



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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## RBI Releases Discussion Paper on Introduction of Dynamic Provisioning Framework for Banks in India

The Reserve Bank of India today released on its website [discussion paper](#) on Introduction of Dynamic Provisioning Framework for Banks in India for comments and feedback from the banks and the other stakeholders.

At present, banks generally make two types of provisions viz., general provisions on standard assets and specific provisions on non-performing assets (NPAs). Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisioning during upturns, and higher provisioning during downturns have procyclical effect on the real economy.

To address procyclicality of capital and provisioning, after the financial crisis, efforts at international level are being made to introduce countercyclical capital and provisioning buffers. Reserve Bank has accordingly prepared a discussion paper on countercyclical provisioning framework with parameters calibrated based on credit history of Indian banks.

To facilitate a structured response to various issues, the discussion paper lists specific 'questions' on relevant issues for comments. However, in addition to these questions, banks/stakeholders may also furnish comments/feedback on any other issue covered in the discussion paper. Comments may please be forwarded to the Chief General Manager-in-Charge, Department of Banking Operations and Development, Reserve Bank of India, Central Office Building, 12th Floor, S.B. Singh Marg, Mumbai-400001, latest by May 15, 2012 by [email](#).

### Background

It may be recalled that in the Second Quarter Review of Monetary Policy 2011-12 it was announced that Reserve Bank would issue a discussion paper by end-March 2012, on the dynamic provisioning approach for comments.

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**Alpana Killawala**  
Chief General Manager