

## Annexure I

### **Subject : Change/clarification in the definition of ‘out of order’ for considering OD/CC accounts as NPA**

RBI vide its circular dated November 12, 2021 has clarified the definition of ‘out of order’ status as below;

Cash credit/Overdraft (CC/OD) account is classified as NPA if it is ‘out of order’. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, the extant instructions, *inter alia*, stipulate that the account should be treated as ‘out of order’ if there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period. In order to avoid any ambiguity regarding determination of ‘out of order’ status of CC/OD accounts on a continuous basis, it is clarified that an account shall be treated as ‘out of order’ if:

- a. the outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- b. the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.

Accordingly, treatment of CC/OD accounts as ‘out of order’ shall be based on the above norms with immediate effect.

Please see the earlier and current norms;

Existing Norms	Revised Norms
In cases of Cash credit / Overdraft (CC / OD) accounts the account should be treated as 'out of order' if there are no credits continuously for 90 days <b>as on the date of Balance Sheet</b> or credits are not enough to cover the interest debited <b>during the same period.</b>	It is clarified that Cash credit / Overdraft (CC / OD) accounts shall be treated as 'out of order if there are no credits <b>continuously for 90 days</b> , or credits are not enough to cover the interest debited during the <b>previous 90 days period.</b>

Implication of the above Guideline is as follows:

As per the earlier guidelines, the interest service failure anomaly in OD / CC accounts was considered only on quarter end date. i.e. for instance OD / CC account will be classified as NPA on 30.09.2021, if credits during the period 01.07.2021 to 30.09.2021 are not enough to cover the interest debited during this period.

However, as per the revised guidelines, Interest service failure & minimum credits in OD / CC accounts are required to be ensured on a **daily basis**. The NPA classification based on the above clarification on various date will be as follows:

Scenario	NPA Classification Date	Previous 90 days Period ( A )	Interest applied on ( B )	Remarks
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1	31-10-21	02.08.21 to 30.10.21	<b>31.08.21</b> <b>30.09.21</b>	If Credits in the account during the period <b>A</b> (including classification date) is not sufficient to cover the interest applied as per <b>B</b> , then account will be classified as NPA
2	01.11.21	03.08.21 to 31.10.21	31.08.21 30.09.21 31.10.21	
3	16.11.21	18.08.21 to 15.11.21	31.08.21 30.09.21 31.10.21	
4	30.11.21	01.09.21 to 29.11.21	<b>30.09.21</b> <b>31.10.21</b>	
5	01.12.21	02.09.21 to 30.11.21	30.09.21 31.10.21 30.11.21	

For further details, please contact your nearest branch.