

Annex C

(See paras 4.7, 5 and 6.3)

PDR III Return - Format

Statement of Capital Adequacy - Quarter ended -

Name of the Primary Dealer :

Statement - 1 (Summary)

(Amount in Rs.)

- (i) Total of Risk Weighted Assets(RWA) for Credit Risk (Appendix I)
- (ii) (a) Tier-I Capital funds (after deductions)
(b) Tier-II Capital funds eligible
(c) Total of available Tier-I & II capital funds
- (iii) Minimum credit risk capital required
i.e. (i) x 15 per cent
- (iv) Excess of Tier-I & II capital funds available
for market risk capital charge i.e. (ii) (c) – (iii)
- (v) The Market Risk capital charge worked
out as the higher of the amounts under the
Standardised method and the one as per
internal risk management framework based VaR model
(Appendices II and III)
- (vi) Capital funds available to meet (v)
i.e: excess of Tier-I and Tier-II as at (iv) above,
- (vii) **Over all Capital Adequacy**
 - (a) Total RWA for credit risk i.e. (i)
 - (b) Capital charge for market risk i.e. (v)
 - (c) Numerical Link for (b) = 6.67
i.e.(reciprocal of credit risk capital ratio of 15%)
 - (d) Risk Weighted Assets relating to
Market Risk i.e. (b) x (c)
 - (e) Total Risk Weighted Assets i.e. (a) + (d)
 - (f) Minimum capital required i.e. (e) x 15%
 - (g) Total Capital funds available i.e. (ii) + (vi)
 - (h) **less** : Capital funds prescribed by other regulators/
licensors e.g. SEBI/ NSE/ BSE/OTCEI
 - (i) Net capital funds available (g – h)
for PD business
- (viii) Capital to Risk-Weighted Assets Ratio (CRAR) % (i / e) * 100

Following Appendices are to be sent along with the PDR III Return:

Appendix I - Details of the various on-balance sheet and off-balance sheet items, the risk weights assigned and the risk adjusted value of assets have to be reported in this format. The format enclosed is purely illustrative. PDs are required to adhere to the guidelines on activities permitted to be undertaken by PDs while diversifying business activities.

Appendix II - Details of the market risk charge using the standardised model as per the format enclosed.

Appendix III - Details of market risk using the VaR based internal model as per the format enclosed.

Appendix IV - Details of back-testing results for the previous quarter, giving the details of VaR predicted by the model, the actual change in the value of the portfolio and the face value of the portfolio.

Appendix V - Details of stress testing, along with details of the change in the value of the portfolio for a given change in the yield, in the format enclosed.

Appendix I

CREDIT RISK

A. BALANCE SHEET ITEMS

| FUNDED RISK ASSET | BOOK VALUE Rupees | RISK WEIGHT % | RISK ADJUST ED VALUE |
|--|----------------------------------|------------------------------|---|
| I. Cash balances and balances in current account with RBI | | 0% | |
| II. Amount lent in call/ notice money market and balances in current account with banks | | 20% | |
| III. <u>Investments</u> | | | |
| (a) Government securities/ Approved securities guaranteed by Central / State governments other than at (e) below | | 0% | |
| (b) Fixed deposits, Bonds and Certificates of Deposit of banks, PDs and Public Financial Institutions | | 20% | |
| (c) Bonds issued by banks / PDs / public financial Institutions (as specified by DBR) as Tier-II capital | | 100% | |
| (d) Shares of all companies and debentures / bonds / commercial papers of companies other than in (b) above/ units of mutual funds | | 100% | |
| (e) Securities of Public Sector Undertakings guaranteed by Central / State Govts. but issued outside the market borrowing programme <i>Note: In case where the guarantee has been invoked and the concerned state government has remained in default, PDs should assign 100% risk weight.</i> | | 20% | |
| (f) Securities of and other exposures on PDs in the Government Securities market including bills rediscounted | | 100% | |
| (g) Subordinated debts issued by other PDs as Tier-II capital | | 100% | |
| IV. <u>Current Assets</u> | | | |
| (a) Loans to staff | | 100% | |
| (b) Other secured loans and advances considered good | | 100% | |
| (c) Others (to be specified) | | 100% | |
| V. <u>Fixed Assets (net of depreciation)</u> | | | |
| (a) Assets leased out | | 100% | |
| (b) Fixed Assets | | 100% | |

| | | | |
|---|--|----|--|
| VI. <u>Other assets</u> | | | |
| (a) Income-tax deducted at source (net of provision) | | 0% | |
| (b) Advance tax paid (net of provision) | | 0% | |
| (c) Interest due on Government securities | | 0% | |
| (d) Others (to be specified and risk weight indicated as per the counter party) | | X% | |

AA. TOTAL RISK-WEIGHTED BALANCE SHEET ASSETS

B. OFF-BALANCE SHEET ITEMS

| FUNDED RISK ASSET | BOOK VALUE Rupees | CREDIT CONV FACTOR % | RISK WEIGHT % | RISK ADJ VALUE |
|--|----------------------------------|--|-----------------------------------|-------------------------------|
| i. <u>Share/ debenture/ auction stock underwritten</u> | | | | |
| - Government/ any exposure guaranteed by Government | | 50 | 0 | |
| - Banks/ Financial Institutions | | 50 | 20 | |
| - PDs | | 50 | 100 | |
| - All others | | 50 | 100 | |
| ii. <u>Partly-paid shares/debentures including actual devolvement and other securities</u> | | | | |
| - Government/ any exposure guaranteed by Government | | 100 | 0 | |
| - Banks/ Financial Institutions | | 100 | 20 | |
| - PDs in the Government securities market | | 100 | 100 | |
| - All others | | 100 | 100 | |
| iii. <u>Notional Equity/Index Positions underlying the equity derivative</u> | | | | |
| | | 100 | 100 | |
| iv. <u>Repurchase agreements where the credit risk remains with the PD</u> | | | | |
| - Government/ any exposure guaranteed by Government | | 100 | 0 | |
| - Banks/ Financial Institutions | | 100 | 20 | |
| - PDs | | 100 | 100 | |
| - All others | | 100 | 100 | |
| v. <u>Other contingent liabilities/ commitments like standby facility with original maturity of over one year</u> | | | | |
| - Government/ any exposure guaranteed by Government | | 50 | 0 | |
| - Banks/ Financial Institutions | | 50 | 20 | |
| - PDs | | 50 | 100 | |
| - All others | | 50 | 100 | |
| vi. <u>Interest Rate Swaps*</u> | | | | |
| Original maturity of less than 1 year | | 0.5 | | |
| Original maturity of 1 year and above but less than 2 years | | 1 | | |
| Original maturity of 2 years and above but less than 3 years | | 2 | | |
| Original maturity of 3 years and above but less than 4 years | | 3 | | |
| Original maturity of 4 years and above but less than 5 years | | 4 | | |
| Original maturity of 5 years and above but less than 6 years | | 5 | | |
| Original maturity of 6 years and above but less | | 6 | | |

| | | | | |
|--|--|---|--|--|
| <p>than 7 years</p> <p><i>(Every additional year – Credit Conversion Factor increases by 1%)</i></p> | | | | |
| vii. <u>Foreign Exchange Forward Contract*</u> | | | | |
| Original maturity of less than 1 year\$ | | 2 | | |
| Original maturity of more than 1 year and less than 2 years\$ | | 5 | | |
| <p><i>(Every additional year – CCF increases by 3%)</i></p> <p><i>\$ Risk depends on the counter party</i></p> | | | | |

Note: Cash margins/deposits should be deducted before applying the credit conversion factor
**:Risk weights would be as per the counterparty*

BB. TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS

C. TOTAL RISK-WEIGHTED BALANCE SHEET & OFF-BALANCE SHEET ASSETS

Appendix II

| PDR-III Quarterly Return | | | | | | | | | | | | | |
|--|---------------|---------------|------------|------------|-------------------|-----------------|------|-------|-------------------------------|---------------|---------------|-----------------|--------------------|
| Statement 2 | | | | | | | | | | | | | |
| MARKET RISK CAPITAL STATEMENT (Appreciation in book value not recognized) | | | | | | | | | | | | | |
| Standardised Method | | | | | | | | | | | | | |
| A. Interest rate Instruments & Equity /Equity like instruments | | | | | | | | | | | | | |
| INSTRUMENT | Maturity Date | POSITION (FV) | BOOK PRICE | BOOK VALUE | MODIFIED DURATION | DURATION BUCKET | ZONE | YIELD | ASSUMED CHANGE IN YIELD (bps) | CHANGED YIELD | CHANGED PRICE | CHANGE IN PRICE | MARKET RISK CHARGE |
| (Including equity positions) (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
| Total of A | | | | | | | | | | | | | |
| B. Unhedged Foreign Exchange Position | | | | | | | | | | | | | 15% |
| Total of B | | | | | | | | | | | | | |
| Total (A+B) | | | | | | | | | | | | | |

Position
(Marked to Market value)

Market Risk Measure
(15% of the position)

C. Unhedged Foreign Exchange Position

D. Asset items subjected to flat charge of 15% for market risk measurement

Memo items:

Items of assets which, with the approval of RBI, have been classified as investment items and not subjected to market risk measure:

| | Asset | Book Value | MTM/NAV |
|----|-------|------------|---------|
| 1. | | | |
| 2. | | | |

3.

Appendix IV

Back Testing of VaR Model

For the last 250 trading days

Backtesting Report as part of PDR III for Quarter ended.....

| | | |
|--|--------|--------------|
| | Actual | Hypothetical |
| No. of observations (excluding holidays) | 250 | 250 |
| No. of failures, i.e. No. of times VaR underpredicted the actual trading/hypothetical MTM losses | | |

DATE-WISE BACKTESTING RESULTS

(Rs. in crore)

| S. No. | Date | 1 day VaR Entire Portfolio | Mkt. Value Entire Portfolio | Mkt. Value Next Day Same Portfolio | Difference | Failure (Y/N) | Actual P/L | Failure (Y/N) |
|--------|------|----------------------------|-----------------------------|------------------------------------|------------|---------------|------------|---------------|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
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| 250 | | | | | | | | |

The daily VaR preceding holidays should be up-scaled by the square root of number of intervening holidays. For, example, if the Friday is followed by 2 holidays, then the one VaR figure for Friday should be multiplied by square root of 2.

Appendix V

Details of Stress Testing

| | | STRESS TEST AS ON: | |
|--|--|------------------------------|---|
| Name of the PD: | | | |
| ASSETS (All tradable interest rate related assets) | | | |
| | | MTM Value (Rs. Crore) | Weighted Average Mod. Duration (years) |
| 1 | G-Sec and T-Bills | | |
| 2 | Corporate/PSU/FI Bonds | | |
| 3 | Receiving leg in respect of FRA/IRS | | |
| 4 | Other tradable interest rate instruments | | |
| Total MTM value of assets (Va) | | | |
| Weighted Average Mod. Duration of the assets (Da) | | | |
| LIABILITES (excluding NOF) | | | |
| | | MTM Value (Rs. Crore) | Weighted Average Mod. Duration (years) |
| 1 | Net borrowing Call, notice & term money | | |
| 2 | Net borrowing in Repo (including LAF of RBI) | | |
| 3 | Net Borrowing through CBLO | | |
| 4 | Borrowing through ICDs | | |
| 5 | Borrowing through CPs | | |
| 6 | Borrowing through Bond issuances | | |
| 7 | Credit lines from banks/FIs | | |
| 8 | Paying leg in respect of FRA/IRS | | |
| 9 | Other tradable interest rate liabilities | | |
| Total MTM value of liabilities (VI) | | | |
| Weighted Average Mod. Duration of Liabilities (DI) | | | |
| Mod. Duration of NOF (Dn) = (Va*Da - VI*DI)/(Va-VI) | | | |
| Percentage change in NOF = (-) Dn*Change in interest rates (1%) | | | |
| Change in NOF = (-) Dn* Change in Interest rates (1%)*NOF | | | |
| Other details: | | | |
| Net interest income in the current year so far | | | |
| Trading profits/loss in the current year so far | | | |
| Unrealised MTM (Net gain/loss on cash positions) | | | |
| Unrealised MTM (Net gain/loss on derivative positions) | | | |
| Other income, if any (Details to be specified) *** | | | |
| NOF deployed in fixed income and related instruments | | | |
| Total NOF (Break-up to be furnished) | | | |

Note: NOF should be determined as per the definition prescribed in this regard. The MTM gains or losses should be adjusted in the NOF.

***Details of Other Income

Capital funds of the firm as on the date of stress test

(Rs. in crore)

| | | |
|-------|---|--|
| | | |
| i. | Tier-I Capital | |
| ii. | Tier-II Capital | |
| iii. | Total Capital (i+ii) | |
| iv. | Details of Deductions | |
| a. | Investment in subsidiaries | |
| b. | Intangible assets | |
| c. | Losses in current accounting period | |
| d. | Deferred tax assets | |
| e. | Losses brought forward from previous accounting periods | |
| f. | Capital funds prescribed by other regulator | |
| v. | Total Deductions(a+b+c+d+e+f) | |
| vi. | Net Total Capital Funds (iii-v) | |
| | Less | |
| vii. | Change in NOF due to one per cent increase in yields | |
| viii. | Net capital funds available after providing for change in NOF | |
| ix. | Risk-weighted assets for the credit risk of the firm | |
| x. | Risk-weighted assets for the market risk of the firm | |
| xi. | Total risk-weighted assets (ix+x) | |
| xii. | Capital adequacy ratio as on the date of stress test (viii/xi) | |