



भारतीय रिज़र्व बैंक

**RESERVE BANK OF INDIA**

www.rbi.org.in

RBI/2009-2010/282

January 5, 2010

DBOD. No. FID. FIC. 7 /01.02.00/2009-10

**The CEOs of the select All-India Term-lending and Refinancing Institutions**  
(Exim Bank, NABARD, NHB and SIDBI)

Dear Sir,

**Prudential Norms on Creation and Utilisation of Floating Provisions**

It has come to our notice that some of All India Financial Institutions (AIFIs) are using floating provisions to make specific provisions to meet the prudential guidelines by writing back the provisions to income account above the line.

2. As you are aware that banks are permitted to use the floating provisions only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining Board's approval and with prior permission of RBI. It is felt necessary to issue similar guidelines to AIFIs also.

3. It is, therefore, advised that all AIFIs should also follow extant guidelines on 'Prudential Norms on Creation and Utilization of Floating Provisions' issued to banks. Accordingly, we advise that guidelines issued to banks vide our circular No. [DBOD.BP.BC.89/21.04.048/2005-06](#) dated June 22, 2006 and circular No. [DBOD.BP.BC.68/ 21.04.048 / 2006-07](#) March 13, 2007 (copy enclosed) shall *mutatis mutandis* apply to AIFIs.

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4. In this connection, your attention is also invited to our Circular No. [DBOD. FID. FIC 6 / 01. 02. 00](#) dated December 8, 2009 on Provisioning Coverage for Advances.

Please acknowledge receipt.

Yours faithfully,

(Vinay Baijal)  
Chief General Manager

Encls : As above