



RBI/2023-24/18

DOR.STR.REC.12/21.04.048/2023-24

April 24, 2023

All Primary (Urban) Co-operative Banks,

Madam / Dear Sir,

Provisioning for standard assets by primary (Urban) co-operative banks – revised norms under four-tiered regulatory framework

Please refer to [circular DOR.REG.No.84/07.01.000/2022-23 dated December 01, 2022](#), in terms of which Urban Co-operative Banks (UCBs) have been categorized into four Tiers namely Tier 1, Tier 2, Tier 3 and Tier 4 for regulatory purposes.

2. The current standard assets provisioning norms for UCBs, consolidated in the [Master Circular DOR.STR.REC.5/21.04.048/2022-23 dated April 01, 2022](#), are based on the earlier categorization of UCBs into Tier I and Tier II as defined in para 4 of [circular UBD.CO.LS.Cir.No.66/07.01.000/2008-09 dated May 06, 2009](#), as given below:

| Sl. No. | Category of Standard Asset | Rate of Provisioning | |
|---------|--|----------------------|--------|
| | | Tier II | Tier I |
| (a) | Direct advances to Agriculture and SME sectors | 0.25% | 0.25% |
| (b) | Commercial Real Estate (CRE) sector | 1.00% | 1.00% |
| (c) | Commercial Real Estate-Residential Housing Sector (CRE-RH) | 0.75% | 0.75% |
| (d) | All other loans and advances not included above | 0.40% | 0.25% |

3. On a review, it has been decided to harmonise the provisioning norms for standard assets applicable to all categories of UCBs, irrespective of their Tier in the revised framework.

4. Accordingly, the standard asset provisioning norms applicable to Tier I, Tier 2, Tier 3 and Tier 4 UCBs under the revised framework shall be as under:

- a. Direct advances to agriculture and SME sectors which are standard, shall attract a uniform provisioning requirement of 0.25 percent of the funded outstanding on a portfolio basis.
- b. Advances to commercial real estate (CRE) sector which are standard shall attract a uniform provisioning requirement of 1.00 percent of the funded outstanding on a portfolio basis.
- c. For advances to commercial real estate - residential housing (CRE-RH) sector, which are standard, the provisioning requirement shall be 0.75 percent
- d. For all other advances, banks shall maintain a uniform general standard asset provision of a minimum of 0.40 percent of the funded outstanding on a portfolio basis.

5. The erstwhile Tier I UCBs, which are currently maintaining standard asset provision of 0.25% on 'all other loans and advances not included above' as specified in table at para 2 above, are permitted to achieve the provisioning requirement of 0.40% on such advances in a staggered manner by March 31, 2025. Thus, provision on all such standard loans and advances outstanding as on March 31, 2023 shall be increased to 0.30% by March 31, 2024, to 0.35% by September 30, 2024 and to 0.40% by March 31, 2025.

6. These guidelines shall come into effect from the date of this circular. All other instructions stipulated in the Master Circular *ibid* remain unchanged.

Yours faithfully,

(Manoranjan Mishra)
Chief General Manager