

RBI/2006-07/65

DBOD.No.BP.BC. 21 / 21.04.048 / 2006-2007

July 12, 2006

All Scheduled Commercial Banks

(Excluding RRBs)

Dear Sir,

Annual Policy Statement for the year 2006-07 - Additional Provisioning Requirement for Standard Assets

Please refer to our circular DBOD.No.BP.BC.85/21.04.048/2005-2006 dated May 29, 2006 on the captioned subject.

2. In terms of the above circular, the general provisioning requirement on standard advances in specific sectors, i.e., personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs.20 lakh and commercial real estate loans has been increased from 0.40 per cent to 1.0 per cent, for the funded outstanding on portfolio basis.

3. In order to ensure that the above additional general provisioning on standard advances in specific sectors are made in a smooth and non-disruptive manner, it has now been decided to permit banks to phase in the additional provisioning requirement over the financial year 2006-07 as under:

- (a) 0.55% for the quarter ended June 2006;
- (b) 0.70% for the half-year ending September 2006;
- (c) 0.85% for the quarter ending December 2006; and
- (d) 1% for the year ending March 2007.

4. There are no other changes to the instructions contained in our circular DBOD.No.BP.BC.85/21.04.048/2005-2006 dated May 29, 2006.

5. Please acknowledge receipt.

Yours faithfully,

(Prashant Saran)
Chief General Manager-In-Charge