

10.1 RPs involving restructuring / change in ownership in respect of accounts where the aggregate exposure of lenders is ₹100 crore and above, shall require independent credit evaluation (ICE) of the residual debt<sup>10</sup> by credit rating agencies (CRAs) specifically authorised by the Reserve Bank for this purpose. While accounts with aggregate exposure of ₹500 crore and

<sup>8</sup> Liquidation value would mean the estimated realisable value of the assets of the relevant borrower, if such borrower were to be liquidated as on the date of commencement of the Review Period.

<sup>9</sup> Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period / payable amount / the amount of instalments / rate of interest; roll over of credit facilities; sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits; compromise settlements where time for payment of settlement amount exceeds three months.

<sup>10</sup> The residual debt of the borrower entity, in this context, means the aggregate debt (fund based as well as non-fund based) envisaged to be held by all the lenders as per the proposed RP.

above shall require two such ICEs, others shall require one ICE. Only such RPs which receive a credit opinion of RP4<sup>11</sup> or better for the residual debt from one or two CRAs, as the case may be, shall be considered for implementation. Further, ICEs shall be subject to the following:

- a) The CRAs shall be directly engaged by the lenders and the payment of fee for such assignments shall be made by the lenders.
- b) If lenders obtain ICE from more than the required number of CRAs, all such ICE opinions shall be RP4 or better for the RP to be considered for implementation.

10.2 A RP in respect of borrowers to whom the lenders continue to have credit exposure, shall be deemed to be 'implemented' only if the following conditions are met:

- a) A RP which does not involve restructuring/change in ownership shall be deemed to be implemented only if the borrower is not in default with any of the lenders as on 180th day from the end of the Review Period. Any subsequent default after the 180-day period shall be treated as a fresh default, triggering a fresh review.
- b) A RP which involves restructuring/change in ownership shall be deemed to be implemented only if all of the following conditions are met:
  - i. all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities, are completed by the lenders concerned in consonance with the RP being implemented;
  - ii. the new capital structure and/or changes in the terms of conditions of the existing loans get duly reflected in the books of all the lenders and the borrower; and,
  - iii. borrower is not in default with any of the lenders.

10.3 A RP which involves lenders exiting the exposure by assigning the exposures to third party or a RP involving recovery action shall be deemed to be implemented only if the exposure to the borrower is fully extinguished.

## 11. Delayed Implementation of Resolution Plan

11.1 Where a viable RP in respect of a borrower is not implemented within the timelines given below, all lenders shall make additional provisions as under:

<b>Timeline for implementation of viable RP</b>	<b>Additional provisions to be made as a % of total outstanding (funded+non-funded), if RP not implemented within the timeline</b>
180 days from the end of Review Period	20%
365 days from the commencement of Review Period	15% (i.e. total additional provisioning of 35%)

<sup>11</sup> [Annex – 4](#) provides list of RP symbols that can be provided by CRAs as ICE and their meanings.

11.2 The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

- a) The provisions already held; or,
- b) The provisions required to be made as per the asset classification status of the borrower account.

11.3 The additional provisions shall be made by all the lenders with exposure to such borrower.

11.4 The additional provisions shall also be required to be made in cases where the lenders have initiated recovery proceedings, unless the recovery proceedings are fully completed.

11.5 The above additional provisions may be reversed as under:

- a) Where the RP involves only payment of overdues by the borrower – the additional provisions may be reversed only if the borrower is not in default for a period of 6 months from the date of clearing of the overdues with all the lenders;
- b) Where RP involves restructuring/change in ownership outside IBC – the additional provisions may be reversed upon implementation of the RP;
- c) Where resolution is pursued under IBC – half of the additional provisions made may be reversed on filing of insolvency application and the remaining additional provisions may be reversed upon admission of the borrower into the insolvency resolution process under IBC; or,
- d) Where assignment of debt/recovery proceedings are initiated – the additional provisions may be reversed upon completion of the assignment of debt/recovery.

## 12. Prudential Norms

The prudential norms applicable to any restructuring/change in ownership, whether under the IBC framework or outside the IBC, are contained in Part B2<sup>12</sup> of this Master Circular.

## 13. Supervisory Review

Any action by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed

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<sup>12</sup> During the period when the RP is being finalised and implemented, the usual asset classification norms would continue to apply subject to additional provisioning requirements of this circular. The process of re-classification of an asset should not stop merely because RP is under consideration.

appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties<sup>13</sup>.

#### 14. Disclosures

Lenders shall make appropriate disclosures in their financial statements, under 'Notes on Accounts', relating to RPs implemented.

#### 15. Exemptions

15.1 Paragraphs 9, 10 and 11 above shall not be applicable to revival and rehabilitation of MSMEs covered by the instructions contained in [Circular No. FIDD.MSME & NFS.BC.No.21/06.02.31/ 2015-16 dated March 17, 2016](#), as amended from time to time.

15.2 Part B1 of this Master Circular shall not be available for borrower entities in respect of which specific instructions have already been issued or are issued by the Reserve Bank to the banks for initiation of insolvency proceedings under the IBC. Lenders shall pursue such cases as per the specific instructions issued to them.

15.3 Resolution of Covid-19 related stress implemented under the following circulars shall be subject to the specific requirements, including the prudential norms, specified therein:

- (i) [DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020](#) on "Resolution Framework for COVID-19-related Stress" read with [DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020](#) on "Resolution Framework for COVID-19-related Stress – Financial Parameters";
- (ii) [DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](#) on "Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances";
- (iii) [DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021](#) on "Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses" read with [DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021](#) on "Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure";
- (iv) [DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021](#) on "Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)" read with [DOR.STR.REC.21/21.04.048/2021-22 dated June 4, 2021](#) on

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<sup>13</sup> This may be in addition to direction to bank/s to file insolvency application under the IBC.

“Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure”.

- (v) The above may be read along with the [FAQs on Resolution Framework for Covid-19 related stress](#) updated from time to time.

## **Part B2: Prudential Norms Applicable to Restructuring**

### **16. Definition of Restructuring**

16.1 Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. Restructuring may involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period / payable amount / the amount of instalments / rate of interest; roll over of credit facilities; sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits; compromise settlements where time for payment of settlement amount exceeds three months.

16.2 For this purpose, the board-approved policies of lenders on resolution of stressed assets, required to be in place in terms of these guidelines, shall also have detailed policies on various signs of financial difficulty, providing quantitative as well as qualitative parameters, for determining financial difficulty as expected from a prudent bank. In order to enable lenders to frame respective policies for determination of financial difficulty, a non-exhaustive indicative list of signs of financial difficulty are provided as under<sup>14</sup>:

- a) A default, as per the definition provided in the framework, shall be treated as an indicator for financial difficulty, irrespective of reasons for the default.
- b) A borrower not in default, but it is probable that the borrower will default on any of its exposures in the foreseeable future without the concession, for instance, when there has been a pattern of delinquency in payments on its exposures.
- c) A borrower's outstanding securities have been delisted, are in the process of being delisted, or are under threat of being delisted from an exchange due to noncompliance with the listing requirements or for financial reasons.
- d) On the basis of actual performance, estimates and projections that encompass the borrower's current level of operations, the borrower's cash flows are assessed to be insufficient to service all of its loans or debt securities (both interest and principal) in accordance with the contractual terms of the existing agreement for the foreseeable future.
- e) A borrower's credit facilities are in non-performing status or would be categorised as non-performing without the concessions.

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<sup>14</sup> Based on the Basel Committee Guidelines on "Prudential treatment of problem assets – definitions of non-performing exposures and forbearance".



- f) A borrower's existing exposures are categorised as exposures that have already evidenced difficulty in the borrower's ability to repay in accordance with the bank's internal credit rating system.
- g) The above list provides examples of possible indicators of financial difficulty, but is not intended to constitute an exhaustive enumeration of financial difficulty indicators with respect to restructuring. Lenders shall need to complement the above with key financial ratios and operational parameters which may include quantitative and qualitative aspects. In particular, financial difficulty can be identified even in the absence of arrears on an exposure. The robustness of the board approved policy and the outcomes would be examined as part of the supervisory oversight of the Reserve Bank.

## 17. Prudential Norms<sup>15</sup>

### 17.1 Asset Classification

In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as laid out in Part A of this Master Circular.

### 17.2 Conditions for Upgrade

#### **17.2.1 For MSME accounts where aggregate exposure of the lenders is less than ₹25 crore:**

An account may be considered for upgradation to 'standard' only if it demonstrates satisfactory performance during the specified period. 'Specified Period' means a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium under the terms of restructuring package. 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

#### **17.2.2 For all other accounts not included in sub-paragraph 17.2.1**

17.2.2.1 Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the lenders may be upgraded only when all the outstanding loan

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<sup>15</sup> Applicable to all resolution plans, including those undertaken under IBC.

/ facilities in the account demonstrate ‘satisfactory performance’<sup>16</sup> during the period from the date of implementation of RP up to the date by which at least 10 per cent of the sum of outstanding principal debt<sup>17</sup> as per the RP and interest capitalisation sanctioned as part of the restructuring, if any, is repaid (**‘monitoring period’**).

*Provided that* the account cannot be upgraded before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of RP.

17.2.2.2 Additionally, for accounts where the aggregate exposure of lenders is ₹100 crore and above at the time of implementation of RP, to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade<sup>18</sup> (BBB- or better), at the time of upgrade, by CRAs accredited by the Reserve Bank for the purpose of bank loan ratings. While accounts with aggregate exposure of ₹500 crore and above shall require two ratings, those below ₹500 crore shall require one rating. If the ratings are obtained from more than the required number of CRAs, all such ratings shall be investment grade for the account to qualify for an upgrade.

17.2.2.3 If the borrower fails to demonstrate satisfactory performance during the monitoring period, asset classification upgrade shall be subject to implementation of a fresh restructuring/change in ownership under Parts B1 and B2 of this Master Circular or under IBC. Lenders shall make an additional provision of 15% for such accounts at the end of the Review Period. This additional provision, along with other additional provisions, may be reversed as per the norms laid down at Paragraph 11.5.

17.2.2.4 Provisions held on restructured assets may be reversed when the accounts are upgraded to standard category.

17.2.2.5 Any default by the borrower in any of the credit facilities with any of the lenders (including any lender where the borrower is not in **“specified period”**) subsequent to upgrade in asset classification as above but before the end of the specified period, will require a fresh RP to be implemented within the above timelines as any default would entail. However, lenders shall make an additional provision of 15% for such accounts at the end of the Review Period.

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<sup>16</sup> Satisfactory performance means that the borrower entity is not in default at any point of time during the period concerned.

<sup>17</sup> Outstanding principal debt shall include all credit facilities, including debt/debt like instruments (viz., non-convertible debentures, optionally convertible debentures, optionally convertible preference shares, non-convertible preference shares etc.) that exist post implementation of the RP. Only equity and instruments compulsorily convertible into equity (without any embedded optionality) shall be exempt from determining outstanding principal debt.

<sup>18</sup> These ratings shall be the normal ratings provided by the CRAs and not ICEs referred to in paragraph 10.1 of this Master Circular.

This additional provision, along with other additional provisions, may be reversed as per the norms laid down at Paragraph 11.5 of this Master Circular.

*“Specified period” means the period from the date of implementation of RP<sup>19</sup> up to the date by which at least 20 per cent of the sum of outstanding principal debt as per the RP and interest capitalisation sanctioned as part of the restructuring, if any, is repaid.*

## 18. Provisioning Norms<sup>20</sup>

18.1 Accounts restructured under the revised framework shall attract provisioning as per the asset classification category as laid out in part A of this Master Circular.

18.2 In respect of accounts of debtors where a final RP, as approved by the Committee of Creditors, has been submitted by the Resolution Professional for approval of the Adjudicating Authority (in terms of section 30(6) of the IBC), lenders may keep the provisions held as on the date of such submission of RP frozen for a period of six months from the date of submission of the plan or up to 90 days from the date of approval of the resolution plan by the Adjudicating Authority in terms of section 31 (1) of the IBC, whichever is earlier.

18.3 The above facility of freezing the quantum of the provision shall be available only in cases where the provisioning held by the lenders as on the date of submission of the plan for approval of the Adjudicating Authority is more than the expected provisioning required to be held in the normal course upon implementation of the approved resolution plan, taking into account the contours of the resolution plan approved by Committee of Creditors/ Adjudicating Authority, as the case may be, and extant prudential norms. However, lenders shall not reverse the excess provisions held as on the date of submission of the resolution plan for approval of the Adjudicating Authority at this stage. In cases where the provisioning held is lower than the expected required provisioning, lenders shall make additional provisioning to the extent of the shortfall. Subsequent to the lapse of above mentioned period, provisioning shall be as per the norms laid out in Part A of this Master Circular. The facility of freezing of provisions shall also lapse immediately if the Adjudicating Authority rejects the resolution plan thus submitted. Asset classification in respect of such borrower shall continue be governed by the extant asset classification norms.

18.4 MSME accounts restructured under the [circulars DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019](#) and [DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020](#) shall attract the provisioning requirements prescribed therein.

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<sup>19</sup> For accounts restructured under IBC, the specified period shall be deemed to commence from the date of implementation of the resolution plan as approved by the Adjudicating Authority

<sup>20</sup> Additional provisions for delayed implementation of RP within timelines shall be as per paragraphs 11.1 – 11.4 of this Master Circular

## 19. Additional Finance

19.1 Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the monitoring period under the approved RP, provided the account demonstrates satisfactory performance (as defined at footnote 16) during the monitoring period. If the restructured asset fails to perform satisfactorily during the monitoring period or does not qualify for upgradation at the end of the monitoring period, the additional finance shall be placed in the same asset classification category as the restructured debt.

19.2 Similarly, any interim finance [as defined in section 5 (15) of the IBC] extended by the lenders to debtors undergoing insolvency proceedings under IBC may be treated as 'standard asset' during the insolvency resolution process period as defined in the IBC. During this period, asset classification and provisioning for the interim finance shall be governed by the norms laid down in Part A of this Master Circular. Subsequently, upon approval of the resolution plan by the Adjudicating Authority, treatment of such interim finance shall be as per the norms applicable to additional finance, as per Paragraph 19.1 above.

## 20. Income recognition norms

20.1 Interest income in respect of restructured accounts classified as 'standard assets' may be recognized on accrual basis and that in respect of the restructured accounts classified as 'non-performing assets' shall be recognised on cash basis.

20.2 In the case of additional finance in accounts where the pre-restructuring facilities were classified as NPA, the interest income shall be recognised only on cash basis except when the restructuring is accompanied by a change in ownership.

## 21. Conversion of Principal into Debt / Equity and Unpaid Interest into 'Funded Interest Term Loan' (FITL), Debt or Equity Instruments

21.1 An act of restructuring might create new securities issued by the borrower which would be held by the lenders in lieu of a portion of the pre-restructured exposure. The FITL / debt / equity instruments created by conversion of principal / unpaid interest, as the case may be, shall be placed in the same asset classification category in which the restructured advance has been classified.

21.2 The provisioning applicable to such instruments shall be the higher of:

- a) The provisioning applicable to the asset classification category in which such instruments are held; or
- b) The provisioning applicable based on the fair valuation of such instruments as provided in the following paragraphs.

21.3 Debt/quasi-debt/equity instruments<sup>21</sup> acquired by the lenders as part of a RP shall be valued as under:

- a) Debentures/bonds shall be valued as per the instructions contained in paragraph 10 of the [Master Direction - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated August 25, 2021](#) (as amended from time to time).
- b) Conversion of debt into Zero Coupon Bonds (ZCBs)/low coupon bonds (LCBs) as part of RP shall be subject to the conditions prescribed in paragraph 12 of the [Master Directions - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated August 25, 2021](#) (as amended from time to time). Such ZCBs/LCBs shall be valued as per the instructions contained in Section 10 of the above said Master Direction, subject to the following:
  - i. Where the borrower fails to build up the sinking fund as required under the above said Master Circular, ZCBs/LCBs of such borrower shall be collectively valued at Re.1
  - ii. Instruments without a pre-specified terminal value would be collectively valued at Re. 1.
- c) Equity instruments, where classified as standard, shall be valued at market value, if quoted, or else, should be valued at the lowest value arrived using the following valuation methodologies:
  - i. Book value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest audited balance sheet. The date as on which the latest balance sheet is drawn up should not precede the date of valuation by more than 18 months. In case the latest audited balance sheet is not available the shares are to be collectively valued at Re.1 per company.
  - ii. Discounted cash flow method where the discount factor is the actual interest rate charged to the borrower on the residual debt post restructuring plus a risk premium to be determined as per the board approved policy considering the factors affecting the value of the equity. The risk premium will be subject to a floor of 3 per cent and the overall discount factor will be subject to a floor of 14 per cent. Further, cash flows (cash flow available from the current as well as

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<sup>21</sup> These instruments shall be subject to all the instructions contained in [Master Direction - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated August 25, 2021](#) (as amended from time to time) to the extent they are not inconsistent with the instructions contained in this circular.

immediately prospective (not more than six months) level of operations) occurring within 85 per cent of the useful economic life of the project only shall be reckoned.

- d) Equity instruments, where classified as NPA, shall be valued at market value, if quoted, or else, shall be collectively valued at Re.1.
- e) Preference Shares shall be valued as per the instructions contained in paragraph 10 of the [Master Direction - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated August 25, 2021](#) (as amended from time to time), subject to the following modifications:
  - i. The discount rate shall be subject to a floor of weighted average actual interest rate charged to the borrower on the residual debt after restructuring plus a mark-up of 1.5 percent.
  - ii. Where preference dividends/coupons are in arrears, no credit should be taken for accrued dividends/coupons and the value determined as above on DCF basis should be discounted further by at least 15 per cent if arrears are for one year, 25 per cent if arrears are for two years, so on and so forth (i.e., with 10 percent increments).

21.4 The overarching principle should be that valuation of instruments arising out of resolution of stressed assets shall be based on conservative assessment of cash flows and appropriate discount rates to reflect the stressed cash flows of the borrowers. Statutory Auditors should also specifically examine as to whether the valuations of such instruments reflect the risk of loss associated with such instruments.

21.5 In case lenders have acquired unquoted instruments on conversion of debt as a part of a RP, and if the RP is not deemed as implemented, such unquoted instruments shall collectively be valued at Re. 1 at that point, and till the RP is treated as implemented.

21.6 The unrealised income represented by FITL / Debt or equity instrument should have a corresponding credit in an account styled as "Sundry Liabilities Account (Interest Capitalization)".

21.7 The unrealised income represented by FITL / Debt or equity instrument can only be recognised in the profit and loss account as under:

- a) FITL/debt instruments: only on sale or redemption, as the case may be;
- b) Unquoted equity/ quoted equity (where classified as NPA): only on sale;
- c) Quoted equity (where classified as standard): market value of the equity as on the date of upgradation, not exceeding the amount of unrealised income converted to

such equity. Subsequent changes to value of the equity will be dealt as per the extant prudential norms on investment portfolio of banks.

## 22. Change in Ownership

22.1 In case of change in ownership of the borrowing entities, credit facilities of the concerned borrowing entities may be continued/upgraded as 'standard' after the change in ownership is implemented, either under the IBC or under this framework. If the change in ownership is implemented under this framework, then the classification as 'standard' shall be subject to the following conditions:

- a) Lenders shall conduct necessary due diligence in this regard and clearly establish that the acquirer is not a person disqualified in terms of Section 29A of the IBC. Additionally, the 'new promoter' should not be a person/entity/subsidiary/associate etc. (domestic as well as overseas), from the existing promoter/promoter group. Lenders should clearly establish that the acquirer does not belong to the existing promoter group (as defined in Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018).
- b) The new promoter shall have acquired at least 26 per cent of the paid up equity capital as well as voting rights of the borrower entity and shall be the single largest shareholder of the borrower entity.
- c) The new promoter shall be in 'control' of the borrower entity as per the definition of 'control' in the Companies Act, 2013 / regulations issued by the Securities and Exchange Board of India/any other applicable regulations / accounting standards as the case may be.
- d) The conditions for implementation of RP as laid out in Part B1 of this Master Circular are complied with.

22.2 Upon change in ownership, all the outstanding loans/credit facilities of the borrowing entity need to demonstrate satisfactory performance (as defined at footnote 18) during the monitoring period. If the account fails to perform satisfactorily at any point of time during the monitoring period, it shall trigger a fresh Review Period, in terms of Paragraph 9.1 above.

22.3 The quantum of provisions held (excluding additional provisions) by the bank against the said account as on the date of change in ownership of the borrowing entities can be reversed only after the end of monitoring period subject to satisfactory performance during the same.

## 23. Principles on classification of sale and lease back transactions as restructuring

23.1 A sale and leaseback transaction of the assets of a borrower or other transactions of similar nature will be treated as an event of restructuring for the purpose of asset classification and provisioning in the books of lenders with regard to the residual debt of the seller as well as the debt of the buyer if all the following conditions are met:

- a) The seller of the assets is in financial difficulty;
- b) Significant portion, i.e. more than 50 per cent, of the revenues of the buyer from the specific asset is dependent upon the cash flows from the seller; and
- c) 25 per cent or more of the loans availed by the buyer for the purchase of the specific asset is funded by the lenders who already have a credit exposure to the seller.

## 24. Prudential Norms relating to Refinancing of Exposures to Borrowers

If borrowings/export advances (denominated in any currency, wherever permitted) for the purpose of repayment/refinancing of loans denominated in same/another currency are obtained:

- a) From lenders who are part of Indian banking system (where permitted); or
- b) with the support (where permitted) from the Indian banking system in the form of Guarantees/Standby Letters of Credit/Letters of Comfort, etc., such events shall be treated as 'restructuring' if the borrower concerned is under financial difficulty.

## 25. Takeout Finance

Takeout financing transactions that involve prior commitments shall be governed by the circular DBOD.No.BP.BC.144/21.04.048-2000 dated February 29, 2000 on "Income Recognition, Asset Classification, Provisioning and other related matters and Capital Adequacy Standards – Takeout Finance".

## 26. Regulatory Exemptions

### 26.1 Exemptions from RBI Regulations

26.1.1 Acquisition of non-SLR securities by way of conversion of debt is exempted from the restrictions and the prudential limit on investment in unlisted non-SLR securities prescribed by the RBI.

26.1.2 Acquisition of shares due to conversion of debt to equity during a restructuring process will be exempted from regulatory ceilings/restrictions on Capital Market Exposures, investment in Para-Banking activities and intra-group exposure. However, these will require reporting to RBI (reporting to DoS, CO every month along with the regular DSB Return on Asset Quality) and



disclosure by banks in the Notes to Accounts in Annual Financial Statements. Nonetheless, banks will have to comply with the provisions of Section 19(2) of the Banking Regulation Act, 1949.

## 26.2 Exemptions from Regulations of Securities and Exchange Board of India (SEBI)

26.2.1 SEBI has provided exemptions, under certain conditions, from the requirements of Securities and Exchange Board of India (SEBI) (Issue of Capital and Disclosure Requirements) (ICDR) Regulations, 2018 for restructurings carried out as per the regulations issued by the Reserve Bank.

26.2.2 With reference to the requirements contained in sub-regulations 158 (6) (a) of ICDR Regulations, 2018, the issue price of the equity shall be the lower of (a) or (b) below:

- a) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the 'reference date' or the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the 'reference date', whichever is lower; and
- b) Book value: Book value per share to be calculated from the latest audited balance sheet (without considering 'revaluation reserves', if any) adjusted for cash flows and financials post the earlier restructuring, if any. The date as on which the latest balance sheet is drawn up should not precede the date of restructuring by more than 18 months. In case the latest audited balance sheet is not available the shares are to be collectively valued at Re.1 per company.

26.2.3 In the case of conversion of debt into equity, the 'reference date' shall be the date on which the bank approves the restructuring scheme. In the case of conversion of convertible securities into equity, the 'reference date' shall be the date on which the bank approves the conversion of the convertible securities into equities.

## 27. Restructuring of frauds/willful defaulters

Borrowers who have committed frauds/ malfeasance/ willful default will remain ineligible for restructuring. However, in cases where the existing promoters are replaced by new promoters<sup>22</sup>, and the borrower company is totally delinked from such erstwhile promoters/management, lenders may take a view on restructuring such accounts based on their viability, without prejudice to the continuance of criminal action against the erstwhile promoters/management.

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<sup>22</sup> New promoters must satisfy the conditions specified at paragraph 22.1 (a), (b) and (c) above.

## PART C – Miscellaneous

### 28. Wilful Defaulters and Non-Cooperative Borrowers

Instructions regarding treatment of Wilful Defaulters are contained in our [Master Circular DBR.No.CID.BC.57/20.16.003/2014-15 dated July 1, 2014](#) (updated up to January 7, 2015) on 'Wilful Defaulters' as updated from time to time. Banks are required to strictly adhere to these guidelines. In addition to these instructions and with a view to ensuring better corporate governance structure in companies and ensuring accountability of independent/professional directors, promoters, auditors, etc. henceforth, the following prudential measures will be applicable:

- a) The provisioning in respect of existing loans/exposures of banks to companies having director/s (other than nominee directors of government/financial institutions brought on board at the time of distress), whose name/s appear more than once in the list of wilful defaulters, will be 5% in cases of standard accounts; if such account is classified as NPA, it will attract accelerated provisioning as under:

<b>Asset Classification</b>	<b>Period as NPA</b>	<b>Regular provisioning (%)</b>	<b>Accelerated provisioning (%)</b>
Sub-standard (secured)	Up to 6 months	15	No change
	6 months to 1 year	15	25
Sub-standard (unsecured ab-initio)	Up to 6 months	25 (other than infrastructure loans)	25
		20 (infrastructure loans)	
	6 months to 1 year	25 (other than infrastructure loans)	40
		20 (infrastructure loans)	
Doubtful I	2nd year	25 (secured portion)	40 (secured portion)
		100 (unsecured portion)	100 (unsecured portion)
Doubtful II	3rd & 4th year	40 (secured portion)	100 for both secured and unsecured portions
		100 (unsecured portion)	
Doubtful III	5th year onwards	100	100

- b) This is a prudential measure since the expected losses on exposures to such borrowers are likely to be higher. It is reiterated that no additional facilities should be granted by any bank/FI to the listed wilful defaulters, in terms of Paragraph 2.5 (a) of [Master Circular on Wilful Defaulters dated July 1, 2015](#).

- c) With a view to discouraging borrowers/defaulters from being unreasonable and non-cooperative with lenders in their bonafide resolution/recovery efforts, banks may classify such borrowers as non-cooperative borrowers<sup>23</sup>, after giving them due notice if satisfactory clarifications are not furnished. Banks will be required to report classification of such borrowers to CRILC. Detailed instructions in this regard have been issued vide [circular DBR.No.CID.BC.54/20.16.064/2014-15 dated December 22, 2014](#) on Non-Cooperative Borrowers.
- d) Further, if any particular entity is reported as non-cooperative, any fresh exposure to such a borrower will, by implication, entail greater risk necessitating higher provisioning. Banks/FIs will therefore be required to make higher provisioning as applicable to substandard assets in respect of new loans sanctioned to such borrowers as also new loans sanctioned to any other company that has on its board of directors any of the whole time directors/promoters of a non-cooperative borrowing company or any firm in which such a non-cooperative borrower is in charge of management of the affairs. However, for the purpose of asset classification and income recognition, the new loans would be treated as standard assets. This is a prudential measure since the expected losses on exposures on exposures to such non-cooperative borrowers are likely to be higher.

## 29. Dissemination of Information

29.1 At present, the list of suit filed accounts and non-suit filed accounts of Wilful Defaulters (₹25 lakh and above) is submitted by banks to the Credit Information Companies (CICs) of which they are member(s), who display the same on their respective websites as and when received. In order to make the current system of banks/FIs reporting names of suit filed accounts and non-suit filed accounts of Wilful Defaulters and its availability to the banks by CICs as current as possible, banks are advised to forward data on wilful defaulters to the CICs at the earliest but not later than a month from the reporting date and they must use/ furnish the detailed information as per the format prescribed in our [Master Circular DBR.No.CID.BC.57/20.16.003/2014-15 dated July 1, 2015](#) on 'Wilful Defaulters', as updated from time to time.

29.2 In terms of our Master Circular on Wilful Defaulters mentioned above, in case any falsification of accounts on the part of the borrowers is observed by the banks / FIs, and if it is observed that the auditors were negligent or deficient in conducting the audit, banks should lodge a formal complaint against the auditors of the borrowers with the Institute of Chartered Accountants of India (ICAI) to enable the ICAI to examine and fix accountability of the auditors. RBI reiterates

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<sup>23</sup> A non-cooperative borrower is one who does not engage constructively with his lender by defaulting in timely repayment of dues while having ability to pay, thwarting lenders' efforts for recovery of their dues by not providing necessary information sought, denying access to assets financed / collateral securities, obstructing sale of securities, etc. In effect, a non-cooperative borrower is a defaulter who deliberately stone walls legitimate efforts of the lenders to recover their dues.

these instructions for strict compliance. Pending disciplinary action by ICAI, the complaints may also be forwarded to the RBI (Department of Banking Supervision, Central Office) and IBA for records. IBA would circulate the names of the CA firms against whom many complaints have been received amongst all banks who should consider this aspect before assigning any work to them. RBI would also share such information with other financial sector regulators/Ministry of Corporate Affairs (MCA)/Comptroller and Auditor General (CAG).

29.3 Further, banks may seek explanation from advocates who wrongly certify as to clear legal titles in respect of assets or valuers who overstate the security value, by negligence or connivance, and if no reply/satisfactory clarification is received from them within one month, they may report their names to IBA. The IBA may circulate the names of such advocates/valuers among its members for consideration before availing of their services in future. The IBA would create a central registry for this purpose.

### 30. Bank Loans for Financing Promoters' Contribution

30.1 In terms of extant instructions on *Bank Loans for Financing Promoters Contribution* as consolidated in our Master Circular DBOD.No.Dir.BC.16/13.03.00/2014-15 dated July 1, 2015 on 'Loans and Advances – Statutory and Other Restrictions', the promoters' contribution towards the equity capital of a company should come from their own resources and banks should not normally grant advances to take up shares of other companies.

30.2 It has been decided that banks can extend finance to 'specialized' entities established for acquisition of troubled companies subject to the general guidelines applicable to advances against shares/debentures/bonds as contained in the above-mentioned Master Circular and other regulatory and statutory exposure limits. The lenders should, however, assess the risks associated with such financing and ensure that these entities are adequately capitalized, and debt equity ratio for such entity is not more than 3:1.

30.3 In this connection, a 'specialized' entity will be a body corporate exclusively set up for the purpose of taking over and turning around troubled companies and promoted by individuals or/and institutional promoters (including Government) having professional expertise in turning around 'troubled companies' and eligible to make investments in the industry/segment to which the target asset belonged.

### 31. Credit Risk Management

31.1 Banks are advised that they should strictly follow the credit risk management guidelines contained in our circular DBOD.No.BP.(SC).BC.98/21.04.103/99 dated October 7, 1999 on 'Risk Management Systems in Banks' and [DBOD.No.BP.520/21.04.103/2002-03 dated October 12, 2002](#) on 'Guidance Notes on Management of Credit Risk and Market Risk'

31.2 It is reiterated that lenders should carry out their independent and objective credit appraisal in all cases and must not depend on credit appraisal reports prepared by outside consultants, especially the in-house consultants of the borrowing entity.

31.3 Banks/lenders should carry out sensitivity tests/scenario analysis, especially for infrastructure projects, which should inter alia include project delays and cost overruns. This will aid in taking a view on viability of the project at the time of deciding on deferment of DCCO/restructuring.

31.4 Lenders should ascertain the source and quality of equity capital brought in by the promoters /shareholders Multiple leveraging, especially, in infrastructure projects, is a matter of concern as it effectively camouflages the financial ratios such as Debt/Equity ratio, leading to adverse selection of the borrowers Therefore, lenders should ensure at the time of credit appraisal that debt of the parent company is not infused as equity capital of the subsidiary/SPV.

31.5 Ministry of Corporate Affairs had introduced the concept of a Director Identification Number (DIN) with the insertion of Sections 266A to 266G of Companies (Amendment) Act, 2006. Further, in terms of Paragraph 5.4 of our [Master Circular on Wilful Defaulters dated July 1, 2015](#), in order to ensure that directors are correctly identified and in no case, persons whose names appear to be similar to the names of directors appearing in the list of wilful defaulters, are wrongfully denied credit facilities on such grounds, banks/FIs have been advised to include the Director Identification Number (DIN) as one of the fields in the data submitted by them to Reserve Bank of India/Credit Information Companies.

31.6 It is reiterated that while carrying out the credit appraisal, banks should verify as to whether the names of any of the directors of the companies appear in the list of defaulters/ wilful defaulters by way of reference to DIN/PAN etc. Further, in case of any doubt arising on account of identical names, banks should use independent sources for confirmation of the identity of directors rather than seeking declaration from the borrowing company.

31.7 Paragraph 2.7 of the Master Circular on Wilful Defaulters states that, “with a view to monitoring the end-use of funds, if the lenders desire a specific certification from the borrowers’ auditors regarding diversion / siphoning of funds by the borrower, the lender should award a separate mandate to the auditors for the purpose. To facilitate such certification by the auditors the banks and FIs will also need to ensure that appropriate covenants in the loan agreements are incorporated to enable award of such a mandate by the lenders to the borrowers / auditors”.

31.8 In addition to the above, banks are advised that with a view to ensuring proper end-use of funds and preventing diversion/siphoning of funds by the borrowers, lenders could consider engaging their own auditors for such specific certification purpose without relying on certification given by borrower's auditors. However, this cannot substitute bank's basic minimum own diligence in the matter.

## 32. Registration of Transactions with CERSAI

In terms of [circular DBOD.Leg.No.BC.86/09.08.011/2010-11 dated April 21, 2011](#) on 'Setting up of Central Electronic Registry under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002', as amended from time to time, banks are required to register, on an ongoing basis, the transactions relating to securitization and reconstruction of financial assets on the CERSAI portal. Banks also need to file, on an ongoing basis, the following types of security interest on the CERSAI portal to secure any loans or advances:

- a) particulars of creation, modification, or satisfaction of security interest in mortgage by deposit of title deeds;
- b) particulars of creation, modification, or satisfaction of security interest in mortgage other than mortgage by deposit of title deeds;
- c) particulars of creation, modification, or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.
- d) particulars of creation, modification, or satisfaction of security interest in intangible assets, being know how, patent, copyright, trademark, licence, franchise or any other business or commercial right of similar nature.
- e) particulars of creation, modification, or satisfaction of security interest in any 'under construction' residential or commercial or a part thereof by an agreement or instrument other than mortgage.

## 33. Board Oversight

33.1 The Board of Directors of banks should take all necessary steps to arrest the deteriorating asset quality in their books and should focus on improving the credit risk management system. Early recognition of problems in asset quality and resolution envisaged in these guidelines requires the lenders to be proactive and make use of CRILC.

33.2 The boards of banks should put in place a system for proper and timely classification of borrowers as wilful defaulters or/and non-cooperative borrowers. Further, Boards of banks should periodically review the accounts classified as such, say on a half yearly basis.

#### 34. Specification of due date/repayment date

The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be clearly specified in the loan agreement and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/loan agreement till full repayment of the loan. In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the loan agreements. These instructions shall be complied with at the earliest, but not later than December 31, 2021, in respect of fresh loans. In case of existing loans, however, compliance to these instructions shall necessarily be ensured as and when such loans become due for renewal/review.

#### 35. Consumer Education

With a view to increasing awareness among the borrowers, banks shall place consumer education literature on their websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. Banks may also consider displaying such consumer education literature in their branches by means of posters and/or other appropriate media. Further, it shall also be ensured that their front-line officers educate borrowers about all these concepts, with respect to loans availed by them, at the time of sanction/disbursal/renewal of loans.

## PART D - ANNEXES

### Annex-1

#### Details of Gross Advances, Gross NPAs, Net Advances and Net NPAs

##### Part A

(₹ in crore up to two decimals)		
Particulars		Amount
1.	Standard Advances	
2.	Gross NPAs *	
3.	Gross Advances ** (1+2)	
4.	Gross NPAs as a percentage of Gross Advances (2/3) (in %)	
5.	Deductions	
	(i)	Provisions held in the case of NPA Accounts as per asset classification (including additional Provisions for NPAs at higher than prescribed rates).
	(ii)	DICGC / ECGC claims received and held pending adjustment
	(iii)	Part payment received and kept in Suspense Account or any other similar account
	(iv)	Balance in Sundries Account (Interest Capitalization - Restructured Accounts), in respect of NPA Accounts
	(v)	Floating Provisions***
6.	Net Advances(3-5)	
7.	Net NPAs {2-5(i + ii + iii + iv + v)}	
8.	Net NPAs as percentage of Net Advances (7/6) (in %)	
*	Principal dues of NPAs plus Funded Interest Term Loan (FITL) where the corresponding contra credit is parked in Sundries Account (Interest Capitalization - Restructured Accounts), in respect of NPA Accounts.	
**	For the purpose of this Statement, 'Gross Advances' mean all outstanding loans and advances including advances for which refinance has been received but excluding rediscounted bills, and advances written off at Head Office level (Technical write off).	
***	Floating Provisions would be deducted while calculating Net NPAs, to the extent, banks have exercised this option, over utilising it towards Tier II capital.	



**Part B**  
**Supplementary Details**

(₹ in crore up to two decimals)		
<b>Particulars</b>		<b>Amount</b>
1.	Provisions on Standard Assets in Part A above	
2.	Interest recorded as Memorandum Item	
3.	Amount of cumulative Technical Write - Off in respect of NPA accounts reported in Part A above	

## **Annex-2:**

### **Activities eligible for crop season linked asset classification norms**

#### ***Farm Credit***

A. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans], directly engaged in Agriculture only. This will include:

- (i) Crop loans to farmers, which will include traditional / non-traditional plantations and horticulture.
- (ii) Medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm.)
- (iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
- (iv) Loans to farmers up to 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- (v) Loans to distressed farmers indebted to non-institutional lenders
- (vi) Loans to farmers under the Kisan Credit Card Scheme.
- (vii) Loans to small and marginal farmers for purchase of land for agricultural purposes.

B. Loans to corporate farmers, farmers' producer organizations / companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture only up to an aggregate limit of 2 crore per borrower. This will include:

- (i) Crop loans to farmers which will include traditional / non-traditional plantations and horticulture.
- (ii) Medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm.)
- (iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
- (iv) Loans up to 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.

C. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.

## Format for Computing Countercyclical Provisioning Buffer

Amount in ₹ in crore						
Computing Countercyclical Provisioning Buffer as on September 30, 2010						
	2	3	4	5	6	7
		Gross NPA @ Plus Technical / Prudential Write-off *	Specific Provisions for NPAs held / required	Technical write-off	Total (4+5)	Ratio of (6) to (3)
1.	Sub-Standard Advances					
2.	Doubtful Advances (a+b+c)					
	a < 1 year					
	b 1-3 Years					
	c >3 years					
3.	Advances classified as Loss Assets					
4.	<b>Total</b>					
5.	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)					
6.	DICGC / ECGC claims received and held pending adjustment					
7.	Part payment received and kept in Suspense Account or any other similar account					
8.	<b>Total</b> (Sum of column 7 of Row 4+ Row 5 + Row 6+ Row 7)					
9.	<b>Provision Coverage Ratio</b> {(Row 8/Total of Column 3 of Row 4)*100}					

10.		If PCR < 70%, shortfall in provisioning to achieve PCR of 70% (70% of Column 3 of Row 4 - Row 8)	
11.	a	<b>Countercyclical Provisioning Buffer, if bank has achieved PCR of 70% - Floating Provisions for advances to the extent not used as Tier II capital (Row 5)</b>	
	b	<b>Countercyclical Provisioning Buffer, if bank has not achieved PCR of 70% - Floating Provisions for advances to the extent not used as Tier II capital (Row 5) + Shortfall in provisioning to achieve PCR of 70%, if any (Row 10) which needs to be built up at the earliest.</b>	

## Independent Credit Evaluations

ICE Symbols	Definition
RP1	Debt facilities/instruments with this symbol are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry lowest credit risk.
RP2	Debt facilities/instruments with this symbol are considered to have high degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry very low credit risk.
RP3	Debt facilities/instruments with this symbol are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry low credit risk.
RP4	Debt facilities/instruments with this symbol are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry moderate credit risk.
RP5	Debt facilities/instruments with this symbol are considered to have moderate risk of default regarding timely servicing of financial obligations.
RP6	Debt facilities/instruments with this symbol are considered to have high risk of default regarding timely servicing of financial obligations.
RP7	Debt facilities/instruments with this symbol are considered to have very high risk of default regarding timely servicing of financial obligations.

## Annex-5

### List of Circulars consolidated by the Master Circular on IRAC Norms

S.no	Circular no.	Date	Subject
1.	<a href="#">DOR.STR.REC.85/21.04.048/2021-22</a>	15.02.2022	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications
2.	<a href="#">DOR.STR.REC.68/21.04.048/2021-22</a>	12.11.2021	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications
3.	<a href="#">DOR.No.BP.BC.33/21.04.048/2019-20</a>	07.02.2020	Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances -Projects under Implementation
4.	<a href="#">DBR.No.BP.BC.45/21.04.048/2018-19</a>	07.06.2019	Prudential Framework for Resolution of Stressed Assets
5.	<a href="#">DBR.BP.BC.No.72/08.12.015/2016-17</a>	07.06.2017	Individual Housing Loans : Rationalisation of Risk-Weights and Loan to Value (LTV) Ratios
6.	<a href="#">DBR.No.BP.BC.64/21.04.048/2016-17</a>	18.04.2017	Additional Provisions For Standard Advances At Higher Than The Prescribed Rates
7.	<a href="#">DBR.No.BP.BC.34/21.04.132/2016-17</a>	10.11.2016	Schemes for Stressed Assets – Revisions (only instructions on deferment of DCCO)
8.	<a href="#">DBR.No.BP.BC.92/21.04.048/2015-16</a>	18.04.2016	Provisioning for fraud accounts
9.	<a href="#">DBR.No.BP.BC.84/21.04.048/2014-15</a>	06.04.2015	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation - Change in Ownership
10.	<a href="#">DBR.No.BP.BC.85/21.04.048/2014-15</a>	06.04.2015	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Refinancing of Exposures to Borrowers
11.	<a href="#">DBR.No.BP.BC.83/21.04.048/2014-15</a>	01.04.2015	Provisioning pertaining to Fraud Accounts
12.	<a href="#">DBR.No.BP.BC.79/21.04.048/2014-15</a>	30.03.2015	Utilisation of Floating Provisions / Counter Cyclical Provisions
13.	Mailbox Clarification	24.02.2015	Refinancing of Project Loans
14.	<a href="#">DBR.No.CID.BC.54/20.16.064/2014-15</a>	22.12.2014	Non-Cooperative Borrowers
15.	<a href="#">DBOD.No.BP.BC.33/21.04.048/2014-15</a>	14.08.2014	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Projects under Implementation
16.	<a href="#">DBOD.No.BP.BC.125/21.04.048/2013-14</a>	26.06.2014	Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Projects under Implementation

17.	<a href="#">DBOD.No.BP.BC.98/21.04.132/2013-14</a>	26.02.2014	Framework for Revitalising Distressed Assets in the Economy – Refinancing of Project Loans, Sale of NPAs and Other Regulatory Measures (except paragraphs 2, 3 and 4)
18.	<a href="#">DBOD.No.BP.BC.95/21.04.048/2013-14</a>	07.02.2014	Utilisation of Floating Provisions / Counter Cyclical Provisioning Buffer
19.	<a href="#">DBOD.No.BP.BC.85/21.06.200/2013-14</a>	15.01.2014	Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposures
20.	<a href="#">DBOD.No.BP.BC.78/21.04.048/2013-14</a>	20.12.2013	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Credit Card Accounts
21.	<a href="#">DBOD.BP.BC.No.104/08.12.015/2012-13</a>	21.06.2013	Housing Sector: New sub-sector CRE (Residential Housing) within CRE & Rationalisation of provisioning, risk-weight and LTV ratios
22.	<a href="#">DBOD.No.BP.BC-99/21.04.048/2012-13</a>	30.05.2013	Review of Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions (only paragraph 2 on change in DCCO
23.	<a href="#">DBOD.No.BP.BC-90/21.04.048/2012-13</a>	16.04.2013	Advances Guaranteed by Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) – Risk Weights and Provisioning
24.	<a href="#">DBOD.No.BP.BC-83/21.04.048/2012-13</a>	18.03.2013	Prudential Norms on Advances to Infrastructure Sector
25.	<a href="#">DBOD.No.BP.BC-42/21.04.048/2012-13</a>	14.09.2012	NPA Management – Requirement of an Effective Mechanism and Granular Data
26.	<a href="#">DBOD.No.BP.BC-28/21.04.157/2011-12</a>	11.08.2011	Prudential Norms for Off- balance Sheet Exposures of Banks
27.	<a href="#">DBOD.No.BP.BC.94/21.04.048/2011-12</a>	18.05.2011	Enhancement of Rates of Provisioning for Non-Performing Assets and Restructured Advances
28.	<a href="#">DBOD.No.BP.BC.87/21.04.048/2010-11</a>	21.04.2011	Provisioning Coverage Ratio (PCR) for Advances
29.	<a href="#">DBOD.No.BP.BC.69/08.12.001/2010-11</a>	23.12.2010	Housing Loans by Commercial Banks – LTV Ratio, Risk Weight and Provisioning
30.	Mail Box Clarification	06.07.2010	Provisioning for Standard Assets – Medium Enterprises
31.	<a href="#">DBOD.No.BP.BC.96/08.12.014/2009-10</a>	23.04.2010	Prudential Norms on Advances to Infrastructure Sector
32.	<a href="#">DBOD.No.BP.BC.85/21.04.048/2009-10</a>	31.03.2010	Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Projects under Implementation
33.	<a href="#">DBOD.No.BP.BC.64/21.04.048/2009-10</a>	01.12.2009	Second Quarter Review of Monetary Policy for the Year 2009-10 - Provisioning Coverage for Advances
34.	<a href="#">DBOD.No.BP.BC.58/21.04.048/2009-10</a>	05.11.2009	Second Quarter Review of Monetary Policy for the Year 2009-10 - Provisioning Requirement for Standard Assets

35.	<a href="#">DBOD.No.BP.BC.46/21.04.048/2009-10</a>	24.09.2009	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Computation of NPA Levels
36.	<a href="#">DBOD.No.BP.BC.33/21.04.048/2009-10</a>	27.08.2009	Prudential Treatment in respect of Floating Provisions
37.	<a href="#">DBOD.No.BP.BC.125/21.04.048/2008-09</a>	17.04.2009	Prudential Norms on Unsecured Advances
38.	<a href="#">DBOD.No.BP.BC.122/21.04.048/2008-09</a>	09.04.2009	Prudential Treatment in respect of Floating Provisions
39.	<a href="#">DBOD.No.BP.BC.118/21.04.048/2008-09</a>	25.03.2009	Prudential Treatment of different Types of Provisions in respect of Loan Portfolios
40.	<a href="#">DBOD.BP.BC.83/21.01.002/2008-09</a>	15.11.2008	Review of Prudential Norms Provisioning for Standard Assets and Risk Weights for Exposures to Corporates, Commercial Real Estate and NBFC-ND-SI
41.	<a href="#">DBOD.No.BP.BC.84/21.04.048/2008-09</a>	14.11.2008	Asset Classification Norms for Infrastructure Projects under Implementation
42.	<a href="#">DBOD.BP.BC.No.69/21.03.009/2008-09</a>	29.10.2008	Prudential Norms for Off-Balance Sheet Exposures of Banks
43.	<a href="#">DBOD.No.BP.BC.57/21.04.157/2008-09</a>	13.10.2008	Prudential Norms for Off-balance Sheet Exposures of Banks
44.	<a href="#">DBOD.No.BP.BC.31/21.04.157/2008-09</a>	08.08.2008	Prudential Norms for Off-balance Sheet Exposures of Banks
45.	<a href="#">DBOD.BP.BC.82/21.04.048/2007-08</a>	08.05.2008	Prudential Norms on Asset Classification Pertaining to Advances -Infrastructure Projects under Implementation and Involving Time Overrun
46.	<a href="#">DBOD.No.BP.BC.76/21.04.048/2006-07</a>	12.04.2007	Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances -Projects Involving Time Overrun
47.	<a href="#">DBOD.No.BP.BC.68/21.04.048/2006-07</a>	13.03.2007	Prudential Norms on Creation and Utilisation of Floating Provisions
48.	<a href="#">DBOD.No.BP.BC.53/21.04.048/2006-2007</a>	31.01.2007	Third Quarter Review of the Annual Statement on Monetary Policy for the year 2006-07 – Provisioning Requirement for Standard Assets and Risk Weights for Capital Adequacy
49.	<a href="#">DBOD.No.BP.BC.21/21.04.048/2006-2007</a>	12.07.2006	Annual Policy Statement for the year 2006-07- Additional Provisioning Requirement for Standard Assets
50.	<a href="#">DBOD.NO.BP.BC.89/21.04.048/ 2005-06</a>	22.06.2006	Prudential norms on creation and utilization of floating provisions
51.	<a href="#">DBOD.NO.BP.BC.85/21.04.048/2005-06</a>	29.05.2006	Annual Policy Statement for the year 2006-07: Additional Provisioning Requirement for Standard Assets



52.	<a href="#">DBOD.NO.BP.BC.40/21.04.048/2005-06</a>	04.11.2005	Mid Term Review of Annual Policy Statement for the year 2005-06: Additional Provisioning Requirement for Standard Assets
53.	<a href="#">DBOD.BP.BC.34/21.04.048/2004-05</a>	26.08.2004	Repayment schedule of rural housing loans
54.	<a href="#">DBOD.BP.BC.29/21.04.048/2004-05</a>	13.08.2004	Prudential norms - State Government guaranteed exposures
55.	<a href="#">RPCD No. Plan.BC 92/04.09.01/2003-04</a>	24.06.2004	Flow of credit to Agriculture
56.	<a href="#">DBOD No.BP.BC.102/21.04.048/2003-04</a>	24.06.2004	Prudential Norms for Agricultural Advances
57.	<a href="#">DBOD No. BP.BC.99/21.04.048/2003-04</a>	21.06.2004	Additional Provisioning Requirement for NPAs
58.	<a href="#">DBOD No. BP.BC.97/21.04.141/2003-04</a>	17.06.2004	Prudential Guidelines on Unsecured Exposures
59.	<a href="#">DBOD No. BP.BC.96/21.04.103/2003-04</a>	17.06.2004	Country Risk Management Guidelines
60.	<a href="#">DBOD BP.BC.NO.74/21.04.048/2002-2003</a>	27.02.2003	Projects under implementation involving time overrun
61.	<a href="#">DBOD No.BP.BC.71/21.04.103/2002-2003</a>	19.02.2003	Risk Management Systems in Banks – Guidelines on Country Risk Management
62.	<a href="#">DBOD BP.BC.No.69/21.04.048/2002-03</a>	10.02.2003	Upgradation of loan accounts classified as NPAs
63.	<a href="#">DBOD.BP.BC No.44/21.04.048/2002-03</a>	30.11.2002	Agricultural loans affected by natural calamities
64.	<a href="#">DBOD No.BP.BC.108/21.04.048/2001-2002</a>	28.05.2002	Income recognition, asset classification and provisioning on advances treatment of projects under implementation involving time overrun
65.	<a href="#">DBOD No.BP.BC.100/21.01.002/2001-02</a>	09.05.2002	Prudential norms on asset classification
66.	<a href="#">DBOD No.BP.BC.59/21.04.048/2001-2002</a>	22.01.2002	Prudential norms on income recognition, asset classification and Provisioning agricultural advances
67.	<a href="#">DBOD No.BP.BC.25/21.04.048/2000-2001</a>	11.09.2001	Prudential norms on income recognition, asset classification and provisioning
68.	<a href="#">DBOD No.BP.BC.132/21.04.048/2000-2001</a>	14.06.2001	Income Recognition, Asset Classification and Provisioning for Advances
69.	<a href="#">DBOD.No.BP.BC.128/21.04.048/2000--2001</a>	07.06.2001	SSI Advances Guaranteed by CGTSI - Riskweight and provisioning norms
70.	<a href="#">DBOD No. BP.BC.116/21.04.048/2000-2001</a>	02.05.2001	Monetary & Credit Policy Measures 2001-02

71.	<a href="#">DBOD No.BP.BC.98/21.04.048/ 2000-2001</a>	30.03.2001	Treatment of Restructured Accounts
72.	DBOD No. BP.BC.40/21.04.048/200 0- 2001	30.10.2000	Income Recognition, Asset Classification and Provisioning Reporting of NPAs to RBI
73.	<a href="#">DBOD.No.BP.BC.164/21 .04.048/2000</a>	24.04.2000	Prudential Norms on Capital Adequacy, Income Recognition, Asset Classification and Provisioning, etc.
74.	DBOD.No.BP.BC.144/21 .04.048/2000	29.02.2000	Income Recognition, Asset Classification and Provisioning and Other Related Matters and Adequacy Standards - Takeout Finance
75.	DBOD.No.BP.BC.138/21 .04.048/2000	07.02.2000	Income Recognition, Asset Classification and Provisioning Export Project Finance
76.	DBOD.No.BP.BC.103/21 .04.048/99	21.10.1999	Income Recognition, Asset Classification and Provisioning Agricultural Finance by Commercial Banks through Primary Agricultural Credit Societies
77.	DBOD.No.FSC.BC.70/2 4.01.001/99	17.07.1999	Equipment Leasing Activity - Accounting/ Provisioning Norms
78.	DBOD.No.BP.BC.45/21. 04.048/99	10.05.1999	Income Recognition Asset Classification and Provisioning Concept of Commencement of Commercial Production
79.	DBOD.No.BP.BC.120/21 .04.048/98	29.12.1998	Prudential norms on Income Recognition, Asset Classification and Provisioning Agricultural Loans Affected by Natural Calamities
80.	DBOD.No.BP.BC.103/21 .01.002/98	31.10.1998	Monetary & Credit Policy Measures
81.	DBOD.No.BP.BC.17/21. 04.048/98	04.03.1998	Prudential Norms on Income Recognition, Asset Classification and Provisioning Agricultural Advances
82.	DOS. No. CO.PP. BC.6/11.01.005/9697	15.05.1997	Assessments relating to asset valuation and loan loss provisioning
83.	DBOD.No.BP.BC.29/21. 04.04 8/97	09.04.1997	Income Recognition Asset Classification and Provisioning Agricultural Advances
84.	DBOD.No.BP.BC.14/21. 04.048/97	19.02.1997	Income Recognition Asset Classification and Provisioning Agricultural Advances
85.	DBOD.No.BP.BC.9/21.0 4.048/97	29.01.1997	Prudential Norms Capital Adequacy, Income Recognition Asset Classification and Provisioning
86.	DBOD.No.BP.BC.163/21 .04.048/96	24.12.1996	Classification of Advances with Balance less than ₹ 25,000/
87.	DBOD.No.BP.BC.65/21. 04.048/96	04.06.1996	Income Recognition Asset Classification and Provisioning
88.	DBOD.No.BP.BC.26/21. 04.048/96	19.03.1996	Non performing Advances Reporting to RBI
89.	DBOD.No.BP.BC.25/21. 04.048/96	19.03.1996	Income Recognition Asset Classification and Provisioning

90.	DBOD.No.BP.BC.134/21.04.048/95	20.11.1995	EXIM Bank's New Lending Programme Extension of Guarantee cum Refinance to Commercial Bank in respect of Post shipment Supplier's Credit
91.	DBOD.No.BP.BC.36/21.04.048/95	03.04.1995	Income Recognition Asset Classification and Provisioning
92.	DBOD.No.BP.BC.134/21.04.048/94	14.11.1994	Income Recognition Asset Classification Provisioning and Other Related Matters
93.	DBOD.No.BP.BC.58/21.04.048/94	16.05.1994	Income Recognition Asset Classification and Provisioning and Capital Adequacy Norms - Clarifications
94.	DBOD.No.BP.BC.50/21.04.048/94	30.04.1994	Income Recognition Asset Classification and Provisioning
95.	DOS.BC.4/16.14.001/93 94	19.03.1994	Credit Monitoring System - Health Code System for Borrowal Accounts
96.	DBOD.No.BP.BC.8/21.04.043/94	04.02.1994	Income Recognition, Provisioning and Other Related Matters
97.	DBOD.No.BP.BC.195/21.04.048/93	24.11.1993	Income Recognition, Asset Classification and Provisioning Clarifications
98.	DBOD.No.BP.BC.95/21.04.048/93	23.03.1993	Income Recognition, Asset Classification, Provisioning and Other Related Matters
99.	DBOD.No.BP.BC.59/21.04.04 392	17.12.1992	Income Recognition, Asset Classification and Provisioning Clarifications
100.	DBOD.No.BP.BC.129/21.04.0 4392	27.04.1992	Income Recognition, Asset Classification, Provisioning and Other Related Matters
101.	DBOD.No.BP.BC.42/C.4 69 (W)90	31.10.1990	Classification of Non Performing Loans
102.	DBOD.No.Fol.BC.136/C. 24985	07.11.1985	Credit Monitoring System - Introduction of Health Code for Borrowal Accounts in Banks
103.	DBOD.No.BP.BC.35/21.01.002/99	24.04.1999	Monetary & Credit Policy Measures
104.	DBOD.No.FSC.BC.18/2 4.01.001/9394	19.02.1994	Equipment Leasing, Hire Purchase, Factoring, etc. Activities