

ANNEX 7

CAPITAL CHARGE FOR SPECIFIC RISK

Sr. No.	Nature of investment	Maturity	Specific risk capital charge (as % of exposure)
Claims on Government			
1.	Investments in Government Securities.	All	0.0
2.	Investments in other approved securities guaranteed by Central/State Government.	All	0.0
3.	Investments in other securities where payment of interest and repayment of principal are guaranteed by Central Govt. (This will include investments in Indira/ Kisan Vikas Patra (IVP/KVP) and investments in Bonds and Debentures where payment of interest and principal is guaranteed by Central Govt.)	All	0.0
4.	Investments in other securities where payment of interest and repayment of principal are guaranteed by State Governments.	All	0.0
5.	Investments in other approved securities where payment of interest and repayment of principal are not guaranteed by Central/State Govt.	All	1.80
6.	Investments in Government guaranteed securities of Government Undertakings which do not form part of the approved market borrowing programme.	All	1.80
7.	Investment in state government guaranteed securities included under items 2, 4 and 6 above where the investment is non-performing. However the banks need to maintain capital at 9.0% only on those State Government guaranteed securities issued by the defaulting entities and not on all the securities issued or guaranteed by that State Government.	All	9.00
8.	Claims on banks, including investments in securities which are guaranteed by banks as to payment of interest and repayment of principal	For residual term to final maturity 6 months or less	0.30
		For residual term to final maturity between 6 and 24 months	1.125
		For residual term to final maturity exceeding 24 months	1.80

9.	Investments in subordinated debt instruments and bonds issued by other banks for their Tier II capital.	All	9.00
	Claims on Others		
10.	Investment in Mortgage Backed Securities (MBS) of residential assets of Housing Finance Companies (HFCs) which are recognised and supervised by National Housing Bank (subject to satisfying terms & conditions given in Annex 10.2	All	4.50
11.	Investment in Mortgage Backed Securities (MBS) which are backed by housing loan qualifying for 50% risk weight.	All	4.50
12.	Investment in securitised paper pertaining to an infrastructure facility	All	4.50
13.	All other investments including investment in securities issued by SPVs set up for securitisation transactions.	All	9.00
14.	Direct investments in equity shares, convertible bonds, debentures and units of equity oriented mutual funds including those exempted from Capital Market Exposure norms.	All	11.25
15.	Investment in Mortgage Backed Securities and other securitised exposures to Commercial Real Estate	All	13.5
16.	Investments in Venture Capital Funds	All	13.5
17.	Investments in instruments issued by NBFC-ND-SI	All	9.00
18.	Investments in Security Receipts issued by Securitisation Company/ Asset reconstruction Company and held under AFS portfolio	All	13.5

The category 'claim on Government' will include all forms of Government securities including dated Government securities, Treasury bills and other short-term investments and instruments where repayment of both principal and interest are fully guaranteed by the Government. The category 'Claims on others' will include issuers of securities other than Government and banks.