

Divergence – RBI views this seriously – may invite disciplinary action -

Why divergence despite IRAC norms have not changed over the years –

RBI interprets IRAC norms by strict letter of law –

If in doubt provide – Play safe rather than be sorry – Discuss with SCA - Don't be under pressure from banks senior management – Courage of conviction to do what is right -

RBI has zero tolerance for camouflaging or window dressing –

NPA identification to be system based – No manual overrides -

Priority Sector lending – incorrect classification –

Issues in Restructuring - lack of rationale -

Frequent TOD- Rollovers -

Fraud identification - delays in FMR reporting – non reporting -

Wilful Defaulters – Siphoning – Diversion of Funds – EWS – Red flagging of accounts

#### **Case studies -**

- Accounts regularised as at BS date - Out of order post March 31<sup>st</sup> till signing date - Out of order for most days in a year except March end
- Banks give 7 day period for paying EMI & count over dues from that date – Dec EMI not paid account is NPA after April 7<sup>th</sup> & not on 31<sup>st</sup> March
- RBI considers Realizable value - Valuation > 3years – current ready reckoner rates used - if property is auctioned & not sold at reserve price then > 5 - 10% haircut taken –
- Erosion in security value > 50% - 90%
- Accounts not reviewed or renewed during the year are NPA -
- Non obtention of documents, defects in documentation, time barred documents which make facility unsecured – Facility treated as unsecured & provided accordingly -
- Genuineness of credit not seen – Accommodation by Credits from 1 account & subsequent repayment post April –
- NPA Accounts upgraded despite entire over dues not being cleared
- Term loan EMI debited to CC in the entire year except Feb & March - 2 EMI shown outstanding.
- OD against shares – o/s < SL but no credit in the account – NPA
- Factory closed - source of income repayment stopped - Account classified NPA even though 90 days norm not violated at BS date.
- Auditor giving disclaimer on date of NPA before March 2018 as that certified by previous Stat Auditor. NPA dates adjusted to keep account in D1 status -
- Movements in NPA not reflecting movements for entire year but adjustments of last quarter

- Debiting LC devolvement, Guarantee invocation or disputed processing fees to a separate account & not main operative CC – retrospective debit would have resulted in NPA status
- Enhanced SL not justified by documents submitted or by turnover projected – account NPA if earlier SL is considered – Limits renewed at same levels when need reduction
- Account recalled & case in courts – Account treated as doubtful & not substandard
- NPA shown standard by notionally adjusting credits in other accounts / FD interest accruals
- Account classified NPA based on stock – external report of Nil DP, DP shortfall, -ve capital, Fraud
- NPA identified at 31/3/19 but NPA date is prior to 31.3.18 – Actual NPA date to be considered & classification done accordingly
- Several Guarantees issued by a Borrower to an entity & on due date some have devolved – provision made for guarantees outstanding & not devolved as of date.
- Accommodation bills of a particular debtor noted - Outstanding treated NIL & DP reworked - Account considered NPA based on reworked DP - Accommodation bills treated akin to fraud.
- Account treated as NPA based on inherent weakness – Account credit turnover does not justify SL, DP not maintained – Debt Equity ratio adverse - Borrower not residing – having factory at the address stated – stocks found NIL though insured – CA signatures on balance sheet not done by CA – old statutory dues unpaid – adverse issues noted in stock audit reports / huge variance between audited stock – Debtors – Creditors figures & those submitted by the borrower
- 10- 15 year Mortgage Loans given against security of property classified as business loans despite bring CRE & repayment is from rentals & not business cash flows –
- NPA not classified as Bank NPA target achieved –
- Quick Mortality – Staff Accountability – Gaps in Credit Appraisals / Monitoring -