



RESERVE BANK OF INDIA

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June 15, 2004

The CEOs of the all-India Term Lending and Refinancing Institutions

(Exim Bank, IDBI, IDFC Ltd., IFCI Ltd., IIBI Ltd., NABARD, NHB, SIDBI and TFCI Ltd.)

Dear Sir,

Risk Weight for Exposure to Public Financial Institutions (PFIs)

Please refer to para 2(c) of circular DBS.FID.No.C-35/01.02.00/1998-99 dated December 3, 1998 wherein FIs were advised that their investments in the bonds / debentures of certain PFIs would attract a uniform risk weight of 20 per cent.

2. In this connection, a reference is invited to para 118 of the Annual Policy Statement for the year 2004-05 (paragraph reproduced in the Annex) announced by the Governor on May 18, 2004. The full text of the policy is available at RBI website (www.rbi.org.in).

3. Accordingly, it has been decided that with effect from April 1, 2005, exposures to all PFIs will attract a risk weight of 100 per cent.

4. Please acknowledge receipt.

Yours faithfully,

(S. S. Gangopadhyay)
Chief General Manager

Encl: 1



EXTRACT FROM ANNUAL POLICY 2004-05

Risk Weight for Exposure to Public Financial Institutions

118. At present, exposures of banks/FIs to specified public financial institutions (PFIs) attract a risk weight of 20 per cent for capital adequacy purposes. The financial positions of PFIs are divergent. As such, preferential treatment to PFIs for capital adequacy purposes on a privileged basis is not justified. Accordingly, it is proposed that:

- With effect from April 1, 2005, exposures on all PFIs will attract a risk weight of 100 per cent.