

## *Statement on Developmental and Regulatory Policies*

This Statement sets out macro-prudential measures for strengthening the banking regulatory framework and the guidelines with regard to bond issuances overseas.

### **I. Reduction of Statutory Liquidity Ratio (SLR)**

As per the existing roadmap, commercial banks have to reach the minimum Liquidity Coverage Ratio (LCR) of 100 percent on January 1, 2019. Government securities held by banks in excess of the minimum SLR requirement, Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) and Marginal Standing Facility (MSF) are included in the stock of High Quality Liquid Assets (HQLAs). In order to give greater flexibility to banks to comply with the LCR requirement in an efficient manner, it has been decided to reduce the SLR from 20.5 per cent of NDTL to 20.0 per cent of NDTL with effect from the fortnight beginning June 24, 2017. The other prescriptions in respect of FALLCR and MSF carve out from SLR for LCR purposes remain unchanged.

Since currently the SLR requirement is uniform across banks, Primary (Urban) Cooperative Banks, State and Central Cooperative Banks shall also maintain SLR at 20.0 per cent of NDTL with effect from the fortnight beginning June 24, 2017.

### **II. Reduction in Risk-Weight for Housing Loans**

Considering the importance of the housing sector and given its forward and backward linkages to the economy, it has been decided, as a countercyclical measure, to reduce the risk weight on certain categories of housing loans sanctioned on and after today. It has also been decided to reduce the standard asset provisioning rate on such loans.

### **III. Issuance of Rupee Denominated Bonds Overseas**

The framework for issuance of Rupee Denominated Bonds (RDBs) overseas is in operation for some time. With a view to harmonising the various parameters of the extant framework with ECB guidelines, it has been decided to revise the provisions relating to the maturity period, all-in-cost ceiling and recognized investors for issuance of RDBs.