



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,

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 capital limits.

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 ad-hoc sanction will be treated as Non-Performing Asset.

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बैंक हिन्दी में पत्राचार का स्वागत करता है।



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