



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2015-16/376

DBR.No.BP.BC.92/21.04.048/2015-16

April 18, 2016

All Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Dear Sir,

Provisioning pertaining to Fraud Accounts

Please refer to [circular DBR.No.BP.BC.83/21.04.048/2014-15 dated April 1, 2015](#) on the captioned subject. On a review, it has been decided to amend the provisioning norms in respect of all cases of fraud, as under:

- (a) Banks should normally provide for the entire amount due to the bank or for which the bank is liable (including in case of deposit accounts), immediately upon a fraud being detected. While computing the provisioning requirement, banks may adjust financial collateral eligible under Basel III Capital Regulations - Capital Charge for Credit Risk (Standardised Approach), if any, available with them with regard to the accounts declared as fraud account;
- (b) However, to smoothen the effect of such provisioning on quarterly profit and loss, banks have the option to make the provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected;
- (c) Where the bank chooses to provide for the fraud over two to four quarters and this results in the full provisioning being made in more than one financial year, banks should debit 'other reserves' [i.e., reserves other than the one created in terms of Section 17(2) of the Banking Regulation Act 1949] by the amount remaining un-provided at the end of the financial year by credit to provisions. However, banks should proportionately reverse the debits to 'other reserves' and complete the provisioning by debiting profit and loss account, in the subsequent quarters of the next financial year;

(d) Banks shall make suitable disclosures with regard to number of frauds reported, amount involved in such frauds, quantum of provision made during the year and quantum of unamortised provision debited from 'other reserves' as at the end of the year.

2. We reiterate that banks must scrupulously adhere to the extant guidelines on classification and reporting of frauds.

Yours faithfully,

(Sudarshan Sen)
Principal Chief General Manager