



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Reserve Bank of India constitutes an external Working Group on Expected Credit Loss (ECL) based Framework for Provisioning by Banks

RBI had released the [Discussion Paper on "Introduction of Expected Credit Loss Framework for Provisioning by Banks" on January 16, 2023](#), soliciting inputs from all stakeholders. The ECL approach to provisioning is a paradigm shift from the current incurred loss-based provisioning regime. The Discussion Paper envisages a forward looking, principle-based framework for provisioning for credit risk, which has already been implemented under International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB).

2. Several comments have been received from various stakeholders on the issues flagged in the Discussion Paper, which are being examined by the Reserve Bank. While the regulatory stance to be taken in respect of each of the issues shall be examined by the Reserve Bank, it has been decided to constitute a Working Group in order to get independent inputs on some of the technical aspects having a bearing on the significant transition involved.

3. The Working Group will be chaired by Prof. R. Narayanaswamy, former Professor, IIM Bangalore and shall consist of domain experts from academia and industry as well as representatives from select banks as given below:

- i) Prof. Sanjay Kallapur, ISB, Hyderabad
- ii) Shri Rajosik Banerjee, KPMG
- iii) Shri S Srinivasa Rao, SBI
- iv) Shri Rajendra Khandelwal, ICICI Bank
- v) Shri Susanta Baishya, HDFC Bank
- vi) Shri Adish Yadav, Canara Bank
- vii) Shri Pravinkumar Taparia, Saraswat Co-operative Bank
- viii) Shri Sridharan N, Equitas Small Finance Bank

4. The Terms of Reference for the Working Group would be as follows:

- i) Delineate the principles that will be required to be considered by banks while designing the credit risk models to be used for assessing and measuring expected credit losses.
- ii) Recommend factors that banks should consider for determination of credit risk based on the guidance provided in IFRS 9 and principles laid out by BCBS.
- iii) Suggest the methodology to be used for undertaking external independent validation of the models.
- iv) Recommend, based on comprehensive data analysis, prudential floors for provisioning.
- v) Any other issue incidental to the above.

5. The recommendations of the Working Group would be duly factored in while framing the draft guidelines, which shall be put in the public domain for comments before issue of final guidelines.

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(Yogesh Dayal)
Chief General Manager