

Reserve Bank of India (RBI) instructions on ‘Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 12th November, 2021.

RBI vide circular dated 12th Nov 2021 (Ref RBI/2021-2022/125 DOR .STR. REC. 68/21.04.048/2021-22 provided clarifications and instructions with a view to ensure uniformity in implementation of Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP norms) on certain aspects referred in the Master Circular dated 1st October 2021 In this context, please take a note of following:

Dues: Dues means the principal /interest/any charges levied on the loan account which are payable within the period stipulated as per terms of sanction of the loan.

Overdue: Overdue means the principal/interest/any charges levied on the loan account which are payable but have not been paid within the period stipulated as per the terms of sanction of the loan. In other words, any amount due to the NBFC/HFC under any loan is 'overdue' if it is not paid on the due date fixed by the NBFC/HFC.

Special Mention Account (SMA) and Non-Performing Asset (NPA): The classification of borrower accounts as SMA as well as NPA shall be done as part of the **day-end process** for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day-end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

Non-Performing Asset (NPA): The Loan Account shall be classified as Non-Performing Asset (NPA) where interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a loan.

The basis for the classification of SMA categories shall be as follows:

SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA – 0	Up to 30 days
SMA – 1	More than 30 days and up to 60 days
SMA – 2	More than 60 days and up to 90 days

Accordingly, the date of SMA/NPA shall reflect the asset classification status of the loan account, at the day end of that calendar date. An illustration of such classification is as follows:

Examples of SMA/NPA classification dates:

SMA 0 - If due date of a loan account is 31st March, 2021, and full dues are not received on this date, the account shall be SMA 0 on day end of 31st March, 2021.

- **SMA 1** - If the account continues to remain overdue, then this account shall get tagged as SMA-1 upon completion of 30 days of being continuously overdue i.e. 30th April, 2021.
- **SMA 2** - If the account continues to remain overdue, it shall get tagged as SMA-2 on 30th May, 2021

NPA – If the account continues to remain overdue further, it shall get classified as NPA on 29th June, 2021

Upgradation of accounts: Loan accounts classified as NPAs may be upgraded as ‘standard’ assets only if entire arrears of interest and principal loan are paid by the Borrower.

Sample of an account classification into SMA category and subsequently to NPA category based on delays/non-payment of dues and subsequent upgradation to Standard category (at day end process):

Payment Due Date	Date of Payment	Payment Details	Period	SMA/NPA Tag	Status Date	Tagging	NPA Date
01.01.20XX	01.01.20XX	Entire dues upto 01.01.20XX	0	NIL	NA	NA	NA
01.02.20XX	01.02.20XX	Partly paid dues of 01.02.20XX	1	SMA-0	01.02.20XX	NA	NA
01.02.20XX	02.02.20XX	Partly paid dues of 01.02.20XX	2	SMA-0	01.02.20XX	NA	NA
01.03.20XX		Dues of 01.02.20XX not fully paid 01.03.20XX is also due at EOD 01.03.20XX	29	SMA-0	01.02.20XX	NA	NA
		Dues of 01.02.20XX fully paid, Due for 01.03.20XX not paid at EOD 01.03.20XX	1	SMA-0	01.03.20XX	NA	NA
		No payment of full dues of 01.02.20XX and 01.03.20XX at EOD 03.03.20XX	31	SMA-1	01.02.20XX / 03.03.20XX	NA	NA
		Dues of 01.02.20XX fully paid, Due for 01.03.20XX not fully paid at EOD 01.03.20XX	1	SMA-0	01.03.20XX	NA	NA
01.04.20XX		No payment of dues of 01.02.20XX ,01.03.20XX and amount due on 01.4.20XX at EOD 01.04.20XX	60	SMA 1	01.02.20XX / 3.03.20XX	NA	NA
		No payment of dues of 01.02.20XX till 01.04.22 at EOD 02.04.20XX	61	SMA 2	01.02.20XX / 02.04.20XX	NA	NA
01.05.20XX		No payment of dues of 01.02.20XX till 01.05.22 at EOD 01.05.20XX	90	SMA 2	01.02.20XX / 02.04.20XX	NA	NA
		No payment of dues of 01.02.20XX till 01.05.20XX at EOD 02.05.20XX	91	NPA	NA	NPA	02.05.20XX
01.06.20XX	01.06.20XX	Fully Paid dues of 01.02.20XX at EOD 01.06.20XX	93	NPA	NA	NPA	02.05.20XX
01.07.20XX	01.07.20XX	Paid entire dues of 01.03.20XX & 01.04.20XX at EOD	62	NPA	NA	NPA	02.05.20XX

		01.07.20XX					
01.08.20XX	01.08.20XX	Paid entire dues of 01.05.20XX & 01.06.20XX at EOD 01.08.20XX	32	NPA	NA	NPA	02.05.20XX
01.09.20XX	01.09.20XX	Paid entire dues of 01.07.20XX & 01.08.20XX at EOD 01.09.20XX	1	NPA	NA	NPA	02.05.20XX
01.10.20XX	01.10.20XX	Paid entire dues of 01.09.20XX & 01.10.20XX	0	Standard Account with No Overdues	NA	NA	STD from 01.10.20XX