



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2014-15/535

DBR.No.BP.BC.83/21.04.048/2014-15

April 1, 2015

All Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Dear Sir,

Provisioning pertaining to Fraud Accounts

Please refer to the guidelines compiled in [paragraph 4.2.9](#) of Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2014, in terms of which, in accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers, the asset classification, and consequent provisioning, depends upon the realisable value of security.

2. On a review, it has been decided to prescribe a uniform provisioning norm in respect of all cases of fraud, as under:

- (a) The entire amount due to the bank (irrespective of the quantum of security held against such assets), or for which the bank is liable (including in case of deposit accounts), is to be provided for over a period not exceeding four quarters commencing with the quarter in which the fraud has been detected;
- (b) However, where there has been delay, beyond the prescribed period, in reporting the fraud to the Reserve Bank, the entire provisioning is required to be made at once. In addition, Reserve Bank of India may also initiate appropriate supervisory action where there has been a delay by the bank in reporting a fraud, or provisioning thereagainst.

3. We reiterate that banks must scrupulously adhere to the guidelines contained in [circular DBS.CO.CFMC.BC.No.1/23.04.001/2014-15 dated July 1, 2014](#) on 'Frauds – Classification and Reporting'.

Yours faithfully,

(Sudarshan Sen)
Chief General Manager-in-Charge