



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2021-22/17

DOR.STR.REC.4/21.04.048/2021-22

April 7, 2021

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks)
All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks
All All-India Financial Institutions
All Non-Banking Financial Companies (including Housing Finance Companies)

Madam / Dear Sir,

Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package

The Hon'ble Supreme Court of India has pronounced its judgement in the matter of *Small Scale Industrial Manufacturers Association vs UOI & Ors.* and other connected matters on March 23, 2021. In this connection, it is advised hereunder:

I. Refund/adjustment of 'interest on interest'

2. All lending institutions¹ shall immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. In order to ensure that the above judgement is implemented uniformly in letter and spirit by all lending institutions, methodology for calculation of the amount to be refunded/adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending institutions.

3. The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the [circulars DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020](#) and

¹ Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks), Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks, All-India Financial Institutions, and Non-Banking Financial Companies (including Housing Finance Companies)

[DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020](#) (“Covid-19 Regulatory Package”).

4. Lending institutions shall disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021.

II. Asset Classification

5. Asset classification of borrower accounts by all lending institutions following the above judgment shall continue to be governed by the extant instructions as clarified below.

- (i) In respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in the [Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015](#) or other relevant instructions as applicable to the specific category of lending institutions (**IRAC Norms**).
- (ii) In respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the [circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020](#), read with [circular DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020](#). For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

Yours faithfully,

(Manoranjan Mishra)
Chief General Manager