

July 26, 2005

All commercial banks

Dear Sir,

Risk weight for Capital Market Exposure

Please refer to our master circular DBOD.No.BP.BC 13/21.01.0002/2005-06 dated July 4, 2005 in terms of which the risk weight for credit risk on capital market exposures is 100 percent. Bank's capital market exposure covers the following

- a) direct investment by a bank in equity shares, convertible bonds and debentures and units of equity oriented mutual funds
- b) advances against shares to individuals for investment in equity shares (including IPOs /ESOPs), bonds and debentures, units of equity oriented mutual funds, etc
- c) secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers

2. It has now been decided to increase the risk weight for credit risk on capital market exposures as listed above from 100 percent to 125 percent with immediate effect.

Yours faithfully,

(Anand Sinha)
Chief General Manager- In-Charge