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भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA

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RBI/2020-21/27

DoS.CO.PPG.BC.1/11.01.005/2020-21

August 21, 2020

All Scheduled Commercial Banks (excluding RRBs)

All Small Finance Banks

All Urban Cooperative Banks

Madam/Dear Sir,

capital limits.

Ad-hoc/Short Review/Renewal of Credit Facilities

In terms of circular DBOD.No.BP.(SC).BC.98/21.04.103/99 dated October 7, 1999 on Risk Management System in Banks, Scheduled Commercial Banks (SCBs) are required to put in place a board approved credit policy, which, inter alia, should prescribe the periodicity and methodology of review/renewal of credit facilities. The policy should also prescribe differential time schedules for review/renewal of borrower limits so that lower rated borrowers whose financials show signs of problems are subjected to renewal control more frequently. The Master Circular for Urban Cooperative Banks (UCBs) on Management of Advances – UCBs dated July 1, 2015, requires all UCBs to lay down policy guidelines for periodic review of the working

2. Further, in terms of the Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances and the Master Circular DCBR.BPD. (PCB) MC No.12/09.14.000/2015-16 dated July 1, 2015 on Income Recognition, Asset Classification, Provisioning and Other Related Matters – UCBs as applicable to SCBs and UCBs respectively, an account where the regular/ad-hoc credit limits have not been reviewed/renewed within the prescribed timeline from the due date/date of adhoc sanction will be treated as Non-Performing Asset.

पर्यवेक्षण विभाग, केन्द्रीय कार्यालय, वर्ल्ड ट्रेड सेंटर, सेंटर-1, कफ परेड, कोलाबा, मुंबई - 400 005 टेलीफोन: 022-2216 3395 फैक्स: 022-2218 0157 ई-मेल - cgmicdosco@rbi.org.in BANK ON SHANK ON SHAN

3. Banks are, therefore, expected to have a detailed Board approved policy on

methodology and periodicity for review/renewal of credit facilities within the overall

regulatory guidelines, and adhere to the same strictly.

4. However, an analysis of practices followed by the lenders while reviewing/renewing

credit facilities has brought out certain supervisory concerns, including that of

frequent/repeated ad-hoc review/renewal of credit facilities instead of regular

review/renewals, non-capturing and/or inaccurate capturing of review/renewal data in

the banking/information systems, and non-coverage of review/renewal activities under

the concurrent audit/internal audit mechanism.

5. In this connection, we reiterate that timely and comprehensive review/renewal of

credit facilities should be an integral part of the Board approved loan policy and credit

risk management framework, and banks should avoid frequent and repeated ad-

hoc/short review/renewal of credit facilities without justifiable reasons. Banks are also

advised to capture all the data relating to regular as well as ad-hoc/short

review/renewal of credit facilities in their core banking systems/management

information systems and make the same available for scrutiny as and when required

by any audit or inspection by Auditors/RBI. Further, the processes governing

review/renewal of credit facilities should be brought under the scope of

concurrent/internal audit/internal control mechanism of banks with immediate effect.

6. We advise that all banks should follow above instructions in letter and spirit.

Yours faithfully,

(Ajay Kumar Choudhary)

Chief General Manager

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