



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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**Reserve Bank of India (Urban Co-operative Banks – Resolution of Stressed  
Assets) Directions, 2025**

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## Introduction

These Directions are issued with a view to providing a consolidated framework for resolution of stressed assets. These Directions also rationalise and harmonise the instructions on compromise settlements and technical write-offs, in order to provide impetus to resolution of stressed assets in the system. Further, these Directions lay down the consolidated regulatory treatment upon change in the Date of Commencement of Commercial Operations of projects in infrastructure and non-infrastructure (including commercial real estate & commercial real estate- residential housing).

Some of the Urban Cooperative Banks (UCBs) may also be involved in implementation of various forms of Debt Relief Schemes (DRS) announced by State Governments that inter alia entail sacrifice / waiver of debt obligations of a targeted segment of borrowers, against fiscal support. If such schemes are announced frequently, incommensurately, or without due consideration to the principles of financial discipline, they would negatively affect credit discipline and in the long run, may be counter-productive to the credit flow to such borrowers. Apart from the broader implications for the credit discipline and moral hazard issues, DRS also raises certain prudential concerns, which include delay in receipt of dues; mismatch between the claims admitted / submitted by the UCBs and accepted by the concerned Government as per the terms of the scheme; mandatory requirement of fresh credit by the UCBs, etc. These Directions also lay down certain broad principles regarding participation of UCBs in DRS and specifies a model operating procedure, which has been shared with the State Governments for their consideration while designing and implementing such DRS to avoid any non-alignment of expectations of the stakeholders involved, including the Government, lenders, borrowers, etc.

Accordingly, in exercise of the powers conferred by the Sections 21 and 35A read with Section 56 of the Banking Regulation Act, 1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby, issues these Directions hereinafter specified.



## Chapter I - Preliminary

### A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks – Resolution of Stressed Assets) Directions, 2025.
2. These Directions shall come into force with immediate effect unless specified otherwise.

### B. Applicability

3. These directions shall apply to Urban Co-operative Banks (hereinafter collectively referred to as 'UCBs' and individually as a 'UCB').

*In this context, urban co-operative banks shall mean Primary Co-operative Banks as defined under section 5(ccv) read with Section 56 of Banking Regulation Act, 1949.*

4. A UCB shall follow the requirements of the State Co-operative Societies Acts and / or rules made thereunder, or other statutory enactments, if they are more stringent than those prescribed hereby.

### C. Definitions

5. In these Directions, the following definitions shall apply, unless the context otherwise requires:

- (1) 'advances' shall mean all kinds of credit facilities including cash credit, overdrafts, term loans, bills discounted / purchased, receivables, etc. and investments other than that in the nature of equity.
- (2) 'aggregate exposure' shall include all fund based and non-fund based exposure, including investment exposure;
- (3) 'compromise settlement' shall refer to any negotiated arrangement with the borrower to fully settle the claims of a bank against the borrower in cash.



*Explanation:* Compromise settlement may entail some sacrifice of the amount due from the borrower on the part of the bank with corresponding waiver of claims of the bank against the borrower to that extent.

- (4) '*credit event*' in the context of projects under implementation shall be deemed to have been triggered on the occurrence of any of the following:
  - (i) default with any lender;
  - (ii) one or more lenders determine a need for extension of the original / extended Date of Commencement of Commercial Operations (DCCO), as the case may be, of a project;
  - (iii) expiry of original / extended DCCO, as the case may be;
  - (iv) one or more lenders determine a need for infusion of additional debt;
  - (v) the project is faced with financial difficulty

*Explanation:* For the purposes of this direction, financial difficulty would have the same meaning as specified in the [Reserve Bank of India \(Commercial Banks – Resolution of Stressed Assets\) Directions, 2025](#).

- (5) '*default*' shall mean non-payment of debt (as defined under the Insolvency and Bankruptcy Code, 2016) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be.

*Provided that* for revolving facilities like cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

- (6) '*fully secured*' shall mean dues to a bank when the amounts due (present value of principal and interest receivable as per restructured loan terms) are fully covered by the value of security, duly charged in its favour in respect of those dues.



*Explanation:* While assessing the realisable value of security, primary as well as collateral securities would be reckoned, provided such securities are tangible securities and are not in intangible form like guarantee etc., of the promoter / others. However, for this purpose the bank guarantees, State Government Guarantees and Central Government Guarantees will be treated on par with tangible security.

- (7) '*interest during construction*' shall mean the interest accrued on debt provided by a UCB and capitalised during the construction phase of the project;
- (8) '*lender*', in the context of project Finance directions, shall mean any of the following entities:
  - (i) a Commercial Bank (including Small Finance Banks (SFBs) but excluding Payments Banks (PBs), Local Area Banks (LABs) and Regional Rural Banks (RRBs));
  - (ii) a Non-Banking Financial Company (NBFC (including a Housing Finance Company (HFC));
  - (iii) a Primary (Urban) Cooperative Bank;
  - (iv) an All India Financial Institution.
- (9) '*liquidation value*' shall mean the estimated realisable value of the assets of the relevant borrower, if such borrower were to be liquidated as on the date of commencement of the Review Period;
- (10) '*repeatedly restructured account*' shall mean an account that is restructured a second (or more) time(s) by the bank;

*Provided that* if the second restructuring takes place after the period up to which the concessions were extended under the terms of the first restructuring, that account shall not be reckoned as a repeatedly restructured account.



(11) '*resolution plan*' in the context of projects under implementation shall mean a mutually agreed, legally binding, feasible and time-bound plan for resolution of stress in a project finance account. The resolution plan may involve any action / plan / reorganization including, but not limited to, regularisation of the account by payment of all overdues by the debtor entity, sale of the exposures to other entities / investors, change in ownership, extension of DCCO and restructuring.

(12) '*restructured account*' shall mean an account where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider.

*Explanation:* Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons).

(13) '*restructuring*' shall mean an act in which a bank, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower.

*Explanation:* Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period / payable amount / the amount of instalments / rate of interest; roll over of credit facilities; sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits; compromise settlements where time for payment of settlement amount exceeds three months.

(14) '*review period*' shall mean a period of 30 days from the date of default or a credit event, as the case may be;

(15) '*satisfactory performance*' shall mean adherence to the following conditions during that period.



- (i) 'Non-Agricultural Cash Credit Accounts': In the case of non-agricultural cash credit accounts, the account should not be out of order any time during the specified period. In addition, there should not be any overdues at the end of the specified period.
- (ii) 'Non-Agricultural Term Loan Accounts': In the case of non-agricultural term loan accounts, no payment should remain overdue for a period of more than 90 days. In addition there should not be any overdues at the end of the specified period.
- (iii) 'All Agricultural Accounts': In the case of agricultural accounts, at the end of the specified period the account should be regular.

(16) 'SMEs' shall mean Small and Medium Enterprises as defined in terms of the circular FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020 on 'New Definition of Micro, Small and Medium Enterprises – clarifications' as updated from time to time.

(17) '*specified period*' shall mean a period of one year from the date when the first payment of interest or installment of principal falls due under the terms of restructuring package.

*Provided that* for accounts restructured under IBC, the specified period shall be deemed to commence from the date of implementation of the resolution plan as approved by the Adjudicating Authority.

(18) '*standby credit facility*' shall mean a contingent credit line sanctioned for the project at the time of financial closure to fund any cost overrun during the construction phase of the project.

(19) '*technical write-off*' shall refer to cases where the non- performing assets remain outstanding at borrowers' loan account level, but are written-off (fully or partially) by a bank only for accounting purposes, without involving any waiver of claims against the borrower, and without prejudice to the recovery of the same.



6. The terms '*Appointed Date*', '*Commercial Real Estate (CRE)*', '*Commercial Real Estate – Housing (CRE-RH)*', '*Construction phase*', '*Date of Financial Closure*', '*Infrastructure Sector*', '*Original Date of Commencement of Commercial Operations (Original DCCO)*', '*Extended DCCO*', '*Actual DCCO*', '*Project*', and '*Project Finance*' shall have the same meaning assigned to them in the [Reserve Bank of India \(Urban Co-operative Banks – Credit Facilities\) Directions, 2025](#).
7. All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or the Companies Act, 2013, or any statutory modification or re-enactment thereto or other regulations issued by the Reserve Bank or the Glossary of Terms published by the Reserve Bank or as used in commercial parlance, as the case may be.



## Chapter II - General Requirements

### A. Board approved policies:

8. A bank shall put in place a Board-approved policy for restructuring / rehabilitation of stressed assets.
9. A bank shall put in place Board-approved policies for undertaking compromise settlements with the borrowers as well as for technical write-offs, which shall *inter alia* include the following:
  - (1) comprehensive prescription of the process to be followed for all compromise settlements and technical write-offs, with specific guidance on the necessary conditions precedent such as minimum ageing, deterioration in collateral value etc.;
  - (2) graded framework for examination of staff accountability in such cases with reasonable thresholds and timelines as may be decided by the Board;
  - (3) provisions relating to permissible sacrifice for various categories of exposures while arriving at the settlement amount, after prudently reckoning the current realisable value of security/collateral, where available;
  - (4) methodology for arriving at the realisable value of the security in respect of compromise settlements.
  - (5) delegation of powers for approval / sanction of compromise settlements and technical write-offs, subject to the following:
    - (i) delegation of power for such approvals rests with an authority (individual or committee, as the case may be) which is at least one level higher in hierarchy than the authority vested with power to sanction the credit / investment exposure.

*Provided that any official who was part of sanctioning the loan (as individual or part of a committee) shall not be part of the approving the proposal for compromise settlement of the same loan account, in any capacity.*



(ii) proposals for compromise settlements in respect of borrowers classified as fraud or wilful defaulter, as permitted in terms of paragraphs 51 to 65, shall require approval of the Board in all cases.

## **B. Early identification and reporting of stress**

10. A bank shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the following categories:

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Up to 30 days		
SMA-1	More than 30 days and up to 60 days	SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	SMA-2	More than 60 days and up to 90 days

11. The instructions on classification of borrower accounts into SMA categories are applicable for all loans (including retail loans), other than agricultural advances governed by crop season-based asset classification norms, irrespective of size of exposure of the regulated entity.

12. A bank having total assets of ₹500 crore and above shall report credit information, including classification of an account as SMA, to Central Repository of Information on Large Credits (CRILC), on all borrowers having aggregate exposure of ₹5 crore and above with them, on a quarterly basis.

13. A bank shall adhere to the relevant provisions on submission of financial information to information utilities of Insolvency and Bankruptcy Code, 2016 and Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017 and put in place appropriate systems and procedures to ensure compliance to the provisions of the Code and Regulations.



### **C. Disclosures**

14. A bank shall make suitable disclosures in its financial statements in the 'Notes to Accounts', as specified in the [Reserve Bank of India \(Urban Co-operative Banks – Financial Statements: Presentation and Disclosures\) Directions, 2025](#).



## Chapter III - Prudential Norms Applicable to Restructuring

### A. Restructuring of accounts: General Instructions

15. A bank shall ensure careful assessment of the viability, quick detection of weaknesses in accounts and a time-bound implementation of restructuring packages to achieve the basic objective of preservation of economic value of units through restructuring.
16. A bank may restructure the accounts classified under 'standard', 'sub-standard' and 'doubtful' categories.
17. A bank shall not reschedule / restructure / renegotiate borrower accounts with retrospective effect.
18. In normal cases, restructuring cannot take place unless alteration / changes in the original loan agreement are made with the formal consent / application of the borrower.
19. Notwithstanding paragraph 18 above, the process of restructuring may be initiated by a bank in deserving cases subject to customer agreeing to the terms and conditions.
20. Restructuring of advances may take place in the following stages:
  - (1) before commencement of commercial production / operation;
  - (2) after commencement of commercial production / operation but before the asset has been classified as 'sub-standard';
  - (3) after commencement of commercial production / operation and the asset has been classified as 'sub-standard' or 'doubtful'.
21. A bank shall not take up an account for restructuring unless the financial viability is established and there is a reasonable certainty of repayment from the borrower, as per the terms of restructuring package.



22. For the purpose of paragraph 21 above, the viability shall be determined by a UCB based on the acceptable viability benchmarks determined by them, which may be applied on a case-by-case basis, depending on merits of each case.

*Explanation:* Illustratively, the viability parameters may include the Return on Capital Employed, Debt Service Coverage Ratio, Gap between the Internal Rate of Return and Cost of Funds and the amount of provision required in lieu of the diminution in the fair value of the restructured advance.

23. The usual asset classification norms would continue to apply while a restructuring proposal is under consideration and the process of re-classification of an asset shall not stop merely because restructuring proposal is under consideration.
24. The asset classification status as on the date of approval of the restructured package by the competent authority would be relevant to decide the asset classification status of the account after restructuring / rescheduling /renegotiation.
25. In case there is undue delay in sanctioning a restructuring package and in the meantime the asset classification status of the account undergoes deterioration, it would be a matter of supervisory concern.
26. The accounts not considered viable shall not be restructured and the bank shall accelerate the recovery measures in respect of such accounts.
27. Any restructuring done without looking into cash flows of the borrower and assessing the viability of the projects / activity financed by a bank shall be treated as an attempt at ever greening a weak credit facility and shall invite supervisory concerns / action.

## **B. Asset Classification Post Restructuring**

28. The accounts classified as 'standard assets' shall be immediately re-classified as 'sub-standard assets' upon restructuring.
29. An account classified as a non-performing asset, upon restructuring, shall slip into further lower asset classification category as per extant asset classification norms with reference to the pre-restructuring repayment schedule.



30. If a restructured asset, which is a standard asset on restructuring is subjected to restructuring on a subsequent occasion, it shall be classified as substandard.
31. If the restructured asset is a sub-standard or a doubtful asset and is subjected to restructuring, on a subsequent occasion, its asset classification will be reckoned from the date when it became non-performing asset on the first occasion.
32. However, such advances restructured on second or more occasion shall be allowed to be upgraded to standard category after the specified period in terms of the current restructuring package, subject to satisfactory performance.
33. A bank shall classify 'Funded Interest Term Loan' (FITL) created by conversion of unpaid interest in the same asset classification category in which the restructured advance has been classified. Further movement in the asset classification of FITL would also be determined based on the subsequent asset classification of the restructured advance.

### **C. Special Regulatory Treatment for Asset Classification**

34. A bank shall be eligible for special regulatory treatment in respect of borrowers engaged in important business activities, subject to compliance with certain conditions as enumerated in paragraphs 37 and 38.

*Provided that* such special regulatory treatment shall not be extended to the following categories of advances:

- (1) Consumer and personal advances including advances to individuals against the securities of shares/bonds/debentures etc.
- (2) Advances to traders

*Provided further that* housing loans granted by a bank would also be eligible for special regulatory treatment, if restructured.

35. The asset classification of the above two categories of accounts as well as that of other accounts which do not comply with the conditions enumerated in paragraphs



37 and 38, will be governed by the prudential norms in this regard described in paragraphs 28 to 33.

36. The special regulatory treatment has the following two components:
  - (1) Incentive for quick implementation of the restructuring package.
  - (2) Retention of the asset classification of the restructured account in the pre restructuring asset classification category
37. As an incentive for quick implementation of restructuring package, if the approved package is implemented by the bank within 90 days from the date of receipt of application by the bank, the asset classification status may be restored to the position which existed when the restructuring application was received by the bank.
38. An existing standard asset shall not be downgraded to the sub-standard category upon restructuring and the asset classification of the sub-standard/doubtful accounts shall not deteriorate upon restructuring, subject to compliance with the following conditions:
  - (1) The dues to the bank are 'fully secured'

*Provided that* the above requirement shall not be applicable in the following cases:

    - (i) Small Scale Industries (SSI) borrowers, where the outstanding is up to ₹25 lakh.
    - (ii) infrastructure projects, provided the cash flows generated from these projects are adequate for repayment of the advance, the financing UCB have in place an appropriate mechanism to escrow the cash flows, and also have a clear and legal first claim on these cash flows.
    - (iii) working capital term loans created by conversion of the irregular portion of principal dues over the drawing power, subject to the condition that provisions are made against the unsecured portion as per paragraph 45.



- (2) The unit becomes viable in ten years, if it is engaged in infrastructure activities, and in seven years in the case of other units.
- (3) The repayment period of the restructured advance including the moratorium, if any, does not exceed fifteen years in the case of infrastructure advances and ten years in the case of other advances.
- (4) The Board of Directors of the bank shall prescribe the maximum period not exceeding fifteen years for restructured advances keeping in view the safety and soundness of advances.
- (5) Promoters' sacrifice and additional funds brought by them should be a minimum of 15 per cent of bank's sacrifice.
- (6) Personal guarantee is offered by the promoter except when the unit is affected by external factors pertaining to the economy and industry.
- (7) The restructuring under consideration is not a repeated restructuring.

#### **D. Additional Finance**

- 39. Any additional finance sanctioned by a bank may be treated as 'standard asset', up to a period of one year after the first interest / principal payment, whichever is earlier, falls due under the approved restructuring package.
- 40. If the restructured asset does not qualify for upgradation at the end of the one-year period specified in paragraph 39, a bank shall place the additional finance in the same asset classification category as the restructured debt.

#### **E. Asset classification upgrade after satisfactory performance**

- 41. A restructured account which has been classified as non-performing asset upon restructuring by a bank, would be eligible for upgradation to the 'standard' category after observation of 'satisfactory performance' during the 'specified period'.
- 42. If satisfactory performance during the specified period is not evidenced, the asset classification of the restructured account, including an account eligible for special regulatory treatment in terms of paragraphs 34 to 38, would be governed as per the



applicable prudential norms with reference to the pre-restructuring payment schedule.

## **F. Provisioning post Restructuring**

43. An account that has been restructured shall attract provisioning as per the asset classification category as laid out in the [Reserve Bank of India \(Urban Co-operative Banks – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).
44. A bank shall make provisions for diminution in the fair value of restructured advances as below:
  - (1) The erosion in the fair value of the advance shall be computed as the difference between the fair value of the loan before and after restructuring.

*Explanation:* The provisions required as above arise due to the action of a bank resulting in change in contractual terms of the loan upon restructuring which are in the nature of financial concessions. These provisions are distinct from the provisions which are linked to the asset classification of the account classified as non-performing asset and reflect the impairment due to deterioration in the credit quality of the loan. Thus, the two types of the provisions are not substitute for each other.
  - (2) Fair value of the loan before restructuring shall be computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the bank's base prime lending rate, as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.
  - (3) Fair value of the loan after restructuring shall be computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the bank's base prime lending rate as on the date of restructuring plus the



appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

*Explanation:* The above formula moderates the swing in the diminution of present value of loans with the interest rate cycle and will have to be followed consistently in future.

- (4) In the case of working capital facilities, the diminution in the fair value of the cash credit / overdraft component shall be computed as indicated in sub-paragraphs (1) to (3) above, reckoning the higher of the outstanding amount or the limit sanctioned as the principal amount and taking the tenor of the advance as one year, with the term premium in the discount factor as that would be as applicable for one year.
- (5) In the case of working capital facilities, the fair value of the term loan components (Working Capital Term Loan and Funded Interest Term Loan) shall be computed as per actual cash flows and taking the term premium in the discount factor as applicable for the maturity of the respective term loan components.
- (6) If any security is taken in lieu of the diminution in the fair value of the advance, it shall be valued at ₹1/- till maturity of the security.
- (7) The diminution in the fair value shall be re-computed on each balance sheet date till satisfactory completion of all repayment obligations and full repayment of the outstanding in the account, to capture the changes in the fair value on account of changes in the base prime lending rate, term premium and credit category of the borrower, and consequently, the shortfall in provision shall be provided for or amount of excess provision held in the distinct account may be reversed, as the case may be.
- (8) If due to lack of expertise/appropriate infrastructure, a bank finds it difficult to ensure computation of diminution in the fair value of advances extended by small branches, the bank shall have the alternative option of notionally computing the amount of diminution in the fair value and providing therefor,



at five percent of the total exposure, in respect of all restructured accounts where the total dues to bank are less than ₹1 crore.

- (9) The total provisions required against an account (normal provisions plus provisions in lieu of diminution in the fair value of the advance) shall be capped at 100 per cent of the outstanding debt amount.

45. A bank availing special regulatory treatment for asset classification in terms of paragraphs 34 to 38 shall make the following provisions in respect of unsecured portion of the working capital term loans created by conversion of the irregular portion of principal dues over the drawing power

- (1) Standard Assets: 20 per cent
- (2) Substandard Assets: 20 per cent during the first year and to be increased by 20 per cent every year thereafter until the specified period
- (3) If the account is not eligible for upgradation after the specified period, the unsecured portion shall attract provision of 100 per cent.

#### **G. Income Recognition**

46. Interest income in respect of restructured accounts classified as 'standard assets' may be recognized on accrual basis and that in respect of the restructured accounts classified as 'non-performing assets' shall be recognised on cash basis.

47. A bank shall recognize interest income on the additional finance only on cash basis in the case of accounts where the pre-restructuring facilities were classified as 'sub-standard' and 'doubtful'.

48. A bank shall recognise interest income on 'Funded Interest Term Loan' (FITL) created by conversion of unpaid interest as follows:

- (1) The income, if any, generated may be recognised on accrual basis, if FITL is classified as 'standard', and on cash basis in the cases where the same has been classified as a non-performing asset.



- (2) The unrealised income represented by FITL should have a corresponding credit in an account styled as 'Sundry Liabilities Account (Interest Capitalization)'.
- (3) Only on repayment in case of FITL, the amount received will be recognized in the Profit and Loss Account, while simultaneously reducing the balance in the 'Sundry Liabilities Account (Interest Capitalisation)'.



## Chapter IV - Special Cases of Restructuring

### A. Borrowers who have committed Frauds / Malfeasance / Wilful Default

49. Borrowers who have committed frauds/ malfeasance/ wilful default as well as any entity with which a wilful defaulter is associated shall remain ineligible for restructuring.
50. A wilful defaulter or any entity with which a wilful defaulter is associated shall be eligible for restructuring subsequent to removal of the name of wilful defaulter from the List of Wilful Defaulters, subject to penal measures applicable to borrowers classified as wilful defaulter in terms of the [Reserve Bank of India \(Urban Co-operative Banks – Treatment of Wilful Defaulters and Large Defaulters\) Directions, 2025](#).

### B. Compromise Settlements and Technical Write-offs

51. The objective of compromise settlements shall be to maximise the possible recovery from a distressed borrower at minimum expense, in the best interest of the bank.
52. Compromise settlement is not available to borrowers as a matter of right; rather it is a discretion to be exercised by a bank based on its commercial judgement.
53. The compromise settlements and technical write-offs shall be without prejudice to any mutually agreed contractual provisions between a bank and a borrower relating to future contingent realizations or recovery by the bank, subject to such claims not being recognised in any manner on the balance sheet of the bank at the time of the settlement or subsequently till actual realization of such receivables.

*Provided that* any such claims recognised on the balance sheet of the bank shall render the arrangement to be treated as restructuring.

54. Notwithstanding paragraph 53, compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring.
55. Any arrangement involving part settlement with the borrower shall also fall under the definition of restructuring and shall be governed by the provisions applicable thereto.



56. Technical write-off is an accounting procedure undertaken by a bank to cleanse the balance sheets of bad debts which are either considered unrecoverable or whose recovery is likely to consume disproportionate resources of the lenders. However, such technical write-offs do not entail any waiver of claims against the borrower and thus the bank's right to recovery shall not be undermined in any manner. The legal obligation of the borrowers as well as the costs of such defaults for them remain unchanged vis-à-vis the position prior to technical write-offs.
57. In case of partial technical write-offs, the prudential requirements in respect of residual exposure, including provisioning and asset classification, shall be with reference to the original exposure.

*Provided that* the amount of provision including the amount representing partial technical write-off shall meet the extant provisioning requirements, as computed on the gross value of the asset.

58. There shall be a reporting mechanism to the next higher authority, at least on a quarterly basis, with respect to compromise settlements and technical write offs approved by a particular authority.

*Provided that* compromise settlements and technical write-offs approved by the MD & CEO / Board Level Committee shall be reported to the Board.

59. The Board shall mandate a suitable reporting format so as to ensure adequate coverage of the following aspects at the minimum:
  - (1) trend in number of accounts and amounts subjected to compromise settlement and/or technical write-off (q-o-q and y-o-y);
  - (2) out of sub-paragraph (1) above, separate breakup of accounts classified as fraud, red-Flagged, wilful default and quick mortality accounts;
  - (3) amount-wise, sanctioning authority-wise, and business segment / asset-class wise grouping of such accounts;
  - (4) extent of recovery in technically written-off accounts.



60. In respect of borrowers subject to compromise settlements, there shall be a cooling period as determined by the respective Board approved policies before the bank can assume fresh exposures to such borrowers.

*Provided that* the cooling period in respect of exposures other than farm credit exposures shall be subject to a floor of 12 months with a bank being free to stipulate higher cooling periods in terms of their Board approved policies.

*Provided further that* the cooling period for farm credit exposures shall be determined by a bank as per their respective Board approved policies.

*Explanation:* Farm credit for the above purpose shall refer to credit extended to agricultural activities as listed in the [Reserve Bank of India \(Urban Co-operative Banks – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).

61. The cooling period to be adopted in respect of exposures subjected to technical write-offs shall be as per the Board approved policies of a bank.

62. A bank may undertake compromise settlements or technical write-offs in respect of accounts categorised as wilful defaulters or fraud without prejudice to the criminal proceeding underway against such borrowers.

63. The penal measures applicable to borrowers classified as fraud or wilful defaulter in terms of the [Reserve Bank of India \(Fraud Risk Management in UCBs / StCBs / CCBs\) Directions, 2024](#) and the [Reserve Bank of India \(Urban Co-operative Banks – Treatment of Wilful Defaulters and Large Defaulters\) Directions, 2025](#), respectively, shall continue to be applicable in cases where a UCB enter into compromise settlement with such borrowers, and the cooling periods specified in paragraphs 61 and 62, in respect of such borrowers, shall be without prejudice to such penal measures.

**FAQ 1:** From a public policy perspective, what is the rationale for permitting a bank to enter into compromise settlement with borrowers classified as fraud or wilful defaulter?



The primary regulatory objective is to enable multiple avenues to a bank to recover the money in default without much delay. Apart from the time value loss, inordinate delays result in asset value deterioration which hampers ultimate recoveries. Compromise settlement is recognized as a valid resolution mechanism under these Directions. The imperatives for a bank are no different when it comes to recovery from borrowers classified as fraud or wilful defaulter. Continuing such exposures on the balance sheets of a bank without resolution due to legal proceedings would lock the bank's funds in an unproductive asset, which would not be a desirable position. As long as larger policy concerns are suitably addressed and the costs of malafide actions are made to be borne by the perpetrators, early recoveries by a bank should be a preferred option, subject to safeguards. Further, continuation of criminal proceedings underway or to be initiated against the borrowers classified as fraud or wilful defaulter, would ensure that perpetrators of any malafide action do not go scot-free.

*FAQ 2: A bank is not permitted to restructure borrower accounts classified as fraud or wilful defaulter. Why a different treatment is prescribed for compromise settlements for such borrowers?*

Restructuring in general entails a bank having a continuing exposure to the borrower entity even after restructuring and hence, in case of borrowers classified as fraud or wilful defaulter, permitting the bank to continue its credit relationship with the borrower entity would be fraught with moral hazard. On the other hand, a compromise settlement entails a complete detachment of the bank with the borrower. Therefore, permitting a bank to settle with the borrowers as per their commercial judgement would enhance recovery prospects.

64. The compromise settlements with the borrowers under these Directions shall be without prejudice to the provisions of any other statute in force.
65. Wherever a bank had commenced recovery proceedings under a judicial forum and the same is pending before such judicial forum, any settlement arrived at with the borrower shall be subject to obtaining a consent decree from the concerned judicial authorities.



### **C. Resolution of Accounts Impacted by Natural Calamities**

66. A bank may provide relief and rehabilitation assistance, in their area of operation to people affected by natural calamities such as droughts, floods, cyclones, etc. as per the guidelines are given in [Annex I](#).
67. A bank shall evolve a suitable policy framework with the approval of the Board of Directors to avoid delay in taking relief measures on the occurrence of natural calamity.

*Explanation:* An element of flexibility may be provided in the measures to synchronise the same with the measures which could be appropriate in a given situation.

68. A bank shall get the documentation settled as per revised guidelines in consultation with their legal departments, considering the relevant provisions of the Contract Act and the Limitations Act and may issue appropriate instructions to their offices in respect of documentation in relation to cases covered by these Directions.

### **D. Projects Under Implementation**

69. The instructions contained in paragraphs 71 to 94 shall not apply to projects where financial closure has been achieved as on October 1, 2025, for which the prudential guidelines on project finance prevailing before October 1, 2025, which otherwise shall be treated as repealed, shall apply.
70. Notwithstanding the instructions in paragraph 69, any resolution of a fresh credit event and/or change in material terms and conditions in the loan contract in such projects, on or after October 1, 2025, shall be as per the guidelines contained in paragraphs 71 to 94.
71. A bank shall monitor the performance of the project and any buildup of stress on an ongoing basis and shall be expected to initiate a resolution plan well in advance.
72. Occurrence of a credit event with any lender during the construction phase, shall trigger the Review Period.



73. Any such credit event with a bank shall be reported to the Central Repository of Information on Large Credit (CRLC) by the bank in the CRLC-Main report in compliance with paragraph 12.
74. A bank, which is part of a consortium / multiple lending arrangement shall also report occurrence of such credit event to all other members of the consortium / multiple lending arrangement.
75. The instructions on CRLC reporting as per paragraph 73 shall be issued in due course.
76. A bank shall undertake a *prima facie* review of the borrower account during the Review Period.
77. During this Review Period, lenders shall decide on the resolution strategy, including the nature of the resolution plan, the approach for implementation of the resolution plan, etc.
78. The lenders may also choose to initiate legal proceedings for insolvency or recovery.
79. In cases where resolution plan involving extension of original / extended DCCO, as the case maybe is to be implemented, all lenders, including the bank, shall enter into an inter-creditor agreement, during the Review Period, to provide for ground rules for finalisation and implementation of the resolution plan in respect of borrowers with credit facilities from more than one lender.
80. The inter-creditor agreement shall provide that:
  - (1) any decision agreed by signatories representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of signatories by number shall be binding upon all the signatories; and
  - (2) resolution plans shall provide for payment not less than the liquidation value due to the dissenting signatories.
81. In addition to the requirements in paragraph 80 above, the inter-creditor agreement shall, *inter alia*, provide for rights and duties of majority signatories, duties and



protection of rights of dissenting signatories, treatment of signatories with priority in cash flows / differential security interest, etc.

82. The resolution plan shall be clearly documented by the lenders concerned (even if there is no change in any terms and conditions).
83. If a resolution plan involving extension of original / extended DCCO, as the case maybe, is implemented in a project finance account, which is classified as Standard and satisfies all relevant prudential conditions specified for sanction, disbursement and monitoring of project finance in the [Reserve Bank of India \(Urban Co-operative Banks – Credit Facilities\) Directions, 2025](#), the asset classification of such account shall continue to be classified as 'Standard', provided the envisaged resolution plan *ab initio* conforms to the following conditions:
  - (1) Permitted DCCO Deferment – Original / extended DCCO, as the case may be, is extended, along with the consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule), within the following time limits:

	Infrastructure Projects	Non-Infrastructure Projects (including CRE and CRE-RH)
<b>Permitted deferment of DCCO from the original DCCO</b>	Up to 3 years	Up to 2 years

*Explanation:* For CRE and CRE-RH projects, all provisions of the Real Estate (Regulation and Development) Act, 2016 (as updated from time to time) are to be complied with.

- (2) Cost Overrun – A bank may finance, as part of a resolution plan, cost overrun associated with permitted DCCO deferment in compliance with subparagraph (1) above, and classify the account as 'standard', as under:
  - (i) Cost overrun up to a maximum of ten per cent of the original project cost, in addition to Interest During Construction.



- (ii) Cost overrun is financed through a Standby Credit Facility specifically sanctioned by the bank at the time of financial closure and which has been renewed continuously without any gap till the draw down under the facility.
- (iii) For infrastructure projects, in cases where Standby Credit Facility was not sanctioned at the time of financial closure, or was sanctioned but not renewed subsequently, such additional funding shall be priced at a premium to what would have been applicable on a pre-sanctioned Standby Credit Facility. A Bbank shall ensure that the loan-contracts ab-initio specify the additional risk premium to be charged on such Standby Credit Facility, which may be revised upwards based on actual risk assessment at the time of sanction of such facilities.
- (iv) The financial parameters like D/E ratio, external credit rating (if any) etc. remain unchanged or are enhanced in favour of the bank post such cost overrun funding.

*Explanation:* For projects where aggregate exposure of all lenders is less than ₹100 crore, internal credit rating may be considered, if the project was originally not credit rated externally.

- (3) Change in Scope and Size – A project finance account where DCCO extension is necessitated by an increase in the project outlay on account of increase in scope and size of the project, may be classified as ‘Standard’, subject to complying with the following conditions:
  - (i) The rise in project cost excluding any cost-overrun in respect of the original project is 25 per cent or more of the original outlay as the case may be.

*Illustration I:*

Original cost of the Project – ₹1,000 crore

Revised cost of the Project – ₹1,200 crore



Increase in cost – ₹200 crore i.e., 20%

Attribution of increase in cost

- a. Change in Scope 18%
- b. Cost Overrun 2%

The increase in cost attributable to change in scope is ₹180 crore (18%) only. Since rise in cost on account of change in scope is 18%, which is less than 25%, no asset classification benefit shall be available.

*Illustration II:*

Original cost of the Project – ₹1,000 crore

Revised cost of the Project – ₹1,400 crore

Increase in cost – ₹400 crore i.e., 40%

Attribution of increase in cost

- a. Change in Scope 30%
- b. Cost Overrun 10%

The increase in cost attributable to change in scope is ₹300 crore (30%). Since rise in cost on account of change in scope is 30%, which is more than 25%, asset classification benefit shall be available.

- (ii) The UCB re-assesses the viability of the project before approving the enhancement of scope and fixing a fresh DCCO.
- (iii) On re-rating (if already rated), the new external credit rating is not below the previous external credit rating by more than one notch.

*Provided that* if the project debt was unrated at the time of increase in scope or size, then it should be externally rated investment grade upon such increase in scope or size in case of projects where aggregate exposure of all lenders is equal to or greater than ₹100 crores.



84. The standard asset classification benefit on account of 'change in scope' shall be allowed only once during the lifetime of the project.
85. In all the cases specified in paragraph 83, the following conditions shall be required to be met in respect of all the lenders before the expiry of 180 days from the end of the Review Period, for successful implementation of a resolution plan:
  - (1) all required documentation, including execution of necessary agreements between a lender and the borrower / creation of security charge / perfection of securities, are completed in consonance with the resolution plan being implemented;
  - (2) the new capital structure and/ or changes in the financing agreement get duly reflected in the books of a lender and the borrower.
86. If a resolution plan involving change in DCCO is not successfully implemented in terms of paragraph 83 and / or 85, then the account shall be downgraded to NPA immediately.
87. A project finance account downgraded to NPA for non-compliance with paragraph 83, can be upgraded only after the account performs satisfactorily post actual DCCO.
88. A project finance account downgraded to NPA for non-compliance with paragraph 85, may be upgraded on successful implementation of resolution plan, provided no further request for deferment of DCCO is received.
89. Income recognition in respect of a project finance account where a resolution plan involving extension of Original / Extended DCCO shall be as follows:
  - (1) A bank may recognise income on accrual basis in respect of project finance exposures which are classified as 'Standard'.
  - (2) For NPAs, income recognition shall be as per instructions contained in the [Reserve Bank of India \(Urban Co-operative Banks – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).



90. For accounts which have availed DCCO deferment as per paragraphs 83 to 86 and are classified as 'standard', a bank shall maintain additional specific provisions of 0.375 per cent for infrastructure project loans and 0.5625 per cent for non-infrastructure project loans (including CRE and CRE-RH), for each quarter of deferment, over and above the applicable standard asset provision specified in the Reserve Bank of India (Urban Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025.

<b>Infrastructure Projects</b>	<b>Non Infra Projects (including CRE and CRE-RH)</b>
<i>Illustration III:</i> Funded Outstanding – ₹ 1000 crore Original DCCO – January 01, 2026 Extended DCCO – April 01, 2026 Quantum of Specific Provisions to be maintained – ₹3.750 crore	<i>Illustration IV:</i> Funded Outstanding – ₹ 1000 crore Original DCCO – January 01, 2026 Extended DCCO – April 01, 2026 Quantum of Specific Provisions to be maintained – ₹5.625 crore
<i>Illustration V:</i> Funded Outstanding – ₹ 1000 crore Original DCCO – January 01, 2026 Extended DCCO – April 01, 2027 Quantum of Specific Provisions to be maintained – ₹18.750 crore	<i>Illustration VI:</i> Funded Outstanding – ₹ 1000 crore Original DCCO – January 01, 2026 Extended DCCO – April 01, 2027 Quantum of Specific Provisions to be maintained – ₹28.125 crore
<i>Illustration VII:</i> Funded Outstanding – ₹ 1000 crore Original DCCO – January 01, 2026 Extended DCCO – April 01, 2029 Asset Classification - NPA Quantum of Specific Provisions to be maintained – ₹ 150 crore	<i>Illustration VIII:</i> Funded Outstanding – ₹ 1000 crore Original DCCO – January 01, 2026 Extended DCCO – April 01, 2028 Asset Classification - NPA Quantum of Specific Provisions to be maintained – ₹ 150 crore



91. The additional specific provisions required as per paragraph 90 shall be reversed upon commencement of commercial operation.
92. The provisions stipulated in paragraph 90 shall not be applicable for existing projects which are specified in paragraph 69 and such project loans shall continue to be guided by the prudential guidelines for the purpose of provisioning, prevailing before October 1, 2025, shall apply, which otherwise shall be treated as repealed.
93. Notwithstanding the instructions in paragraph 94, in case of any resolution of a fresh credit event and / or change in material terms and conditions in the loan contract in such projects, the provisions stipulated in paragraph 90 shall apply to these projects as if these were sanctioned on or after October 1, 2025.
94. Provisioning for project loans classified as 'standard' (construction or operational phase) or NPA shall be as per extant instructions contained in the [Reserve Bank of India \(Urban Co-operative Banks – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).

#### **E. Advances Granted under Rehabilitation Packages Approved by Term Lending Institutions**

95. A bank shall not upgrade the classification of any advance in respect of which the terms have been re-negotiated unless the package of re-negotiated terms has worked satisfactorily for a period of one year.
96. While the existing credit facilities sanctioned to a unit under rehabilitation packages approved by term lending institutions shall continue to be classified as sub-standard or doubtful, as the case may be, in respect of additional facilities sanctioned under the rehabilitation packages, the asset classification and income recognition norms shall become applicable after a period of one year from the date of disbursement.
97. A similar relaxation shall be made in respect of SSI units which are identified as sick by banks themselves and where rehabilitation packages / nursing programmes have been drawn by the banks themselves or under consortium arrangements.



98. A bank shall make provisions in respect of advances granted under rehabilitation packages approved by Term Lending Institutions as per the above asset classification norms.
99. In respect of additional credit facilities granted to SSI units which are identified as sick and where rehabilitation packages / nursing programmes have been drawn by the bank itself or under consortium arrangements, no provision need be made for a period of one year.



## Chapter V - Government Debt Relief Schemes (DRS)

### A. Prudential treatment in respect of Government Debt Relief Schemes (DRS):

100. A bank may decide on participating in a particular DRS notified by a Government, based on its Board approved policy, subject to the extant regulatory norms.
101. Any provision of the scheme that may warrant modification in long term interest of the borrowers or for prudential reasons may be duly brought to the notice of the concerned authority/ies through the State Level Bankers' Committee / District level Consultative Committee, during the consultation phase while designing the DRS.
102. A bank shall clearly determine the eventual outstanding that may crystallise in their books in respect of the borrowers proposed to be covered under the DRS, including the accumulated interest in non-performing accounts, by the time the dues are settled under the DRS, to enable the Government to suitably arrange for the extent of fiscal participation.
103. A bank shall ensure that the borrowers to be covered under DRS are selected strictly as per terms of such schemes so as to avoid subsequent non-admission by the authorities on technical grounds.
104. The terms and conditions of the scheme as well as the prudential aspects, including cooling period for extending fresh credit, impact on credit score etc., shall be clearly communicated to the borrowers at the time of obtaining explicit consent from the borrower for availing benefits under a proposed DRS.
105. Any waiver of accrued but unrealised interest and / or sacrifice of principal undertaken by a bank in the borrower accounts of beneficiaries of the DRS, either as part of the implementation of the scheme or subsequent to its implementation, shall be treated as a compromise settlement and shall attract the prudential treatment contained in paragraphs 51 to 65.
106. If the funds received by a bank as part of the DRS covers the entire outstanding dues of the borrower, including principal and interest accrued till the date of receipt



of funds by the bank, the same shall lead to extinguishment of borrower's debt obligations.

107. In cases where the funds received by a bank as part of the scheme are not adequate to cover the entire outstanding dues of the borrower, leading to residual exposure (principal and / or accrued interest), the asset classification of the residual exposure shall be evaluated as per the terms and conditions of the original loan contract.

*Provided that any changes / modifications to the terms and conditions of the original loan contract in such cases shall be evaluated against the test of restructuring as defined in these Directions and shall attract the prudential treatment therein.*

108. Any fresh credit exposure to such borrowers shall be as per the commercial discretion of the bank under relevant internal policy, subject to extant applicable regulations.
109. A bank's reporting in respect of the borrowers under the scheme to the credit information companies shall be guided by the extant guidelines in this regard.
110. There shall not be creation of any receivable against the Government on account of the DRS and the exposure shall continue to be on the borrower till receipt of funds by the bank.
111. Till receipt of funds, a bank shall continue to apply the prudential norms including prudential norms on income recognition, asset classification and provisioning, and wherever the accounts are non-performing, the bank may pursue recovery measures as per their Board approved policy against such borrowers.
112. The instructions contained in paragraphs 100 to 111 shall apply in respect of DRS notified on or after December 31, 2024 and shall be without prejudice to the instructions on resolution of stressed assets contained in these Directions.
113. In the context of these instructions, a model operating procedure (MOP) has also been shared with the State Governments ([Annex II](#)) for their consideration while designing and implementing such DRS through a consultative approach, to avoid



any non-alignment of expectations of the stakeholders involved, including the Government, lenders, borrowers, etc.

114. In respect of relief measures announced prior to December 31, 2024, any dues pending receipt from Government, for more than 90 days shall attract specific provision of 100 per cent.

115. A bank shall take necessary action and actively follow up with the respective Governments for settlement of dues referred to in paragraph 114.



## Chapter VI - Special Measures

### A. Trade Relief Measures

116. To mitigate the burden of debt servicing brought about by trade disruptions caused by global headwinds and to ensure the continuity of viable businesses, banks may extend relief measures to eligible borrowers, as specified under Reserve Bank of India (Trade Relief Measures) Directions, 2025 dated November 14, 2025. The Directions, *inter-alia*, include a defined sunset clause for the measures.



## Chapter VII - Repeal and Other Provisions

### A. Repeal and saving

117. With the issue of these Directions, the existing directions, instructions, and guidelines relating to Resolution of Stressed Assets as applicable to Urban Co-operative Banks stands repealed, as communicated vide [circular DOR.RRC.REC.302/33-01-010/2025-26](#) dated November 28, 2025. The directions, instructions and guidelines already repealed vide any of the directions, instructions, and guidelines listed in the above notification shall continue to remain repealed.
118. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:
  - (1) any right, obligation or liability acquired, accrued, or incurred thereunder;
  - (2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
  - (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

### B. Application of other laws not barred

119. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.



### **C. Interpretations**

120. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

(Vaibhav Chaturvedi)  
Chief General Manager



## Annexures

### Annex I

#### **Guidelines for Relief Measures by banks in Areas Affected by Natural Calamities**

1. Periodic but frequent occurrence of droughts, floods, cyclones, tidal waves and other natural calamities cause heavy toll of human life and wide spread damage to economic pursuits of human beings in one area or the other of the country. The devastation caused by such natural calamities call for massive rehabilitation efforts by all agencies. The State and local authorities draw programmes for economic rehabilitation of the affected people. The developmental role assigned to the banks, warrants their active support in revival of the economic activities.
2. Since the area and time of occurrence and intensity of natural calamities cannot be anticipated, it is imperative that the banks have a blue-print of action in such eventualities so that the required relief and assistance is provided with the utmost speed and without any loss of time. This presupposes that all the branches of banks will have a set of standing instructions spelling out the action that the branches will have to initiate in the calamity affected areas immediately after the requisite declaration by the district / State authorities. It is necessary that these instructions should also be available with the State Government authorities and all the District Collectors so that all concerned are clear as to the action that would be taken by the banks' branches in the affected areas.
3. The precise details in regard to the provision of credit assistance by the banks, will depend on the requirements of the situation, their own operational capabilities and the actual needs of the borrowers. This can be decided by them in consultation with the district authorities.
4. Nevertheless, to enable banks to take uniform and concerted action expeditiously, particularly to provide the financial assistance to agriculturist, small scale industrial units, artisan, small business and trading establishments affected by natural calamities, the following guidelines are commended.



5. To facilitate co-ordination and expeditious action by the financing institutions, the convenors of the concerned District Consultative Committee (DCC) of the affected districts should convene a meeting immediately after the occurrence of natural calamities. In the event of the calamity covering a larger part of the State, the convenors of the State Level Bankers' Committee (SLBC) will also convene a meeting immediately to evolve a co-ordinated programme of action for implementation of the programme in collaboration with the State / district authorities while determining the quantum of assistance required by a person affected by the natural calamity, the UCBs may take into consideration the assistance / subsidy received by him from the State Government and / or other agencies.
6. Regional / Zonal heads of banks should be vested with certain discretionary powers so that they do not have to seek fresh approvals from their Central Offices to the line of action agreed to by the District / State Level Bankers' Committees. For example, such discretionary power would be necessary in respect of adoption of scale of finance, extension of loan periods, sanction of new loans, keeping in view the total liability of the borrower (i.e. arising out of the old loan where the assets financed are damaged or lost on account of natural calamity as well as the new loan for creation / repair of such assets, margin, security, etc.).
7. Identification of the Beneficiaries
  - (1) The bankbranches should obtain from the concerned Government authorities list of affected villages within their area of operation. From among the identified persons, assessment of loss sustained by the existing constituents of the banks would be easier. In the case of fresh borrowers, however, discreet enquiries should be made in this regard and assistance of the Government authorities should be sought wherever available for ascertaining genuineness of their requirements. For providing conversion facilities in respect of crop loans, procedure for identification of areas where such facilities have to be provided has been indicated under crop loans in paragraph 10 below.



## 8. Coverage

(1) Each branch will provide credit assistance not only to its existing borrowers but also to other eligible persons within its command area provided they are not covered by any other financial agency.

## 9. Priorities

(1) Immediate assistance including finances would be needed for protecting and rejuvenating standing crops / orchards / plantations etc. Equally important will be repair and protection of livestock sheds, grains and fodder storage / structures, drainage, pumping, and other measures and operations to repair pump-sets, motors, engines and other necessary implements. Subject to seasonal requirements, next crop financing would be taken up.

## 10. Agricultural Loans

(1) The bank assistance in relation to agriculture would be needed in the form of short-term loans for the purpose of raising crops and term loans for purchase of milch / draught animals, repairs of existing tube-wells and pump-sets, digging of new tube-wells and installation of new pump-sets, land reclamation, silt / sand removal, protection and rejuvenation of standing crops / orchard / plantations, etc., repairs and protection of livestock sheds, grain and fodder storage structures, etc. Where natural calamities impair the repaying capacity of agricultural borrowers, as a relief measure, banks may decide on their own to:

(i) convert the short-term production loan into a term loan or re-schedule the repayment period, and  
(ii) sanction fresh short-term loans

(2) In such cases of conversion or re-schedulement, the term loan as well as fresh short-term loan may be treated as current dues and need not be classified as non-performing asset (NPA). The asset classification of these



loans would, therefore, be governed by the revised terms and conditions and these would be treated as NPA under the extant norms applicable for classifying agricultural advances as NPAs.

- (3) Crop Loans: In the case of natural calamities, such as droughts, floods etc., Government authorities would have declared annewari to indicate the extent to which the crops are damaged. However, where such declaration has not been made banks should not delay in providing conversion facilities, and the District Collector's certificate that crop yield is below 50 per cent of the normal yield supported by the views of the DCC in the matter (for which a special meeting may have to be convened) should be sufficient for invoking quick relief arrangements. The certificate of the Collector should be issued crop-wise covering all crops, including food-grains. Issuing of such certificates in respect of cash crops, may, however, be left to the discretion of the Collector.
- (4) To be effective, the assistance to farmers will have to be disbursed with utmost speed. For this purpose the lead bank and the district authorities concerned should evolve a procedure whereby identification of borrowers, issuance of certificates regarding Government / bankdues, title of the applicant to land etc. is secured simultaneously.
- (5) Possibilities of organising credit camps, where Block Development and Revenue officials, Co-operative Inspectors, Panchayat Pradhans etc. could help finalise the applications on the spot, could be explored in consultation with the district authorities where such credit camps are being organised. The State Government will also arrange with the Collectors to issue an executive order for the following officers or their authorised representatives to assume respective duties and responsibilities as envisaged under implementation of credit camps programme:
  - (i) Block Development Officer
  - (ii) Co-operative Inspector



- (iii) Revenue Authority / Village Revenue Assistant
- (iv) UCB official operating in the area
- (v) PACS / LAMPS / FSS
- (vi) Gram Panchayat Pradhan

In order to avoid delay, the forms in which the State Government Officers have to give certificates at the Credit Camps may be got printed in sufficient numbers by the respective District Magistrates.

- (6) In considering loan applications for the ensuing crop season the current dues of the applicants to the State Government may be ignored, provided the State Government declare a moratorium for a sufficiently long period on all amounts due to the government as on the date of occurrence of the natural calamity.

## 11. Consumption Loans

- (1) Loans up to ₹5000/- could be sanctioned to existing borrowers for general consumption purposes without any collateral and such loans may be provided even if no risk fund has been constituted by respective State Governments.

## 12. Fresh Loans

- (1) Timely fresh financial assistance to resume productive activities may be provided not only to the existing borrowers, but also to other eligible borrowers. Notwithstanding the status of the existing account, fresh loans granted to the borrowers will be treated as current dues.

## 13. Restructuring of existing Loans

- (1) As the repaying capacity of the people affected by natural calamities gets severely impaired due to the damage to the economic pursuits and loss of economic assets, relief in repayment of loans becomes necessary in areas affected by natural calamity and hence, restructuring of the existing loans



will be required. The principal amount outstanding in the crop loans and agriculture term loans as well as accrued interest thereon may be converted into term loans.

- (2) The repayment period of restructured term loans may vary depending on the severity of calamity and its recurrence, the extent of loss of economic assets and distress caused. Generally, the restructured period for repayment may be 3 to 5 years. However, where the damage arising out of the calamity is very severe, UCBs may, at their discretion, extend the period of repayment ranging up to 7 years and in extreme cases of hardship, the repayment period may be prolonged up to a maximum period of 10 years. In all cases of restructuring, moratorium period of at least one year should be considered. Further, the banks should not insist for additional collateral security for such restructured loans. The asset classification status of the restructured term loan and other dues will be as under:
- (3) The restructured crop loans may be treated as current dues and need not be classified as NPA. The asset classification of the restructured term loans would thereafter be governed by the revised terms and conditions and would be treated as NPA if interest and / or instalment of principal remain overdue for two crop seasons for short duration crops and for one crop season for long duration crops. Depending upon the duration of crops raised by an agriculturist, the above norms would also be made applicable to the restructured agricultural term loans.
- (4) The above norms will be applicable to all direct agricultural advances as listed in [Reserve Bank of India \(Urban Co-operative Banks – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).
- (5) Additional finance, if any, may be treated as 'standard asset' and its future asset classification will be governed by the terms and conditions of its sanction.



- (6) The asset classification as on the date of natural calamity will continue, if the restructuring is completed within a period of three months from the date of natural calamity. The restructured accounts would, otherwise, be governed by provisions of these Directions. Further, the guidelines applicable to sub-standard accounts, will apply, mutatis mutandis to doubtful accounts.
- (7) In retail or consumer loans segment, the banks may restructure the loans in a manner suitable to the borrowers on a case-to-case basis.

#### 14. Scale of Finance

- (1) Scale of finance in respect of different crops will be uniform in a district. The scales will be fixed taking into account the prevailing conditions and norms presently adopted by different lending agencies. In fixing the scales, minimum consumption needs of borrowers will be taken into account. The concerned District Magistrate and Managers of branches of banks operating in the district would be advised to adopt the scales so laid down.

#### 15. Development Loans - Investment Costs

- (1) The existing term loan instalments will have to be rescheduled / postponed keeping in view the repaying capacity of the borrowers and the nature of natural calamity viz.,
  - (i) Droughts, floods or cyclones etc. where only crop for that year is damaged and productive assets are not damaged.
  - (ii) Floods or cyclones where the productive assets are partially or totally damaged and borrowers are in need of a new loan.
- (2) In regard to natural calamity under sub-paragraph (1)(i) above, the banks may postpone the payment of instalment during the year of natural calamity and extend the loan period by one year except (subject to the following exceptions) –



- (i) Those cultivators who had not effected the development or investment for which the loan was obtained or had disposed of the equipment or machinery purchased out of the loan.
- (ii) Those who are income tax payers.
- (iii) In the case of drought, those who are having perennial sources of irrigation except where water supply was not released from canals or irrigation facility was not available from other perennial sources.
- (iv) Tractor owners, except in genuine case where there is loss of income and consequential impairment of their repaying capacity.

(3) Under this arrangement the instalments defaulted wilfully in earlier years will not be eligible for rescheduling. The banks may have to postpone payment of interest by borrowers. While fixing extension of period the commitment towards interest may also be taken into account.

(4) In regard to sub-paragraph (1)(i) above, i.e., where the borrower's assets are totally damaged, the rescheduling by way of extension of loan period may be determined on the basis of overall repaying capacity of the borrower including his repayment commitment on the old term loans and towards the conversion loan (medium term loan) on account of postponing of repayment of short-term loans and the fresh crop loan. In such cases, the repayment period of total loan (including interest liability) less the subsidies received from the Government agencies, compensation available under the insurance schemes, etc. may be fixed having regard to the repaying capacity of the borrower subject to a maximum of 15 years, depending upon the type of investment as well as the economic (useful) life of the new asset financed, except in cases where loans relate to land shaping, silt removal, soil conservation etc. Thus, in the case of loans for agricultural machineries, viz. pump-sets and tractors, it should be ensured that the total loan period does not generally exceed 9 years from the date of advance.



16. Apart from rescheduling existing term loans, banks will provide to affected farmers diverse type of term loans for developmental purposes, such as:
  - (1) **Minor Irrigation:** Term loans for repairs to wells, pump-sets, etc. which are to be quantified after assessing the extent of damage and estimated cost of repairs.
  - (2) **Bullocks:** Where the drought animals have been washed away, requests for fresh loans for a new pair of bullocks / he-buffaloes may be considered. Where loans are given for purchase of new cattle or where farmers have bought milch cattle, reasonable credit may be given for purchase of fodder or feed.
  - (3) **Milch Cattle:** Term loan for milch cattle will be considered depending upon breed, milk yield, etc., the loan amount will include repairs to shelters, purchase of equipment and feed.
  - (4) **Insurance:** Considering the proneness of areas to cyclones and other natural calamities, the cattle should be insured instead of Risk-cum-Mortality Fund established for similar purpose in other safe areas. Milch animals / draught cattle should be branded for identification as also to serve as safeguard against their re-sale by the beneficiaries.
  - (5) **Poultry and Piggery:** For poultry, piggery and rearing of goats, loans will be considered as per norms of different banks.
  - (6) **Fisheries:** In the case of borrowers who have lost their boats, nets and other equipment, re-phasing of payment of existing dues may be allowed on merits. Fresh loans may be granted to them with loan maturity of 3/4 years. Loans for repairs to boats of the existing borrowers may also be considered. In cases where subsidy is available, the quantum of loan should be reduced to that extent. In States where substantial subsidy towards cost of boats, nets, etc. is likely to be available, proper co-ordination with the State Government Department concerned in this regard must be ensured. Apart from complying with other norms and conditions for grant of advances,



assistance may be sought from the Department of Fisheries, which may be expected to take measures which would enable banks to proceed with financing for this purpose. The boats should be comprehensively insured against all risks including natural calamities as far as possible.

## 17. Land Reclamation

- (1) It is likely that financial assistance will be required for reclamation of lands covered by sand casting. Normally, sand / silt deposits upto 3 inches will either be ploughed back into the soil or removed by the farmers without any need for financial assistance. Loan applications will, however, be considered in cases where immediate cultivation is possible and reclamation (removal of sand) is necessary. Wherever reclamation finance for saline lands is warranted, the cost of reclamation not exceeding 25 per cent of the scale allowed for crop loan may be advanced along with the crop loan.
- (2) For other activates like Sericulture, Horticulture, Floriculture, Betel vine growing etc., banks will advance loans for investment and working capital under their existing schemes and follow usual procedures laid down by them. The working capital finance may be provided until such period the income from the plantation is adequate to take care of such expenditure.
- (3) However, additional need based crop loans, if necessary, would be given for revitalisation / rejuvenation of standing crop / orchards based on individual assessment.
- (4) The question relating to procurement and proper arrangement for supply of adequate quantity of seeds and various types of fertilisers will have to be discussed with the State Government and District Administration in each district. Similarly, for the purpose of ensuring adequate irrigation facilities, the State Government will undertake repairs to Government owned shallow and deep tube-wells and River Lift Irrigation System damaged by floods and other natural calamities. As for fisheries, the fisheries department of the



State Government will make arrangement to obtain fingerlings / and supply them to those who wish to revive tank fishing with bankfinance.

(5) The State Government will have to consider preparation of schemes which would enable banks to obtain refinance at National Bank for Agriculture and Rural Development (NABARD) rates for amounts advanced by banks for the said purpose.

18. Artisans and Self-Employed

(1) For all categories of rural artisans and self employed persons including handloom weavers, loans will be needed for repairs of sheds, replacement of implements and purchase of raw materials and stores. In sanctioning the loan, due allowance will be made for subsidy / assistance available from the State Government concerned.

(2) There may be many artisans, traders and self-employed who may not have any banking arrangement or facility with any bank, but will now need financial assistance for rehabilitation. Such categories will be eligible for assistance from UCBs' branches in whose command areas they reside or carry on their profession / business. Where such a person / party falls under the command area of more than one bank, the banks concerned will meet together and sort out his problem.

19. Small Scale and Tiny Units

(1) Rehabilitation of units under village and cottage industry sector, small scale industrial units as also smaller of the medium industrial sector damaged, will also need attention. Term loans for repairs to and renovation of factory buildings / sheds and machinery as also for replacement of damaged parts and working capital for purchase of raw materials and stores will need to be provided urgently.

(2) Where the raw materials or finished goods have been washed away or ruined or damaged, bank's security for working capital will naturally be



eroded and the working capital account (Cash Credit or Loan) will be out of order. In such cases, banks will convert drawings in excess of the value of security into a term loan and also provide further working capital to the borrower.

- (3) Depending on the damage suffered and time needed for rehabilitation and restarting production and sales, term loan instalments will have to be suitably rescheduled keeping in view the income generating capacity of the unit. Shortfall in margins will have to be condoned or even waived and borrower should be allowed time to build up margin gradually from his future cash generation. Wherever State Government or any agency has formulated special scheme for providing grants / subsidy / seed money, suitable margin may be stipulated to the extent of such grants / subsidy / seed money.
- (4) The primary consideration before the banks in extending credit to a small / tiny unit for its rehabilitation should be the viability of the venture after the rehabilitation programme is implemented.

## 20. Terms and Conditions

- (1) The terms and conditions governing relief loans will be flexible as to security, margin, etc. In the case of small loans covered by guarantee of Deposit Insurance and Credit Guarantee Corporation, personal guarantees will not be insisted upon. In any case, credit should not be denied for want of personal guarantees.

## 21. Security

- (1) Where the bank's existing security has been eroded because of damage or destruction by floods, assistance will not be denied merely for want of additional fresh security. The fresh loan may be granted even if the value of security (existing as well as the asset to be acquired from the new loan) is less than the loan amount. For fresh loans sympathetic view will have to be taken:



- (i) Where the crop loan (which has been converted into term loan) was earlier given against personal security / hypothecation of crop which would be the case for crop loans upto ₹5,000/- and the borrower is not able to offer charge / mortgage of land as security for the converted loan, he should not be denied conversion facility merely on the ground of his inability to furnish land as security.
- (ii) If the borrower has already taken a term loan against mortgage / charge on land, the bank should be content with a second charge for the converted term loan.
- (iii) banks should not insist on third party guarantees for providing conversion facilities.
- (iv) In the case of term loans for replacement of equipment, repairs, etc. and for working capital finance to artisans and self-employed persons or for crop loans, usual security may be obtained. Where land is taken as security in the absence of original Title Records, a Certificate issued by the Revenue Department Officials may be accepted for financing farmers who have lost proof of their titles i.e., in the form of deeds, as also the registration certificates issued to registered share-croppers.
- (v) As per the recommendations of the Reserve Bank of India's report on Customer Service, banks will finance the borrowers who require loans upto ₹500/- without insisting either on collateral security or guarantee for any type of economic activity.

## 22. Margin

- (1) Margin requirements be waived or the grants / subsidy given by the concerned State Government may be considered as margin.

## 23. Interest



- (1) The rates of interest will be in accordance with the directives of the Reserve Bank of India. Within the areas of their discretion, however, banks are expected to take a sympathetic view of the difficulties of the borrowers and extend a concessional treatment to calamity-affected people.
- (2) Those meeting the eligibility criteria under the scheme of Differential Rate of Interest should be provided credit in accordance with the provision of the scheme.
- (3) In respect of current dues in default, no penalty will be charged. The banks should also suitably defer the compounding of interest charges.

#### 24. Other Issues

- (1) **Business Continuity Planning (BCP):** In the backdrop of increased leveraging of technology in banking system, BCP has become a key prerequisite for minimizing business disruption and system failures. As a BCP strategy, banks may identify alternate branches for branches located in areas prone to natural calamities. banks may therefore formulate full-fledged comprehensive BCP along with Disaster-Recovery (DR) arrangements. The banks may also focus on keeping the DR site current, to test them comprehensively and synchronize the data between the primary and secondary sites.

#### (2) **Access to Customers to their Bank Accounts**

- (i) In areas where the bankbranches are affected by natural calamity and are unable to function normally, banks may operate from temporary premises, under advice to the Reserve Bank. For continuing the temporary premises beyond 30 days, specific approval may be obtained from the Regional Office (RO) concerned of the Reserve Bank. banks may also ensure rendering of banking services to the affected areas by setting up satellite offices, extension counters or mobile banking facilities under intimation to RO of the Reserve Bank.



- (ii) To satisfy customer's immediate cash requirements, banks could consider waiving the penalties related to accessing accounts such as fixed deposits
- (iii) Restoration of the functioning of ATMs at the earliest or making alternate arrangements for providing such facilities may be given due importance. banks may consider putting in place arrangements for allowing their customers to access other ATM networks, Mobile ATMs, etc.

(3) **Currency Management:** banks / branches affected by natural calamity, if required, may contact other banks maintaining its current accounts or the currency chest branch to which it is linked in order to ensure that supply of currency is maintained to its customers.

(4) **KYC Norms:** To facilitate opening of new accounts by persons affected by natural calamities especially for availing various relief's given by Government / other agencies, banks may open accounts with:

- (i) introduction from another account holder who has undergone full KYC procedure, or
- (ii) documents of identity such as Voter's Identity Card or a driving license, identity card issued by an office, company, school, college, etc. along with a document indicating the address such as Electricity Bill, Ration Card etc. or
- (iii) introduction by two neighbours who have the documents as indicated in sub-paragraph (ii) above or
- (iv) in the absence of the above, any other evidence to the satisfaction of the bank.
- (v) The above instructions will be applicable to cases where the balance in the account does not exceed ₹50,000/- or the amount of relief



granted (if higher) and the total credit in the account does not exceed ₹1,00,000/- or the amount of relief granted, (if higher) in a year.

(5) **Clearing and Settlement Systems:** To ensure continuity in clearing service, Reserve Bank of India has advised the banks for 'on-city back-up centres' in 20 large cities and effective low-cost settlement solution for the remaining cities. The banks in a clearing area could meet with a view to providing flexible clearing services where normal clearing services are disrupted. However, notwithstanding these arrangements, banks may also consider discounting cheques for higher amounts to meet customers' requirement of funds. banks could also consider waiver fees for EFT, ECS or mail services so as to facilitate inward transfer of funds to accounts of persons affected by a natural calamity

25. Applicability of the Guidelines in the case of Trade and Industry

(1) Instructions on moratorium, maximum repayment period, additional collateral for restructured loans and asset classification in respect of fresh finance will be applicable to all affected restructured borrowing accounts, including accounts of industries and trade, besides agriculture

26. Applicability of the Guidelines in the case of Riots and Disturbances

(1) Whenever Reserve Bank of India advises the banks to extend rehabilitation assistance to the riot / disturbance affected persons, the aforesaid guidelines may broadly be followed by banks for the purpose. It should, however, be ensured that only genuine persons, duly identified by the State Government agencies as having been affected by the riots, etc., are extended rehabilitation / assistance.

(2) With a view to ensuring quick relief to the affected persons, the District Collector, on occurrence of the riot / disturbances, may ask the Lead Bank Officer to convene a meeting of the DCC, if necessary, and submit a report to the DCC on the extent of damage caused to the life and property in the area affected by riots / disturbances. If the DCC is satisfied that there has



been extensive loss to life and property, the relief, as per aforesaid guidelines, may be extended to the people affected by riots / disturbances. In certain centres where there are no DCCs, the District Collector may request the Convener SLBC of the State to convene a meeting of the bankers to consider extension of relief to the affected persons. The report submitted by the Collector and the decision thereon of DCC / SLBC may be recorded and should form a part of the minutes of the meeting. A copy of the proceedings of the meeting may be forwarded to the concerned Regional Office of the Reserve Bank.

- (3) It should be ensured that only genuine persons duly identified by the State Administration, as having been affected by the riots / disturbances are provided the assistance.



## Annex II

### Model Operating Procedure (Government Debt Relief Schemes)

#### Coverage and Meaning

1. For the purpose of the Model Operating Procedure (MOP), Debt Relief Schemes (DRS) refer to Schemes notified by the State Governments that entail funding by the fiscal authorities to cover debt obligations of a targeted segment of borrowers that the regulated entities are required to sacrifice / waive.
2. Announcement / notification of any such DRS should include the specific stress or distress situation necessitating announcement of such support. Given the broader implications of such DRS for the credit culture, while broad based relief measures can be addressed through pure fiscal support in the form of Direct Benefit Transfer (DBT), DRS should be considered only as a measure of last resort when other measures to alleviate financial stress have failed.

#### Pre-Notification Consultation

3. Before announcing any DRS, Governments may engage with the State Level Bankers' Committee (SLBC)/ District level Consultative Committee (DCC) to evolve a coordinated action plan for conceptualisation, design, and implementation of the DRS. The schemes should, cover critical aspects of the scheme like identification of borrowers, impact assessment, implementation timelines, resolution of issues concerning settlement of dues by Government to the lending institutions, etc.
4. The design features should ensure that the DRS do not impact the financial stability aspects of the region / State or create moral hazards in the borrower segments. Conformance to relevant regulatory guidelines on loan settlement, reporting to credit information companies etc. should also be taken into account.

#### Funding of Scheme

5. Detailed budgetary provisions / funding may be provided upfront towards any proposed DRS to fully cover the required settlement amounts. Where regulated entities have dues from the Government, pertaining to earlier DRS schemes, new schemes should be announced only on a fully pre-funded basis.



## Design of Scheme

6. The DRS should be targeted only at the impacted borrowers and should not contain any restrictive covenant against timely repayments. Further, it should specify the criteria for determining eligible borrowers on an objective basis, detailed timeline of critical / material events, including cut-off dates for filing/ submission, acknowledgement, approval and settlement of claims along with compensation clauses for delays in settling the funds, on part of the Government.
7. The DRS should cover the entire outstanding dues of the borrowers being covered, including principal and accumulated interest till the date of receipt of funds by the regulated entities from the Government.
8. The DRS should not require the creation of a receivable in the books of the regulated entity against the Government. The exposure of regulated entities to the borrower shall continue and shall be reduced to the extent of funds received from the Government.
9. The entire implementation of the Scheme and settlement of claims by the Governments to the regulated entities, should generally be completed within 45 to 60 days.
10. The DRS should not contain any provision contrary to any regulatory instruction issued by the Reserve Bank / NABARD.
11. The design of the DRS should not contain any provision that casts any obligations on the regulated entities, directly or indirectly, to:
  - a. waive/ sacrifice a part or whole of its dues from the borrower;
  - b. extend fresh credit to borrowers whose debt has been waived;
  - c. make any commitments in anticipation of future budgetary support;
  - d. stop pursuing legal avenues available to them, for recovery of dues from the borrower, pending receipt of funds from the Government.

However, if the regulated entities agree to any of the above at the time of design of DRS or subsequently, as per their Board-approved policies, it shall be subject to the applicable prudential guidelines.