THE MOUNTAIN PATH ACADEMY

RBI ECL Framework 2027

Objectives. Bank readiness. Provisioning.

A practical learning and reference guide to the final RBI Commercial Banks Directions issued on 27 April 2026, effective 1 April 2027.

FORWARD-LOOKING	PRUDENTIAL FLOORS
Three stages and scenario-weighted credit losses	Product-wise backstops and disciplined aggregation
INCOME RECOGNITION	**CAPITAL TRANSITION**
Gross EIR for Stages 1/2; cash basis when impaired	Optional CET1 add-back: 80 / 60 / 40 / 20%

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Banking Regulation | Credit Risk | MBA / CFA / FRM

Reference date: 15 November 2026

Learning route

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Keep the original RBI Directions beside this guide. Examples are deliberately simplified; actual regulatory implementation requires the full text and applicable cross-references.

01 / Why RBI is introducing these norms

A bank can receive every instalment today while the borrower's ability to repay is weakening. Waiting for an account to become non-performing can delay recognition of that deterioration. Expected Credit Loss (ECL) makes the bank estimate future credit losses using current conditions, repayment history and reasonable economic forecasts.

The objectives are earlier recognition of emerging losses, stronger bank resilience, more transparent balance sheets and more comparable provisioning. Models capture differences in portfolios; RBI's minimum floors provide a prudential backstop when a model produces a low allowance.

Objective	What changes in practice
Recognise deterioration earlier	A weakening borrower may move to lifetime ECL before becoming an NPA.
Connect provisions to economic conditions	Forecasts of growth, rates, employment and sector conditions influence loss estimates.
Improve consistency and credibility	Common stages, product floors, disclosures and validation disciplines make results easier to assess.
Strengthen credit decisions	Origination data, early-warning monitoring, collections and loan pricing become more closely connected.
Recognise income more faithfully	EIR spreads integral fees and direct transaction costs over the instrument life; impaired-asset interest remains cash-based.

A provisioning reform with lending implications

ECL is a loss allowance, not a new formula that automatically approves or rejects loans. It does not cancel a borrower’s liability or itself change the loan contract.

02 / How banks should prepare

Preparation is a joint finance, risk, technology and business programme. A model alone cannot deliver reliable provisions unless origination data, collateral records, accounting and control processes agree.

Workstream / owner	Required preparation	Evidence of readiness
Board, CFO and CRO	Approve implementation plan, staging and product policies, responsibilities and escalation.	Documented decisions, resourcing, committee oversight and unresolved-issue register.
Credit and data teams	Reconstruct origination risk grades, DPD, terms, utilisation, recoveries, collateral values and guarantees.	Account-level lineage and reconciled historical datasets.
Risk modelling	Segment portfolios; estimate PD, LGD, EAD and expected life; establish SICR tests and macro scenarios.	Documented calibration, limitations, back-tests and independent challenge.
Finance and technology	Build allowance, floor, EIR and cash-income engines; connect to the general ledger.	Reconciliations from exposure to stage, allowance, journal entry and disclosure.
Capital planning	Calculate opening ECL difference, taxes and optional CET1 relief; test growth and dividends.	Fully loaded and transitional capital forecasts under base and stress cases.
Validation, audit and training	Validate before implementation; test overrides and access; train branches and credit staff.	Signed validation findings, remediation and operational sign-off.

A practical implementation sequence

November-December 2026: close data gaps and approve policies. January-February 2027: complete independent validation, parallel runs and ledger reconciliation. March 2027: rehearse the opening balance, audit trail and capital disclosures. 1 April 2027: implement and monitor. These interim milestones are a suggested management roadmap, not additional RBI-prescribed deadlines.

03 / Official framework, applicability and dates

The final authority is the Reserve Bank of India (Commercial Banks - Asset Classification, Provisioning and Income Recognition) Directions, 2026, issued on 27 April 2026, notification RBI/DOR/2026-27/398. They take effect on 1 April 2027. The 2025 IRACP Directions continue until commencement.

Use the legal definition of “Commercial Banks” in paragraph 4 rather than assuming every Scheduled Commercial Bank is included. It covers banking companies other than Small Finance Banks, Payments Banks and Local Area Banks, corresponding new banks and SBI. Do not extend this particular Direction to RRBs, co-operative banks or AIFIs without checking their own applicable framework.

The covered instruments include loans, relevant non-FVTPL debt instruments, receivables, undrawn commitments and other specified credit exposures. Covered debt instruments are subject to the applicable contractual cash-flow conditions. Investments in subsidiaries, associates and joint ventures are excluded. ECL implementation is not, by itself, full adoption of Ind AS financial reporting by banks.

At transition, the loan portfolio is fair-valued under paragraph 19, with the difference adjusted in opening retained earnings. Carrying cost may be the best evidence where fair value is not materially different. Keep this measurement adjustment distinct from the additional ECL provision used for CET1 transition relief.

Date	Meaning
27 April 2026	Final Directions issued; use these rather than the October 2025 draft.
1 April 2027	ECL framework commences; new-originated covered assets use EIR income recognition in Stages 1 and 2.
By 31 March 2030	Complete EIR migration for existing loans for ECL measurement.
1 April 2030	Income on all loans must be measured at EIR, subject to the cash-basis rule for impaired assets.
31 March 2031	End of the maximum CET1 transition period.

RBI: paragraphs 1-4, 17-24, 50-52, 106-115.

04 / Existing IRACP versus the final ECL framework

Aspect	Existing IRACP approach	Final 2026 ECL framework
Provisioning basis	Prescribed standard-asset and NPA provisions; security and ageing matter.	Forward-looking model ECL subject to product- and stage-specific floors.
Performing loans	Standard-asset provisions already exist.	Stage 1 generally 12-month ECL; Stage 2 lifetime ECL after SICR.
NPA classification	Product-specific overdue and out-of-order tests.	NPA guardrails retained; ECL staging operates alongside them.
Early stress	Monitoring, SMA and prudential requirements.	Relative lifetime default-risk deterioration drives SICR; qualitative signals matter.
Interest	Existing income-recognition and contractual-rate arrangements.	EIR on gross carrying amount in Stages 1/2; cash basis for credit-impaired and POCI assets.
Capital impact at transition	Existing stock of provisions.	Opening earnings adjustment with optional, declining CET1 add-back.
Governance	Credit, finance and audit controls.	Explicit ECL model inventory, validation, scenario, classification and disclosure controls.

Final-rule checkpoints

Use differentiated real-estate and project-finance floors, specific government-guarantee treatment, category-wise floor aggregation, the 80/60/40/20 CET1 schedule and the final cash-basis income rule. A single generic corporate floor or IFRS-style net-interest shortcut cannot substitute for the final RBI text.

Retained guardrails: the usual term-loan NPA backstop remains more than 90 days overdue, subject to product-specific rules such as crop-season tests. Existing NPAs on 31 March 2027 cannot be upgraded merely because the new framework starts. Resolution and upgradation conditions continue to matter.

05 / The three-stage architecture

Stage	Trigger / assessment	Loss horizon	Interest recognition
1: performing	No significant increase in credit risk since initial recognition.	12-month ECL	EIR on gross carrying amount, subject to existing-loan transition.
2: deteriorated	SICR since initial recognition, but not credit-impaired.	Lifetime ECL	EIR on gross carrying amount, subject to existing-loan transition.
3: credit-impaired	Objective impairment evidence, including applicable NPA criteria.	Lifetime ECL	Cash basis; no accrued EIR income on gross or net carrying amount.

SICR compares risk now with risk at origination over the remaining life. A serious downgrade, covenant breach or weakening business outlook can trigger Stage 2 before an instalment is late. More than 30 DPD is a rebuttable SICR presumption, not a universal definition of Stage 2 and not an automatic NPA trigger. Revolving facilities have additional specific backstops.

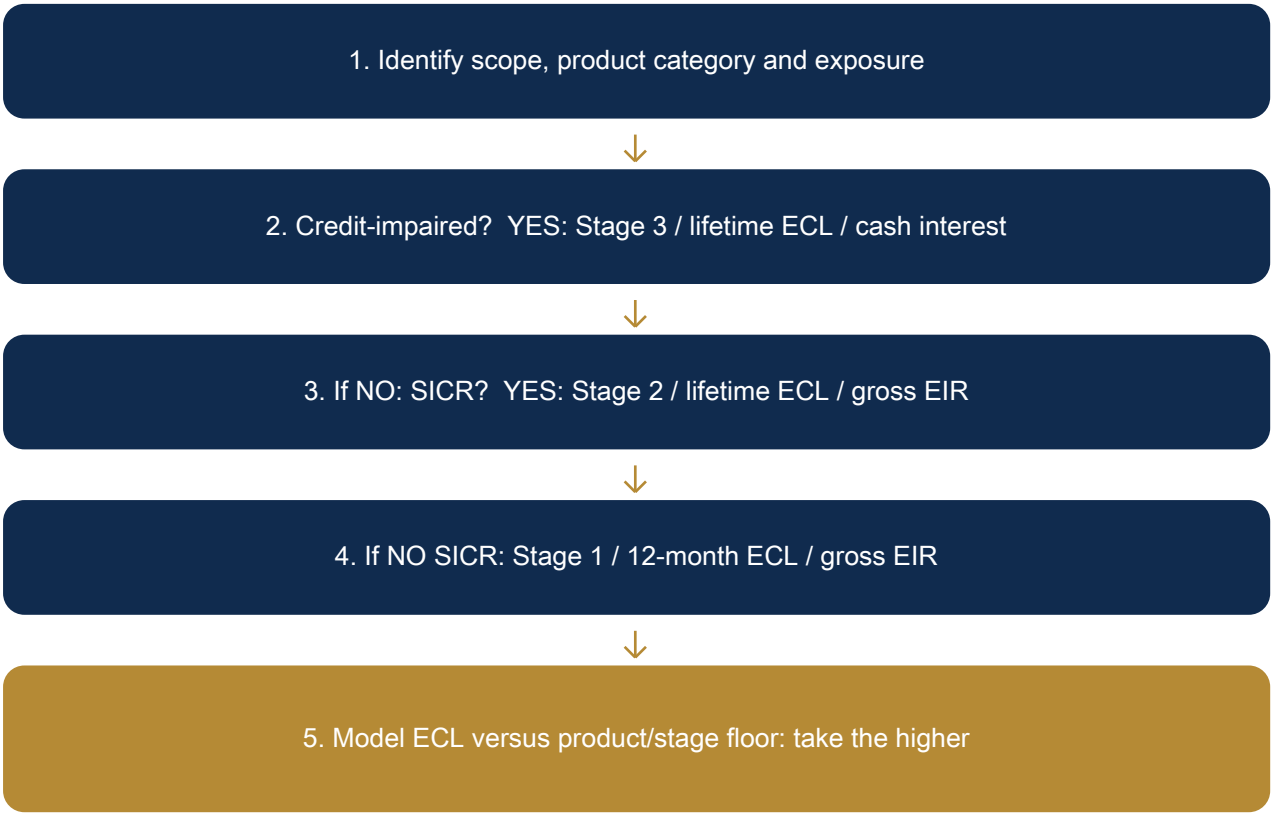
Borrower-level NPA classification rules must be respected. Do not assume every Stage 2 classification automatically contaminates every facility in the same way as an NPA. Stage upgrades require evidence and the applicable regulatory conditions.

Do not equate the stages with three DPD buckets

A current account can be Stage 2. An asset may be credit-impaired before the normal overdue backstop. DPD is an important signal, not the complete assessment.

Decision map: scope to provision

Use this sequence together with the staging, floor and additional-provision requirements. DPD alone does not determine the stage.



Stage 1/2 floors are applied separately by product category and stage pool, or at account level under internal policy. Stage 3 floors are account-specific. Income treatment is a separate decision from provision measurement.

06 / ECL measurement: from cash shortfalls to PD × LGD × EAD

A credit loss is the present value of the difference between contractual cash flows and expected cash receipts. Delayed payment can create a loss even if all principal is eventually recovered. The EIR is used to reflect timing consistently.

$$ECL = \Sigma \text{ scenarios } s \left[w(s) \times \Sigma \text{ periods } t \{ \text{marginal } PD(s,t) \times LGD(s,t) \times EAD(s,t) \times DF(t) \} \right]$$
$$DF(t) = 1 / (1 + EIR)^t \; ; \; \Sigma w(s) = 1$$

Term	Meaning and common mistake
PD	Probability of default. Period marginal PD must include survival to the start of that period.
LGD	Economic loss conditional on default, including recovery timing and costs. Avoid discounting the same recovery delay twice.
EAD	Expected exposure if default occurs, including relevant future drawings. Collateral normally affects recoveries/LGD, not a deduction from EAD.
Scenario weight	Probability of an internally consistent economic path. Three scenarios here are illustrative, not a universal fixed-number mandate.
EIR	Effective interest rate. Distinguish original EIR discounting conventions and special cases from a current market rate.

The expression is an educational discretisation. Actual models must handle default timing, repayment schedules, prepayment, variable rates, revolving exposure lives, guarantees and dependencies among parameters.

07 / 12-month versus lifetime ECL: the probability bridge

12-month ECL captures lifetime shortfalls arising from default events possible in the next 12 months. It is not restricted to cash losses paid during that year. Lifetime ECL includes defaults possible throughout the remaining expected life.

Suppose the conditional annual default probability is 3%. Year-1 marginal PD is 3%. Survival after year 1 is 97%, so year-2 marginal PD is 97% × 3% = 2.91%. Two-year cumulative PD is 5.91%, not 6%.

marginal PD(t) = survival(t-1) × conditional PD(t)
survival(t) = survival(t-1) × [1 - conditional PD(t)]

For a Stage 1 illustration, assume EAD INR 100 crore, PD 1.5%, LGD 40%, EIR 10% and default loss at year-end. Model ECL = 100 × 1.5% × 40% / 1.10 = INR 0.5455 crore. A corporate Stage 1 floor of 0.40% gives INR 0.40 crore; the model amount is higher.

Stage 2 requires a fresh estimate of lifetime risk for the deteriorated borrower. Multiplying a Stage 1 annual loss by the number of years is generally unsuitable.

08 / Worked case: Stage 2 corporate loan and undrawn commitment

Assumptions: funded exposure INR 100 crore; undrawn limit INR 20 crore; illustrative CCF 50%; remaining life two years; EIR 10%. Current floor exposure is 100 + 20 × 50% = INR 110 crore. Assume model EAD is INR 110 crore in year 1 and INR 66 crore in year 2 after scheduled amortisation.

The 50% CCF is an example input, not a universal RBI requirement. In practice distinguish model drawdown estimates for ECL from the applicable regulatory CCF used for floors. The table uses unconditional marginal PDs, so survival is already incorporated.

Scenario / weight	Year 1 / 2 marginal PD	LGD	Year 1 PV	Year 2 PV	Total ECL
Upside / 20%	1.5% / 2.0%	40%	110×.015×.40/1.1 = .6000	66×.020×.40/1.1² = .4364	1.0364
Base / 55%	3.0% / 4.5%	45%	1.3500	1.1045	2.4545
Downside / 25%	6.0% / 8.0%	55%	3.3000	2.4000	5.7000

Probability-weighted ECL = .20×1.0364 + .55×2.4545 + .25×5.7000
= INR 2.9823 crore
Stage 2 corporate floor = 5% × 110 = INR 5.5000 crore
Required allowance for this category/stage illustration = max(2.9823, 5.5000) = INR 5.5000 crore

If the comparable existing IRACP provision is assumed to be INR 0.40 crore, the increase is INR 5.10 crore. This is a hypothetical account/pool comparison, not a forecast for all banks. Do not confuse the 5% floor with PD, loan interest or regulatory capital.

09 / Product floor matrix: Stages 1 and 2

The final paragraph 82 lists groups (i)-(xv), including real-estate and project-finance subcategories. The expanded table below avoids combining unlike products into 13 simplified buckets. Rates are percentages of the applicable exposure base. Stage 3 group letters refer to the next section.

RBI item	Loan product	Stage 1	Stage 2	Stage 3 group
i	Secured retail	0.40%	5.00%	A
ii	Corporate	0.40%	5.00%	A
iii	Small and micro enterprises	0.25%	5.00%	A
iv	Medium enterprises	0.40%	5.00%	A
v	Farm credit	0.25%	5.00%	A
vi	Banks, NBFCs and regulated FIs	0.40%	5.00%	A
vii	Against term deposits, LIC policy, KVP	0.40%	0.40%	B
viii	Gold	0.40%	1.50%	B
ix	Direct State Government / State-guaranteed	0.40%	2.50%	B
x	Unsecured retail	1.00%	5.00%	C
xi(a)	Individual housing	0.25%	1.50%	B
xi(b)(i)	CRE ADC / specified non-qualifying real estate at 150% RW	1.25%	5.00% / DCCO rule	A
xi(b)(ii)	CRE-RH ADC / specified non-qualifying real estate at counterparty RW	1.00%	5.00% / DCCO rule	A
xi(c)	Other residential real estate	0.40%	1.50%	D
xi(d)	Other commercial real estate	0.40%	2.50%	D
xii(a)	Project finance: pre-operational (non-real estate)	1.00%	5.00% / DCCO rule	A
xii(b)	Project finance: operational (non-real estate)	0.40%	5.00%	A
xiii	Specified CGTMSE / CRGFTLIH / NCGTC scheme exposures	0.25%	0.25%	B*

RBI item	Loan product	Stage 1	Stage 2	Stage 3 group
xiv	Specified natural-calamity restructured standard advances	5.00%	10.00%	A
xv	Other loans	0.40%	5.00%	A

DCCO deferment: CRE ADC and CRE-RH ADC add 0.5625 percentage points for each quarter of deferment over the applicable Stage 1 provision. Pre-operational non-real-estate project finance adds 0.375 points per quarter for infrastructure and 0.5625 for non-infrastructure. Other Stage 2 credit events attract the stated 5% floor. The special DCCO additions are account-specific.

During the operational phase, CRE ADC / CRE-RH ADC move to corporate-loan floors. A loan against property is not automatically an individual housing loan. The secured-retail category requires the prescribed 100% security coverage; gold and real-estate claims have their own categories. Gold loans retain their own category. Scheme guarantees in item (xiii) have specific conditions, including overdue claim-settlement treatment; do not treat every guarantee as a blanket exemption.

RBI: paragraphs 82-95 and associated footnotes. Statutory classification and eligibility conditions govern.

10 / Stage 3 floors and the secured/unsecured split

Time in Stage 3	A: secured / unsecured	B: secured / unsecured	C: unsecured retail	D: secured / unsecured
0-1 year	25% / 40%	10% / 25%	25%	15% / 25%
1-2 years	40% / 100%	20% / 100%	100%	25% / 100%
2-3 years	55% / 100%	30% / 100%	100%	40% / 100%
3-4 years	75% / 100%	40% / 100%	100%	55% / 100%
After 4 years	100% / 100%	100% / 100%	100%	100% / 100%

For scheme-guaranteed exposures marked B*, the second rate refers to the unsecured and unguaranteed portion. “Secured” means the portion supported by realistically realisable tangible security with valid bank recourse, subject to the Directions. A contractual charge alone is not sufficient.

Example: a corporate Stage 3 account of INR 100 crore in its first year has INR 70 crore secured and INR 30 crore unsecured. Floor = 70×25% + 30×40% = INR 29.50 crore. If model lifetime ECL is INR 35 crore, the allowance is INR 35 crore before any additional specific requirements.

Stage 3 floors apply at the individual-account level. Loss assets, frauds and other specific requirements must also be checked; the generic floor table is not an exhaustive compliance engine.

11 / How to apply floors without understating provisions

For Stages 1 and 2, apply floors separately to each loan product category and separately to each stage on a portfolio basis. A bank can apply them at account level under its internal policy. Stage 3 is mandatorily account-specific. Undrawn and off-balance-sheet floor exposures require the applicable regulatory CCF.

Separate category/stage pool	Model ECL	Floor	Required
Pool A	INR 2 crore	INR 5 crore	INR 5 crore
Pool B	INR 8 crore	INR 1 crore	INR 8 crore
Total	INR 10 crore	INR 6 crore	INR 13 crore

Taking max(total model 10, total floors 6) gives 10 and understates the correct total by 3. Excess model ECL in one pool cannot erase a floor shortfall in a different pool.

Regulatory parameters: the 12-month PD minimum is 0.03%. Reliable internal LGDs are preferred; prescribed fallback LGDs include 65% for secured and 70% for unsecured exposures, with a specified 30% treatment for eligible collateral where applicable. These are LGD inputs under the regulatory conditions, not universal provision percentages. Stage 1 exemptions for specified sovereign/other exposures and simplified lifetime treatment for trade/lease receivables require separate checks.

12 / EIR and fee amortisation: a simple example

EIR combines contractual interest with integral fees and directly attributable transaction costs. Gross carrying amount means amortised cost before the loss allowance; it does not necessarily equal face value.

A bank advances a one-year INR 1,000 loan and receives an integral origination fee of INR 10. Assume no direct costs. The initial gross carrying amount is INR 990. At maturity the bank receives INR 1,000 principal and INR 100 coupon.

990 = 1,100 / (1 + EIR)
EIR = 1,100 / 990 - 1 = 11.1111%

Movement	INR
Opening gross carrying amount	990
EIR interest income: 990×11.1111%	110
Coupon cash received	(100)
Gross carrying amount before principal repayment	1,000
Principal received	(1,000)
Closing balance	0

Income of INR 110 comprises INR 100 coupon and INR 10 fee amortisation. Recognising the entire integral fee immediately would distort yield. Internal administration costs are not automatically eligible direct transaction costs.

For covered new originations from 1 April 2027, Stage 1/2 interest uses EIR on gross carrying amount. Existing loans have the specified transition; EIR income applies to all loans from 1 April 2030. Check the separate investment-income provisions. POCI assets use credit-adjusted EIR for measurement: initial expected losses are embedded in cash-flow estimates, with subsequent changes in lifetime ECL recognised separately. Their interest income remains cash-based.

13 / Stage 3 income: why net EIR interest is not the RBI answer

Consider a credit-impaired loan with gross carrying amount INR 100 crore, allowance INR 35 crore and net carrying amount INR 65 crore. EIR is 10%. A generic net-interest calculation would give 65×10% = INR 6.50 crore. That is not the accrued interest income permitted under paragraph 115 of these RBI Directions.

For POCI assets and assets that subsequently become credit-impaired, interest is recognised only on a cash basis. If the bank receives INR 2 crore specifically attributable to interest during the period, interest income is INR 2 crore, subject to the applicable receipt-allocation requirements. If it receives no interest, recognised interest is zero.

Basis	Illustrative amount	Applicable treatment
EIR × gross: 10%×100	INR 10 crore	Not accrued on this impaired asset.
EIR × net: 10%×65	INR 6.50 crore	Useful comparison with other frameworks, not the final RBI income rule.
Actual interest cash received	INR 2 crore	Cash-basis interest recognition for this example.

Provision measurement remains forward-looking lifetime ECL. Cash-basis income does not mean the allowance is calculated from cash received this year. Track overdue contractual interest separately where needed. Following a valid upgrade out of impairment, gross-basis EIR recognition resumes under the applicable requirements.

14 / Opening provisions and the CET1 capital glide path

Transitional adjustment = max(opening ECL on 1 April 2027 - provisions held under IRACP on 31 March 2027, 0)

The opening difference is adjusted against opening earnings, rather than current-period profit and loss. For regulatory capital, a bank may add back the permitted fraction of this difference net of applicable taxes. Relief is optional and can be completed sooner.

Financial year	Maximum CET1 add-back	Net impact absorbed
2027-28	80% (4/5)	20%
2028-29	60% (3/5)	40%
2029-30	40% (2/5)	60%
2030-31	20% (1/5)	80%
From 1 April 2031	0%	100%

Example: opening additional provisions INR 1,000 crore; assumed tax effect 25%; net adjustment INR 750 crore; RWA INR 100,000 crore; pre-adjustment CET1 ratio 14%. Fully loaded CET1 becomes 13.25%. Holding everything else fixed:

Year	Add-back / INR crore	Illustrative CET1 ratio
2027-28	600	13.85%
2028-29	450	13.70%
2029-30	300	13.55%
2030-31	150	13.40%
Fully loaded	0	13.25%

Tax effects, other capital deductions and RWA movements need actual bank-specific treatment. Full ECL provisions must be maintained from FY 2027-28; the phase-in concerns regulatory capital only. The add-back is not Tier 2 capital and cannot reduce standardised exposures or the leverage-ratio exposure measure. Disclose both transitional and fully loaded ratios.

15 / Board oversight, validation and model risk

The Board oversees the ECL framework. A Board committee or Board-approved committee including the CFO and CRO oversees implementation and connects risk estimates to accounting outcomes. Responsibility cannot be transferred entirely to a consultant or software vendor.

Control	What an effective bank should demonstrate
Model inventory and tiering	Owners, uses, dependencies, materiality, validation status and change history for every ECL model.
Independent validation	Challenge segmentation, data, SICR, PD/LGD/EAD, scenarios, code implementation and outcomes before use and periodically thereafter.
Macro scenarios	Economically coherent forecasts, justified probabilities and documented extrapolation beyond forecast horizons.
Credit judgement / overlays	Evidence, approval, quantified impact, expiry/review criteria and controls against double counting.
Monitoring and back-testing	Compare forecast defaults, recoveries and drawings with outcomes; investigate bias and recalibrate.
Audit and reproducibility	A reviewer can trace a reported provision to source records, model version, assumptions, floor and journal entry.

Include country risk, unhedged foreign currency exposure and relevant overseas subsidiary risks in parameters. Back-tests should distinguish a poor model from changed economic conditions or poor input data. Useful management measures include stage migration rates, Stage 2 concentration, cure rates, recovery lags, floor-binding share and fully loaded capital headroom.

RBI: paragraphs 56-57, 93-94 and Chapter V, paragraphs 119 onward.

16 / Implications for lending, borrowers and bank analysis

ECL can change the economics of granting and retaining a loan. Two borrowers with the same current payment record can attract different expected losses because leverage, sector outlook, collateral recovery and utilisation differ. Banks may refine pricing, covenants, limits and monitoring in response.

This does not imply every loan rate must rise, every Stage 2 account must be rejected or every bank will suffer the same capital hit. Impact depends on portfolios, existing provisions, model results, floors, taxes and capital buffers. Stage 2 migration can increase credit cost without a new NPA; later improvement can reduce allowances subject to the rules.

How borrowers can prepare

Provide timely financial statements and cash-flow forecasts, explain covenant stress early, maintain reliable stock/receivable and collateral records, and discuss refinancing needs before liquidity becomes acute. Stronger information reduces avoidable uncertainty; it does not eliminate genuine credit risk.

How to read a bank's reported numbers

Separate opening transition effects from subsequent credit costs. Examine Stage 2 trends alongside NPAs, changes in scenarios and overlays, the share of floor-bound provisions, EIR fee treatment, recoveries and fully loaded CET1. Compare banks only after checking portfolio mix and model assumptions.

17 / Use the interactive simulator and downloadable guide

The learning simulator offers three views: a facility ECL/floor calculation, the CET1 transition and a searchable product-floor reference. Change the stage, exposure, PD, LGD, amortisation and macro weights to see which factor drives the allowance.

1. Begin with the Stage 2 corporate worked example. Use marginal PD mode, year-2 EAD retention of 60%, and the scenario inputs shown in the case.

2. Switch to Stage 1 and compare the shorter default horizon.

3. Switch to Stage 3, choose the time-in-stage band and realistic secured portion; enter model lifetime loss and actual interest receipts separately.

4. Use the CET1 tab to separate full accounting recognition from temporary capital relief.

The tool is educational. Its simplified yearly timing, common EAD profile, static scenario LGDs and limited exception handling are not a bank's validated regulatory model.

Open simulator in a full window → | Download the PDF learning guide

18 / Knowledge check and common misunderstandings

Question	Answer
Does a current loan always stay in Stage 1?	No. Material deterioration since origination can trigger Stage 2 before arrears.
Does 30 DPD automatically mean NPA?	No. It is a rebuttable SICR backstop; NPA rules are separate.
Is 12-month ECL limited to next year's cash shortfalls?	No. It includes lifetime losses arising from defaults possible within that period.
Is the 5% corporate Stage 2 floor the borrower's PD?	No. It is a minimum provision rate on the relevant exposure base.
Can gold loans be pooled under generic secured retail?	No. Use their own product category and floors.
Should Stage 3 interest equal EIR times net carrying amount?	Not under final RBI paragraph 115: interest is cash-based.
Does the CET1 phase-in defer recording ECL?	No. Full ECL is maintained; only a fraction is temporarily added back to regulatory CET1.
Can one pool's excess model ECL cover another pool's floor deficit?	No. Apply floors separately by category and stage.
Is IFRS 9 terminology enough for RBI implementation?	No. The final RBI-specific floors, income rules, exemptions and transition controls govern.

19 / Vocabulary, references and further study

ECL: expected credit loss. IRACP: income recognition, asset classification and provisioning. SICR: significant increase in credit risk. DPD: days past due. PD: probability of default. LGD: loss given default. EAD: exposure at default. CCF: credit conversion factor. EIR: effective interest rate. POCI: purchased or originated credit-impaired. DCCO: date of commencement of commercial operations. CET1: Common Equity Tier 1. RWA: risk-weighted assets.

Official RBI Directions: 27 April 2026 →
Reserve Bank of India (Commercial Banks - Asset Classification, Provisioning and Income Recognition) Directions, 2026. Notification RBI/DOR/2026-27/398; DOR.STR.REC.No.6/21.06.011/2026-27.

Official document: https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=13400

Reading map: scope and dates: paragraphs 1-4, 17; staging and SICR: 25-36; measurement and EIR: 37-55; floors and parameters: 82-100; opening transition: 103-112; income: 113-118; model governance: Chapter V; disclosures: Chapter VI. Consult linked resolution, credit-capital and investment Directions where the text cross-refers to them.

The Academy's explanations, timelines and numerical cases are teaching illustrations. The RBI document and subsequent applicable amendments govern implementation. Regulatory reference date: 15 November 2026.

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