



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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June 11, 2018

All Scheduled Commercial Banks
(Excluding Local Area Banks and Regional Rural Banks)
Small Finance Banks

Dear Sir/ Madam,

Draft guidelines on Loan System for Delivery of Bank Credit

Please refer to paragraph No. 1 of [Statement on Developmental and Regulatory Policies, by RBI, dated April 5, 2018](#). It was indicated therein that RBI would issue draft guidelines on Loan System for Delivery of Bank Credit.

2. The draft guidelines on the subject are annexed. Feedback/comments on the draft guidelines may be forwarded to:

The Chief General Manager in-Charge, Reserve Bank of India
Department of Banking Regulation
12th Floor, Main Building
Shahid Bhagat Singh Marg,
Mumbai – 400001

Or by email with subject line “Feedback on draft guidelines on Loan System for Delivery of Bank Credit” on the [email](#) by June 26, 2018.

Yours faithfully,
(Saurav Sinha)
Chief General Manager in-Charge

Encl: as above

Draft guidelines on Loan System for Delivery of Bank Credit

With a view to enhance credit discipline among the larger borrowers enjoying working capital facility from the banking system, it is proposed to modify the system for delivery of bank credit for such borrowers as follows:

1. Minimum level of 'loan component' and Effective date

In respect of borrowers having aggregate fund based working capital limit of Rs. 150 crore and above from the banking system, a minimum level of 'loan component' of 40 percent shall be effective from October 1, 2018. Accordingly, for such borrowers, the outstanding 'loan component' must be equal to at least 40 percent of the sanctioned fund based working capital limit, including ad hoc credit facilities. Hence, for such borrowers, drawings up to 40 percent of the total fund based working capital limits shall only be allowed from the 'loan component'. Drawings in excess of the minimum 'loan component' threshold may be allowed in the form of cash credit facility.

2. Sharing of Working Capital Finance

The ground rules for sharing of cash credit and loan components may be laid down by the consortium, wherever formed, subject to guidelines on bifurcation as stated in paragraph 1 above. All lenders in the consortium shall be individually and severally responsible to make sure that at the aggregate level, the 'loan component' meets the above mentioned requirements. Under Multiple Banking Arrangements (MBAs), each bank shall ensure adherence to these guidelines at individual bank level.

3. Amount and tenor of the loan

The amount and tenor of the Working Capital Demand Loan (WCDL) may be fixed by banks in consultation with the borrowers, subject to the tenor being not less than seven days. Banks may decide to split the loan component with different maturity periods as per the need of the borrowers.

4. Repayment/Renewal/Rollover of Loan Component

Banks/consortia/syndicates will have the discretion to stipulate repayment of the 'loan component' in instalments or by way of a "bullet" repayment, subject to IRAC norms.

5. Risk weights for undrawn portion of cash credit limits

Effective from April 1, 2019, the undrawn portion of cash credit/ overdraft limits sanctioned to the aforesaid large borrowers, irrespective of whether unconditionally cancellable or not, shall attract a credit conversion factor of 20 percent.

- 6.** The 40 percent loan component will be revised to 60 percent, with effect from April 1, 2019.