

RBI / 2004-05/195
UBD.PCB.Cir.22 /12.05.05/2004-05

September 27, 2004

The Chief Executive Officers of
All Primary (Urban) Co-operative banks

Dear Sir/Madam,

Income Recognition, Asset classification, Provisioning and other related matters

Please refer to our circular UBD.No.BSD.I.15/12.05.05/02-03 dated September 11, 2002 advising UCBs that with effect from March 31, 2005 an asset would be classified as doubtful if it remained in the sub-standard category for 12 months. Banks were however permitted to phase the consequent additional provisioning over a four-year period commencing from the year ending March 31, 2005 with a minimum of 20% each year.

2. The Reserve Bank has received requests from banks and Federations/ Associations of UCBs for giving some more time to restructure their accounts and progressively meet the stricter prudential norms. Taking into consideration the submissions made in this regard, it has been decided that additional provisioning may be phased over a five-year period commencing from the year ending March 31, 2005 instead of four years. Further the banks may make a minimum of 10 % of the required provision in each of the first two years and the balance in equal installments over the subsequent three years.

3. Please acknowledge receipt of this circular to the concerned Regional Office.

Yours faithfully,

(K.R.Ananda)
Chief General Manager-in-Charge