Annex 1

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

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
1	4.2.3.1(A)	…. (iv) Capital reserves representing surplus arising out of sale proceeds of assets; …..	…. (iv) Capital reserves representing surplus arising out of sale 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 of sale of assets in India held in a separate account and which is not eligible for repatriation so long as the bank functions in India; ….	….. (v) Capital reserve representing surplus arising out of sale of assets in India held in a separate account and which is not eligible for repatriation so 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 for inclusion in Tier 2 capital, without any ceiling[12]. Footnote 12: Please refer to para 18(i)(b) of the	Investment Fluctuation Reserve shall also qualify for inclusion in Tier 2 capital, without any ceiling[12]. *Footnote 12: Please refer to ~~para 18(i)(b)~~clause 37 of the Master*

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
		Master Direction DOR.MRG.42/21.04.141/2021-22 dated August 25, 2021 titled 'Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021'	*Direction ~~DOR.MRG.42/21.04.141/2021-22~~ <u>DOR.MRG.36/21.04.141/2023-24</u> dated ~~August 25, 2021~~<u>September 12, 2023</u> titled 'Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), ~~2021~~<u>2023</u>'*
4	4.4.9.2	….. Accordingly, all investments[18] in the capital instruments issued by banking, financial and insurance entities within the limits mentioned in paragraph 4.4.9.1 will be subject to the following rules: ….. Footnote 18: For this purpose, investments held in AFS / HFT category may be reckoned at their market values, whereas, those held in HTM category may be reckoned at values appearing in the Balance sheet of the Bank.	….. Accordingly, all investments[18] in the capital instruments issued by banking, financial and insurance entities within the limits mentioned in paragraph 4.4.9.1 will be subject to the following rules: ….. *Footnote 18: For this purpose, investments ~~held in AFS / HFT category may be reckoned at their market values, whereas, those held in HTM category~~ may be reckoned at values ~~appearing in the Balance sheet of the Bank~~ <u>according to their classification in terms of Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated September 12, 2023</u>.*
5	4.4.12	New sub-paragraph	<u>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].</u> *<u>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.</u>*
6	Table 3	**Claims on Banks[29] Incorporated in India and Foreign Bank Branches in India**	**Claims on Banks[29] Incorporated in India and Foreign Bank Branches in India**

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

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
		Sale category (iii) Open gold position limits (iv) Open foreign exchange position limits (v) Trading positions in derivatives, and (vi) Derivatives entered into for hedging trading book exposures.	~~(i) Securities included under the Held for Trading category~~ ~~(ii) Securities included under the Available for Sale category~~ ~~(iii) Open gold position limits~~ ~~(iv) Open foreign exchange position limits~~ ~~(v) Trading positions in derivatives, and~~ ~~(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: $Capital\ Requirement = CR_{IRR} * SF_{IRR} + CR_{EQ} * SF_{EQ} + CR_{FX} * SF_{FX}$ where: a) CR_{IRR} = capital requirement prescribed for interest rate risk under paragraph 8.3 and Annex 9 (including additional requirements for options such as non-delta risks);

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
			b) CR_{EQ} = capital requirement prescribed for equity risk under paragraph 8.4; c) CR_{FX} = capital requirement prescribed for forex risk under paragraph 8.5 and Annex 9 (including additional requirements for options such as non-delta risks); d) SF_{IRR} = Scaling factor of 1.2; e) SF_{EQ} = Scaling factor of 2.0; and f) SF_{FX} = Scaling factor of 1.1. *Note: The scalars provided above are part of a transition arrangement. Upon implementation of 'final guidelines on minimum capital requirements for Market Risk - Simplified Standardised Approach', the scalars will be* $SF_{IRR} = 1.3$; $SF_{EQ} = 3.5$; and $SF_{FX} = 1.2$.
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 market~~fair 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~~fair value will be determined as per extant RBI guidelines on valuation of investments.

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
11	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 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 in accordance with Table 14: Part B / D / E(ii) / F / H, as applicable).	Deleted.~~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 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 in accordance with Table 14: Part B / D / E(ii) / F / H, as applicable).~~
12	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 the individual issuer. The specific risk charges for various kinds of exposures would be applied as detailed below: **Sr. No.** | **Nature of debt securities / issuer** | **Table to be followed**	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 the individual issuer. The specific risk charges for various kinds of exposures would be applied as 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~~

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*<u>Note</u>: 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 on the lowest rated debt instrument/
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*<u>Note</u>: 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 on the <s>lowest rated </s>debt instrument<s>/ instrument</s> attracting the highest specific risk capital charge in the fund. Debt mutual fund / ETF <u>classified in trading book </u>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.
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		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 A	**Table 14 – Part A: Specific Risk Capital Charge for Sovereign securities issued by Indian and foreign sovereigns – Held by banks under the HFT Category** **…….**	**Table 14 – Part A: Specific Risk Capital Charge for Sovereign securities issued by Indian and foreign sovereigns~~ – Held by banks under the HFT Category~~** **…….**
14	Table 14 Part B	**Table 14 – Part B: Alternative Total Capital Charge for securities issued by Indian and foreign sovereigns - Held by banks under the AFS Category[85]** …… Footnote 85: For debt mutual funds/ETF, the heading shall read as: Specific risk capital charge for securities issued by Indian and foreign sovereigns.	**Table 14 – Part B: Deleted ~~Alternative Total Capital Charge for securities issued by Indian and foreign sovereigns - Held by banks under the AFS Category[85]~~** ~~……~~ Footnote 85: Deleted~~For debt mutual funds/ETF, the heading shall read as: Specific risk capital charge for securities issued by Indian and foreign sovereigns~~.

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

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

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		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[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).	**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. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
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 market~~fair 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[89A], whether voting or non-voting, convertible securities that behave like equities, for example: units of ~~mutual~~ funds[89B] (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*

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			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[89C] 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 A	**Table 17 – Part A: Specific risk charge for bank's investments in the equity of other banks held in HFT and AFS portfolios** …..	**Table 17 – Part A: Specific risk charge for bank's investments in the equity of other banks ~~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.~~ ……

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28	8.8.1.2(iii)	Marking-to model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. Where marking-to-market is not possible, banks should follow the guidelines on valuation of investments contained in Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), dated August 25, 2021. For investment and derivative positions other than those covered in the Master Circular, the valuation model used by banks must be demonstrated to be prudent.	Marking-to model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. Where marking-to-market is not possible, banks should follow the guidelines on valuation of investments contained in Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated ~~August 25, 2021~~September 12, 2023. For investment and derivative positions other than those covered in the Master ~~Circular~~Direction, the valuation model used by banks must be demonstrated to be prudent.
29	9.3.2	Gross income is defined as “Net interest income” plus “net non-interest income”. It is intended that this measure should: …… (v) exclude realised profits/losses from the sale of securities in the *“held to maturity”* category; ……	Gross income is defined as “Net interest income” plus “net non-interest income”. It is intended that this measure should: …… (v) exclude realised profits/losses from the sale of securities in the ~~“held to maturity” category~~*“banking book”*; ……
30	16.4.1(i)	The exposure measure for the leverage ratio	The exposure measure for the leverage ratio should generally

Sr. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
		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. No.	Reference Paragraph	Existing Extract	Amended text in RBI regulation (track change mode)
			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 items' . In this context, coupon may be paid out of current year profits. However, if current year profits are not sufficient, coupon may be paid subject to availability of: (i) Profits brought forward from previous years, and/or (ii) Reserves representing appropriation of net profits, including statutory reserves, and excluding share premium, revaluation reserve, foreign currency translation reserve, investment reserve and reserves created on amalgamation. ……	…. (e) Coupons must be paid out of 'distributable items' . In this context, coupon may be paid out of current year profits. However, if current year profits are not sufficient, coupon may be paid subject to availability of: (i) Profits brought forward from previous years, and/or (ii) Reserves representing appropriation of net profits, including statutory reserves, and excluding share premium, revaluation reserve, foreign currency translation reserve, investment reserve, unrealised gains transferred to AFS reserve[175A] 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 3	For the purpose of capital adequacy for CDS	~~For the purpose of capital adequacy for CDS transactions,~~

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

<table>
<tr><th>Sr. No.</th><th>Reference Paragraph</th><th>Existing Extract</th><th>Amended text in RBI regulation (track change mode)</th></tr>
<tr><td></td><td></td><td>Book or Trading Book, should be marked-to-market. All CDS positions should meet the operational requirements indicated in paragraph 4 below.</td><td></td></tr>
<tr><td>34</td><td>Annex 8 Part B</td><td>

B.1 In the books of the borrower of funds (for the off-balance sheet exposure due to lending of the security under repo)

……

<table>
<tr><th>B.</th><th colspan="3">Capital for Credit/ market Risk of the security</th></tr>
<tr><td>1.</td><td>Capital for credit risk (if the security is held under HTM)</td><td>Credit risk</td><td>Zero (Being Govt. security)</td></tr>
<tr><td rowspan="2">2.</td><td rowspan="2">Capital for market risk (if the security is held under AFS / HFT)</td><td>Specific Risk</td><td>Zero (Being Govt. security)</td></tr>
<tr><td>General Market Risk (4.5 * 0.7 % * 1050) {Modified duration * assumed</td><td>33.07</td></tr>
</table>

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B.1 In the books of the borrower of funds (for the off-balance sheet exposure due to lending of the security under repo)

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<tr><td rowspan="2">2.</td><td rowspan="2">Capital for market risk (if the security is held under ~~AFS / HFT~~trading book)</td><td>Specific Risk</td><td>Zero (Being Govt. security)</td></tr>
<tr><td>General Market Risk (4.5 * 0.7 % * 1050) {Modified duration * assumed yield change (%) * market value of security}</td><td>33.07</td></tr>
</table>

</td></tr>
</table>

<table>
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<table>
<tr><td></td><td></td><td>yield change (%) * market value of security}</td><td></td></tr>
<tr><td colspan="3">Total capital required (for CCR + credit risk + specific risk + general market risk)</td><td>34.23</td></tr>
</table>
….
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<tr><td>Total capital required (for CCR + credit risk + specific risk + general market risk)</td><td>34.23</td></tr>
</table>
….
</td></tr>
<tr><td>35</td><td>Annex 8 Part B</td><td>
B.2 In the books of the lender of funds (for the on-balance sheet exposure due to lending of funds under repo)
……
<table>
<tr><td>B.</td><td colspan="3">Capital for Credit/ market Risk of the security</td></tr>
<tr><td>1.</td><td>Capital for credit risk (if the security is held under HTM)</td><td>Credit Risk</td><td>Not applicable, as it is maintained by the borrower of funds</td></tr>
<tr><td>2.</td><td>Capital for market risk (if the security is held under AFS/HFT)</td><td>Specific Risk</td><td>Not applicable, as it is maintained by the borrower of funds</td></tr>
</table>
</td><td>
B.2 In the books of the lender of funds (for the on-balance sheet exposure due to lending of funds under repo)
……
<table>
<tr><td>B.</td><td colspan="3">Capital for Credit/ market Risk of the security</td></tr>
<tr><td>1.</td><td>Capital for credit risk (if the security is held under ~~HTM~~banking book)</td><td>Credit Risk</td><td>Not applicable, as it is maintained by the borrower of funds</td></tr>
<tr><td rowspan="2">2.</td><td rowspan="2">Capital for market risk (if the security is held under ~~AFS/HFT~~trading book)</td><td>Specific Risk</td><td>Not applicable, as it is maintained by the borrower of funds</td></tr>
<tr><td>General Market Risk</td><td>Not applicable, as it is maintained by the borrower of funds</td></tr>
</table>
</td></tr>
</table>

Sr. No.	Reference Paragraph	Existing Extract		Amended 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 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.	~~**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 Book	The banking book comprises assets and liabilities, which are contracted basically on account of relationship or for steady income and statutory obligations and are generally held till maturity.	~~**Banking Book**~~	~~The banking book comprises assets and liabilities, which are contracted basically on account of relationship or for steady income 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 intention is to trade by taking advantage of short-term price / interest rate movements.~~
				….	…..

Sr. No.	Reference Paragraph	Existing Extract		Amended text in RBI regulation (track change mode)	
		….	…..	~~**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.	**….**	….
		….	….		