

Circular RPCD.RCB.BC.No.37/07.51.012/2014-15 dated October 29, 2014 on [Risk Weights for calculation of CRAR](#):

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)					
1	Annex Para II	<p><b>Additional Risk Weights in respect of Overseas Operations of Indian Banks (Applicable to Authorised Dealers only)</b></p> <p><b>1. Foreign Exchange and Interest Rate related Contracts</b></p> <p>(i) Foreign exchange contracts include the following:</p> <ol style="list-style-type: none"> <li>Cross currency interest rate swaps</li> <li>Forward foreign exchange contracts</li> <li>Currency futures</li> <li>Currency options purchased</li> <li>Other contracts of a similar nature</li> </ol> <p>(ii) As in the case of other off-Balance Sheet items, a two stage calculation prescribed below shall be applied:</p> <p><b>(a) Step 1</b> - The notional principal amount of each instrument is multiplied by the conversion factor given below:</p> <table border="1" data-bbox="481 1321 1162 1369"> <tr> <td data-bbox="481 1321 934 1369">Original maturity</td> <td data-bbox="934 1321 1162 1369">Conversion</td> </tr> </table>	Original maturity	Conversion	<p><b>Additional Risk Weights <del>in respect of Overseas Operations of Indian Banks</del> (Applicable to Authorised Dealers only)</b></p> <p><b>1. Foreign Exchange <del>and Interest Rate related</del> Contracts</b></p> <p>i) Foreign exchange contracts include the following:</p> <ol style="list-style-type: none"> <li>Cross currency <del>interest rate</del> swaps</li> <li>Forward foreign exchange contracts</li> <li>Currency futures</li> <li>Currency options purchased</li> <li>Other contracts of a similar nature</li> </ol> <p>(ii) As in the case of other off-Balance Sheet items, a two stage calculation prescribed below shall be applied:</p> <p><b>(a) Step 1</b> - The notional principal amount of each instrument is multiplied by the conversion factor given below:</p> <table border="1" data-bbox="1303 1270 1984 1369"> <tr> <td data-bbox="1303 1270 1756 1369">Original maturity</td> <td data-bbox="1756 1270 1984 1369">Conversion factor</td> </tr> </table>		Original maturity	Conversion factor
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			<p><u>valid form of bilateral netting not covered in (a), including other forms of novation.</u></p> <p><u>(c) In both cases (a) and (b), a bank will need to satisfy that it has:</u></p> <p><u>(i) A netting contract or agreement with the counterparty which creates a single legal obligation, covering all included transactions, such that the bank would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions in the event a counterparty fails to perform due to any of the following: default, bankruptcy, liquidation or similar circumstances;</u></p> <p><u>(ii) Written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the bank's exposure to be such a net amount under:</u></p> <ul style="list-style-type: none"> <li><u>• The law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of the jurisdiction in which the branch is located;</u></li> </ul>

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			<ul style="list-style-type: none"> <li>• <u>The law that governs the individual transactions; and</u></li> <li>• <u>The law that governs any contract or agreement necessary to effect the netting.</u></li> </ul> <p><u>(iii) Procedures in place to ensure that the legal characteristics of netting arrangements are kept under review in the light of possible changes in relevant law.</u></p> <p><u>(d) Contracts containing walkaway clauses will not be eligible for netting for the purpose of calculating capital requirements under these guidelines. A walkaway clause is a provision which permits a non-defaulting counterparty to make only limited payments or no payment at all, to the estate of a defaulter, even if the defaulter is a net creditor.</u></p>