



N. A. SHAH ADVISORY SERVICES LLP

# BULLETIN

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ALLIED LAWS BULLETIN – JULY 2022



## **EXECUTIVE SUMMARY**

- ◆ The Reserve Bank of India (RBI) has introduced guidelines on differential provisioning for Non-Banking Financial Company – Upper Layer (NBFC-UL).

## PROVISIONING GUIDELINES FOR NBFC-UL


- ◆ In view of the increasing role played by NBFC-UL, the RBI has introduced differential guidelines for provisioning of standard assets in case of NBFCs which are classified as UL. The provisioning norms are as under:

Category of Assets	Rate of Provision on funded amount outstanding
Individual housing loans and loans to Small and Micro Enterprises (SMEs)	0.25%
Housing loans extended at teaser rates	2%, which will decrease to 0.40% after 1 year from the date on which the rates are reset at higher rates (if the accounts remain standard)
Advances to Commercial Real Estate – Residential Housing (CRE - RH) Sector	0.75%
Advances to Commercial Real Estate (CRE) Sector (other than CRE-RH)	1%
Restructured advances	As stipulated in the applicable prudential norms for restructuring of advances
All other loans and advances not included above, including loans to Medium Enterprises	0.40%

Kindly refer following link for the detailed definitions of SMEs, CRE, CRE-RH, and current credit exposures -

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI61BBAF63FB732E4C46A8149975C0481D34.PDF>

- ◆ RBI has now included current credit exposures arising on account of the permitted derivative transactions under the category of standard assets. Further, all the conditions as applicable for the treatment of provisions for standard assets would also apply to the aforesaid.



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