

RBI No. 2004/ 253

DBOD. BP.BC. 96 / 21.04.103/ 2003-04

June 17, 2004

All Scheduled Commercial Banks  
(Excluding RRBs & LABs)

Dear Sir,

**Annual Policy Statement for the year 2004-05 - Country Risk Management Guidelines**

Please refer to the Annexe to our Circular No. DBOD. BP. BC. 71/ 21.04.103/ 2002-03 dated February 19, 2003, wherein it was advised that guidelines on country risk management are applicable only in respect of countries, where a bank has net funded exposure of two per cent or more of its total assets. It was also advised that these guidelines shall be reviewed after one year, taking into account the experience of banks in implementing the guidelines.

2. In this connection, please refer to paragraph 121 of the annual policy Statement for the year 2004-05 enclosed with the Governor's letter No. MPD. BC. 249/ 07.01.279/ 2003-04 dated May 18, 2004 (copy of the paragraph enclosed). As mentioned therein, the above guidelines have been reviewed and it has been decided that the guidelines would be applicable in respect of countries where a bank has net funded exposure of one per cent or more of its total assets, with effect from the year ending March 31, 2005.

3. Except for the above change on the coverage of country risk, other existing guidelines detailed in the Annex to our Circular dated February 19, 2003 referred to above, remain unchanged.

Yours faithfully,

**( C. R. Muralidharan )**  
Chief General Manager-in-Charge

**Extract of Annual Policy Statement for the year 2004-05****" *Country Risk Management***

121. It was indicated in the annual policy Statement of April 2003 that a review would be made after one year taking into account the experience of banks in implementing the guidelines on country risk management issued in February 2003. Effective from March 31, 2003, these guidelines were applicable in respect of countries where a bank has an exposure of 2.0 per cent or more of its assets. The Reserve Bank has since reviewed the position and it is proposed:

- To extend the guidelines to countries where a bank has an exposure of 1.0 per cent or more of its assets with effect from the year ending March 31, 2005 "