Annex 1

Master Circular DOR.CAP.REC.15/21.06.201/2023-24 dated May 12, 2023 on Basel III Capital Regulations:

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
1	4.2.3.1(A)		
		(iv) Capital reserves representing surplus arising	(iv) Capital reserves representing surplus arising out of sale
		out of sale proceeds of assets;	proceeds of assets;
			(iv)(a) AFS reserve ^{6A} ;
			Footnote 6A: Please refer to Master Direction - Classification,
			Valuation and Operation of Investment Portfolio of Commercial
			Banks (Directions), 2023 dated September 12, 2023. It is also
			clarified that any negative balance in the AFS reserve shall be
			deducted from CET1 capital.
2	4.2.3.2(A)		
		(v) Capital reserve representing surplus arising out	(v) Capital reserve representing surplus arising out of sale of
		of sale of assets in India held in a separate	assets in India held in a separate account and which is not eligible
		account and which is not eligible for repatriation so	for repatriation so long as the bank functions in India;
		long as the bank functions in India;	(v)(a) AFS reserve ^{6B} ;
			Footnote 6B: Please refer to Master Direction - Classification,
			Valuation and Operation of Investment Portfolio of Commercial
			Banks (Directions), 2023 dated September 12, 2023. It is also
			clarified that any negative balance in the AFS reserve shall be
			deducted from CET1 capital.
3	4.2.5.1(A)(i)(b)	Investment Fluctuation Reserve shall also qualify	Investment Fluctuation Reserve shall also qualify for inclusion in
		for inclusion in Tier 2 capital, without any ceiling ¹² .	Tier 2 capital, without any ceiling ¹² .
		Footnote 12: Please refer to para 18(i)(b) of the	Footnote 12: Please refer to para 18(i)(b)clause 37 of the Master

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
		Master Direction DOR.MRG.42/21.04.141/2021-22	Direction DOR.MRG.42/21.04.141/2021-22
		dated August 25, 2021 titled 'Classification,	DOR.MRG.36/21.04.141/2023-24 dated August 25,
		Valuation and Operation of Investment Portfolio of	2021 September 12, 2023 titled 'Classification, Valuation and
		Commercial Banks (Directions), 2021'	Operation of Investment Portfolio of Commercial Banks
			(Directions), 2021 2023'
4	4.4.9.2	Accordingly, all investments ¹⁸ in the capital	Accordingly, all investments ¹⁸ in the capital instruments issued
		instruments issued by banking, financial and	by banking, financial and insurance entities within the limits
		insurance entities within the limits mentioned in	mentioned in paragraph 4.4.9.1 will be subject to the following
		paragraph 4.4.9.1 will be subject to the following	rules:
		rules:	
		Footnote 18: For this purpose, investments held in	Footnote 18: For this purpose, investments held in AFS / HFT
		AFS / HFT category may be reckoned at their	category may be reckoned at their market values, whereas, those
		market values, whereas, those held in HTM	held in HTM category may be reckoned at values appearing in the
		category may be reckoned at values appearing in	Balance sheet of the Bank according to their classification in terms
		the Balance sheet of the Bank.	of Master Direction - Classification, Valuation and Operation of
			Investment Portfolio of Commercial Banks (Directions), 2023 dated
			<u>September 12, 2023</u> .
5	4.4.12	New sub-paragraph	The net unrealised gains arising on fair valuation of Level 3
			financial instruments recognised in the Profit and Loss Account or
			in the AFS-Reserve shall be deducted from CET 1 capital ^{24A} .
			Footnote 24A: Please refer to clause 28 and 41 of Master Direction
			- Classification, Valuation and Operation of Investment Portfolio of
			Commercial Banks (Directions), 2023 dated September 12, 2023.
6	Table 3	Claims on Banks ²⁹ Incorporated in India and	Claims on Banks ²⁹ Incorporated in India and Foreign Bank
		Foreign Bank Branches in India	Branches in India

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
		Footnote 29: For claims held in AFS and HFT	Footnote 29: For claims held in AFS and HFT portfoliostrading
		portfolios, please see the paragraphs 8.3.5 and	book, please see the paragraphs 8.3.5 and 8.4.4 under 'capital
		8.4.4 under 'capital charge for market risk'	charge for market risk'
7	7.3.8.1(A)(iv)	As the securities will come back to the books of the	As the securities will come back to the books of the borrowing bank
		borrowing bank after the repo period, it will	after the repo period, it will continue to maintain the capital for the
		continue to maintain the capital for the credit risk in	credit risk in the securities in the cases where the securities
		the securities in the cases where the securities	involved in repo are held under HTM category banking book, and
		involved in repo are held under HTM category, and	capital for market risk in cases where the securities are held under
		capital for market risk in cases where the securities	AFS/HFT categoriestrading book. The capital charge for credit risk
		are held under AFS/HFT categories. The capital	/ specific risk would be determined according to the credit rating of
		charge for credit risk / specific risk would be	the issuer of the security. In the case of Government securities, the
		determined according to the credit rating of the issuer of the security. In the case of Government	capital charge for credit / specific risk will be 'zero'.
		securities, the capital charge for credit / specific	
		risk will be 'zero'.	
8	8.2.1	These guidelines seek to address the issues	These guidelines seek to address the issues involved in computing
	0.2.1	involved in computing capital charges for interest	capital charges for interest rate related instruments in the trading
		rate related instruments in the trading book,	book, equities in the trading book and foreign exchange risk
		equities in the trading book and foreign exchange	(including gold and other precious metals) in both trading and
		risk (including gold and other precious metals) in	banking books. Trading book for the purpose of capital adequacy
		both trading and banking books. Trading book for	will include: all instruments that are classified as "Held for Trading"
		the purpose of capital adequacy will include:	as per Master Direction - Classification, Valuation and Operation of
		(i) Securities included under the Held for	Investment Portfolio of Commercial Banks (Directions), 2023 dated
		Trading category	September 12, 2023. All other instruments ^{84A} will be included in the
		Trading category	banking book and attract corresponding capital charge for credit
		(ii) Securities included under the Available for	risk (or counterparty credit risk, where applicable).

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph	Sale category	(i) Securities included under the Held for Trading category
		(iii) Open gold position limits	(ii) Securities included under the Available for Sale category
		(iv) Open foreign exchange position limits	(iii) Open gold position limits
		(v) Trading positions in derivatives, and	(iv) Open foreign exchange position limits
		(vi) Derivatives entered into for hedging trading	(v) Trading positions in derivatives, and
		book exposures.	(vi) Derivatives entered into for hedging trading book exposures.
			Footnote 84A: Accordingly, instruments classified under HTM, AFS, FVTPL (non-HFT) and investments in own subsidiaries, joint ventures and associates will also be part of banking book and will not attract market risk capital charge.
9	8.2.4	New sub-paragraph	The risk-weighted assets for market risk should be determined by multiplying the market risk capital charge by a factor of 12.5, as provided in paragraph 8.7. The market risk capital charge is the simple sum of the capital requirements arising from each of the three risk classes — namely interest rate risk, equity risk and foreign exchange risk as detailed in the formula below: $Capital \ Requirement = CR_{IRR} * SF_{IRR} + CR_{EQ} * SF_{EQ} + CR_{FX} * SF_{FX}$ $\underline{Capital \ Requirement} = CR_{IRR} * SF_{IRR} + CR_{EQ} * SF_{EQ} + CR_{FX} * SF_{FX}$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$ $\underline{CR_{IRR}} = capital \ requirement \ prescribed \ for \ interest$

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
			b)
10	8.3.2	The capital charge for interest rate related instruments would apply to current market value of these items in bank's trading book. Since banks are required to maintain capital for market risks on an ongoing basis, they are required to mark to market their trading positions on a daily basis. The current market value will be determined as per extant RBI guidelines on valuation of investments.	The capital charge for interest rate related instruments would apply to current marketfair value of these items in bank's trading book. Since banks are required to maintain capital for market risks on an ongoing basis, they are required to mark to market their trading positions on a daily basis. The current marketfair value will be determined as per extant RBI guidelines on valuation of investments.

Sr.	Reference		Existing Extract			Ameno	led text in RBI regulation (track o	change mode)
No. 11	Paragraph 8.3.4	For the debt securities held under AFS category, in view of the possible longer holding period and attendant higher specific risk, the banks shall hold total capital charge for market risk equal to greater of (a) or (b) below: a) Specific risk capital charge, computed notionally for the AFS securities treating them as held under HFT category (as computed according to Table 14: Part A / C / E(i) / F / G, as applicable) plus the			the possible longer holding period and attendant higher specifically risk, the banks shall hold total capital charge for market risk equate to greater of (a) or (b) below: (a) Specific risk capital charge, computed notionally for the AFS securities treating them as held under HFT category (as computed according to Table 14: Part A / C / E(i) / F / G, as applicable) plut the General Market Risk Capital Charge. (b) Alternative total capital charge for the AFS category computed notionally treating them as held in the banking book (as computed			category, in view of dant higher specific or market risk equal cionally for the AFS egory (as computed as applicable) plus ategory computed cook (as computed
		b) Alte cate as in a	General Market Risk Capital Charge. Alternative total capital charge for the AFS category computed notionally treating them as held in the banking book (as computed in accordance with Table 14: Part B / D / E(ii) / F / H, as applicable).			cable).	e with Table 14: Part B / D / E(ii) / I	F / H, as
12	2 8.3.5 The capital charge for specific risk is designed to protect against an adverse movement in the price of an individual security owing to factors related to		an ad facto vario	dverse r rs relate	charge for specific risk is designed movement in the price of an individual of the individual issuer. The specific of exposures would be applied as Nature of debt securities / issuer	ual security owing to cific risk charges for detailed below:		
		Sr. No.	Nature of debt securities / issuer	Table to be followed		a.	Central, State and Foreign Central Governments' Bonds: (i) Held in HFT category (ii) Held in AFS category	Table 14 – Part A Table 14 – Part B

Sr.	Reference	Existing Extract			Amended text in RBI regulation (track change mode)			
No.	Paragraph							
		a.	Central, State and		b.	Banks' Bonds :	Table 14 – Part C	
			Foreign Central			(i) Held in HFT category	Table 14 – Part D	
			Governments' Bonds:	Table 14 –		(ii) Held in AFS category		
			(i) Held in HFT	Part A	C.	Corporate Bonds (other than	Table 14 – Part	
			category	Table 14 –		Bank Bonds) :	E(i)	
			(ii) Held in AFS category			(i) Held in HFT category	Table 14 - Part	
		b.	Banks' Bonds:	Table 14 –		(ii) Held in AFS category	E(ii)	
			(i) Held in HFT category		d.	Securitisation Exposure	Table 14 – Part F	
			(ii) Held in AFS category			Held in HFT and AFS categories	Table 14 – Part	
				Part D			G(i) and G(ii)	
		C.	Corporate Bonds (other	Table 14 –	e.	Non-common Equity Capital	Table 14 – Part H	
			than Bank Bonds):	Part E(i)		Instruments issued by Financial	Table 14 – Part I	
			(i) Held in HFT category			Entities other than Banks		
			(ii) Held in AFS category	, ,		(i) Held in HFT category		
		d.	Securitisation Exposure	Table 14 –		(ii) Held in AFS category		
			Held in HFT and AFS	Part F	f.	Debt mutual fund / exchange		
			categories	Table 14 –		traded fund* (ETF) with		
				Part G(i) and		underlying comprising of	Table 14 – Part	
				G(ii)		(i) Central, State and Foreign	<u>₿</u> <u>A</u>	
		e.	Non-common Equity			Central Governments' bonds		
			Capital Instruments			(ii) Bank's Bonds and	Table 14 – Part	
			issued by Financial			(iii) Corporate Bonds (other than	D C	
			Entities other than	Table 14 –		Bank Bonds)	Table 14 – Part	
			Banks	Part H			E(i∔)	
			(i) Held in HFT category		g.	Equity Investments in Banks	Table 17 – Part A	
			(ii) Held in AFS category	Part I		Held in HFT and AFS Categories		

Sr.	Reference	Existing Extract			Amen	ded text in RBI regulation (track change mode)	
No.	Paragraph						
		f.	Debt mutual fund / exchange traded fund* (ETF) with underlying comprising of	Table 14 – Part B		h.	Equity Investments in Financial Entities (other than Banks) Held in HFT and AFS Categories
			(i) Central, State and Foreign Central	Table 14 –		i.	Equity Investments in Non-
			Governments' bonds	Part D			financial (commercial) Entities
			(ii) Bank's Bonds and (iii) Corporate Bonds (other than Bank Bonds)	Table 14 – Part E(ii)	* <u>Note</u>		case of debt mutual fund / ETF which contains a mix of ebt instruments, the specific risk capital charge shall be
		g.	Equity Investments in Banks		•		e highest specific risk capital charge in the fund. Debt
			Held in HFT and AFS Categories	Table 17 – Part A	mutua	al fund	/ ETF classified in trading book for which constituent are not available, at least as of each month-end, shall
		h.	Equity Investments in Financial Entities (other than Banks)		contir	nue to l	be treated on par with equity for computation of capital narket risk as prescribed in paragraph 8.4.1.
			Held in HFT and AFS Categories	Table 17 – Part B			
		i.	Equity Investments in Non-financial (commercial) Entities	Table 17 – Part C			
		*Note: In case of debt mutual fund / ETF which contains a mix of the above debt instruments, the					
		specific risk capital charge shall be computed					
		based or	n the lowest rated deb	t instrument/			

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
		instrument attracting the highest specific risk	
		capital charge in the fund. Debt mutual fund / ETF	
		for which constituent debt details are not available,	
		at least as of each month-end, shall continue to be	
		treated on par with equity for computation of	
		capital charge for market risk as prescribed in	
		paragraph 8.4.1.	
13	Table 14 Part	Table 14 – Part A: Specific Risk Capital Charge	Table 14 – Part A: Specific Risk Capital Charge for Sovereign
	Α	for Sovereign securities issued by Indian and	securities issued by Indian and foreign sovereigns — Held by
		foreign sovereigns – Held by banks under the	banks under the HFT Category
		HFT Category	
14	Table 14 Part	Table 14 – Part B: Alternative Total Capital	Table 14 - Part B: Deleted Alternative Total Capital Charge for
	В	Charge for securities issued by Indian and	securities issued by Indian and foreign sovereigns - Held by
		foreign sovereigns - Held by banks under the	banks under the AFS Category ⁸⁵
		AFS Category ⁸⁵	
			
		Footnote 85: For debt mutual funds/ETF, the	Footnote 85: DeletedFor debt mutual funds/ETF, the heading shall
		heading shall read as: Specific risk capital charge	read as: Specific risk capital charge for securities issued by Indian
		for securities issued by Indian and foreign	and foreign sovereigns.
		sovereigns.	

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)		
No. 15	Paragraph Table 14 Part	Table 14 - Part C: Specific risk capital charge	Table 14 - Part C: Specific risk capital charge for bonds issued		
	С	for bonds issued by banks	by banks		
		 Held by banks under the HFT category 	 Held by banks under the HFT category 		
16	Table 14 Part	Table 14 - Part D: Alternative Total Capital	Table 14 - Part D: Deleted Alternative Total Capital Charge for		
	D	Charge for bonds issued by banks	bonds issued by banks		
		 Held by banks under AFS category⁸⁶ 	 Held by banks under AFS category⁸⁶ 		
		(subject to the conditions stipulated in	(subject to the conditions stipulated in paragraph 8.3.4)		
		paragraph 8.3.4)			
			Footnote 86: Deleted For debt mutual funds/ETF, the heading shall		
		Footnote 86: For debt mutual funds/ETF, the	read as: Specific risk capital charge for bonds issued by banks.		
		heading shall read as: Specific risk capital charge			
		for bonds issued by banks.	7.07		
17	Table 14 Part	Table 14 – Part E (i)87: Specific Risk Capital	Table 14 – Part E (i)87: Specific Risk Capital Charge for		
	E(i)	Charge for Corporate Bonds (Other than bank bonds) – Held by banks under HFT Category	Corporate Bonds (Other than bank bonds) — Held by banks under HFT Category		
		bolids) – field by balliks under the Category	under in a outegory		
		Footnote 87: Master Circular	Footnote 87: Master Circular DBOD.No.BP.BC.73/21.06.001/2009-		
		DBOD.No.BP.BC.73/21.06.001/2009-10 dated Feb	10 dated Feb 8, 2010.		
		8, 2010.			

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
18	Table 14 Part	Table 14 – Part E (ii): Alternative Total Capital	Table 14 – Part E (ii): <u>Deleted</u> Alternative Total Capital
	E(ii)	Charge for Corporate Bonds (Other than bank	Charge for Corporate Bonds (Other than bank bonds) –
		bonds) – Held by banks under AFS Category ⁸⁸	Held by banks under AFS Category ⁸⁸
		Footnote 88: For debt mutual funds/ETF, the	Footnote 88: Deleted For debt mutual funds/ETF, the heading shall
		heading shall read as: Specific Risk Capital	read as: Specific Risk Capital Charge for Corporate Bonds (Other
		Charge for Corporate Bonds (Other than bank	than bank bonds).
		bonds).	
19	Table 14 Part	Table 14 – Part F: Specific Risk Capital Charge	Table 14 – Part F: Specific Risk Capital Charge for
	F	for Securitisation Exposures – Held by banks	Securitisation Exposures — Held by banks under HFT and AFS
		under HFT and AFS Category	Category
		For securitisation transactions	For securitisation transactions undertaken subsequent to
		undertaken subsequent to the issuance	the issuance of Master Direction – Reserve Bank of India
		of Master Direction – Reserve Bank of	(Securitisation of Standard Assets) Directions, 2021
		India (Securitisation of Standard Assets)	dated September 24, 2021, the specific risk capital
		Directions, 2021 dated September 24,	requirement of securitisation exposures that are held
		2021, the specific risk capital	under HFT and AFS Categorytrading book is to be
		requirement of securitisation exposures	calculated according to the revised method as set out in
		that are held under HFT and AFS	the Master Direction ibid. Accordingly, a bank shall
		Category is to be calculated according to	calculate the specific risk capital requirement applicable
		the revised method as set out in the	to each securitisation exposure in trading book by
		Master Direction ibid. Accordingly, a	dividing the risk weight calculated as if it were held in the
		bank shall calculate the specific risk	banking book by 11.11, subject to a cap on specific risk
		capital requirement applicable to each	capital requirement of 100 per cent.
		securitisation exposure in trading book	
		by dividing the risk weight calculated as if	
		it were held in the banking book by	For transactions undertaken before issuance of the
		11.11, subject to a cap on specific risk	aforementioned Directions, i.e., prior to September 24,

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)		
		capital requirement of 100 per cent. For transactions undertaken before issuance of the aforementioned Directions, i.e., prior to September 24, 2021, the treatment of securitisation exposures for capital adequacy would be as per Table 14 – Part G provided below.	2021, the treatment of securitisation exposures for capital adequacy would be as per Table 14 – Part G provided below.		
20	Table 14 Part G(i)	Table 14 – Part G(i): Specific Risk Capital Charge for transactions in Securitisation Exposures prior to September 24, 2021 – Held by banks under HFT and AFS Category	Table 14 – Part G(i): Specific Risk Capital Charge for transactions in Securitisation Exposures prior to September 24, 2021 – Held by banks under HFT and AFS Category		
21	Table 14 Part G(ii)	Table 14 – Part G (ii): Specific Risk Capital Charge for transactions in Re-securitisation Exposures 9 – Held by banks under HFT and AFS Category Footnote 89: Re-securitisation Exposures are not allowed in terms of circular DBOD.No.BP.BC-103/21.04.177/2011-12 dated May 07, 2012 (instructions since consolidated in Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dated September 24, 2021).	Table 14 – Part G (ii): Specific Risk Capital Charge for transactions in Re-securitisation Exposures 89 — Held by banks under HFT and AFS Category Footnote 89: Re-securitisation Exposures are not allowed in terms of circular DBOD.No.BP.BC-103/21.04.177/2011-12 dated May 07, 2012 (instructions since consolidated in Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dated September 24, 2021).		

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)		
No.	Paragraph	•			
22	Table 14 Part H	Table 14 - Part H: Specific risk capital charge for non-common equity capital instruments issued by financial entities other than bank – Held by banks under the HFT category	Table 14 - Part H: Specific risk capital charge for non- common equity capital instruments issued by financial entities other than banks - Held by banks under the HFT category 		
23	Table 14 Part I	Table 14 - Part I: Alternative Total Capital Charge for non-common equity capital instruments issued financial entities other than banks - Held by banks under the AFS category	Table 14 - Part I: Deleted Alternative Total Capital Charge for non-common equity capital instruments issued financial entities other than banks - Held by banks under the AFS category		
24	8.4.1	The capital charge for equities would apply on their current market value in bank's trading book. Minimum capital requirement to cover the risk of holding or taking positions in equities in the trading book is set out below. This is applied to all instruments that exhibit market behaviour similar to equities but not to non-convertible preference shares (which are covered by the interest rate risk requirements described earlier). The instruments covered include equity shares, whether voting or non-voting, convertible securities that behave like equities, for example: units of mutual funds (other than debt mutual funds/ETFs mentioned in para 8.3.5), and commitments to buy or sell equity.	The capital charge for equities would apply on their current marketfair value in bank's trading book. Minimum capital requirement to cover the risk of holding or taking positions in equities in the trading book is set out below. This is applied to all instruments that exhibit market behaviour similar to equities but not to non-convertible preference shares (which are covered by the interest rate risk requirements described earlier). The instruments covered include equity shares have like equities, for example: units of mutual funds (other than debt mutual funds/ETFs mentioned in para 8.3.5), and commitments to buy or sell equity. Footnote 89A: Please refer to Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated September 12, 2023. Accordingly, a) investments in subsidiaries, associates and joint ventures would be part of banking book; b) unlisted equity would be part of banking book [FVTPL (non-HFT), or under AFS in terms of clause		

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
			6.2(a) of Directions]: and c) listed equity is generally part of trading book (classified under HFT), unless such investment is classified under AFS in terms of clause 6.2(a) of Directions. Footnote 89B: Please also refer to paragraph 7(d) and 8(b) of Annex I of Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated September 12, 2023.
25	8.4.3	Specific Risk Capital Charge for banks' investment in Security Receipts will be 13.5 per cent (equivalent to 150 per cent risk weight). Since the Security Receipts are by and large illiquid and not traded in the secondary market, there will be no General Market Risk Capital Charge on them (vide mailbox clarification dated January 18, 2010).	Specific Risk Capital Charge for banks' investment in Security Receipts will be 13.5 per cent (equivalent to 150 per cent risk weight). Since the Security Receipts are by and large illiquid and not traded in the secondary market, there will be no General Market Risk Capital Charge on them (vide mailbox clarification dated January 18, 2010). Footnote 89C: Please refer to Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated September 12, 2023. Accordingly, Security Receipts can be part of banking book [classified under FVTPL (non-HFT)] or trading book (classified under HFT).
26	Table 17 Part	Table 17 – Part A: Specific risk charge for	Table 17 – Part A: Specific risk charge for bank's investments
	Α	bank's investments in the equity of other banks	in the equity of other banks held in HFT and AFS portfolios
		held in HFT and AFS portfolios	
27	8.8.1(i)	This section provides banks with guidance on prudent valuation for positions that are accounted for at fair value. This guidance would be applicable to all positions enumerated in paragraph 8.2.1 above	This section provides banks with guidance on prudent valuation for positions that are accounted for at fair value. This guidance would be applicable to all positions enumerated in paragraph 8.2.1 above

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
28	8.8.1.2(iii)	Marking-to model is defined as any valuation	Marking-to model is defined as any valuation which has to be
		which has to be benchmarked, extrapolated or	benchmarked, extrapolated or otherwise calculated from a market
		otherwise calculated from a market input. Where	input. Where marking-to-market is not possible, banks should
		marking-to-market is not possible, banks should	follow the guidelines on valuation of investments contained in
		follow the guidelines on valuation of investments	Master Direction - Classification, Valuation and Operation of
		contained in Master Direction - Classification,	Investment Portfolio of Commercial Banks (Directions), 2023
		Valuation and Operation of Investment Portfolio of	dated August 25, 2021 September 12, 2023. For investment and
		Commercial Banks (Directions), dated August 25,	derivative positions other than those covered in the Master
		2021. For investment and derivative positions	CircularDirection, the valuation model used by banks must be
		other than those covered in the Master Circular,	demonstrated to be prudent.
		the valuation model used by banks must be	
		demonstrated to be prudent.	
29	9.3.2	Gross income is defined as "Net interest income"	Gross income is defined as "Net interest income" plus "net non-
		plus "net non-interest income". It is intended that	interest income". It is intended that this measure should:
		this measure should:	
			(v) exclude realised profits/losses from the sale of securities in the
		(v) exclude realised profits/losses from the sale of	"held to maturity" category "banking book",
		securities in the <i>"held to maturity"</i> category;	
30	16.4.1(i)	The exposure measure for the leverage ratio	The exposure measure for the leverage ratio should generally

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
		should generally follow the accounting value, subject to the following: • on-balance sheet, non-derivative exposures are included in the exposure measure net of specific provisions or accounting valuation adjustments (e.g. accounting credit valuation adjustments, e.g. prudent valuation adjustments for AFS and HFT positions); • netting of loans and deposits is not allowed.	 follow the accounting value, subject to the following: on-balance sheet, non-derivative exposures are included in the exposure measure net of specific provisions or accounting valuation adjustments (e.g. accounting credit valuation adjustments, e.g. prudent valuation adjustments for AFS and HFT positions); netting of loans and deposits is not allowed.
31	Annex 3 Para 1.8	(v) Dividends must be paid out of distributable items only. As regards 'distributable items', it is clarified that the dividend on perpetual non-cumulative preference shares (PNCPS) will be paid out of current year's profit only	(v) Dividends must be paid out of distributable items only. As regards 'distributable items', it is clarified that the dividend on perpetual non-cumulative preference shares (PNCPS) will be paid out of current year's profit only. Note: As provided in clause 13(d) of Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated September 12, 2023, the unrealised gains transferred to AFS-Reserve shall not be available for any distribution such as dividend and coupon on Additional Tier 1. Further, clause 28 and 41 of the Directions ibid

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		
			provide that banks shall not pay dividends out of net unrealised
			gains recognised in the Profit and Loss Account arising on fair
			valuation of Level 3 financial instruments on their Balance Sheet.
32	Annex 4 Para		
	1.8	(e) Coupons must be paid out of 'distributable	(e) Coupons must be paid out of 'distributable items' . In this
		items'. In this context, coupon may be paid out of	context, coupon may be paid out of current year profits. However, if
		current year profits. However, if current year profits	current year profits are not sufficient, coupon may be paid subject
		are not sufficient, coupon may be paid subject to	to availability of:
		availability of:	(i) Profits brought forward from previous years, and/or
		(i) Profits brought forward from previous years,	
		and/or	(ii) Reserves representing appropriation of net profits, including
		(ii) December of make	statutory reserves, and excluding share premium, revaluation
		(ii) Reserves representing appropriation of net	reserve, foreign currency translation reserve, investment reserve.
		profits, including statutory reserves, and excluding	unrealised gains transferred to AFS reserve ^{175A} and reserves
		share premium, revaluation reserve, foreign	created on amalgamation.
		currency translation reserve, investment reserve	
		and reserves created on amalgamation.	
			Footnote 175A: Please refer to clause 13(d) of Master Direction -
			Classification, Valuation and Operation of Investment Portfolio of
			Commercial Banks (Directions), 2023 dated September 12, 2023.
33	Annex 7 Para	For the purpose of capital adequacy for CDS	For the purpose of capital adequacy for CDS transactions,
	3		

Sr.	Reference	Existing Extract	Amended text in RBI regulation (track change mode)
No.	Paragraph		T
		transactions, Trading Book would comprise Held	Trading Book would comprise Held for Trading positions and
		for Trading positions and Banking Book would	Banking Book would comprise Held to Maturity and Available for
		comprise Held to Maturity and Available for Sale	Sale positions. A CDS being a financial derivative will be classified
		positions. A CDS being a financial derivative will	in the Trading Book except when it is contracted and designated
		be classified in the Trading Book except when it is	as a hedge for a Banking Book exposure. Thus, the CDS
		contracted and designated as a hedge for a	positions held in the Trading Book would include positions which:
		Banking Book exposure. Thus, the CDS positions	a) arise from market-making;
		held in the Trading Book would include positions	,
		which:	b) are meant for hedging the exposures in the Trading Book;
		a) arise from market-making;	c) are held for short-term resale; and
		b) are meant for hedging the exposures in the	d) are taken by the bank with the intention of benefiting in the
		Trading Book;	short-term from the actual and / or expected differences between
		Trading Book,	their buying and selling prices
		c) are held for short-term resale; and	CDS positions meant for hedging Banking Book exposures will be
		d) are taken by the bank with the intention of	
		benefiting in the short-term from the actual	classified in the Banking Book. However, all CDS positions, either
		and / or expected differences between	in Banking Book or Trading Book, should be marked to market.
		·	Banks should refer to paragraph 8.2.1 of the Master Circular for
		their buying and selling prices	classifying CDS into trading book and banking book. All CDS
		CDS positions meant for hedging Banking Book	positions should meet the operational requirements indicated in
		exposures will be classified in the Banking Book.	paragraph 4 below.
		However, all CDS positions, either in Banking	

Sr.	Reference	Existing Extract				Amended text in RBI regulation (track change mode)				
No.	Paragraph									
		Book or Trading Book, should be marked-to-								
		mark	et. All CDS p	ositions shou	ld meet the					
		oper	ational requireme	ents indicated in	n paragraph 4					
		belov	•							
		Delo	vv.							
34	Annex 8 Part	B.1	In the books	of the borrov	wer of funds	B.1	In the books of the k	orrower of fund	ds (for the off-	
	В	(for	the off-balance	sheet expo	sure due to	bala	ance sheet exposure due	to lending of the	security under	
		=	ing of the securi	_		rep	o)	•	•	
			9 00 0000	ity united topo	,		- ,			
		B. Capital for Credit/ market Risk of the		sk of the	B.	Capital for Credit/ mark	rat Risk of the se	curity		
		security			Capital for credit risk	Trisk of the se	_			
			Capital for		Zero	1 1.	(if the security is held	Credit risk	Zero (Being Govt.	
		1.	credit risk	Credit risk	(Being		under HTMbanking book)		security)	
		1.	(if the security is held under	Credit risk	Govt.		DOOK)		Zero	
			HTM)		security)			Specific Risk	(Being Govt.	
					Zero				security)	
				Specific Risk	(Being Govt.			General Market Risk		
			Capital for	Nisk	security)	2.	Capital for market risk	(4.5 * 0.7 % *		
			market risk	General	3,		(if the security is held under AFS / HFTtrading	` 1050)		
		2.	(if the security	Market Risk			book)	{Modified	33.07	
			is held under AFS / HFT)	(4.5 * 0.7 % * 1050)	33.07			duration * assumed yield		
			7.1. 5711117	{Modified	33.07			change (%) *		
				duration *				market value		
				assumed				of security}		

Sr.	Reference		Existi	ng Extract		1	Amended text in RBI regu	ılation (track ch	ange mode)
No.	Paragraph		Total capital re r CCR + credit ris risk + general ma	k + specific	34.23		Total capital requi for CCR + credit risk + sp general market ri	ecific risk +	34.23
35	Annex 8 Part B	B.2 I on-b	n the books of the alance sheet ex s under repo	ne lender of	•		n the books of the lender exposure due to lending	•	
		B. 1.	Capital for Cred security Capital for credit risk (if the security is held under HTM)	Credit Risk	Not applicable, as it is maintained by the borrower of funds	B. 1. 2.	Capital for Credit/ market Capital for credit risk (if the security is held under HTMbanking book) Capital for market risk (if the security is held under AFS/HFTtrading book)	Credit Risk Specific Risk	Not applicable, as it is maintained by the borrower of funds Not applicable, as it is maintained by the borrower of funds
		2.	Capital for market risk (if the security is held under AFS/HFT)	Specific Risk	Not applicable, as it is maintained by the borrower of funds			General Market Risk	Not applicable, as it is maintained by the borrower of funds

Sr. No.	Reference Paragraph		Existing Extract		Amended	d text in RBI regulation (track change mode)
			General Market Risk	Not applicable, as it is maintained by the borrower of funds		
36	Annex 25		Glossary			Glossary
		Available for Sale	The securities availal those securities when of the bank is neither hold till maturity. These valued at the fair of determined by refere available source of quotations or other of the securities.	re the intention to trade nor to se securities are value which is note to the best current market	Available for Sale	The securities available for sale are those securities where the intention of the bank is neither to trade nor to hold till maturity. These securities are valued at the fair value which is determined by reference to the best available source of current market quotations or other data relative to current value.
		 Banking	current value The banking book co		Banking Book	The banking book comprises assets and liabilities, which are contracted basically on account of relationship or for steady income
		Book	and liabilities, which basically on account or for steady income obligations and are graturity.	of relationship and statutory		and statutory obligations and are generally held till maturity.
					Held for Trading	Securities where the intention is to trade by taking advantage of short-term price / interest rate movements.
		Held for Trading	Securities where the trade by taking advaterm price / interest ra	ntage of short-		

Sr.	Reference		Existing Extract	Amended text in RBI regulation (track change mode)			
No.	Paragraph						
		Trading Book	A trading book or portfolio refers to the book of financial instruments held for the purpose of short-term trading, as opposed to securities that would be held as a long-term investment. The trading book refers to the assets that are held primarily for generating profit on short-term differences in prices/yields. The price risk is the prime concern of banks in trading book.	Trading Book	A trading book or portfolio refers to the book of financial instruments held for the purpose of short-term trading, as opposed to securities that would be held as a long-term investment. The trading book refers to the assets that are held primarily for generating profit on short-term differences in prices/yields. The price risk is the prime concern of banks in trading book.		