

RBI invites public comments on the Draft “Reserve Bank of India (Scheduled Commercial Banks-Asset Classification, Provisioning and Income Recognition) Directions, 2025”

Date: October 07, 2025

Public consultation no. C2R/2025-26/40

The proposed [Directions](#) seek to replace the incurred-loss-based provisioning framework with an ECL based provisioning, subject to prudential floors. These are expected to further strengthen credit risk management practices, promote greater comparability across financial institutions, and align regulatory norms with internationally accepted regulatory and accounting standards.

The key elements of the proposed framework include:

- (i) introduction of staging criteria for asset classification under Expected Credit Loss (ECL) approach, while retaining the extant norms for Non-performing Asset (NPA) classification;
- (ii) specification of suitably calibrated prudential floors for broad exposure classes, separately under Stage-1, Stage-2 and Stage-3;
- (iii) alignment of the income recognition norms based on Effective Interest Rate (EIR) method;
- (iv) broad principles on model risk management for implementing ECL models.

While the above Directions are estimated to result in an additional one-time provisioning, the overall impact on the minimum regulatory capital requirements of banks is expected to be minimal, with all banks continuing to meet the requirements comfortably. The proposed 5-year glide-path will further facilitate the transition in a non-disruptive manner.

Last date for submission of comments is November 30, 2025.

Draft Directions: [PDF \(809.41 KB\)](#)