



December 28, 2004

To  
Chairmen / Chief Executive Officers,  
All Scheduled Commercial Banks (excl. RRBs)

Dear Sir,

**Supervisory Reporting System – Off-site Monitoring and Surveillance (OSMOS) - DSB Returns - Changes in the Input Module**

Please refer to our circular DBS. CO. OSMOS. BC. No. 9 /33.01.001/2004-05 dated October 26, 2004 on the above subject.

As you are aware, since the last revision of the OSMOS input module, certain new regulatory prescriptions have come into effect in respect of NPA recognition norms, capital charge for market risk on trading book, non-SLR investments etc. which need to be incorporated into the DSB returns reporting framework. Further, it has been decided to capture certain additional data elements pertaining to derivatives, off-balance sheet exposures, loan sales and securitisation, interest rate risk sensitivity. Other modifications include change in the frequency of submission of the Risk Based Supervision Return, rationalisation of the Balance Sheet Analysis Return, and discontinuance of the Bank Profile Return.

In view of the above, the existing OSMOS input module has been upgraded by incorporating the necessary modifications. A CD containing the upgraded version of the OSMOS module is enclosed. All the DSB returns from the period ended December 2004 would have to be submitted only by using the upgraded version of the module. The changes / modifications and other functionalities incorporated in the upgraded module with brief descriptions are listed in the enclosures. You are requested to go through the changes carefully especially with regard to installation and the data migration manuals and the prerequisites for data entry in the Return on Capital Adequacy from the period ended March 2005. *The DSB Returns Guidance Note is presently under revision and a copy of the revised version will be forwarded to the banks shortly.*

Although we have been receiving DSB returns from many banks in electronic format routed through INFINET, we expect all the reporting entities including your bank to increase the level of utilisation of the INFINET for regulatory-cum-supervisory reporting. Queries, if any, pertaining to

• 1^1 S, e; A^0 p, 1^? S, 1^1 u; 1^1 j, 1^1 j, -0' E 1, 1^1 A e E%, 1^1 A, ..., Y e f A 400005



the software package and returns may be addressed to Department of Banking Supervision, Central Office, OSMOS Division at the above address or to e-mail address **osmos@rbi.org.in**

Acknowledgement for this circular and its enclosures may be sent to the Department of Banking Supervision at the above mentioned address.

Yours faithfully,

(G. Gopalakrishna)  
Chief General Manager-in-Charge

Enclosures: As above



### **List of Enclosures**

- I. New Data Elements / Changes in the Existing Returns**
- II. Changes in the Balance Sheet Analysis Return**
- III. Improvements in Functionalities in the Package**
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## **Enclosure I**

### **New Data Elements / Changes / Modifications in the Existing Returns**

This section outlines what is new in this upgrade. This essentially deals with the changes that have been effected in this version of the OSMOS Software. To quickly locate the changes that have been effected, this section briefly describes return-wise all the changes that have been made in this version. Regarding validations in the returns, reference may be made to the 'Help' document bundled along with the software.

#### **I Additional data / information in existing returns**

##### **1. Return on Assets, Liabilities and Exposures (ALE)**

<b>Sr. No</b>	<b>Additional information required – Name of the item/sub-item</b>	<b>Return Name/ section where the item/sub-item is added</b>	<b>Background of change/ Remarks</b>
1	Of which Loans & Advances to Infrastructure Projects	'ALE' – Under Loans and Advances (Gross)	To track banks' exposure to infrastructure projects
2	<ul style="list-style-type: none"> <li>• Infrastructure Bonds and Debentures</li> <li>• Venture Capital Funds</li> <li>• Assets backed Securities of which               <ul style="list-style-type: none"> <li>○ Mortgage backed securities</li> <li>○ Securities issued by ARCs</li> <li>○ Others</li> </ul> </li> <li>• Bonds &amp; Debentures of NBFCs</li> </ul>	ALE- Under Other Debt Securities	To capture enhanced granularity for better risk assessment of non-SLR investment portfolio
3	<ul style="list-style-type: none"> <li>• Venture Capital Funds</li> <li>• Shares – NBFCs</li> <li>• Out of total equities – amount of preference shares held</li> </ul>	ALE – Under Equities	To capture enhanced granularity for better risk assessment of non-SLR investment portfolio
4	<ul style="list-style-type: none"> <li>• Other Losses</li> <li>• Deferred Tax Assets</li> <li>• Non banking assets acquired in satisfaction of claims</li> <li>• Any other – to be specified</li> </ul>	Under 'Other Assets' – 'All Others'	To capture granular details of certain major items included in 'All Others' under 'Other Assets'
5	<ul style="list-style-type: none"> <li>• Other Surpluses</li> <li>• Deferred Tax Liabilities</li> <li>• Any Other – to be specified</li> </ul>	Under 'Other Liabilities' – 'All Others'	To capture granular details of certain major items included in 'All Others' under 'Other Liabilities'
6	Long term Bonds	Separate item under 'Liabilities'	To capture amount raised through issue of long term bonds to the extent of exposure of residual maturity of more than five years to the infrastructure sector.
7	Guarantees issued to non-residents on behalf of residents	Under Memorandum items	To track the contingent foreign exchange liabilities
8	Guarantees issued to non-residents on behalf of non-residents	Under Memorandum items	To track the contingent foreign exchange liabilities
9	Outstanding ECBs – Amount raised by the bank	Under Memorandum items	To capture amount raised through the ECB route



## 1.1 Changes in Reporting of Derivatives

At present, data captured on derivatives include only the notional principal amount under different broad types of derivatives as OBS exposures in the ALE Return and for calculation of capital adequacy in the Return on Capital Adequacy. Keeping in view the increasing risk exposures arising out of such businesses, it has been decided to broaden the existing derivative reporting framework. Accordingly the following additional information would be captured in the ALE Return by expanding the existing table on 'Contracts and Derivatives' and adding two new tables as detailed below:

1.1.1 Two additional columns viz. 'Trading Book' and 'Banking Book' would be added after the existing column 'Notional Principal Amount' in the Table on Contracts and Derivatives. The revised table would be as follows;

*All Notional Amounts*

Items	Principal Amount ( A + B )	Trading Book* A	Banking Book B
<b>Foreign exchange contracts (outstanding)</b>			
Forward forex contracts			
Currency options purchased			
<b>Futuristic section</b>			
Currency futures			
Cross currency interest rate swaps			
<b>Interest rate related contracts</b>			
Forward rate agreements			
Interest rate options			
Interest rate futures			
Single currency interest rate swaps			
Basis swaps			
<b>Total -Contracts/Derivatives</b>			

\*Trading book and derivatives contracted for hedging the trading book exposures.

1.1.2 A new table on 'Benchmark wise detail of Interest Rate Swap' has been added with the following details:

All Notional Amounts				
	Items	Principal Amount ( A+ B )	Trading Book A	Banking Book B
	<b>IRS (Rupee)</b>			
	MIBOR			
	MIFOR			
	INBMK			
	OIS			
	Others			
	<b>IRS (FC)</b>			
	\$ LIBOR			
	Others			

1.1.3 A new table on 'Credit risk concentration in derivatives-counterparty wise' has been added to capture separately the credit risk concentration in respect of top 10 banks / FIs and corporate counterparties



Banks / FIs and Corporate entities separately - Top ten Counterparties							
Sr. No.	Name of the Bank / FI / Corporate	Notional Amount	Current Credit Exposure	Potential Future Exposure	90 days past due amount (if any)	Actual Credit Loss (if any)	Restructured contracts

## 2. Return on Capital Adequacy

2.1 As per the circular DBOD.No.BP.BC. 103 / 21.04.151/ 2003-04 dated June 24, 2004, banks have been advised to maintain capital charge for market risks in a phased manner over a two year period, as detailed below:

- Capital for market risks on securities included in the Held for Trading category, open gold position limit, open foreign exchange position limit, trading positions in derivatives and derivatives entered into for hedging trading book exposures **by March 31, 2005**, and
- In addition to (a) above, capital for market risks on securities included in the Available for Sale category by **March 31, 2006**.

In order to enable banks to report the capital charge for market risk, the Return on Capital Adequacy has been amended as follows:

2.2 The existing reporting framework has been modified by adding a new column 'Of which held under Banking Book' to capture position under Banking Book out of the total exposure in respect of various items which would be subject to credit risk and reported in Section A - assets, and in Section C- Contracts and Derivatives. The amended tables referred above would be as follows effective from the quarter ended March 2005.

Section - A: Risk Weight Assets & Exposures (Banking Book)						
	A	B	C	D = B - C	E	F=D*E/100
Asset item	Total Book Value (Banking + Trading Book)	Of which held under Banking Book	Margins and Provisions	Book Value(net)	RW%	Risk Adjusted Value (Banking Book)

Section – C: CONTRACTS & DERIVATIVES						
	A	B	C	D	E	F
Item	Credit conversion factor	Counter-party / client	Notional Principal Amount- Trading + Banking Book	Notional Principal Amount- Banking Book	Risk Weight (%)	Risk adjusted value

The column shown in shaded colour in above tables is the newly added one for capturing the banking book exposures which would be subject to capital charge for credit risk. Total book



values and notional principal amounts (trading+ banking book) should be reported in the first column immediately preceding the new column and only banking book exposures should be reported under the new column. The risk adjusted values for various exposures would be calculated with reference to the new column from the quarter ended March 2005.

2.3 A new table (Section D) has been added in the return to capture capital charge for market risk on trading book as shown below:

<b>Section - D RISK WEIGHTED ASSETS ON TRADING BOOK</b>	<b>Amount</b>
<b>a. Capital Charge on account of specific risk (i+ii+iii)</b>	<b>A= I+II+III</b>
i) On interest rate related instruments	I
ii) On Equities	II
iii) On Derivatives	III
<b>b) Capital Charge on account of general market risk (i+ii+iii+iv+v)</b>	<b>B= I+II+III+IV+V</b>
i) On interest rate related instruments	I
ii) On Equities	II
iii) On Foreign Exchange	III
iv) on Precious metals	IV
v) on Derivatives	V
<b>c) Total Capital Charge on Trading Book (a+b)</b>	<b>C=A+B</b>
Total Risk Weighted Assets on Trading Book	

2.4 Besides the above changes, an attempt has been made to align the risk weights in tune with the master circular on capital adequacy (DBOD No. BP.BC.12 / 21.01.002 / 2004-05 dated July 19, 2004) by including the following items under RWAs & Exposures Section A – ‘Assets’ for banking book only from March 2005 onwards:

<b>Particulars</b>	<b>Risk Weight (%)</b>
<b>1. SLR Securities:</b>	
Investments in other securities where payment of interest and repayment of principal are guaranteed by State governments (Guarantee has been invoked and remaining in default)	102.5
<b>2. Other Debt Securities:</b>	
Claims on commercial banks and PFIs	22.5
Investment in securitised paper pertaining to an infrastructure facility	52.5
Investment in debentures / bonds / security receipts / Pass through Certificates issued by Securitisation Company / Reconstruction Company and held by banks as investment	102.5
<b>3. Loans and Advances:</b>	
Staff Loans	
Interest bearing staff loans & advances covered by superannuation benefits and mortgage of flat / house.	20
Interest bearing staff loans & advances not covered by superannuation benefits / mortgage of flat / house	100
Loans guaranteed by Central Govt	0
Loans guaranteed by State Govt	0
Bills purchased / Discounted / Negotiated under LCs or otherwise	
Government	0
Bank / PFIs	20
Firms, Individuals, Corporate etc	100
Loans granted to Public Sector Undertakings of GOI	100
Loans granted to Public Sector Undertakings of State Governments	100
Insurance cover under Business Credit Shield or similar products	50
Advances against term deposits, Life Policies, NSCs, IVPs and KVPs where adequate margin is available	0



Particulars	Risk Weight (%)
Leased Assets	100

Besides, two additional rows (between 9.14 and 9.15 under Loans & Advances) have been inserted in Section A of the return for future use. Please do not report any values in these rows till advised by us.

All the charges / modifications in the Return on Capital Adequacy as explained above would become applicable from the quarter ended March 31 2005 onwards. When the application detects system date April 1, 2005 or afterwards, a pop up message will come immediately after logging into the application

**“Application has detected system date as 01/04/2005. New risk weights are effective from 31/03/2005.Do you want to update your database with the new risk weights? Yes – No”.**

The application will automatically update the risk weights once the ‘Yes’ option is clicked and the return would be visible with new table / rows / columns and risk weights. For entering data from the period ended March 2005 onwards, updation of risk weights essential hence the option ‘Yes’ should be clicked. If risk weights are not updated, data entry for RCA cannot be made for the period ended March 2005 onwards. Thus the return in the existing format would be available till March 31, 2005. It may be mentioned that the RCA return for the period ended December 2004 has to be submitted in the existing format only.

### 3. Return on Operating Results (ROR)

A new item ‘Profit and Loss from Derivatives’ has been added under the existing memorandum item in the return.

### 4. Return on Asset Quality (RAQ)

The following changes have been effected in the return as detailed below:

Sr. No	Particulars	Relevant Section in the Return	Background of change / Remarks
1	‘Overdue less than 90 days’	Section 1-Part A – Loans & Advances including bill credit	With the coming into effect of 90 day NPA recognition norms from March 2004, the existing row of ‘overdue less than 2 quarters’ has become redundant and hence replaced with the new row ‘Overdue less than 90 days’.
2	Sub Standard	-Do-	The existing label ‘lower than 18 months’ has been changed with the new word ‘sub standard’.
3	Doubtful and Loss	-Do-	The existing label ‘18 months and above’ has been changed with the new words ‘ Doubtful and Loss’
<i>Changes mentioned in serial number 1 to 3 are also reflected in Part B</i>			
4	Total of netting items	Section 4- Loan Assets - Sectoral Analysis	This is a new column added to capture total provisions in order to arrive at Net NPAs pertaining to each sector reported in the table. The existing net NPA column has been made a automatic calculated field as (Of which impaired credits minus Total of netting items)
5	Venture Capital Fund	Section 8 – Other details of Non-SLR Securities	The four new items have been added to capture more granular details of non-SLR securities. The existing labels ‘Quoted’ and ‘Unquoted’ have been changed to ‘Listed’ and ‘Unlisted’.
6	Mortgage backed Securities		
7	Securities issued by ARCs		



Sr. No	Particulars	Relevant Section in the Return	Background of change / Remarks
8	Other Asset backed Securities		
9	Investments in non-SLR securities as per extant DBOD guidelines for monitoring prudential limits on investments in non-SLR securities	Memorandum item after the existing Section 8 in the return	Please report the data as detailed in DBOD. BP. BC. 44 /21.04.141 / 2003 - 04 dated November 12, 2003 and DBOD. BP. BC. 53 /21.04.141 / 2003-04 dated December 10, 2003 on 'Prudential guidelines on banks' investments in non-SLR securities'.
10	Investments in unlisted non-SLR securities (as per extant DBOD guidelines for monitoring prudential limits on investments in non-SLR securities) as % of non-SLR investments.	Memorandum item after the existing Section 8 in the return	

## 5. Return on Large Credits

As per the extant exposure norms, the exposure ceilings are computed in relation to total capital as defined under capital adequacy standards (Tier I and Tier II Capital) effective from April 1, 2002. Accordingly, the additional data on capital funds presently captured in the return have been dropped and only the data on regulatory capital would henceforth be collected for calculating the individual and group exposures.

## 6. Return on Ownership and Control

Under Part A 'Ownership Pattern – the words '....shareholders who have holding of 5% or more of the total equity shares' has been changed to '....shareholders who have holding of 1% or more of the total equity shares'.

## 7. Return on Risk Based Supervision (RBS1)

7.1 Under Section A – Credit Risk – Clientele wise credit concentration – a new item 'Auto Loans' has been added.

7.2 A new table on derivatives has been added with the following details:

Items	Notional Principal Total	Notional Principal Out of Total derivatives contracted for Hedging purpose	Credit Equivalent	MTM value	PVBP (01)	Daily VaR
<b>I. Forex Contracts</b>						
(i) Forward contracts						
(ii) Futures						
(iii) Currency Options						
(iv) Others						
<b>II. Interest Rate related Contracts</b>						
(i) Forward Rate						



Items	Notional Principal Total	Notional Principal Out of Total derivatives contracted for Hedging purpose	Credit Equivalent	MTM value	PVBP (01)	Daily VaR
Agreements						
(ii) Interest Rate Futures						
(iii) Interest Rate Options						
(iv) Single Currency Interest rate Swaps						
(v) Cross Currency Interest Rate Swaps						
(vi) Others						
<b>III. All other derivative products</b>						
<b>Total</b>						

7.3 A new table on 'Loan Sales and Securitisation' has been added in the return with the following details:

Details	Amount of loans sold/secured during the quarter	Provisions held	Gain/Loss from sale / securitisation	Retained interest	Remarks*
1. Loan Sales during the quarter					
To ARCs					
TO Others					
2. Loans securitized during the quarter					
With ARCs					
With Others					
3. All others - during the quarter					
<b>Total (1+2+3)</b>					

\* Remarks should cover the nature of transactions i.e. share of transactions with or without recourse and other special characteristics, if any.

7.4 Under the existing annual Bank Profile Return (RBP), details of credit card business carried out by the bank or through its subsidiaries are captured. Now it has been decided to shift the credit card table from RBP to RBS1 return.

**7.5 The frequency of submission of the RBS1 return has been changed from half yearly to quarterly effective from December 2004.**

## 8. Return on Interest Rate Sensitivity (IRS Rupee)

A new table has been added at the end of the existing IRS return to capture details of book value and realisable market value of investments held under HTM, AFS and HFT categories, provisions held and modified duration under each of the investment category. The objective of



the new table is to capture the interest rate risk of the investment portfolio. The details of the new table are as follows:

Particulars	Held to Maturity	Available for Sale	Held for Trading
Total Investments (Book Value)			
Total Investments (Realisable Market Value)			
Total Provision Held for Depreciation in Investment Account			
Modified Duration (%)			
Modified Duration of HFT and AFS Category taken together (%)			
Modified Duration of Total Investment Portfolio (%)			
Outstanding balance in Amortisation Account for Securities Under HTM category			

## 9. Statement of Structural Liquidity (STL – Rupee)

The child screen for entering data on Top 20 deposits has been modified. The child screen would display all the six types of deposits in a fixed format with default zero values. Data may be entered in the relevant type of deposit and come to the parent screen by clicking 'Back' button. It is no longer necessary to fill every type of deposits even if there is nothing to report. The total of the six types of deposits would be automatically populated in the parent screen. The existing 'total' and 'date of maturity' fields in the child screen have been dispensed with.

## 10. Consolidated Prudential Reports

10.1 Screen 24 - Section VI – exposure to unsecured guarantees and unsecured advances for the consolidated bank – the existing calculated field (no 4) has been disabled and the field has been made editable. Banks should calculate and enter the percentage data manually.

### 10.2 Attaching and viewing the document files

In screen 16, banks are required to attach the copy of the significant accounting policies and notes to accounts. There are two buttons 'Browse' and 'View' in the screen. For attaching the relevant document files, the browse button should be used to indicate the folder where the document is available. Once the document is selected, the screen shows the folder where the document would be copied which is C:\DOWNLOAD\.....Once the document is selected, the same may be viewed by clicking "View" button on the screen. While forwarding the downloaded return file to RBI, please also copy the relevant document files from C:\DOWNLOAD\ folder and send along with the ret file.



**Changes in Balance Sheet Analysis (BSA) Return**

**1. Background**

Presently banks submit the above two annual returns, Bank Profile Return (RBP) and Balance Sheet Analysis (BSA), based on audited accounts. The RBP, introduced in 1997, is essentially a self processed return incorporating financial and organisational data both on domestic and overseas operations of the banks. The BSA return, introduced in 1999, initially provided a framework for analysing audited accounts by banks themselves in a uniform way. The scope and coverage of the BSA return was enhanced significantly since 2002 to include the entire published balance sheet, profit & loss accounts, all schedules, significant accounting policies, notes to accounts, auditors report and certain other disaggregated data on advances and NPAs. After the revision of the BSA return, a need has been felt to rationalise the two returns for simplification and avoiding overlap in data collection. Again, the BSA return provided a framework to banks for analysing audited balance sheet and annual accounts in a uniform manner and place the same before the Board for approval. Over the last five years, banks have acquired sufficient skill and expertise in analysing their financial performance. Besides, with increasing disclosure and transparency norms and applicability of accounting standards, market discipline has taken a much firmer root. After a detailed exercise, the two returns have been integrated and rationalised as stated below.

**2. Changes after merger and rationalisation of the BSA and RBP returns**

2.1 Data on credit card business captured in the RBP return has been shifted to RBS1 return. The rationale for the shifting is that data on outstanding, gross NPLs, loss provisions made on credit card business are captured in the existing RBS return as part of retail loan portfolio.

2.2 Following data / information presently captured in the RBP return have been shifted to the BSA return;

- Organisational profile with modifications in the section on technology status.
- Ratio denominators.
- Financials -overseas and global.

**2.3 With the above integration, the Bank Profile Return (RBP) stands discontinued effective from March 2005.**

2.4 Portion of the data captured for carrying out the analysis and the performance measures in the BSA return have been discontinued. **However, banks are advised to continue to carry out the analysis of their audited annual accounts as per the framework and put up the same to their Boards for information and approval.**

2.5 Data on asset classification, movements of NPLs, netting items on loan assets, and select key data presently captured in the BSA analytical framework would continue to be captured.

**2.6 Attaching and viewing the document files**

In screen 16 of the BSA return, banks are required to attach the copy of the significant accounting policies, notes to accounts and auditor's report. There are two buttons 'Browse' and 'View' in the screen. For attaching the relevant document file, the 'browse' button should be used to indicate the folder where the document is available. Once the document is selected, the screen shows the folder where the document would be copied which is C:\DOWNLOAD\..... Once the document is selected, the same may be viewed by clicking 'the 'View' button on the screen. While forwarding the ret file to RBI, please also copy the relevant document files from C:\DOWNLOAD\ folder and send along with the ret file.



### **Enclosure III**

#### **Improvements in Functionalities in the Package**

1. A utility has been included in the input module to store names of signatories of the various returns. This utility is available under 'dropdown menu 'Data' – 'Signatory Master'. The name of the signatory and counter signatory's name may be entered for each individual return. The names of signatories stored in the system would be printed automatically while taking print out of respective return. In case of any change in names, new names may be saved by editing the existing names for the relevant returns.
2. Presently, records for the Tranche II returns (STL, IRS, MAP and SIR) can be added in the input module only after the end of the relevant reporting month / quarter although the reporting date is "last reporting Friday". In order to enable banks to enter data before the end of the month / quarter, the input module has been revised which would allow data entry immediately after the relevant reporting Friday of the period.
3. The bank code and bank name would be automatically displayed on the first screen of each return.
4. The unaudited data entered for RBS1 and CPR1 returns for March quarter would get populated at user's option while preparing the audited version of the same returns for the same quarter.
5. The unaudited data entered for the 'Return on Ownership and Control (ROC)' for March period would get populated at user's option while preparing the same return for September period.
6. The upgraded module supports duplex printing (printing on both side of paper) provided the printer has duplex printing facility. While printing a return, the screen would show two print buttons – one for 'printer setup' and the other for 'print'. For printing on both side of paper, click 'printer setup' – properties – 'print on both sides'. – 'OK'. Then the 'print' button may be clicked to print the return.
7. For easier navigation among various screens within certain large returns, the user may navigate directly to the desired screen by pressing the button 'Browse to' located on the front screen of four returns (ALE, RAQ, BSA, CPR).



#### **Enclosure IV**

#### **DSB – O Returns**

Though there are no changes in DSB – O returns, certain common functionalities like change in upload / download logic, display of bank code and period, duplex printing facility, etc have been affected in the revised input module. Therefore, it is recommended that the upgraded input module may be used by all the overseas branches preparing the DSB-O returns and submitting to the International Banking Division of the respective bank in India for consolidation and onward submission to RBI. It may be stated that the **overseas branches and the consolidating unit in India must use the same version** of the input module.