**Annex 2**

**Circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018 on '<u>Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines</u>'**

| Sr. No. | Reference Paragraph | Existing Extract | Amended text in RBI regulation (track change mode) |
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| 1 | 8.1 | Derivative liabilities are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a negative value. If the derivative exposure is covered by an eligible bilateral netting contract as specified in the Annex 20 (Part B) of the Master Circular on Basel III Capital Regulations[3], the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost. In calculating NSFR derivative liabilities, collateral posted in the form of variation margin in connection with derivative contracts, regardless of the asset type, must be deducted from the negative replacement cost amount.<br><br>*Footnote 3: Currently, relevant only in case of banks' exposures to Qualifying Central Counterparties (QCCPs) subject to conditions mentioned in paragraph 5.15.3.9 of the Master Circular. In case of OTC derivatives, please refer to circular DBOD.No.BP.BC.48/21.06.001/2010-11 dated October* | Derivative liabilities are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a negative value. If the derivative exposure is covered by an eligible bilateral netting contract as specified in the Annex 20 (Part B) of the Master Circular on Basel III Capital Regulations[3], the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost. In calculating NSFR derivative liabilities, collateral posted in the form of variation margin in connection with derivative contracts, regardless of the asset type, must be deducted from the negative replacement cost amount.<br><br>*Footnote 3: <u>Deleted</u> ~~Currently, relevant only in case of banks' exposures to Qualifying Central Counterparties (QCCPs) subject to conditions mentioned in paragraph 5.15.3.9 of the Master Circular. In case of OTC derivatives, please refer to circular DBOD.No.BP.BC.48/21.06.001/2010-11 dated October~~* |

| Sr. No. | Reference Paragraph | Existing Extract | Amended text in RBI regulation (track change mode) |
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| | | *1, 2010 on Prudential Norms for Off-Balance Sheet Exposures of Banks – Bilateral netting of counterparty credit exposures. As indicated therein, bilateral netting of mark-to-market (MTM) values arising on account of derivative contracts is not permitted*. | ~~*1, 2010 on Prudential Norms for Off-Balance Sheet Exposures of Banks – Bilateral netting of counterparty credit exposures. As indicated therein, bilateral netting of mark-to-market (MTM) values arising on account of derivative contracts is not permitted*.~~ |