



रिज़र्व बैंक ऑफ़ इंडिया

RESERVE BANK OF INDIA

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November 1, 2004

The CEOs of the all-India Term-lending and Refinancing Institutions
(Exim Bank, IDFC Ltd., IFCI Ltd., IIBI Ltd., NABARD, NHB, SIDBI and TFCI Ltd.)

Dear Sir,

**Mid-term Review of Annual Policy for the year 2004-05 -
Prudential Norms for Classification of Doubtful Assets for FIs**

Please refer to our circular DBS.FID.No.35/01.02.00/98-99 dated December 3, 1998, in terms of which an asset would be classified as doubtful if it remained in the sub-standard category for 18 months with effect from March 31, 2001. In this connection, a reference is invited to paragraph 125 of the Mid-term Review of Annual Policy Statement 2004-05 dated October 26, 2004. The paragraph is reproduced in the Annex. The full text of the policy is also available at the RBI website (www.rbi.org.in). Accordingly and with a view to moving closer to international best practices and ensuring convergence of the norms applicable to the FIs with those of the banks, it has since been decided that with effect from March 31, 2005, in respect of FIs, an asset would be classified as doubtful asset, if it remained in the sub-standard category for 12 months. The FIs are permitted to phase out the consequent additional provisioning over a four-year period, commencing from the year ending March 31, 2005, with a minimum of 20 per cent each year.

Yours faithfully,

(S. S. Gangopadhyay)
Chief General Manager

Encl: 1

