



Summary Information on few Compounding Orders issued after 1st March 2020

| Sr. No. | Party Name | Nature of Contravention | Date of Order | Compounding Fees (Rs.) |
|---------|---------------------------------------|---|---------------|------------------------|
| 1. | M/s. Jewel Alliance Network Pvt. Ltd. | Contravention under Regulation 11.2 of FEMA 20R for transfer of shares by person resident in India to person resident outside India without compliance of pricing guidelines, contravention of Para 2(3) of Schedule 1 of FEMA 20 R for delay in allotment of shares beyond prescribed period of 60 days and Regulation 13.2 of FEMA 20R for delay in filing of Form FCGPTR for reporting of allotment of shares. | 11-10-2021 | 14,35,771 |
| 2. | M/s. Dillinger Middle East FZE | Contravention of Regulation 4(d)(l) of FEMA 22R in relation to not obtaining approval for extension of validity of liaison office after expiry of 3 years period. | 18-01-2021 | 6,46,644 |

1. RBI Notification No. RBI/2021-22/112 DOR. CRE. REC.No.60/03.10.001/2021-22 Dated October 22, 2021

Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs

- Pursuant to the announcement made in the Statement on Developmental and Regulatory Policies dated December 04, 2020, a discussion paper titled 'Revised Regulatory Framework for NBFCs - A Scale-based Approach' was issued for public comments on January 22, 2021. Based on the inputs received, it has now been decided to put in place a revised regulatory framework for NBFCs (Annex).
- As the SBR framework encompasses different facets of regulation of NBFCs covering capital requirements, governance standards, prudential regulation, etc., it has been decided to first issue an integrated regulatory framework for NBFCs under SBR providing a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines. Detailed guidelines as delineated in the Annex, will be issued subsequently.
- These guidelines shall be effective from October 01, 2022. The instructions relating to ceiling on IPO funding given vide para 3.1(d) of the Annex shall come into effect from April 01, 2022.

Please refer the weblink for further details: <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12179&Mode=0>

2. RBI Notification No. RBI/DOR/2021-22/87 DOR.CAP.REC.No.61/21.01.002/2021-22 Dated October 26, 2021

Master Direction – Prudential Norms on Capital Adequacy for Local Area Banks (Directions), 2021

- To enable Local Area Banks to have current instructions at one place, a Master Direction, incorporating all the existing guidelines / instructions / directives on the subject, has been prepared for reference of the banks.
- This Direction has been issued by RBI in exercise of its powers conferred under Section 35A of the Banking Regulation Act 1949 and in exercise of all the powers enabling it in this behalf.

Please refer the weblink for further details: <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12182&Mode=0>

3. RBI Notification No. RBI/2021-22/115 DoR.AUT.REC.62/23.67.001/2021-22 Dated October 28, 2021

Gold Monetization Scheme (GMS), 2015

In exercise of the powers conferred on the Reserve Bank of India under Section 35A of the Banking Regulation Act, 1949, the RBI makes the following amendments in the Reserve Bank of India (Gold Monetization Scheme, 2015) Master Direction No.DBR.IBD.No.45/23.67.003/2015-16 dated October 22, 2015, with immediate effect.

2. A new sub-paragraph 2.2.2 (f) has been inserted to read as follows:

2.2.2 (f) Interest on premature closure of the deposit in case of death of depositor before and after lock-in period

The amount payable to the depositor shall be calculated as a sum of (A) and (B), as indicated below:

(A) Actual market value of the gold deposit on the day of withdrawal.

(B) Interest payable on the value of the gold for the period of deposit at the applicable rate.

(i) Before lock-in period: The applicable interest rate shall be as under:

| Type of Deposit | Lock-in period | Actual period for which the deposit has run | | | |
|-----------------|----------------|---|---|---|---|
| | | Up to 6 months | >6 months and <1 year | ≥1 year and <2 years | ≥2 years and <3 years |
| MTGD | 3 years | No interest | Applicable rate for MTGD at the time of deposit minus 1.25% | Applicable rate for MTGD at the time of deposit minus 1.00% | Applicable rate for MTGD at the time of deposit minus 0.75% |
| Type of Deposit | Lock-in period | Actual period for which the deposit has run | | | |
| | | Up to 1 year | >1 year and <2 years | ≥2 years and <3 years | ≥3 years and <5 years |
| LTGD | 5 years | No interest | Applicable rate for MTGD at the time of deposit minus 1.00% | Applicable rate for MTGD at the time of deposit minus 0.75% | Applicable rate for MTGD at the time of deposit minus 0.25% |

(ii) After lock-in period: The applicable interest rate shall be as under:

| Type of Deposit | Lock-in period | Actual period for which the deposit has run | |
|-----------------|----------------|---|--|
| | | >3 years and <5 years | ≥5 years and <7 years |
| MTGD | 3 years | Applicable rate for MTGD at the time of deposit minus 0.25% | Applicable rate for MTGD at the time of deposit minus 0.125% |

| Type of Deposit | Lock-in period | Actual period for which the deposit has run | | |
|-----------------|----------------|--|---|--|
| | | >5 years and <7 years | ≥7 years and <12 years | ≥12 years and <15 years |
| LTGD | 5 years | Applicable rate for MTGD at the time of deposit minus 0.125% | Applicable rate for LTGD at the time of deposit minus 0.25% | Applicable rate for LTGD at the time of deposit minus 0.125% |

3. A new sub-paragraph 2.2.2 (g) has been inserted to read as follows:

2.2.2 (g) Interest on premature closure of the deposit due to default of loan taken against MLTGD before and after lock-in period

The amount payable to the depositor shall be calculated as a sum of (A) and (B), as indicated below:

(A) Actual market value of the gold deposit on the day of withdrawal.

(B) Interest payable on the value of the gold for the period of deposit at the applicable rate.

(i) Before lock-in period: The applicable interest rate shall be as under:

| Type of | Lock-in period | Actual period for which the deposit has run |
|---------|----------------|---|
|---------|----------------|---|

| Deposit | | Up to 6 months | >6 months and <1 year | ≥1 year and <2 years | ≥2 years and <3 years |
|---------|---------|----------------|--|--|--|
| MTGD | 3 years | No interest | Applicable rate for MTGD at the time of deposit minus 1.375% | Applicable rate for MTGD at the time of deposit minus 1.125% | Applicable rate for MTGD at the time of deposit minus 0.875% |

| Type of Deposit | Lock-in period | Actual period for which the deposit has run | | | |
|-----------------|----------------|---|--|--|--|
| | | Up to 1 year | >1 year and <2 years | ≥2 years and <3 years | ≥3 years and <5 years |
| LTGD | 5 years | No interest | Applicable rate for MTGD at the time of deposit minus 1.125% | Applicable rate for MTGD at the time of deposit minus 0.875% | Applicable rate for MTGD at the time of deposit minus 0.375% |

(ii) After lock-in period: The applicable interest rate shall be as under:

| Type of Deposit | Lock-in period | Actual period for which the deposit has run | |
|-----------------|----------------|--|---|
| | | >3 years and < 5 years | ≥5 years and < 7 years |
| MTGD | 3 years | Applicable rate for MTGD at the time of deposit minus 0.375% | Applicable rate for MTGD at the time of deposit minus 0.25% |

| Type of Deposit | Lock-in period | Actual period for which the deposit has run | | |
|-----------------|----------------|---|--|---|
| | | >5 years and < 7 years | ≥ 7 years and < 12 years | ≥12 years and < 15 years |
| LTGD | 5 years | Applicable rate for MTGD at the time of deposit minus 0.25% | Applicable rate for LTGD at the time of deposit minus 0.375% | Applicable rate for LTGD at the time of deposit minus 0.25% |

4. RBI Notification No. RBI/2021-22/116 DOR.CRE.REC.63/21.04.048/2021-22 Dated October 29, 2021

Opening of Current Accounts by Banks - Need for Discipline

On a review and taking into account feedback received from Indian Banks' Association (IBA) and other stakeholders, it has been decided that banks may open current accounts for borrowers who have availed credit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system as per the provisions below:

(i) For borrowers, where the exposure of the banking system is less than ₹ 5 crore, there is no restriction on opening of current accounts or on provision of CC/OD facility by banks, subject to obtaining an undertaking from such borrowers that they shall inform the bank(s), as and when the credit facilities availed by them from the banking system reaches ₹ 5 crore or more.

(ii) In respect of borrowers where exposure of the banking system is ₹ 5 crore or more, such borrower can maintain current accounts with any one of the banks with which it has CC/OD facility, provided that the bank has at least 10 per cent of the exposure of the banking system to that borrower.

Further, other lending banks may open only collection accounts subject to the condition that funds deposited in such collection accounts will be remitted within two working days of receiving such funds, to the CC/OD account maintained with the above-mentioned bank maintaining current accounts for the borrower. In case none of the lenders has at least 10% exposure of the banking system to the

borrower, the bank having the highest exposure may open current accounts. Non-lending banks are not permitted to open current accounts.

- It is clarified that borrowers not availing CC/OD facility from the banking system shall continue to maintain current accounts as per para 1(v) of the above mentioned circular dated August 6, 2020, as hitherto.
- Further, banks are permitted to open/ maintain the following accounts, without any restrictions placed in terms of the above-mentioned circular dated August 6, 2020, subject to meeting the conditions specified as at para 2 of DOR.No.BP.BC.30/21.04.048/2020-21 dated December 14, 2020:
 - i. Inter-bank accounts
 - ii. Accounts of All India Financial Institutions (AIFIs), viz., EXIM Bank, NABARD, NHB, and SIDBI
 - iii. Accounts opened under specific instructions of Central Government and State Governments
 - iv. Accounts attached by orders of Central or State governments/regulatory body/Courts/investigating agencies etc. wherein the customer cannot undertake any discretionary debits
- With reference to FAQ 18 of the circular dated December 14, 2020, in line with FAQ 9, banks maintaining collection accounts are permitted to debit fee/charges from such accounts before transferring the funds to the escrow account/CC/OD account of the borrower.
- With reference to para 3 of the circular dated December 14, 2020 read with FAQ 17, it is clarified that banks shall monitor all accounts regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, and the bank's share in that exposure, to ensure compliance with these instructions. If there is a change in exposure of banks or aggregate exposure of the banking system to the borrower which warrants implementation of new banking arrangements, such changes shall be implemented within a period of three months from the date of such monitoring.
- Banks may implement the necessary changes within one month from the date of this circular. The compliance position thereon will be reviewed thereafter.

5. RBI Notification No. RBI/2021-22/117 DOR.No.STR.REC.64/21.04.048/2021-22 Dated November 1, 2021

Master Circular- Income Recognition, Asset Classification, Provisioning and Other Related Matters – UCBS

The Master Circular consolidates and updates all the instructions / guidelines on the subject issued up to October 31, 2021 as listed in the Annex 9. It can be accessed at link; <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12185&Mode=0>

6. RBI Notification No. RBI/2021-22/119 DoR.STR.REC.65/09.27.000/2021-22 Dated November 02, 2021

Master Circular- Guarantees, Co-Acceptances & Letters of Credit – UCBS

The Master Circular consolidates and updates all the instructions / guidelines on the subject issued up to November 1, 2021 as listed in the Annex which can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12187&Mode=0>

7. RBI Notification No. RBI/2021-22/118 DOS.CO.PPG.SEC.No.4/11.01.005/2021-22 Dated November 02, 2021

Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks

- The existing PCA Framework for SCBs has since been reviewed and revised. The revised Framework is provided in the Annex which can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12186&Mode=0>
- The provisions of the revised PCA Framework will be effective from January 1, 2022.
- The objective of the PCA Framework is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health. The PCA Framework is also intended to act as a tool for effective market discipline. The PCA Framework does not preclude the Reserve Bank of India from taking any other action as it deems fit at any time, in addition to the corrective actions prescribed in the Framework.

8. RBI Notification No. RBI/2021-22/120 A.P. (DIR Series) Circular No. 16 Dated November 08, 2021

Investment by Foreign Portfolio Investors (FPIs) in Debt – Review

- An announcement was made in the Union Budget 2021-22 that debt financing of Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) by Foreign Portfolio Investors (FPIs) will be enabled by making suitable amendments in the relevant legislations. Accordingly, it has been decided to permit FPIs to invest in debt securities issued by InvITs and REITs. Necessary

amendments to Foreign Exchange Management (Debt Instruments) Regulations, 2019 (Notification No. FEMA 396/2019-RB dated October 17, 2019) have been notified on October 21, 2021 and are annexed to this circular.

- FPIs can acquire debt securities issued by InvITs and REITs under the Medium-Term Framework (MTF) or the Voluntary Retention Route (VRR). Such investments shall be reckoned within the limits and shall be subject to the terms and conditions for investments by FPIs in debt securities under the respective regulations of MTF and VRR.
- The Directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

9. RBI Notification No. RBI/2021-22/121 DOR.STR.REC.66/13.07.010/2021-22 Dated November 9, 2021

Master Circular - Guarantees and Co-acceptances

This Master Circular consolidates the instructions on the above matter issued up to November 8, 2021. Details can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12189&Mode=0>

10. RBI Notification No. RBI/2021-2022/123 DOR.SOG (SPE).REC.No 67/13.03.00/2021-22 Dated November 11, 2021

Foreign Currency (Non-resident) Accounts (Banks) Scheme [FCNR(B)] - Master Direction on Interest Rate on Deposits

- In view of the impending discontinuance of LIBOR as a benchmark rate, it has been decided to permit banks to offer interest rates on FCNR (B) deposits using widely accepted 'Overnight Alternative Reference Rate (ARR) for the respective currency' with upward revision in the interest rates ceiling by 50 bps.
- As a measure to handle the information asymmetry during the transition, FEDAI may publish the ARR till such time the widely accepted benchmark is established. The relevant sections of the Master Directions as amended are indicated in the Annex.

ANNEX

[Encl. to circular DOR.SOG(SPE).REC.No 67/13.03.00/2021-22 dated Nov 11, 2021]

Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016

| Section of MD | Existing Provisions | Amended Provisions |
|---------------|---|---|
| 19(d) | Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of LIBOR rates for the respective currency/ maturity. | Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of Overnight Alternative Reference Rate* for the respective currency/ maturity. |
| 19(f) | The LIBOR/SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month. | The Overnight Alternative Reference Rate* for the respective currency /SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month. |
| 19(g) | The interest rates ceiling on FCNR (B) deposits shall be as under: | The interest rates ceiling on FCNR (B) deposits shall be as under: |
| 19(h) | The LIBOR / Swap rates quoted/displayed by Foreign Exchange Dealers Association of India (FEDAI) shall be used as the reference for arriving at the interest rates on FCNR(B) deposits. | The Overnight Alternative Reference Rate* for the respective currency / Swap rates quoted/displayed by Foreign Exchange Dealers Association of India (FEDAI) shall be used as the reference for arriving at the interest rates on FCNR (B) deposits. |

| Section of MD | Existing Provisions | Amended Provisions |
|---------------|---|---|
| 18(d) | Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of LIBOR rates for the respective currency/ maturity. | Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of Overnight Alternative Reference Rate* for the respective currency/ maturity. |
| 18(f) | The LIBOR/SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month. | The Overnight Alternative Reference Rate* for the respective currency /SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month. |
| 18(g) | The interest rates ceiling on FCNR (B) deposits shall be as under: | The interest rates ceiling on FCNR (B) deposits shall be as under: |
| 18(h) | The LIBOR / Swap rates quoted/displayed by Foreign Exchange Dealers Association of India (FEDAI) shall be used as the reference for arriving at the interest rates on FCNR(B) deposits. | The Overnight Alternative Reference Rate* for the respective currency / Swap rates quoted/displayed by Foreign Exchange Dealers Association of India (FEDAI) shall be used as the reference for arriving at the interest rates on FCNR (B) deposits. |

*Alternative Reference Rate (ARR) refers to any widely accepted ARR for the respective currency (Ref: RBI circular CO.FMRD.DIRD.S39/14.02.001/2021-22 dated July 08, 2021 on 'Roadmap for LIBOR Transition').

11. RBI Notification No. CEPD. PRD. No.S873/13.01.001/2021-22 Dated November 12, 2021

Reserve Bank - Integrated Ombudsman Scheme, 2021

• In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (10 of 1949), Section 45L of the Reserve Bank of India Act, 1934 (2 of 1934) and Section 18 of the Payment and Settlement Systems Act, 2007 (51 of 2007), and in supersession of its Notifications Ref. (i) CEPD. PRS. No. 6317/13.01.01/2016-17 dated June 16, 2017; (ii) CEPD. PRS. No. 3590/13.01.004/2017-18 dated February 23, 2018; and (iii) CEPD. PRS. No. 3370/13.01.010/2018-19 dated January 31, 2019, the Reserve Bank of India, being satisfied that it is in public interest to do so, and to make the alternate dispute redress mechanism simpler and more responsive to the customers of entities regulated by it, hereby integrates the three Ombudsman schemes – (i) the Banking Ombudsman Scheme, 2006, as amended up to July 01, 2017; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019 into the Reserve Bank - Integrated Ombudsman Scheme, 2021 (the Scheme).

• The Scheme covers the following regulated entities:

- i. all Commercial Banks, Regional Rural Banks, Scheduled Primary (Urban) Co-operative Banks and Non-Scheduled Primary (Urban) Co-operative Banks with deposits size of Rupees 50 crore and above as on the date of the audited balance sheet of the previous financial year;
- ii. all Non-Banking Financial Companies (excluding Housing Finance Companies) which (a) are authorised to accept deposits; or (b) have customer interface, with an assets size of Rupees 100 crore and above as on the date of the audited balance sheet of the previous financial year;
- iii. all System Participants as defined under the Scheme.

• The regulated entities shall comply with the Scheme from the date of its implementation.

• The Scheme shall come into force from November 12, 2021.

12. RBI Notification No. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 Dated November 12, 2021

Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications

Please refer to the Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP norms) dated October 1, 2021. With a view to ensuring uniformity in the implementation of IRACP norms across all lending institutions, certain aspects of the extant regulatory guidelines are being clarified and/or harmonized, which will be applicable mutatis mutandis to all lending institutions. Wherever references to circulars/instructions applicable to banks have been made, other lending institutions may refer to instructions as applicable to them. All the instructions in this circular, except those at paragraphs 2, 8-9 and 13, shall be effective immediately from the date of this circular.

A. Specification of due date/repayment date

2. The extant instructions on IRACP norms specify that an amount is to be treated as overdue if it is not paid on the due date fixed by the bank. It has been observed that due dates for repayments are sometimes not specifically mentioned in the loan agreements, and instead a description of due dates is mentioned, leaving scope for different interpretations. Henceforth, 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.

B. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)¹

3. The circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 on ‘Prudential Framework for Resolution of Stressed Assets’ requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). In order to remove any ambiguity, it is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as follows:

| Loans other than revolving facilities | | Loans in the nature of revolving facilities like cash credit/overdraft | |
|---------------------------------------|---|--|--|
| SMA Sub-categories | Basis for classification – Principal or interest payment or any other amount wholly or partly overdue | SMA Sub-categories | Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of: |
| SMA-0 | Upto 30 days | | |
| SMA-1 | More than 30 days and upto 60 days | SMA-1 | More than 30 days and upto 60 days |
| SMA-2 | More than 60 days and upto 90 days | SMA-2 | More than 60 days and upto 90 days |

4. In the above context, it is further clarified that borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, 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.

Example: If due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021 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, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.

5. It is further clarified that the instructions on SMA classification of borrower accounts are applicable to all loans², including retail loans, irrespective of size of exposure of the lending institution.

C. Clarification regarding definition of 'out of order'

6. Cash credit/Overdraft (CC/OD) account is classified as NPA if it is 'out of order'. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, the extant instructions, inter alia, stipulate that the account should be treated as 'out of order' if there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period. In order to avoid any ambiguity regarding determination of 'out of order' status of CC/OD accounts on a continuous basis, it is clarified that an 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.

7. Accordingly, treatment of CC/OD accounts as 'out of order' on or after the date of this circular shall be based on the above instructions.

D. NPA classification in case of interest payments

8. In terms of paragraph 2.1.3 of the Master Circular on IRACP norms dated October 1, 2021, in case of interest payments, an account is classified as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. In order to fully align with the 90 days delinquency norm as well as the requirement to apply interest at monthly rests, the above instructions are modified as under:

In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days.

9. These instructions shall be effective from March 31, 2022. Accordingly, in respect of any borrower account which becomes overdue on or after March 31, 2022, its classification as NPA shall be based on the account being overdue for more than 90 days.

E. Upgradation of accounts classified as NPAs

10. It has been observed that some lending institutions upgrade accounts classified as NPAs to 'standard' asset category upon payment of only interest overdues, partial overdues, etc. In order to avoid any ambiguity in this regard, it is clarified that loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. 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.

F. Income recognition policy for loans with moratorium on payment of interest

11. In cases of loans where moratorium has been granted for repayment of interest, lending institutions may recognize interest income on accrual basis for accounts which continue to be classified as 'standard'. This shall be evaluated against the definition of 'restructuring' provided in paragraph 1 of the Annex-1 to the above-mentioned 'Prudential Framework for Resolution of Stressed Assets' dated June 7, 2019. However, income recognition norms for loans towards projects under implementation involving deferment of DCCO³ and gold loans for non-agricultural purposes⁴ shall continue to be governed as per the existing instructions.

12. The extant instructions (compiled at paragraph 3.2 of the Master Circular on IRACP norms dated October 1, 2021) require that once an account is classified as NPA, the entire interest accrued and credited to income account in the past periods, must be reversed to the extent it remains unrealised. It is clarified that 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 corresponding to the interest accrued during such moratorium period need not be reversed.

G. Consumer Education

13. With a view to increasing awareness among the borrowers, lending institutions 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. Lending institutions 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. These instructions shall be complied with at the earliest, but not later than March 31, 2022.

1 In case of NBFCs, the references to 90 days for SMA-2/NPA classification may be read as per the applicable norms and also subject to the provisions of the circular DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on 'Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs'.

2 Agricultural advances governed by crop season-based asset classification norms shall be exempt from this instruction.

3 The income recognition norms for projects under implementation involving deferment of DCCO shall be subject to the instructions at paragraph 4.2.15 of the Master Circular on IRACP norms dated October 1, 2021, as updated from time to time.

4 The income recognition norms for Loans against Gold Ornaments and Jewellery for Non-Agricultural End-uses shall be subject to the instructions issued vide circular DBOD.No.BP.BC.27/21.04.048/2014-15 dated July 22, 2014 on the subject, as updated from time to time.