



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

RBI/2025-26/18

DOR.CRE.REC.No.13/07.10.002/2025-26

April 01, 2025

All Primary (Urban) Co-operative Banks

Dear Sir/ Madam,

**Master Circular - Management of Advances - UCBs**

Please refer to the [Master Circular DOR.CRE.REC.No.27/07.10.002/2023-24 dated July 25, 2023](#) on the captioned subject, consolidating the instructions / guidelines issued to UCBs till July 24, 2023. Attached is the revised [Master Circular](#), updated to reflect all instructions issued upto March 31, 2025 on the above matter, as listed in the [Appendix](#). It may be noted that this Master Circular only consolidates all instructions on the above matter issued up to March 31, 2025 and does not contain any new instructions/guidelines.

Yours faithfully

(Vaibhav Chaturvedi)  
Chief General Manager

Encl.: as above

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

## Master Circular on Management of Advances – UCBs

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## **1. Introduction**

Primary (Urban) Cooperative Banks (UCBs) are expected to lay down, with the approval of their boards, transparent policies and guidelines for credit dispensation, in respect of each broad category of economic activity, keeping in view the credit exposure norms and various other guidelines issued by the Reserve Bank of India from time to time.

In order to ensure that the loan policy of the UCB reflects approved internal risk appetite and remains in alignment with the extant regulations, it shall be reviewed by the Board at least once in a financial year.

## **2. Working Capital Requirements**

2.1 The assessment of working capital requirement of borrowers, other than micro and small enterprises, requiring fund based working capital limits up to ₹1 crore and micro and small enterprises requiring fund based working capital limits up to ₹5 crore from the banking system may be made on the basis of their projected annual turnover.

2.2 In accordance with these guidelines, the working capital requirement is to be assessed at 25% of the projected turnover to be shared between the borrower and the UCB, viz. borrower contributing 5% of the turnover as Net Working Capital (NWC) and UCB providing finance at a minimum of 20% of the turnover. Projected turnover may be interpreted as 'Gross Sales' including excise duty.

2.3 The UCBs may, at their discretion, carry out the assessment based on projected turnover basis or the traditional method. If the credit requirement based on traditional production / processing cycle is higher than the one assessed on projected turnover basis, the same may be sanctioned, as borrower must be financed up to the extent of minimum 20% of their projected annual turnover. The projected annual turnover would be estimated on the basis of annual statements of accounts or other documents such as returns filed with sales-tax / revenue authorities. Actual drawals may be allowed on the basis of drawing power to be determined by UCBs after excluding unpaid stocks.

2.4 Drawals against the limits should be allowed against the usual safeguards including drawing power and it is to be ensured that the same are used for the purpose intended. UCBs will have to ensure regular and timely submission of monthly statements of stocks, receivables, etc., by the borrowers and also periodical verification of such statements *vis-à-vis* physical stocks by their officials.

2.5 In respect of borrowers other than micro and small enterprises, requiring working capital limits above ₹1 crore and for micro and small enterprises/units requiring fund based working capital limits above ₹5 crore, UCBs may determine the working capital requirements according to their perception of the credit needs of borrowers. UCBs may adopt turnover method or cash budgeting method or any other method as considered necessary. However, UCBs may ensure that the book-debt finance does not exceed 75% of the limits sanctioned to borrowers for financing inland credit sales. The remaining 25% of the credit sales may be financed through bills to ensure greater use of bills for financing sales.

### **3. Loan System for Delivery of Bank Credit**

3.1 In the case of borrowers enjoying working capital credit limits of ₹10 crore and above from the banking system, the loan component should normally be 80% and the remaining Cash Credit component. UCBs have been given freedom to change the composition of working capital by increasing the cash credit component beyond 20% or increase the loan component beyond 80%, as the case may be, if they so desire. UCBs are expected to appropriately price each of the two components of working capital finance, taking into account the impact of such decisions on their cash and liquidity management.

3.2 In the case of borrowers with working capital (fund based) credit limit of less than ₹10 crore, UCBs may persuade them to go in for the Loan System by offering an incentive in the form of lower rate of interest on the 'loan component' as compared to the 'cash credit component'. The actual percentage of 'loan component' in these cases may be settled by the UCB with its borrower clients.

#### **3.3 Ad hoc Credit Limit**

The release of ad hoc / additional credit for meeting temporary requirements may be considered by the financing UCB only after the borrower has fully utilised / exhausted the existing limit. As certain concerns were observed with regard to practices followed by banks in this regard, it has been reiterated vide [circular DoS.CO.PPG.BC.1/11.01.005/2020-21 dated August 21, 2020](#), that UCBs are expected to have a detailed Board approved policy on methodology and periodicity for review/renewal of credit facilities within the overall regulatory guidelines and adhere to the same strictly. Further, timely and comprehensive review/renewal of credit facilities should be an integral part of the Board approved loan policy and credit risk management framework, and UCBs should avoid frequent and repeated ad-hoc / short review/renewal of credit facilities without justifiable reasons. UCBs are also advised to capture all the data relating to regular as well as ad-hoc/short review/renewal of credit facilities in their core banking systems/management information systems and make the same available for scrutiny as and when required by any audit or inspection by Auditors/RBI. Moreover, the processes governing review/renewal of credit facilities should be brought under the scope of concurrent/internal audit/internal control mechanism of UCBs with immediate effect.

#### **3.4 Sharing of Working Capital Finance**

In respect of consortium lending, the level of individual bank's share in Cash Credit and Loan Component shall be governed by the norm for single / group borrowers' credit exposure.

#### **3.5 Rate of Interest**

UCBs are allowed to fix separate lending rates for 'loan component' and 'cash credit component'.

#### **3.6 Period of Loan**

The minimum period of the loan for working capital purposes may be fixed by UCBs in consultation with borrowers. UCBs may decide to split the loan component according to the need of the borrower with different maturity bases for each segment and allow roll over.

### **3.7 Export Credit**

In respect of borrowers enjoying export credit limit, the bifurcation of the working capital limit into loan and cash credit components, would be effected after excluding the export credit limits (pre-shipment and post-shipment).

### **3.8 Bills Limit**

3.8.1 Bills limit for inland sales may be fully carved out of the 'loan component'. Bills limit also includes limits for purchase of third party (outstation) cheques / bank drafts. UCBs must satisfy themselves that the bills limit is not mis-utilised.

3.8.2 UCBs may lay down policy guidelines for periodic review of the working capital limit and the same may be scrupulously adhered to.

## **4. Credit Administration**

### **4.1 Rate of Interest**

4.1.1 UCBs are permitted to determine their lending rates taking into account their cost of funds, transaction costs etc. with the approval of their Board. However, UCBs are advised to ensure that the interest rates charged by them are transparent and known to all customers. UCBs are also required to publish the minimum and maximum interest rates charged on advances and display the information in every branch. Though interest rates have been deregulated, rates of interest beyond a certain level may be seen to be usurious and can neither be sustainable nor be conforming to normal banking practice. Boards of UCBs have to lay down appropriate internal principles and procedures in this regard. In laying down such principles and procedures in respect of small value loans, particularly, personal loans and such other loans of similar nature, UCBs may take into account, *inter-alia*, the following broad guidelines:

- (i) An appropriate prior-approval process should be prescribed for sanctioning such loans, which should take into account, among others, the cash flows of the prospective borrower.
- (ii) Interest rates charged by UCBs, *inter-alia*, should incorporate risk premium as considered reasonable and justified having regard to the internal rating of the borrower. Further, in considering the question of risk, the presence or absence of security and the value thereof should be taken into account.
- (iii) The total cost to the borrower, including interest and all other charges levied on a loan, should be justifiable having regard to the total cost incurred by the UCB in extending the loan, which is sought to be defrayed and the extent of return that could be reasonably expected from the transaction.
- (iv) UCBs should ensure that the total interest debited to an account should not exceed the principal amount in respect of short term advances granted to small and marginal farmers. The small and marginal farmers for the purpose shall include those with land holding of 5 acres and less.
- (v) An appropriate ceiling may be fixed on the interest, including processing and other charges that could be levied on such loans, which may be suitably publicised.
- (vi) Foreclosure Charges / Prepayment Penalty - UCBs are not permitted to charge foreclosure charges / prepayment penalties on all floating rate term loans sanctioned to individual borrowers.
- (vii) UCBs shall comply with the instructions contained in the [circular on 'Key Facts Statement](#)

[\(KFS\) for Loans & Advances' dated April 15, 2024](#) (format of KFS as given in the circular is incorporated in [Annex-1](#)).

#### 4.1.2 Reset of floating interest rate on Equated Monthly Instalment (EMI) based personal loans

At the time of sanction of EMI based floating rate personal loans, UCBs are required to take into account the repayment capacity of borrowers to ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI, in the scenario of possible increase in the benchmark rate during the tenor of the loan. Further, UCBs are advised to put in place an appropriate policy framework for reset of floating interest rates on EMI based personal loans, complying with the requirements contained in the [circular DOR.MCS.REC.32/01.01.003/2023-24 dated August 18, 2023](#). A set of [frequently asked questions \(FAQs\)](#) providing clarifications related to implementation of the circular has been uploaded in the FAQs section of the RBI website.

#### 4.2 No Objection Certificate

UCBs should not finance a borrower already availing credit facility from another bank without obtaining a 'No Objection Certificate' from the existing financing bank.

#### 4.3 Opening of Current Accounts

4.3.1 Keeping in view the importance of credit discipline, at the time of opening of current accounts, UCBs should:

- (i) insist on a declaration from the account holder to the effect that he is not enjoying any credit facility with any other commercial bank or obtain a declaration giving particulars of credit facilities enjoyed by him with any other commercial bank/s.
- (ii) ascertain whether he / she is a member of any other co-operative society / bank; if so, the full details thereof such as name of the society / bank, number of shares held, details of credit facilities, such as nature, quantum, outstanding, due dates etc. should be obtained.

4.3.2 In case the borrower is already enjoying any credit facility from any other commercial / co-operative bank, the UCB opening a current account should duly inform the lending bank(s) concerned and also specifically insist on obtaining a "No Objection Certificate" from them. In case of a prospective customer who is a corporate or large borrower enjoying credit facilities from more than one bank, the banks may inform the consortium leader, if under consortium, and the banks concerned, if under multiple banking arrangement. In case a facility has been availed from a co-operative bank / society, it is essential for the UCB to comply with the requirements of the Co-operative Societies Act / Rules of the state concerned in regard to membership and borrowings.

4.3.3 UCBs may open current accounts of prospective customers in case no response is received from the existing bankers after a minimum waiting period of a fortnight. If a response is received within a fortnight, UCBs should assess the situation with reference to information provided on the prospective customer by the bank concerned and are not required to solicit a formal no objection, consistent with true freedom to the customer of banks as well as needed due diligence on the customer by the bank.

#### 4.4 Certification of Accounts of Non-Corporate Borrowers by Chartered Accountants

As per the Income Tax Act, 1961, filing of audited balance sheet and Profit & Loss Account is mandatory for certain types of non-corporate entities. Therefore, the UCBs must insist on the audited financial statements from the borrowers enjoying large limits; since such borrowers would, in any case, be submitting audit certificate to the income-tax authorities, based on audit of their books of accounts by a Chartered Accountant.

#### 4.5 Defaults in Payment of Statutory Dues by Borrowers

UCBs may ensure that borrowers enjoying credit facilities, pay the provident fund payments and similar other statutory dues promptly. The non-payment of statutory dues by the borrowers is one of the symptoms of incipient sickness of an industrial unit. Therefore, it is in the interest of both the lender and borrower to give high priority to the clearance of these dues. Apart from insisting on the borrowers to indicate a definite programme for clearance of arrears, UCBs may consider suitable restrictions on the outflow of funds. UCBs may incorporate an appropriate declaration in their application forms for grant / renewal / enhancement of credit facilities so as to ensure that the position regarding the statutory dues is disclosed therein. In respect of the corporate borrowers and non-corporate borrowers, the amount of statutory dues should normally be reflected in their audited annual accounts. In case audited accounts do not indicate the position clearly, a certificate may be obtained from the Chartered Accountant for this purpose.

#### 4.6 Sanction of Advances

##### 4.6.1 Irregularities / Deficiencies in Credit Sanction

UCBs should take suitable precautions to avoid irregular practices such as sanctioning advances beyond discretionary powers and / or without proper credit appraisal in order to minimise chances of frauds.

##### 4.6.2 Delegation of Powers

- (i) The Board of Directors should delegate specific powers to the Branch Managers and other functionaries at the Head Office level as also to the Chairman in the matter of sanction of advances and expenditure. A system should also be introduced to ensure that powers are exercised within the limits prescribed and any transgressions are immediately reported to Head Office.
- (ii) The internal inspectors should examine during the course of inspection of branches whether powers have been exercised properly and any unauthorised exercise of powers should immediately be brought to the notice of Head Office. Similarly, sanctions beyond discretionary powers by the Chairman, Chief Executive Officer and other executives at the Head Office should also be reported to the Board of Directors.

##### 4.6.3 Oral Sanction

The higher authorities at various levels should desist from the unhealthy practice of conveying sanction of advances orally or on telephone.

#### 4.6.4 Proper Record of Deviations

4.6.4.1 Only in exigencies, where sanctions are made on telephone / oral instructions of higher functionaries or sanctions beyond discretionary powers have to be resorted to, the following steps should be taken:

- (i) Record of such instructions / sanctions should be maintained by the sanctioning / disbursing authorities explaining the circumstances under which sanctions were made.
- (ii) Written confirmation of the competent sanctioning authority should be obtained by the disbursing authority / official within a week / fortnight.
- (iii) Sanctions within discretionary powers should also be reported to Head Office within a stipulated time and Head Office should meticulously follow up receipt of such returns.
- (iv) Head Office should diligently scrutinise the statements / returns and should initiate stringent action against erring functionary(s) if he is / they are / found to have indulged in unauthorised sanctioning.

4.6.4.2 Officials should exercise powers delegated to them judiciously and should not exceed their discretionary powers for granting loans and advances. Violations, if any, in this regard should be viewed seriously and the guilty should be punished suitably.

### 4.7 Monitoring Operations in Loan Accounts

#### 4.7.1 Post-Sanction Monitoring

4.7.1.1 It is the primary responsibility of UCBs to be vigilant and ensure proper end use of bank funds / monitor the funds flow. It is, therefore, necessary for UCBs to evolve such arrangements as may be considered necessary to ensure that drawals from cash credit / overdraft accounts are strictly for the purpose for which the credit limits are sanctioned by them.

4.7.1.2 Post sanction follow-up of loans and advances should be effective so as to ensure that the security obtained from borrowers by way of hypothecation, pledge, etc. are not tampered with in any manner and are adequate.

#### 4.7.1.3 Accounts showing sign of turning into NPAs

UCBs may put in place more stringent safeguards, especially where accounts show sign of turning into NPAs. In such cases UCBs may strengthen their monitoring system by resorting to more frequent inspections of borrowers' godowns, ensuring that sale proceeds are routed through the borrower's accounts maintained with the UCB and insisting on pledge of the stock in place of hypothecation.

4.7.1.4 Drawals against clearing cheques should be sanctioned only in respect of first class customers and even in such cases the extent of limits and the need therefore should be subjected to thorough scrutiny and periodic review. UCBs should not issue banker's cheques / pay orders / demand drafts against instruments presented for clearing, (unless the proceeds thereof are collected and credited to the account of the party) or to borrowers whose accounts are already overdrawn or likely to be overdrawn with the issue of such instruments.

4.7.1.5 Drawals against clearing instruments should be normally confined to bank drafts and Government cheques and only to a limited extent against third party cheques.

4.7.1.6 Cheques against which drawals are allowed, should represent genuine trade transactions and strict vigilance should be observed against assisting kite-flying operations.

#### 4.7.2 Responsibility

4.7.2.1 The primary responsibility for preventing misuse of funds rests with the management of UCBs. UCBs should, therefore, take appropriate steps to review and tighten their internal administration and control measures so as to eliminate the scope for misuse / diversion of funds and malpractices.

4.7.2.2 UCBs should take serious view of instances of misuse of power, corruption and other malpractices indulged by the members of staff and erring staff members should be given punishments befitting the seriousness of the irregularity. Quick disposal of enquiries by the banks and award of deterrent punishment would be necessary in all such cases.

#### 4.8 Annual Review of Advances

For an effective monitoring of the advances, it is imperative for the UCBs to undertake an exercise for review of the advances on a regular basis. Apart from the usual objective of such a review of assessing the quality of operation, safety of funds, etc. the review should specifically attempt to make an assessment of the working capital requirements of the borrower based on the latest data available, whether limits continue to be within the need-based requirements and according to the UCB's prescribed lending norms.

#### 4.9 Valuation of properties-empanelment of valuers

The issue of correct and realistic valuation of fixed assets owned by UCBs and that accepted by them as collateral for a sizable portion of their advances portfolio assumes significance in view of its implications for correct measurement of capital adequacy position of UCBs. UCBs are, therefore, advised to put in place a system / procedure for realistic valuation of fixed assets and also for empanelment of valuers for the purpose as per guidelines given at [Annex-2](#).

#### 4.10 Diversion of Funds

UCBs should have a mechanism for proper monitoring of the end use of funds. Wherever diversion is observed, they should take appropriate action including recalling the loans, reduction of sanctioned limits, imposing penal charges etc. to protect the UCB's interest. UCBs should keep a proper vigil over requests of their clients for cash withdrawals from their accounts for large amounts. Whenever stocks under hypothecation to cash credit and other loan accounts are found to have been sold but the proceeds thereof not credited to the loan account, such action should normally be treated as a fraud. In such cases, UCBs may take immediate steps to secure the remaining stock so as to prevent further erosion in the value of the available security as also other action as warranted.

4.11 Diversion of funds would be construed to include any one of the under-noted occurrences:

- (i) Utilisation of short-term working capital funds for long-term purposes not in conformity with the terms of sanctions;
- (ii) deploying borrowed funds for purposes / activities or creation of assets other than those for which the loan was sanctioned;

- (iii) transferring funds to the subsidiaries / group companies or other corporates by whatever modalities;
- (iv) routing of funds through any bank other than the lender bank or members of consortium without prior permission of the lender;
- (v) investment in other companies by way of acquiring equities / debt instruments without approval of lenders;
- (vi) shortfall in deployment of funds *vis-à-vis* the amounts disbursed / drawn, and the difference not being accounted for.

4.12 Siphoning of funds should be construed to have occurred if any funds borrowed are utilised for purposes unrelated to the operations of the borrower, to the detriment of the financial health of the entity or of the lender. The decision as to whether a particular instance amounts to siphoning of funds would have to be a judgement of the lenders based on objective facts and circumstances of the case.

#### 4.13 End-use of Funds

In cases of project financing, UCBs should seek to ensure end use of funds by, *inter alia*, obtaining certification from the Chartered Accountants for the purpose. In case of short-term corporate / clean loans, such an approach ought to be supplemented by 'due diligence' on the part of lenders themselves, and to the extent possible, such loans should be limited to only those borrowers whose integrity and reliability were above board. UCBs, therefore, should not depend entirely on the certificates issued by the Chartered Accountants but strengthen their internal controls and the credit risk management system to enhance the quality of their loan portfolio. Needless to say, ensuring end-use of funds by UCBs should form a part of their loan policy document for which appropriate measures should be put in place.

4.14 The following are the illustrative measures that could be taken by the lenders for monitoring and ensuring end-use of funds:

- (i) Meaningful scrutiny of quarterly progress reports / operating statements / balance sheets of the borrowers;
- (ii) Regular inspection of borrowers' assets charged to the lenders as security;
- (iii) Periodic scrutiny of borrowers' books of accounts and the no-lien accounts maintained with other banks;
- (iv) Periodic visits to the assisted units;
- (v) System of periodical stock audit, in case of working capital finance;
- (vi) Periodic comprehensive management audit of the 'Credit' function of the lenders, so as to identify the systemic weaknesses in the credit-administration.

#### 4.15 Penal charges

Reserve Bank has issued various guidelines to the Regulated Entities (REs) to ensure reasonableness and transparency in disclosure of penal interest. The intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest. UCBs shall comply with the following instructions for charging penal interest/charges on loans:

4.15.1 Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal

interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

4.15.2 UCBs shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.

4.15.3 UCBs shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.

4.15.4 The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

4.15.5 The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.

4.15.6 The quantum and reason for penal charges shall be clearly disclosed by UCBs to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS)<sup>1</sup> as applicable, in addition to being displayed on UCBs website under Interest rates and Service Charges.

4.15.7 Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

4.15.8 UCBs may carry out appropriate revisions in their policy framework and ensure implementation of the above instructions in respect of all the fresh loans availed from April 1, 2024 onwards. In the case of existing loans, the switchover to new penal charges regime shall be ensured on the next review/ renewal date falling on or after April 1, 2024, but not later than June 30, 2024.

4.15.9 In the case of loans to borrowers under priority sector, no penalty should be charged for loans up to ₹25,000.

4.15.10 A set of frequently asked questions (FAQs) providing clarifications related to implementation of the guidelines on penal charges has been uploaded in the FAQs section of the RBI website.

4.16 Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of personal loans.

With regard to release of movable/ immovable property documents upon receiving full repayment and closure of personal loan account, the UCBs shall comply with the instructions contained in circular DoR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023 on Responsible

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<sup>1</sup> UCBs shall be guided by RBI circular DOR.STR.REC.13/13.03.00/2024-25 dated April 15, 2024.

Lending Conduct – Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans.

## **5. Reporting / Exchange of Credit Information**

### **5.1 Credit Information Reporting**

UCBs shall be guided by [Master Direction – Reserve Bank of India \(Credit Information Reporting\) Directions, 2025 dated January 06, 2025](#), as amended from time to time.

### **5.2 Exchange of information - Lending under Consortium Arrangement / Multiple Banking Arrangements**

5.2.1 UCBs need to strengthen their information back-up about the borrowers enjoying credit facilities from multiple banks.

- (i) At the time of granting fresh facilities, UCBs may obtain declaration from the borrowers about the credit facilities already enjoyed by them from other banks. In the case of existing lenders, all the banks may seek a declaration from their existing borrowers availing sanctioned limits of ₹5 crore and above or wherever, it is in their knowledge that their borrowers are availing credit facilities from other banks, and introduce a system of exchange of information with other banks as indicated above.
- (ii) Subsequently, UCBs should exchange information about the conduct of the borrowers' accounts with other banks at least at quarterly intervals.
- (iii) Obtain regular certification by a professional, preferably a Company Secretary / Cost Accountant / Chartered Accountant regarding compliance of various statutory prescriptions that are in vogue.
- (iv) Make greater use of credit reports available from Credit Information Companies [Credit Information Bureau (India) Limited (CIBIL), Experian Credit Information Company of India Private Ltd., Equifax Credit Information Services Pvt. Ltd. and High Mark Credit Information Services Pvt. Ltd.].
- (v) The UCBs should incorporate suitable clauses in the loan agreements in future (at the time of next renewal in the case of existing facilities) regarding exchange of credit information so as to address confidentiality issues.

### **5.2.2 Setting up of Central Electronic Registry under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002**

Government of India has set up the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under the provisions of the SARFAESI Act, 2002, with the objective of preventing frauds in loans involving multiple lending from different banks on the same immovable property. UCBs, accordingly were advised vide [circular UBD.BPD.\(PCB\) Cir No. 27/13.04.002/2012-13 dated December 14, 2012](#) to voluntarily file with CERSAI, in their own interest, records of equitable mortgages created by them. Pursuant to this, Government issued a Gazette Notification dated January 22, 2016 for filing of the following types of security interest on the CERSAI portal:

- (i) Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage other than mortgage by deposit of title deeds.

- (ii) Particulars of creation, modification or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.
- (iii) Particulars of creation, modification or satisfaction of security interest in intangible assets, being know how, patent, copyright, trademark, licence, franchise or any other business or commercial right of similar nature.
- (iv) Particulars of creation, modification or satisfaction of security interest in any 'under construction' residential or commercial or a part thereof by an agreement or instrument other than mortgage.

In this regard, instructions on Filing of Security Interest relating to Immovable (other than equitable mortgage), Movable and Intangible Assets in CERSAI, issued vide [circular DBR.Leg.No.BC.15/09.08.020/2018-19 dated December 27, 2018](#) have been made applicable to UCBs. Accordingly, UCBs were advised to complete filing the charges pertaining to subsisting transactions with CERSAI by March 31, 2019. It has also been advised to file the charges relating to all current transactions with CERSAI on an ongoing basis

### 5.3 Treatment of Wilful Defaulters and Large Defaulters

UCBs shall be guided by [Master Direction on Treatment of Wilful Defaulters and Large Defaulters dated July 30, 2024](#), as amended from time to time.

## **6. Prudential Guidelines on Restructuring of Advances**

### 6.1 General Principles

The basic objective of restructuring is to preserve economic value of units and not evergreening of problem accounts. This can be achieved by UCBs and the borrowers by careful assessment of the viability, quick detection of weaknesses in accounts and a time-bound implementation of restructuring packages. The prudential guidelines will be applicable to all categories of debt restructuring other than those restructured on account of natural calamities, which will continue to be governed by the extant guidelines. The principles and prudential norms laid down are applicable to all advances, including borrowers who are eligible for special regulatory treatment for asset classification as detailed in the prudential guideline on restructuring of advances in [Master Circular - Income Recognition, Asset Classification, Provisioning and Other Related Matters – UCBs dated April 1, 2025](#), as amended from time to time. For the definition of Micro, Small and Medium Enterprises (MSME), UCBs shall be guided by [Master Directions - Reserve Bank of India \(Priority Sector Lending – Targets and Classification\) Directions, 2025 dated March 24, 2025](#), as amended from time to time.

### 6.2. Eligibility Criteria for Restructuring of Advances

6.2.1 UCBs may restructure the accounts classified under 'standard', 'sub-standard' and 'doubtful' categories.

6.2.2 UCBs cannot reschedule / restructure / renegotiate borrowing accounts with retrospective effect. While a restructuring proposal is under consideration, the usual asset classification norms would continue to apply. The process of re-classification of an asset should not stop merely because restructuring proposal is under consideration. 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. 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.

6.2.3 Normally, restructuring cannot take place unless alteration / changes in the original loan agreement are made with the formal consent / application of the debtor. However, the process of restructuring can be initiated by the UCB in deserving cases subject to customer agreeing to the terms and conditions.

6.2.4 No account will be taken up for restructuring by the UCBs unless the financial viability is established and there is a reasonable certainty of repayment from the borrower, as per the terms of restructuring package. The viability should be determined by the UCBs 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. Illustratively, the 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. The accounts not considered viable should not be restructured and UCBs should accelerate the recovery measures in respect of such accounts. Any restructuring done without looking into cash flows of the borrower and assessing the viability of the projects / activity financed by UCBs would be treated as an attempt at ever greening a weak credit facility and would invite supervisory concerns / action.

6.2.5 The borrowers indulging in frauds and malfeasance will continue to remain ineligible for restructuring.

### 6.3 Compromise settlements and technical write-offs

UCBs shall adhere to the instructions contained in the [circular DOR.STR.REC.20/21.04.048/2023-24 dated June 8, 2023](#) regarding framework for compromise settlements and technical write-offs.

## 7. Specific Lending Activities

### 7.1 Bridge Loans / Interim Finance

7.1.1 The grant of bridge loan / interim finance by UCBs to any company (including finance companies) is totally prohibited.

7.1.2 The ban on sanction of bridge loans / interim finance is also applicable in respect of Euro issues.

7.1.3 The UCBs should not circumvent these instructions by purport and / or intent by sanction of credit under a different nomenclature like unsecured negotiable notes, floating rate interest bonds, etc. as also short-term loans, the repayment of which is proposed / expected to be made out of funds to be or likely to be mobilised from external / other sources and not out of the surplus generated by the use of the asset(s).

### 7.2 Advances to Real Estate and Commercial Real Estate Sector

UCBs should frame comprehensive prudential norms relating to the ceiling on the total amount of real estate loans, single / aggregate exposure limit for such loans, margins, security, repayment schedule and availability of supplementary finance taking into account guidelines issued by Reserve Bank of India and the policy should be approved by the UCBs' Board. Exposure to builders and contractors for commercial real estate will include fund based and non-fund based exposures secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels etc). Further, while framing the policy, the UCBs may also consider for inclusion the National Building Code framed by Bureau of Indian Standards (BIS). For detailed information the website of Bureau of Indian Standards ([www.bis.gov.in](http://www.bis.gov.in)) can be accessed.

### 7.3 Financing of Leasing / Hire Purchase Companies

UCBs shall be guided by '[Master Circular - Exposure Norms and Statutory / Other Restrictions – UCBs' dated April 1, 2025](#)', as amended from time to time, regarding financing of Leasing / Hire Purchase Companies.

### 7.4 Working Capital Finance to Information Technology and Software Industry

7.4.1 In order to bring about uniformity in approach, Reserve Bank of India has formulated guidelines for information of UCBs, on various aspects of lending to information technology and software industry to facilitate free flow of credit. The same were enclosed to our circular UBD.No.DS.SUB.No.4/13.05.00/98-99 dated 5 October 1998, addressed to scheduled UCBs. UCBs are, however, free to modify the guidelines based on their own experience without reference to Reserve Bank of India to achieve the purpose of the guidelines in letter and spirit.

7.4.2 These guidelines have been framed based on the recommendations made by the study group appointed by Reserve Bank of India to study the modalities of credit extension to software industry as also taking into account the suggestions made by the industry associations.

7.4.3 UCBs may take adequate steps to develop expertise in this area by training staff in project appraisal in the area of activity. It has to be ensured that the staff concerned is well aware of the requirements of the industry and remain in tune with the latest developments so that the higher standards of project appraisal can be maintained before extending the working capital finance to Information Technology and software industries.

### 7.5 Advances against pledge of Gold / Silver Ornaments

7.5.1 In order to mitigate the inherent risks attached to sanction of loans and advances against gold / silver ornaments, UCBs are advised to observe the safeguards as detailed in [Annex-3](#).

#### 7.5.2 Bullet Repayment

7.5.2.1 With effect from October 30, 2014 the quantum of loans against gold ornaments that could be granted under the bullet repayment scheme with the approval of their bank's Board has been enhanced from ₹1 lakh to ₹2 lakh subject to the following guidelines:

- (i) The amount of loan sanctioned should not exceed ₹2 lakh at any point of time.

- (ii) The period of the loan shall not exceed 12 months from the date of sanction.
- (iii) Interest will be charged to the account at monthly rests but will become due for payment along with principal only at the end of 12 months from the date of sanction.
- (iv) UCBs should maintain a Loan to Value (LTV) ratio of 75% on the outstanding amount of loan including the interest on an ongoing basis, failing which the loan will be treated as Non Performing Asset (NPA).
- (v) Such loans shall be governed by the extant income recognition, asset classification and provisioning norms which shall be applicable once the principal and interest become overdue.

7.5.2.2 With a view to providing incentives to UCBs meeting PSL targets, with effect from October 6, 2023, the monetary ceiling of gold loans that can be granted under the bullet repayment scheme, has been increased from ₹2.00 lakh to ₹4.00 lakh for those UCBs who have met the overall PSL target and sub targets as on March 31, 2023 and continue to meet the targets and sub-targets as prescribed at para 7.2 of [Master Directions - Reserve Bank of India \(Priority Sector Lending – Targets and Classification\) Directions, 2025 dated March 24, 2025](#), as amended from time to time. All other provisions of the scheme remain unchanged.

7.5.3 Crop loans sanctioned against the collateral security of gold ornaments shall continue to be governed by the extant income recognition, asset classification and provisioning norms for such loans.

7.5.4 UCBs are not permitted to grant any advance for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) and units of gold Mutual Funds.

#### **7.6 Grant of Loans for Acquisition of / Investing in Small Savings Instruments including Kisan Vikas Patras (KVP)**

Grant of loans for acquiring / investing in KVPs does not promote fresh savings and, rather, channelise the existing savings in the form of bank deposits to small savings instruments and thereby defeat the very purpose of such schemes. UCBs may therefore ensure that no loans are sanctioned for acquisition of / investing in small savings instruments including KVPs.

#### **7.7 Lending to Public Sector Undertakings**

UCBs are advised, as a matter of principle, generally not to grant large value loans to Public Sector / Government Undertakings.

### **8. Discounting / Rediscounting of Bills by UCBs**

UCBs may adhere to the following guidelines while purchasing / discounting / negotiating / rediscounting of genuine commercial / trade bills:

8.1 Since UCBs have already been given freedom to decide their own guidelines for assessing / sanctioning working capital limits of borrowers, they may sanction working capital limit as also

bills limit to borrowers after proper appraisal of their credit needs and in accordance with the loan policy as approved by their Board of Directors.

8.2 UCBs should clearly lay down a bill discounting policy approved by their Board of Directors, which should be consistent with their policy of sanctioning of working capital limits. In this case, the procedure for Board approval should include banks' core operating process from the time the bills are tendered till these are realised. UCBs may review their core operating processes and simplify the procedure in respect of bills financing. In order to address the problem of delay in realisation of bills, UCBs may take advantage of improved computer / communication network like Structured Financial Messaging System (SFMS), wherever available, and adopt the system of 'value dating' of their clients' accounts.

8.3 UCBs should open letters of credit (LCs) and purchase / discount / negotiate bills under LCs only in respect of genuine commercial and trade transactions of their borrower constituents who have been sanctioned regular credit facilities by the banks. UCBs should not, therefore, extend fund based (including bills financing) or non-fund based facilities like opening of LCs, providing guarantees and acceptances to non-constituent borrower or / and non-constituent member of a consortium / multiple banking arrangement.

8.4 With effect from March 30, 2012, in case of bills drawn under LCs restricted to a particular UCB, and the beneficiary of the LC is not a borrower who has been granted regular credit facility by that UCB, the UCB concerned may, as per their discretion and based on their perception about the credit worthiness of the LC issuing bank, negotiate such LCs, subject to the condition that the proceeds will be remitted to the regular banker of the beneficiary of the LC. However, the prohibition regarding negotiation of unrestricted LCs for borrowers who have not been sanctioned regular credit facilities will continue to be in force.

8.5 UCBs negotiating bills as above, under restricted LCs, would have to adhere to the instructions of the Reserve Bank / RCS or CRCS regarding share linking to borrowing and provisions of Co-operative Societies Act on membership.

8.6 For the purpose of credit exposure, bills purchased / discounted / negotiated under LC (where the payment to the beneficiary is not made 'under reserve') will be treated as an exposure on the LC issuing bank and not on the borrower. All clean negotiations as indicated above will be assigned the risk weight as is normally applicable to inter-bank exposures, for capital adequacy purposes. In the case of negotiations 'under reserve' the exposure should be treated as on the borrower and risk weight assigned accordingly.

8.7 While purchasing / discounting / negotiating bills under LCs or otherwise, UCBs should establish genuineness of underlying transactions / documents.

8.8 UCBs should ensure that blank LC forms are kept in safe custody as in case of security items like blank cheques, demand drafts etc. and verified / balanced on daily basis. LC forms should be issued to customers under joint signatures of the bank's authorised officials.

8.9 The practice of drawing bills of exchange claused 'without recourse' and issuing letters of credit bearing the legend 'without recourse' should be discouraged because such notations deprive the negotiating bank of the right of recourse it has against the drawer under the Negotiable Instruments Act. UCBs should not, therefore, open LCs and purchase / discount / negotiate bills bearing the 'without recourse' clause.

8.10 Accommodation bills should not be purchased / discounted / negotiated by banks. The underlying trade transactions should be clearly identified, and a proper record thereof maintained at the branches conducting the bills business.

8.11 UCBs should be circumspect while discounting bills drawn by front finance companies set up by large industrial groups on other group companies.

8.12 Bills rediscounts should be restricted to usance bills held by other banks. UCBs should not rediscount bills earlier discounted by NBFCs except in respect of bills arising from sale of light commercial vehicles and two / three wheelers.

8.13 UCBs may exercise their commercial judgment in discounting of bills of services sector. However, while discounting such bills, UCBs should ensure that actual services are rendered, and accommodation bills are not discounted. Services sector bills should not be eligible for rediscounting. Further, providing finance against discounting of services sector bills may be treated as unsecured advance and therefore, should be within the limits prescribed by Reserve Bank of India for sanction of unsecured advances.

8.14 In order to promote payment discipline which would to a certain extent encourage acceptance of bills, all corporate and other constituent borrowers having turnover above threshold level as fixed by the bank's Board of Directors should be mandated to disclose 'aging schedule' of their overdue payables in their periodical returns submitted to banks.

8.15 Any violation of these instructions will be viewed seriously and invite penal action from Reserve Bank of India.

## **9. Loans to Self Help Groups (SHGs) / Joint Liability Groups (JLGs)**

UCBs may lend to SHGs and JLGs as per their Board approved policy framed in this regard, according to the guidelines prescribed below:

### **9.1 Lending Policy**

Lending to SHGs / JLGs would be considered as normal business activity of the UCB. UCBs will be required to frame, with the approval of their Board, a comprehensive policy on lending to SHGs / JLGs. This policy, including the maximum amount of loan, interest rate chargeable on loans etc. should form part of overall credit policy of the UCB.

### **9.2 Method of Lending**

UCBs may follow the method of lending directly to SHGs / JLGs. Lending through intermediaries will not be permitted.

### **9.3 Enrolment of SHG / JLG as Member**

9.3.1 SHGs are small groups, formal / informal, of individuals promoting savings habit among members. These savings are then lent by the group to the members for income generating purposes. On the other hand, JLG is an informal group of individuals coming together for the

purpose of availing of bank loan either singly or through the group mechanism against mutual guarantee in order to engage in similar type of economic activities.

9.3.2 The SHG would normally consist of 10 to 20 members whereas a JLG would normally have between 4 and 10 members. Membership matters are governed by the byelaws adopted by the UCB and provisions of respective State Co-operative Societies Acts or the Multi State Co-operative Societies Act, 2002. UCBs would, therefore, be required to be guided by the provisions contained in the respective Act and take prior approval of the RCS / CRCS, wherever required, while enrolling such members and granting loans to SHGs / JLGs. The byelaws of UCBs also need to provide for such lending.

#### 9.4 Share Linking Norms

The extant instructions on share linking to borrowing would apply for lending to SHGs / JLGs.

#### 9.5 Nature of Loan - Secured or Unsecured

The extant limits (individual and total) on grant of unsecured loans and advances will not apply to loans granted to SHGs. However, loans granted by UCBs to JLGs, to the extent not backed by tangible security, will be treated as unsecured and will be subject to the extant limits on unsecured loans and advances.

#### 9.6 Nature of Exposure

Individual or Group: Loans granted to SHGs / JLGs would be governed by the extant guidelines on individual exposure limits.

#### 9.7 Amount of Loan

The maximum amount of loan to SHGs should not exceed four times of the savings of the group. The limit may be exceeded in case of well managed SHGs subject to a ceiling of ten times of savings of the group. The groups may be rated on the basis of certain objective parameters such as proven track record, savings pattern, recovery rate, housekeeping etc. JLGs are not obliged to keep deposits with the UCB and hence the amount of loan granted to JLGs would be based on the credit needs of the JLG and the bank's assessment of the credit requirement.

#### 9.8 Margin and Security for the Loan

Margin / security requirement will be as per Board approved policy of the UCB concerned.

#### 9.9 Documentation

UCBs may prescribe simple documentation for loans to be granted to SHGs / JLGs keeping in view the purpose of the loan and the status of the borrower.

#### 9.10 Priority Sector

UCBs shall be guided by [Master Directions - Reserve Bank of India \(Priority Sector Lending – Targets and Classification\) Directions, 2025 dated March 24, 2025](#), as amended from time to time.

#### 9.11 Opening of Savings Bank Account

The SHGs / JLGs would be eligible to open Savings Bank account with UCBs.

#### 9.12 KYC Norms

UCBs shall be guided by para 43 of the [Master Direction - Know Your Customer \(KYC\) Direction, 2016 dated February 25, 2016](#), as amended from time to time.

### **10. Guidelines on Relief Measures to be Extended by Banks in Areas Affected by Natural Calamities**

10.1 UCBs are expected to provide relief and rehabilitation assistance, in their area of operation to people affected by natural calamities such as droughts, floods, cyclones, etc. The guidelines are given in [Annex- 4](#).

10.2 In order to avoid delay in taking relief measures on the occurrence of natural calamity, UCBs should evolve a suitable policy framework with the approval of the Board of Directors. An element of flexibility may be provided in the measures so as to synchronise the same with the measures which could be appropriate in a given situation.

10.3 UCBs should get the documentation settled as per revised guidelines in consultation with their legal departments, taking into account 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 guidelines.

[Vide Paragraph No. 4.1.1(vii)]

**Key Facts Statement****Part 1 (Interest rate and fees/charges)**

<b>1</b>	<b>Loan proposal/ account No.</b>			<b>Type of Loan</b>			
<b>2</b>	<b>Sanctioned Loan amount (in Rupees)</b>						
<b>3</b>	<b>Disbursal schedule</b> (i) Disbursement in stages or 100% upfront. (ii) If it is stage wise, mention the clause of loan agreement having relevant details						
<b>4</b>	<b>Loan term (year/months/days)</b>						
<b>5</b>	<b>Instalment details</b>						
Type of instalments		Number of EPIs	EPI (₹)	Commencement of repayment, post sanction			
<b>6</b>	<b>Interest rate (%) and type (fixed or floating or hybrid)</b>						
<b>7</b>	<b>Additional Information in case of Floating rate of interest</b>						
Reference Benchmark		Benchmark rate (%) (B)	Spread (%) (S)	Final rate (%) $R = (B) + (S)$	Reset periodicity <sup>2</sup> (Months)	Impact of change in the reference benchmark (for 25 bps change in 'R', change in: <sup>3</sup> )	
					B	S	EPI (₹)
<b>8</b>	<b>Fee/ Charges<sup>4</sup></b>						
			Payable to the RE (A)		Payable to a third party through RE (B)		
			One-time/ Recurring	Amount (in ₹) or Percentage (%) as applicable <sup>5</sup>	One-time/ Recurring	Amount (in ₹) or Percentage (%) as applicable <sup>5</sup>	
(i)	Processing fees						
(ii)	Insurance charges						
(iii)	Valuation fees						
(iv)	Any other (please specify)						
<b>9</b>	<b>Annual Percentage Rate (APR) (%)<sup>6</sup></b>						
<b>10</b>	<b>Details of Contingent Charges (in ₹ or %, as applicable)</b>						
(i)	Penal charges, if any, in case of delayed payment						

<sup>2</sup> Fixed reset, other than on account of changes in credit profile<sup>3</sup> Please refer [circular 'Reset of Floating Interest Rate on Equated Monthly Instalments \(EMI\) based Personal Loans' dated August 18, 2023](#).<sup>4</sup> REs may disclose the amount net of any taxes such as GST<sup>5</sup> Mention frequency, where recurring<sup>6</sup> Please refer to the illustration in Annex B

(ii)	Other penal charges, if any	
(iii)	Foreclosure charges, if applicable	
(iv)	Charges for switching of loans from floating to fixed rate and vice versa	
(v)	Any other charges (please specify)	

### **Part 2 (Other qualitative information)**

1	Clause of Loan agreement relating to engagement of recovery agents	
2	Clause of Loan agreement which details grievance redressal mechanism	
3	Phone number and email id of the nodal grievance redressal officer <sup>7</sup>	
4	Whether the loan is, or in future maybe, subject to transfer to other REs or securitisation (Yes/ No)	
5	In case of lending under collaborative lending arrangements (e.g., co-lending/ outsourcing), following additional details may be furnished:	
	Name of the originating RE, along with its funding proportion	Name of the partner RE along with its proportion of funding
6	In case of digital loans, following specific disclosures may be furnished:	
(i)	Cooling off/look-up period, in terms of RE's board approved policy, during which borrower shall not be charged any penalty on prepayment of loan	
(ii)	Details of LSP acting as recovery agent and authorized to approach the borrower	

<sup>7</sup> RE may furnish generic email id, provided a response is made within 1 working day

**Guidelines on Valuation of Properties –  
Empanelment of Valuers (Paragraph No. 4.9)**

UCBs may be guided by the following aspects while formulating a policy on valuation of properties and appointment of valuers:

**a) Policy for Valuation of Properties**

- i) UCBs should have a Board approved policy in place for valuation of properties including collaterals accepted for their exposures.
- ii) The valuation should be done by professionally qualified independent valuers i.e., the valuer should not have a direct or indirect interest.
- iii) The UCBs should obtain minimum two Independent Valuation Reports for properties valued at ₹50 crore or above.

The revaluation policy of fixed assets should, *inter alia*, cover procedure for identification of assets for revaluation, maintenance of separate set of records for such assets, the frequency of revaluation, depreciation policy for such assets, policy for sale of such revalued assets, etc. The policy should also cover the disclosure required to be made in the 'Notes on Account' regarding the details of revaluation such as the original cost of the fixed assets subject to revaluation and accounting treatment for appreciation / depreciation etc. As the revaluation should reflect the change in the fair value of the fixed asset, the frequency of revaluation should be determined based on the observed volatility in the prices of the assets in the past. Further, any change in the method of depreciation should reflect the change in the expected pattern of consumption of the future economic benefits of the assets. The banks should adhere to these principles meticulously while changing the frequency of revaluation / method of depreciation for a particular class of asset and should make proper disclosures in this regard.

**b) Policy for Empanelment of Independent Valuers**

- i) UCBs should have a procedure for empanelment of professional valuers and maintain a register of 'approved list of valuers'.
  - ii) UCBs may prescribe a minimum qualification for empanelment of valuers. Different qualifications may be prescribed for different classes of assets (e.g. land & building, plant & machinery, agricultural land, etc). While prescribing the qualification, UCBs may take into consideration the qualifications prescribed under the Companies (Registered Valuers and Valuation) Rules, 2017.
2. UCBs may also be guided by the relevant Accounting Standard issued by the Institute of Chartered Accountants of India.

**Safeguards to be observed Advances against Pledge of Gold / Silver Ornaments**  
(vide paragraph 7.5.1)

**i) Ownership of Ornaments**

It is advisable that the advances are made to persons properly introduced to the UCB. The UCB should satisfy itself about the ownership of the gold ornaments etc. before accepting them for pledge. The UCB should obtain a declaration from the borrower that the ornaments are his own property and that he has the fullest right to pledge them to the UCB. Taking of ornaments for pledge and release thereof to the parties concerned after repayment of the bank's dues should be done strictly in the authorised official's room to avoid any risk.

**ii) Appraiser**

The UCB should appoint an approved jeweller or shroff as an appraiser for valuation of the gold ornaments proposed to be pledged to the UCB and obtain adequate security from him in the form of cash and indemnity bond. Valuation and appraisal of the ornaments in the bank's premises itself would be ideal but when these are not possible, the UCB should take suitable precautions against their loss while in transit. The UCB should send the ornaments to the appraiser in a locked box, one key of which should be kept with the appraiser and the other with the UCB. The box should be sent through a responsible member of the staff along with the prospective borrower. The placing of ornaments in the box at both the ends should be done in the presence of the employee carrying the ornaments to the appraiser and the borrower. The UCB should take a suitable insurance cover for loss of the ornaments while in transit.

**iii) Valuation Report**

- a. The valuation certificate of the appraiser should clearly indicate the description of the ornaments, their fitness, gross weight of the ornaments, net weight of the gold content exclusive of stones, lac, alloy, strings, fastenings and the value of the gold at the prevailing market price. The valuation report should be duly signed by the appraiser and kept along with the loan documents by the UCB.
- b. In order to standardize the valuation and make it more transparent to the borrower, it has been decided that gold jewellery accepted as security/collateral will have to be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by the India Bullion and Jewellers Association Ltd. [Formerly known as the Bombay Bullion Association Ltd. (BBA)]. In terms of circular DCBR.BPD. (PCB/RCB). Cir. No. 3/13.05.001/2015-16 dated October 15, 2015, UCBs may also use the historical spot gold price data of the preceding 30 days publicly disseminated by a Commodity Exchange regulated by the Securities and Exchange Board of India. If the gold is of purity less than 22 carats, the UCB should translate the collateral into 22 carat and value the exact grams of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately

**iv) Record of Security**

The full name of the borrower, his residential address, date of advance, amount and description of the ornaments in detail should be recorded in the gold ornaments register which should be checked / initialled by the Manager.

**v) Custody of Ornaments**

The ornaments belonging to each borrower (or articles of each loan) together with a list indicating the description of ornaments, gold loan account number, name of party, etc. should be kept separately in small cloth bags. A tag indicating loan account number and name of the party should be tied to the bag to facilitate identification. The bags should be arranged in trays according to loan account numbers and kept in the strong room or fire proof safes under joint custody.

**vi) Period**

The period of advance against gold ornaments should be generally restricted to 6 months or 1 year.

**vii) Margin**

- a) As a prudential measure, Loan to Value (LTV) Ratio of not exceeding 75% is applicable for UCBs' lending against gold jewellery (including bullet repayment loans against pledge of gold jewellery). The UCB should collect interest on advances promptly. In no circumstances should it allow to water down the margin by debiting the interest accrued to the loan account.
- b) Hallmarking of gold jewellery ensures the quality of gold used in the jewellery as to caratage, fineness and purity. UCBs would find granting of advances against the security of such hallmarked jewellery safer and easier. Preferential treatment of hallmarked jewellery is likely to encourage practice of hallmarking which will be in the long-term interest of consumers, lenders and the industry. Therefore, UCBs while considering granting advances against jewellery may keep in view the advantages of hallmarked jewellery and decide on the margin and rates of interest thereon.

**viii) Return of Ornaments**

On repayment of the loan together with the interest payable in the account, the ornaments should be returned to the borrower and his receipt obtained in token of having received the ornaments.

**ix) Part Release**

While allowing part release of the ornaments against part repayment of the loan, care should be taken to ensure that the value of the left-over ornaments is sufficient to cover outstanding balance with the margin prescribed in the account.

**x) Delivery to Third Parties**

When the ornaments are delivered to third parties, a letter of authority from the borrower and subsequent confirmation of the borrower should be obtained. The letter of authority should contain an undertaking by the borrower, absolving the UCB of any responsibility in the event of dispute or loss arising from the delivery of the ornaments to the party named therein. The receipt of the third party should be obtained on the letter of authority as well as in the gold loan ledger.

**xi) Default**

When the borrower fails to repay the loan on the due date, a notice calling upon him to repay the loan within a specified time should be given and if no response is received, a reminder should be sent by registered post informing the borrower that the ornaments would be auctioned and after adjusting the sale proceeds against the outstanding dues to the UCB, the balance, if any, would be paid to the borrower against his receipt.

**xii) Re-pledge of Ornaments**

It is not advisable for UCBs to make advances against re-pledge of ornaments as this facility is likely to be misused for financing moneylenders, which is not a desirable activity.

**xiii) Insurance**

The jewels pledged to the UCB should be insured for the appraised value against the risk of burglary. If UCBs store the pledged jewels in fire-proof strong rooms, insuring them against fire may not be necessary. UCBs may take blanket insurance policy covering cash, jewels and other valuables and also covering all types of risks.

**xiv) Verification**

Surprise verification of the packets containing gold / silver ornaments by an officer other than the joint custodian be undertaken and should be recorded in a separate register with necessary details.

**Guidelines for Relief Measures by Banks in Areas Affected by Natural Calamities**

[Vide paragraph 10.1]

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 commercial banks and co-operative 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 urban cooperative 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 commercial 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 banks may take into consideration the assistance / subsidy received by him from the State Government and / or other agencies.
6. Regional / Zonal heads of UCBs 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**

The bank branches 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 12 below.

## **8. Coverage**

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**

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**

- i) 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.
- ii) 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% 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.
- iii) 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 / co-operative / bank dues, title of the applicant to land etc. is secured simultaneously.
- iv) 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:

- Block Development Officer
- Co-operative Inspector
- Revenue Authority / Village Revenue Assistant
- Bank official operating in the area
- PACS / LAMPS / FSS
- 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.

v) 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**

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**

12. 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**

a. 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.

b. 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, banks 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:

- c. 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.
- d. The above norms will be applicable to all direct agricultural advances as listed at Annex 1 of [Master Circular No. DOR.STR.REC.10/21.04.048/2025-26 dated April 1, 2025](#) on prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, as amended from time to time.
- e. 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.
- f. 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 circular UBD.BPD.No.30/09.09.001/05-06 dated March 9, 2006. Further, the guidelines applicable to sub-standard accounts, will apply, mutatis mutandis to doubtful accounts.
- g. 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**

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**

- i) 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.,
  - a) Droughts, floods or cyclones etc. where only crop for that year is damaged and productive assets are not damaged.
  - b) Floods or cyclones where the productive assets are partially or totally damaged and borrowers are in need of a new loan.
- ii) In regard to natural calamity under category (a), 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) -
  - a) 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.

- b) Those who are income tax payers.
  - c) 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.
  - d) Tractor owners, except in genuine case where there is loss of income and consequential impairment of their repaying capacity.
- iii) 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.
- iv) In regard to category (i)(b) 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:

**i) 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.

**ii) 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.

**iii) 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.

**iv) 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.

#### **v) Poultry and Piggery**

For poultry, piggery and rearing of goats, loans will be considered as per norms of different banks.

#### **vi) 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**

- i) 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% of the scale allowed for crop loan may be advanced along with the crop loan.
- ii) 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.
- iii). However, additional need based crop loans, if necessary, would be given for revitalisation / rejuvenation of standing crop / orchards based on individual assessment.
- iv) 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 bank finance.
- v) The State Government will have to consider preparation of schemes which would enable commercial banks to obtain refinance at NABARD rates for amounts advanced by banks for the said purpose.

### **18. Artisans and Self-Employed**

- i) 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.

ii) 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 banks' 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**

i) 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.

ii) Where the raw materials or finished goods have been washed away or ruined or damaged, banks 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.

iii) 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.

iv) 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**

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**

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:

a) 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.

- b) 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.
- c) Banks should not insist on third party guarantees for providing conversion facilities.
- d) 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.
- e) 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**

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

## **23. Interest**

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.

- i) 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.
- ii) 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**

### **i) Business Continuity Planning (BCP)**

In the backdrop of increased leveraging of technology in banking system, BCP has become a key pre-requisite 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.

### **ii) Access to Customers to their Bank Accounts**

- a) In areas where the bank branches are affected by natural calamity and are unable to function normally, banks may operate from temporary premises, under advice to Reserve Bank of India. For continuing the temporary premises beyond 30 days, specific approval may be obtained from the Regional Office (RO) concerned of Reserve Bank of India. 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 Reserve Bank of India.

- b) To satisfy customer's immediate cash requirements, banks could consider waiving the penalties related to accessing accounts such as fixed deposits
- c) 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.

### **iii) 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.

### **iv) 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 -

- a) introduction from another account holder who has undergone full KYC procedure, or
- b) 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
- c) introduction by two neighbours who have the documents as indicated in paragraph (b) above or
- d) in the absence of the above, any other evidence to the satisfaction of the bank.
- e) 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.

### **v) 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**

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**

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.

- i) 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 of India.
- ii) 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.

## Appendix

### A. List of Circulars consolidated in the Master Circular

<b>Sl. No.</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1	<a href="#"><u>DOR.STR.REC.13/13.03.00/20 24-25</u></a>	15.04.2024	Key Facts Statement (KFS) for Loans & Advances
2	<a href="#"><u>DoR.MCS.REC.61/01.01.001/2 023-24</u></a>	29.12.2023	Fair Lending Practice - Penal Charges in Loan Accounts: Extension of Timeline for Implementation of Instructions
3	<a href="#"><u>DOR.CRE.REC.42/07.10.002/ 2023-24</u></a>	06.10.2023	Gold Loan – Bullet Repayment – Primary (Urban) Co-operative Banks (UCBs)
4	<a href="#"><u>DoR.MCS.REC.38/01.01.001/2 023-24</u></a>	13.09.2023	Responsible Lending Conduct – Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans
5	<a href="#"><u>DoR.MCS.REC.28/01.01.001/2 023-24</u></a>	18.08.2023	Fair Lending Practice - Penal Charges in Loan Accounts
6	<a href="#"><u>DOR.MCS.REC.32/01.01.003/ 2023-24</u></a>	18.08.2023	Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans
7	<a href="#"><u>DOR.STR.REC.20/21.04.048/2 023-24</u></a>	08.06.2023	Framework for Compromise Settlements and Technical Write-offs
8	<a href="#"><u>DOR.CRE.REC.56/13.05.000/ 2022-23</u></a>	26.07.2022	Board approved Loan Policy – Management of Advances - UCBs
9	<a href="#"><u>DOR.ORG.REC.27/21.04.158/ 2021-22</u></a>	28.06.2021	Guidelines for Managing Risk in Outsourcing of Financial Services by Co-operative Banks
10	<a href="#"><u>DoS.CO.PPG.BC.1/11.01.005/ 2020-21</u></a>	21.08.2020	Ad-hoc/Short Review/Renewal of Credit Facilities
11	<a href="#"><u>FIDD.MSME &amp; NFS.BC.No.3/06.02.31/2020- 21</u></a>	02.07.2020	Credit flow to Micro, Small and Medium Enterprises Sector
12	<a href="#"><u>DBR.Leg.No.BC.15/09.08.020/ 2018-19</u></a>	27.12.2018	Filing of Security Interest relating to Immovable (other than equitable mortgage), Movable and Intangible Assets in CERSAI

13	<a href="#"><u>DCBR.BPD. (PCB/RCB). Cir. No. 3/13.05.001/2015-16</u></a>	15.10.2015	Advance against Pledge of Gold ornaments/jewellery
14	<a href="#"><u>UBD.CO.BPD.(PCB).Cir. No.25/13.05.001/2014-15</u></a>	30.10.2014	Gold Loan – Bullet Repayment -UCBs
15	<a href="#"><u>UBD.CO.BPD.(PCB).Cir.No.66 /13.05.000/2013-14</u></a>	28.05.2014	Lending to Public Sector Undertakings
16	<a href="#"><u>UBD.CO.BPD.PCB.Cir.No.64/ 12.05.001/2013-14</u></a>	26.05.2014	Levy of Foreclosure Charges /Pre-payment Penalty on Floating Rate Term Loans
17	<a href="#"><u>UBD.CO.BPD.PCB Cir No.60/13.05.001/ 2013-14</u></a>	09.05.2014	Advance against Pledge of Gold/ Silver Ornaments
18	<a href="#"><u>UBD.BPD.(PCB) Cir No.36/13.05.001/2012-13</u></a>	06.02.2013	Bank Finance for Purchase of Gold
19	<a href="#"><u>UBD BPC (PCB) Cir No.27/ 13.04.002/2012-13</u></a>	14.12.2012	Setting up of Central Electronic Registry under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002
20	<a href="#"><u>UBD.(PCB)BPD.Cir.No.29/13. 05.000/2011-12</u></a>	30.03.2012	Discounting of Bills by UCBs – Restricted Letters of Credit
21	<a href="#"><u>UBD.BPD.(PCB)CIR.No.50/13. 05.000(B)/2010-11</u></a>	02.06.2011	Financing of Self Help Groups (SHGs) and Joint Liability Groups (JLGs) by Primary (Urban) Co-operative Banks (UCBs)
22	<a href="#"><u>UBD.(PCB)BPD.Cir.No.69/09. 22.010/2009-10</u></a>	09.06.2010	Exposure to Real Estate & CRE
23	<a href="#"><u>UBD.(PCB)BPD.Cir.No.16/09. 22.010/2009-10</u></a>	26.10.2009	Disclosure of mortgage by builders
24	<a href="#"><u>UBD.PCB.BPD.Cir.No.53 &amp; 60 /13.05.000/2008-09</u></a>	6.3.2009 20.04.2009	Prudential Guidelines on Restructuring of Advances by UCBs
25	<a href="#"><u>UBD.PCB.No.36 &amp; 59/13.05.0 00/2008-09</u></a>	21.01.2009 09.04.2009	Lending under Consortium Arrangement / Multiple Banking Arrangements
26	<a href="#"><u>UBD.PCB.Cir.No.24/13.05.001 /08-09</u></a>	10.11.2008	Advances against pledge of Gold / Silver Ornaments
27	<a href="#"><u>UBD.PCB.Cir.No.12 &amp; 13/12.05.001/2008-09</u></a>	17.09.2008	ALM Guidelines

28	<a href="#"><u>UBD.CO.BPD.PCB.No.33/13.0 5.000/07-08</u></a>	29.02.2008	Advances to builders / contractors.
29	<a href="#"><u>UBD.PCB.Cir.No.22/13.05.000 /07-08</u></a>	26.11.2007	Gold Loan Repayment
30	<a href="#"><u>UBD.PCB.Cir.No.13/13.05.000 /07-08</u></a>	13.09.2007	Monitoring of Advances-Safeguards to be observed
31	<a href="#"><u>UBD.PCB.Cir.No.44/13.04.000 /06-07</u></a>	18.05.2007	Complaints about Excessive Interest Charged by Banks
32	<a href="#"><u>UBD.PCB.Cir.No.35/09.09.001 /06-07</u></a>	18.04.2007	Credit flow to Micro, Small and Medium Enterprises Sector
33	<a href="#"><u>UBD.PCB.BPD.33/13.05.000/0 6-07</u></a>	16.03.2007	Grant of loans for acquisition of Kisan Vikas Patras (KVPs)
34	<a href="#"><u>UBD.PCB.Cir.No.26/13.05.000 /06-07</u></a>	09.01.2007	Valuation of Properties- Empanelment of Valuers
35	<a href="#"><u>UBD.PCB.Cir.No.10/13.05.000 /2006-07</u></a>	04.09.2006	Guidelines on Relief Measures to be Extended by Banks in Areas Affected by Natural Calamities
36	<a href="#"><u>UBD.PCB.Cir.No.8/13.05.000/ 06-07</u></a>	21.08.2006	Guidelines on Relief Measures to be Extended by Banks in Areas Affected by Natural Calamities
37	<a href="#"><u>UBD.PCB.Cir.No.58/09.09.01/ 05-06</u></a>	19.06.2006	Adherence to National Building Code (NBC) - specifications necessary for lending institutions
38	<a href="#"><u>UBD.PCB.BPD.Cir.No.46/13.0 5.000/05-06</u></a>	19.04.2006	Bills discounted under LC-Risk weight and exposure norms.
39	<a href="#"><u>UBD.BPD.Cir.No.36/09.09.001 /05-06</u></a>	09.03.2006	Debt restructuring mechanism for Small and Medium Enterprises (SMEs) - Announcement made by the Union Finance Minister
40	<a href="#"><u>UBD.PCB.Cir.No.34/13.05.000 /05-06</u></a>	02.03.2006	Advances against Gold Ornaments and Jewellery
41	<a href="#"><u>UBD.PCB.Cir.No.8/09.116.00/ 05-06</u></a>	09.08.2005	Prudential norms on capital adequacy-risk weight on housing finance / commercial real estate exposures
42	<a href="#"><u>UBD.PCB.Cir.No.14/09.11.01/ 2004-05</u></a>	24.08.2004	Opening of Current Accounts by banks- need for discipline.

43	<a href="#"><u>UBD.PCB.Cir.No.7/09.11.01/2 004-05</u></a>	29.07.2004	Opening of Current Accounts by banks-need for discipline.
44	UBD.BPD.PCB.CIR.37/13.05.0 0/2003-04	16.03.2004	Discounting / Rediscounting of Bills by Banks
45	UBD.No.DS.PCB.Cir.34/13.05. 00/2001-02	28.03.2002	Loan System for Delivery of Bank Credit
46	UBD.BSD.1.No.8/12.05.00/200 1-02	31.08.2001	Issue of banker's cheques / pay orders / demand drafts
47	UBD.No.POT.No.33/09.17.03/ 2000-2001	20.02.2001	Relief measures for the persons / business affected by the earthquake in Gujarat
48	UBD.DS.32/13.04.00/2000-01	12.02.2001	Reliefs / Concessions for Exporters Affected by the Earthquake
49	UBD.No.POT.CIR.30/09.20.00/ 2000-01	01.02.2001	Branch Advisory Committees
50	UBD.No.DS.SUB.Cir.4/13.05.0 0/98-99	05.10.1998	Guidelines for Sanction of Working Capital Finance to Information Technology (IT) and Software Industry
51	UBD.No.DS.PCB.8/13.04.00/9 8-99	30.09.1998	Reliefs / Concessions for Exporters Affected by Cyclone in Gujarat
52	UBD.No.DS.SUB.19/13.05.00/ 97-98	12.02.1998	Reporting of Credit Sanctions
53	UBD.No.DS.PCB.Cir.28/13.05. 00/97-98	16.12.1997	Guidelines for lending by banks- Assessment of working capital
54	UBD.No.DS.PCB.Cir.25/13.05. 00/97-98	04.12.1997	'Bill' finance for settlement of dues of SSI suppliers
55	UBD.No.DS.PCB.Cir.15/13.05. 00/97-98	21.10.1997	Loan system for delivery of bank credit
56	UBD.No.DS.PCB.Cir.47/13.05. 00/96-97	23.04.1997	Guidelines for lending by banks - Assessment of working capital - Concept of maximum permissible bank Finance - Review of policy
57	UBD.No.DS.PCB.CIR.48/13.0 5.00/96-97	23.04.1997	Loan system for delivery of bank credit
58	UBD.No.DS.PCB.CIR.31/13.05. .00/96-97	29.11.1996	Loan system for Delivery of Bank Credit

59	UBD.No.Plan.PCB.5/09.08.00/96-97	16.07.1996	Management of advances portfolio and control over advances
60	UBD.No.DS.PCB.Cir.64/13.05.00/95/96	31.05.1996	Loan System for Delivery of Bank credit
61	UBD.No.DS.PCB.Cir.63/13.05.00/95-96	24.05.1996	Lending to non-banking financial companies
62	UBD.No.Plan.PCB.60/09.78.00/95-96	08.04.1996	Equipment leasing and hire purchase financing activities
63	UBD.DS.PCB.CIR.54/13.05.00-95/96	23.03.1996	Realistic assessment of credit requirement Measures to prevent diversion of funds
64	UBD.No.DC.23/13.05.00/95-96	19.10.1995	Credit Monitoring System - Introducing of Health Code for borrowing accounts in banks
65	UBD.No.DS.PCB.CIR.22/13.05.00/95-96	13.10.1995	Loan System for Delivery of Bank Credit
66	UBD.No.DS.PCB.CIR.14/13.05.00/95-96	28.09.1995	Introduction of a loan system for delivery of bank credits.
67	UBD.No.DS.CIR.PCB.62/13.05.00/94-95	12.06.1995	Assessment of Working Capital limits of less than ₹1 crore-Clarifications
68	UBD.No.DS.PCB.CIR.59/13.06.00/94-95	31.05.1995	Norms for bank lending for working capital purposes-Revised guidelines
69	UBD.No.DS.PCB.CIR.60/13.05.00/94-95	30.05.1995	Lending to Non-Banking Financial Companies
70	UBD.No.DS.(PCB)CIR.58/13.05.00/94-95	17.05.1995	Bridge Loans / Interim Finance
71	UBD.No.DS.PCB.CIR.41/13.05.00/94-95	04.02.1995	Compliance with lending discipline-(a) Charging of uniform rates of interest for lending under consortium arrangement and (b) penal interest for non-compliance with the discipline
72	UBD.No.DS.CIR.PCB.43/13.05.00/94-95	10.02.1995	Guidelines on lending under consortium arrangements
73	UBD.No.DS.CIR.PCB.39/13.05.00/94-95	14.01.1995	Levy of commitment charge on unutilised portion of credit limit
74	UBD.No.DS.CIR.25/13.05.00/94-95	21.10.1994	Leading to non-Banking financial companies

75	UBD.No.DS.CIR.PCB.19/13.04 .00/94-95	05.10.1994	Inventory / Receivables norms for various industries
76	UBD.No.DS.CIR.PCB.18/13.05 .00/94-95	19.09.1994	Report of the in-House Group setup to review the role of Reserve Bank of India in laying down norms for bank lending for working capital purposes - Revised guidelines.
77	UBD.No.DS.CIR.PCB-3/13.05.00/94-95	06.07.1994	Guidelines on lending under consortium arrangements
78	UBD.No.(PCB).CIR.80/13.05.0 0/93-94	1.6.1994	Credit Authorisation Scheme - Co-ordination between banks and Financial institutions in ex-tending term loans
79	UBD.No.(PCB)50/13.05.00-93/94	14.01.1994	Restrictions on credit to certain sectors - Real Estate Loans
80	UBD.No.POT.47/09.51.00/93-94	06.01.1994	Incidence of guarantee premium payable to Deposit Insurance and Credit Guarantee Corporation
81	UBD.No.(PCB)DC.40/13.05.00 /93-94	13.12.1993	Credit Authorisation Scheme - Treatment of term loan instalment for assessment of working capital requirements
82	UBD.No.Plan.22/09.11.00/93-94	28.09.1993	Monitoring of flow of funds
83	UBD.No.(PCB)5/13.06.00/93-94	14.08.1993	Credit Authorisation Scheme - Co-ordination between banks and Financial institutions in ex-tending term loans
84	UBD.No.(PCB)1/13.06.00/93-94	12.7.1993	Review of inventory / receivable norms for financing vegetable and hydrogenated oil industry
85	UBD.No.DC(PCB)99/13.06.00/92-93	30.06.1993	Review of inventory / receivable norms for financing biscuits and bakery products industry
86	UBD.No.(SUC)DC.124/13.06.0 0/92-93	30.06.1993	Inventory and Receivables Norms Basmati Rice
87	UBD.No.(PCB)54/DC(R.1)-92/93	7.4.1993	Restriction on Credit to Certain Sectors
88	UBD.No.(PCB).DC45/R.1/92-93	25.02.1993	Credit Authorisation Scheme Treatment of term loan instalments for assessment of working capital requirements

89	UBD.No.41-UB.17(c)-92/93	10.02.1993	Guidelines for relief measures by urban banks in areas affected by recent riots
90	UBD.No.I&L.40.J.1.-92 /93	09.02.1993	Diversion of working capital funds
91	UBD.No.(PCB)29/1)C.(R.1)-92/93	26.12.1992	Bridge Loans / Interim Finance
92	UBD.(PCB)5/DC.R.1A/92-93	24.07.1992	Inventory and Receivables norms for power Generation / Distribution Industry
93	UBD.(PCB)3/DC.R.1A/92-93	14.07.1992	Inventory and Receivables norms for certain segments of Chemical Industry Essential Oil based chemicals
94	UBD.(SUC)36/DC.R.1(A)-90/91	31.05.1991	Restrictions of Drawals Under Large Cash Credit Limits
95	UBD(PCB)42/DC.HC.(Policy).90/91	11.2.1991	Credit Monitoring System Health Code for Borrowal Accounts in Urban Co-operative Banks
96	UBD.PCB.2/DC.(R-1)-90/91	20.07.1990	Financing of Leasing / Hire Purchase Companies
97	UBD.(SUC)22/DC.R-1-90/91	7.7.1990	Credit Monitoring Arrangement Lending Discipline - Quarterly Information System (QIS)
98	UBD.No.DC.113/R.1A-89/89	24.04.1989	Assessment of Working Capital Requirements - Inventory / Receivables Norms for Paper Industry and for Consumable Spares
99	UBD.No.DC.27/R.1.A-88/89	23.08.1988	Inventory / Receivables Norms for Engineering Industry
100	UBD.No.(DC)2/R.1-A-88/89	8.7.1988	Inventory / Receivables norms for Certain Segments of Chemical Industry
101	UBD.No.(DC)123/R.1-87/88	31.05.1988	Credit Monitoring System - Introduction of Health Code for Borrowal Accounts in Banks
102	UBD.No.(DC)101/R.1-A-87/88	15.02.1988	Inventory / Receivables Norms for Various Industries
103	UBD.No.I&L.67/J.1-87/88	21.11.1987	Advances to Builders / Contractors
104	UBD(DC)104/R.1-86/87	25.06.1987	Guidelines for Assessment of Working Capital Requirements, Opening of Letters of Credit and Issue of Guarantees

105	UBD.DC.84/R.1-86/87	3.6.1987	Credit Monitoring System - Introduction of Health Code for Borrowal Accounts in Banks
106	UBD.(DC)57/R.1-86/87	19.02.1987	Defaults in Payment of Statutory Dues by Borrowers
107	UBD.No.DC.41/R.1-86/87	07.11.1986	Withholding of Credit Facilities to Borrowers to Ensure Financial Discipline
108	UBD(DC)83/R.1-85/86	24.03.1986	Certification of Accounts of Non-Corporate Borrowers by Chartered Accountants
109	UBD.No.I&L.38/J.1-85/86	11.10.1985	Advances Granted by Urban Co-operative Banks - Diversion of Funds
110	UBD.P&O.1383/UB.17(C)-84/85	22.05.1985	Guidelines for relief measures by urban banks in areas affected by natural calamities
111	UBD.POT.654/UB.17(C)-84/85	23.11.1984	Banks assistance to persons affected by recent disturbances
112	ACD.OPR.1569/A.35-79/80	02.10.1979	Measures to restrict further credit expansion
113	ACD.OPR.2697/A.75/74-75	24.12.1974	Credit Authorisation Scheme for Co-operative banks
114	ACD.OPR.1222/A.75/74-75	7.9.1974	Credit Authorisation Scheme for Co-operative banks
115	ACD.Plan.3109/PR.414(9)/68-9	18.06.1969	Working group on industrial financing through co-operative banks - recommendations pertaining to the urban co-operative banks - action required.

**B. List of Other Circulars from which instructions relating to Management of Advances have also been consolidated in the Master Circular**

No.	Circular No.	Date	Subject
1.	UBD.No.I&L/69/12.05.00/93-94	13.05.1994	Committee to enquire into various aspects relating to frauds and malpractices in banks (Ghosh Committee)
2.	UBD.21/12:15:00/93-94	21.09.1993	Committee to enquire into various aspects relating to frauds and malpractices in banks primary (urban) co-operative banks
3.	UBD.No.2420-J.20-83/84	02.04.1984	Frauds, Mis-Appropriation, Embezzlements And Defalcation Of Funds In Primary (Urban) Co-operative Banks