

Master Circular
On

Prudential Norms on Capital Adequacy

(Updated up to 30 June, 2008)

(Also available at RBI website www.rbi.org.in)



RESERVE BANK OF INDIA

Urban Banks Department
Central Office
Mumbai

RBI/2008-09/51

UBD.PCB. MC. No. 6/09.18.201/2008-09

July 1, 2008

The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Dear Sir/Madam,

Prudential Norms on Capital Adequacy – Master Circular -UCBs

As you are aware, guidelines on capital adequacy norms were introduced for the UCBs vide circular UBD.No.POT.PCB.Cir.No.45/09.116.00/2000-01 April 25, 2001. Since then, number of circulars have been issued on the subject. The enclosed Master Circular consolidates and updates all the instructions/guidelines on the subject issued up to June 30, 2008

Yours faithfully,

(A.K Khound)
Chief General Manager-in-Charge.

**MASTER CIRCULAR
ON CAPITAL ADEQUACY**

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CAPITAL ADEQUACY

Introduction

Capital acts as a buffer in times of crisis or poor performance by a bank. Sufficiency of capital also instils depositors' confidence. As such, adequacy of capital is one of the pre-conditions for licensing of a new bank as well as its continuance in business.

2 Statutory Requirements

In terms of the provisions contained in Section 11 of Banking Regulation Act (AACB), no co-operative bank shall commence or carry on banking business unless the aggregate value of its paid up capital and reserves is not less than one lakh of rupees. In addition, under Section 22 (3) (d) of the above Act, the Reserve Bank prescribes the minimum entry point capital (entry point norms) from time to time, for setting-up of a new UCB.

3 Share linking to Borrowings

Traditionally, UCBs have been augmenting their share capital by linking the same to the borrowings of the members. The Reserve Bank has prescribed the following share linking norms:

- (i) 5% of the borrowings, if the borrowings are on unsecured basis.
- (ii) 2.5% of the borrowings, in case of secured borrowings.
- (iii) In case of secured borrowings by SSIs, 2.5% of the borrowings, of which 1% is to be collected initially and the balance of 1.5% is to be collected in the course of next 2 years.

The traditional approach to sufficiency of capital does not capture the risk elements in various types of assets in the balance sheet as well as in the off-balance sheet business and compare the capital to the level of the assets.

4 Capital Adequacy Norms -

The Basel Committee on Banking Supervision* had published the first Basel Capital Accord (popularly called as Basel I framework) in July, 1988 prescribing minimum capital adequacy requirements in banks for maintaining the soundness and stability of the International Banking System and to diminish existing source of competitive inequality among international banks. The basic features of the Capital Accord of 1988 were as under:

(i) Minimum Capital Requirement of 8 % by end of 1992.

(ii) Tier approach to capital :

- Core Capital: Equity, Disclosed Reserves
- Supplementary Capital: General Loan Loss Reserves, Other Hidden Reserves, Revaluation Reserves, Hybrid Capital Instruments and Subordinate Debts
- 50% of the capital to be reckoned as core capital.

(iii) Risk Weights for different categories of exposure of banks ranging from 0 % to 100 % depending upon the riskiness of the assets. While commercial loan assets had a risk weight of 100%, inter-bank assets were assigned 20% risk weight; sovereign paper carried 0 % risk weight

Further, vide 1996 amendment to the original Basel Accord, capital charge was prescribed for market related exposures.

* The Basel Committee is a committee of bank supervisors drawn from 13 member countries (Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, The Netherlands, Spain, Sweden, Switzerland, United Kingdom, United States of America). It was founded in 1974 to ensure international cooperation among a number of supervisory authorities. It usually meets at the Bank for International Settlements in Basel, Switzerland where its permanent Secretariat is located.

5 Capital to Risk Asset Ratio (CRAR) for UCBs:

5.1 CRAR framework, as advocated by Basel Accord, has been adopted by most of the regulatory authorities as the basis of measurement of capital adequacy, which takes into account the element of risk associated with various types of assets reflected in the balance sheet as well as in respect of off-balance sheet items and the level of capital held by the banks. RBI introduced a minimum CRAR of 8% in 1992, for the commercial banks based on the recommendations of the Committee on Financial Sector Reforms (Narsimham Committee I), in a phased manner.

5.2 The Reserve Bank had constituted a High Power Committee on Urban Cooperative Banks (Chairman: Shri K. Madhava Rao) in May 1999 to review their performance and to suggest necessary measures to strengthen them. The committee felt that the continued financial stability of UCBs could not be ensured unless they were subjected to the CRAR discipline. The committee recommended that CRAR norms should be implemented in respect of UCBs on account of the following reasons:

- i) CRAR serves as a buffer, which can absorb the unforeseen losses a UCB may incur in future;
- ii) UCB sector is an important segment of the financial system and exclusion of this segment from CRAR discipline would undermine the stability of the whole system; and

iii) UCBs perform the same banking functions as commercial banks and are subject to similar risks. To exempt UCBs from the CRAR discipline would, therefore, be untenable.

5.3 Pursuant to the recommendations of the High Power Committee (Madhavrao Committee), UCBs were brought under the CRAR discipline with effect from March 31, 2002, in a phased manner. Accordingly, UCBs were advised to adhere to capital adequacy standards over a period of three years as indicated below:

Table 1

Date	Scheduled UCBs	Non-Scheduled UCBs.
31.03. 02	8%	6%
31.03. 03	9%	7%
31.03. 04	As applicable to commercial banks i.e. 9%	9%
31.03.05	As applicable to commercial banks i.e., 9%	As applicable to commercial banks

5.4 Essentially, under the capital adequacy framework, the balance sheet assets, and off-balance sheet items have been assigned weights according to the prescribed risk weights as indicated in Annex I. The value of each asset/item shall be multiplied by the relevant weights to arrive at the risk-adjusted values of assets and of off-balance sheet items. The aggregate will be taken into account for reckoning the minimum capital ratio.

UCBs are required to maintain minimum 'Capital Funds' equivalent to the prescribed ratio on the aggregate of risk weighted assets and other off-balance sheet exposures on an **ongoing basis**.

6 Capital Funds

6.1 It may be noted that 'Capital Funds' for the purpose of capital adequacy standard consist of both Tier I and Tier II Capital as defined in the following paragraphs.

6.2 Tier I capital

Tier I would include the following items:

(i) Paid-up share capital collected from regular members having voting powers.

(ii) Free Reserves as per the audited accounts. Reserves, if any, created out of revaluation of fixed assets or those created to meet outside liabilities should not be included in the Tier I Capital. Free reserves shall exclude all reserves / provisions which are created to meet anticipated loan losses, losses on account of fraud etc., depreciation in investments and other assets and other outside liabilities. While the amounts held under the head "Building Fund" will be eligible to be treated as part of free reserves, "Bad and Doubtful Reserves" shall be excluded.

(iii) Capital Reserve representing surplus arising out of sale proceeds of assets.

(iv) Any surplus (net) in Profit and Loss Account i.e. balance after appropriation towards dividend payable, education fund, other funds whose utilisation is defined, asset loss, if any, etc.

NOTE: (i) Amount of intangible assets, losses in current year and those brought forward from previous periods, deficit in NPA provisions, income wrongly recognized on non performing assets , provision required for liability devolved on bank, etc. will be deducted from Tier I Capital.

(ii) For a fund to be included in the Tier I Capital, the Fund/ Reserve should satisfy two criteria viz., the reserve/ fund should be created as an appropriation of profit and should be free reserve and not a specific reserve. However, if the same has been created not by appropriation of profit but by a charge on the profit then this fund is in effect a provision and hence will be eligible for being reckoned only as Tier II capital as defined below and subject to a limit of 1.25% of risk weight assets provided it is not attributed to any identified potential loss or diminution in value of an asset or a known liability.

6.3 Tier II Capital

Tier II capital would include the following items:

6.3.1 Undisclosed Reserves

These often have characteristics similar to equity and disclosed reserves. They have the capacity to absorb unexpected losses and can be included in capital, if they represent accumulation of profits and not encumbered by any known liability and should not be routinely used for absorbing normal loss or operating losses.

6.3.2 Revaluation Reserves

These reserves often serve as a cushion against unexpected losses, but they are less permanent in nature and cannot be considered as 'Core Capital'. Revaluation reserves arise from revaluation of assets that are undervalued in the bank's books. The typical example in this regard is bank premises and marketable securities. The extent to which the revaluation reserves can be relied upon as a cushion for unexpected losses depends mainly upon the level of certainty that can be placed on estimates of the market value of the relevant assets, the subsequent deterioration in values under difficult market conditions or in a forced sale, potential for actual liquidation of those values, tax consequences of revaluation, etc. Therefore, it would be prudent to consider revaluation reserves at a discount of 55 % when determining their value for inclusion in Tier II Capital i.e. only 45% of revaluation reserve should be taken for inclusion in Tier II Capital. Such reserves will have to be reflected on the face of the balance sheet as revaluation reserves.

6.3.3 General Provisions and Loss Reserves

These would include such provisions of general nature appearing in the books of the bank which are not attributed to any identified potential loss or a diminution in value of an asset or a known liability. Adequate care must be taken to ensure that sufficient provisions have been made to meet all known losses and foreseeable potential losses before considering any amount of general provision as part of Tier II capital as indicated above. To illustrate : excess provision in respect of Bad and Doubtful Debts, general provision for Standard Assets etc. could be considered for inclusion under this category. Such provisions which are considered for inclusion in Tier II capital will be admitted upto 1.25% of total weighted risk assets.

NOTE: where the excess provisions are used for showing lower net NPAs, the same cannot be reckoned for Tier II capital.

6.3.4 Investment Fluctuation Reserve

Balance, if any, in the Investment Fluctuation Reserve Fund of the bank.

6.3.5 Hybrid Debt Capital Instruments

Under this category, there are a number of capital instruments, which combine certain characteristics of equity and certain characteristics of debt. Each has a particular feature which can be considered to affect its qualify as capital. Where these instruments have close similarities to equity, in particular, when they are able to support losses on an ongoing basis without triggering liquidation, they may be included in Tier II capital.

6.3.6 Subordinated Debt

To be eligible for inclusion in Tier II capital, the instrument should be fully paid-up, unsecured, subordinated to the claims of other creditors, free of restrictive clauses and should not be redeemable at the initiative of the holder or without the consent of the bank's supervisory authorities. They often carry a fixed maturity and as they approach maturity, they should be subjected to progressive discount for inclusion in Tier II capital. Instruments with an initial maturity of less than 5 years or with a remaining maturity of one year should not be included as part of Tier II capital. Subordinated debt instruments will be limited to 50 percent of Tier I capital.

- NOTE :** (a) At present UCBs do not issue instruments of the type indicated at (v) and (vi) above
- (b) It may be noted that the total of Tier II elements will be limited to a maximum of 100 percent of total Tier I elements for the purpose of compliance with the norms.

7. Capital for Market Risk:

7.1 The Basel Committee on Banking Supervision (BCBS) had issued an amendment to the Capital Accord in 1996 to incorporate market risks. It contains comprehensive guidelines to provide explicit capital charge for market risks. Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices. The market risk positions, which are subject to capital charge are as under:

- The risks pertaining to interest rate related instruments and equities in the trading book; and
- Foreign exchange risk (including open position in precious metals) throughout the bank (both banking and trading books).

7.2 As an initial step towards prescribing capital requirement for market risks, UCBs were advised to assign an additional risk weight of 2.5 per cent on almost the entire investment portfolio. It may, however, be noted that the additional risk weights are clubbed with the risk weight prescribed in the Annex and banks are not required to provide for the same separately.

8. Measures to augment capital funds

8.1 At present, Co-operative Societies Acts of various States prescribe quantitative ceiling on amount of share capital which can be held by an individual member in a cooperative society. This quantitative ceiling puts a limitation on urban co-operative banks to enlarge their capital base. The issue has been taken up with Registrars of Cooperative Societies of States separately urging them to remove quantitative restrictions to enable banks to achieve CRAR norms prescribed by Reserve Bank of India. Since bringing in amendments to state statutes is a slow process, pending amendments to the State Co-operative Societies Acts, such of those UCBs, which are unable to meet the CRAR indicated in the Table 1 above, shall :

- (i) necessarily appropriate not less than 50% of their net profits to Reserve Fund/Statutory Reserve Fund/General Reserve by whatever nomenclature it is addressed in the respective State Act. Apart from the above stipulation,
- (ii) no urban co-operative bank should declare dividend more than 20% if the prescribed CRAR norms are not attained by it.

8.2 All UCBs are required to endeavour to strengthen their capital funds and achieve the prescribed level of CRAR. They should review the existing level of capital funds vis-à-vis the prescribed level and chalk out strategy to achieve the requisite ratio, where it is not already attained.

9 Returns

Banks should furnish to the respective Regional Offices annual return indicating (i) capital funds, (ii) conversion of off-balance sheet/non-funded exposures, (iii) calculation of risk weighted assets, and (iv) calculation of capital funds and risk assets ratio. The format of the return is given in the Annex II. The returns should be signed two officials who are authorized to sign the statutory returns submitted to Reserve Bank.

Prudential Norms – Risk Weights for computation of CRAR (Vide para no 5.4)	
I. Domestic Operations	
A. Funded Risk Assets.	
ASSET ITEMS	Risk weight
I. BALANCES	
i. Cash (including foreign currency notes) Balances with RBI	0
ii. Balances in current account with UCBs	20
iii. Balances in current account with other banks	20
II. INVESTMENTS	
i. Investment in Government Securities	2.5
ii. Investment in other Approved Securities guaranteed by Central Government /State Government	2.5
iii. Investment in Other Securities where payment of interest and repayment of principal are guaranteed by Central Govt. (include investment in Indira/Kisan Vikas Patras and investments in bonds & debentures where payment of interest and repayment of principal is guaranteed by Central Govt./State Government)	2.5
iv. Investment in other securities where payment of interest and repayment of principal are guaranteed by State Govt.	2.5
Note : Investment in securities where payment of interest or repayment of principal is guaranteed by State Government and which has become a non-performing investment, will attract 102.5 percentage risk weight (w.e.f. March 31, 2006)	
v. Investment in other Approved Securities where payment of interest and repayment of principal is not guaranteed by Central / State Govt.	22.5

v.	Investment in Govt. guaranteed securities of government undertakings which do not form part of the approved market borrowing Program	22.5
vi.	(a) Claims on commercial banks, District Central Co-operative Banks, and State Co-operative Banks such as fixed deposits, certificates of deposits, etc. (b) Claims on other Urban Co-operative banks such as term/fixed deposits	20
vii.	Investments in bonds issued by All India Public financial Institutions.	102.5
viii.	Investments in bonds issued by Public Financial Institutions for their Tier-II Capital	102.5
ix.	All Other Investments Note : Intangible assets and losses deducted from Tier I capital should be assigned zero weight	102.5
x.	The off balance sheet (net) position in 'WI' securities, scrip-wise.	2.5
III. LOANS AND ADVANCES.		
i.	Loans and advances including bills purchased and discounted and other credit facilities guaranteed by GOI	0
ii.	Loans guaranteed by State Govt	0
iii.	A State Government guaranteed advance which has become a non performing advance (w.e.f 31.03.06)	100
iv.	Loans granted to PSUs of GOI	100
i.	<u>Real Estate Exposure</u> (a) Mortgaged residential housing loan to individuals: <ul style="list-style-type: none"> • upto Rs 30.00 lakh (LTV* ratio =or<75 %) • above Rs 30.00 (LTV ratio =or<75 %). • Irrespective of the loan amount (LTV ratio >75 %). (b) Commercial real estate (c)Co-op / group housing societies and Housing Board and for any other purpose.	50 75 100 150 100
* LTV ratio should be computed as a percentage with total outstanding in the account (viz. "principal +accrued interest + other charges pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the bank in the denominator		

vi.	Retail Loans and Advances	
	(a) consumer credit including personal loan	125
	(b) loans up to Rs.1 lakh against gold and silver ornaments	50
	(c) all other loans and advances including educational loan.	100
	(d) Loans extended against primary/collateral security of shares/debentures	127.5
vii.	Leased Assets	
	a. Loans and advances for eligible activities to NBFCs engaged in hire purchase/ leasing activities	100
	b. loans and advances for eligible activities to Non-Deposit Taking Systemically Important Non-Banking Finance Companies (NBFC- ND -SI) engaged in hire purchase/ leasing activities	125
viii.	Advances covered by DICGC / ECGC	50
	Note : The risk weight of 50% should be limited to the amount guaranteed and not the entire outstanding balance in the accounts. In other words, the outstanding in excess of the amount guaranteed, will carry 100% risk weight.	
ix.	Advances for term deposits, Life policies, NSCs, IVPs and KVPs where adequate margin is available	0
x.	Loans to staff of banks, which are fully covered by superannuation benefits and mortgage of flat / house	20
	Notes : While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, banks may `net-off' against the total outstanding exposure of the borrower -	
	(a) advances Collateralised by cash margins or deposits,	
	(b) credit balances in current or other accounts of the borrower which are not earmarked for specific purposes and free from any lien,	
	(c) in respect of any assets where provisions for depreciation or for bad debts have been made,	
	(d) claims recd. from DICGC / ECGC and kept in a separate a/c pending adjustment in case these are not adjusted against the dues outstanding in the respective a/cs.	
IV. Other Assets		
	1.Premises, furniture and fixtures	100
	2. Other assets	
	(i) Interest due on Government securities	0
	(ii) Accrued interest on CRR balances maintained with RBI	0
	(iii) Interest receivable on staff loans	20
	(iv) Interest receivable from banks	20
	(v)All other assets	100
V. Market risk on open Position		
	1. Market risk on foreign exchange open position (Applicable to Authorised Dealers only)	100
	2. Market risk on open gold position	100

B. Off-Balance Sheet Items

The credit risk exposure attached to off-Balance Sheet items has to be first calculated by multiplying the face amount of each of the off-Balance Sheet items by 'credit conversion factors' as indicated in the table below. This will then have to be again multiplied by the weights attributable to the relevant counter-party as specified above.

SI.No.	Instruments	Credit conversion factor (%)
1	Direct credit substitutes e.g. general guarantees of indebtedness (including stand L/Cs serving as financial guarantees for loans and securities) and acceptances (including endorsements with character of acceptance)	100
2	Certain transaction - related contingent items (e.g. warranties and standby L/Cs related to particular transactions)	50
3	Short-term self-liquidating trade-related contingencies (such as documentary credits collateralised by the underlying shipments)	20
4	Sale and repurchase agreement and asset sales with recourse, where the credit risk remains with the bank.	100
5	Forward asset purchase, forward deposit and partly paid shams and securities, which represent commitments with certain draw down	100
6	Note issuance facilities and revolving underwriting facilities	50
7	Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of over one year.	50
8	Similar commitments with an original maturity upto one year, or which can be unconditionally cancelled at any time.	0
9	(i) Guarantees issued by banks against the counter guarantees of other banks	20
	(ii) Rediscounting of documentary bills accepted by banks. Bills discounted by banks which have been accepted by another bank will be treated as a funded claim on a bank.	20
	<i>Note : In these cases, banks should be fully satisfied that the risk exposure is, in fact, on the other bank. Bills purchased / discounted / negotiated under LC (where the payment to the beneficiary is not made 'under reserve') will be treated as an exposure on the LC issuing bank and not on the borrower. All clean negotiations as indicated above, will be assigned the risk weight is normally applicable to inter-bank exposures, for capital adequacy purposes. In the case of negotiations 'under reserve' the exposure should be treated as on the borrower and risk weight assigned accordingly.</i>	
10	Aggregate outstanding foreign exchange contracts of original maturity - Less than 14 calendar days more than 14 days but less than one year for each additional year or part thereof	0 2 3

	<p>Notes :</p> <p>While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, bank may `net-off' against the total outstanding exposure of the borrower credit balances in current or other accounts which are not earmarked for specific purposes and free from any lien.</p> <p>After applying the conversion factor as indicated above, the adjusted off-Balance Sheet value shall again be multiplied by the weight attributable to the relevant counter-party as specified.</p>	
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Note : At present, UCBs may not be undertaking most of the off balance sheet transactions. However, keeping in view their potential for expansion, risk-weights are indicated against various off balance sheet items, which, perhaps UCBs may undertake in future.

II. Additional Risk Weights in respect of Overseas Operations of Banks (Applicable to Authorised Dealers only)

1. Foreign Exchange and Interest Rate related Contracts

(i) Foreign exchange contracts include the following :

- (a) Cross currency interest rate swaps
- (b) Forward foreign exchange contracts
- (c) Currency futures
- (d) Currency options purchased
- (e) Other contracts of a similar nature

(ii) As in the case of other off-Balance Sheet items, a two stage calculation prescribed below shall be applied :

(a) Step 1 - The notional principal amount of each instrument is multiplied by the conversion factor given below :

Original Maturity	Conversion Factor
Less than one year	2%
One year and less than two years	5% (i.e. 2% + 3%)
For each additional year	3%

(b) Step 2 - The adjusted value thus obtained shall be multiplied by the risk weight allotted to the relevant counter - party as given in I -A above.

2. Interest Rate Contracts

(iii) Interest rate contracts include the following :

- (a) Single currency interest rate swaps
- (b) Basic swaps
- (c) Forward rate agreements
- (d) Interest rate futures
- (e) Interest rate options purchased
- (f) Other contracts of a similar nature

(iv) As in the case of other off-Balance Sheet items, a two stage calculation prescribed below shall be applied :

(a) Step 1 - The notional principal amount of each instrument is multiplied by the percentage given below :

Original Maturity	Conversion Factor
Less than one year	0.5%
One year and less than two years	1.0%
For each additional year	1.0%

(b) Step 2 - The adjusted value thus obtained shall be multiplied by the risk weightage allotted to the relevant counter-party as given in I -A above.

Note : At present, most of the UCBs are not carrying out forex transactions. However, those who have been given A.D's licence may undertake transactions mentioned above. In the event of any uncertainty in assigning risk weight against a specific transaction, RBI clarification may be sought for.

(Proforma for Returns)
(Vide Para No. 9)

Name of the Bank:

Statement of Capital Funds, Risk Assets /
Exposures and Risk Asset Ratio

1. Part A - Capital Fund and Risk Assets Ratio

(Rs. in Lakh)

I	Capital Funds		
A	Tier I Capital elements		
	(a) Paid-up Capital		
	Less : Intangible assets and losses		
	Net Paid-up Capital		
	(b) Reserves & Surplus		
	1. Statutory reserves :		
	2. Capital reserves (see note below)		
	3. Other reserves		
	4. Surplus in Profit & Loss Account*		
	Total Reserves & Surplus		
	Total Capital Funds (a + b)		
Notes : Capital reserves representing surplus on sales of assets and held in a separate account will be included			
Revaluation reserves, general/floating provisions and specific provisions made for loan losses and other asset losses or diminution in the value of any assets will not be reckoned as Tier I capital funds.			
* In case of surplus in P & L Account [not allocated and yet to be approved by AGM] the following assumption may be made :			
(a) The current year's surplus may be notionally arrived at to the extent recommended by the BOD to be allocated among various reserves/funds and retained in business.			
(b) Where the BOD have not decided the distribution of the surplus, it may be notionally arrived at on the basis of last 3 years average.			
B	Tier II capital elements		
(i)	Undisclosed reserves		
(ii)	Revaluation reserves		
(iii)	General provisions and loss reserves #		
(iv)	Investment Fluctuation Reserves / Funds		
(v)	Hybrid debt capital instruments		
(vi)	Subordinated debts		
	Total		
	Total of I (A + B)		
# Includes General Provision on standard assets (subject to restrictions)			
II	Risk Assets		
(a)	Adjusted value of funded risk assets i.e. on Balance Sheet items (to tally with Part `B')		
(b)	Adjusted value of non-funded and off-Balance Sheet items (to tally with Part `C')		
(c)	Total risk-weighted assets (a+b)		
III	Percentage of capital funds to risk-weighted assets I / II x 100		

2. Part B – Weighed Assets i.e. On-Balance Sheet Items

(Rs. in lakh)

	Book Value	Risk weight	Risk adjusted value
1	2	5	6
I.CASH & BANK BALANCES			
a) Cash in hand (including foreign currency notes)			
b) Balance with banks in India			
i) Balance with RBI			
ii) Balances with banks			
1. Current account (in India and outside India)			
2. Other accounts (in India and outside India)			
3. Current Account balances with other primary co-operative banks			
II. Money at Call and Short Notice			
III. INVESTMENTS			
a) Government and other approved Securities*			
b) Other (net of depreciation provided)			
IV. ADVANCES**			
Loans and advances, bills purchased and discounted and other credit facilities			
a) Claim guaranteed by Govt of India			
b) Claims guaranteed by State Govt			
c) Claims on public sector undertakings of Government of India			
d) Claims on PSUs of State Governments			
e) Others			
Notes : 1. Netting may be done only for advances collateralised by cash margins in deposits and in respect of assets where provisions for depreciation for bad and doubtful debts have been made.			
2. Equity investments in subsidiaries, intangible assets and losses deducted from Tier I capital should be assigned zero weight.			
V. Premises (net of depreciation provided)			
VI. Furniture and fixtures (net of depreciation provided)			
VII. Other assets (including branch adjustments, non-banking assets, etc.)			
Total			
* Provision, if any, made for depreciation in investments in Government and other approved securities may be indicated by way of a footnote.			
** Provisions held, either general or specific, for bad and doubtful debts and standard assets may be indicated by way of footnote.			

3. Part C - Weighed Non-funded Exposures / Off-Balance Sheet Items
Each off-Balance Sheet item may be submitted in the format indicated below :

(Rs. In Lakh)

Nature of Item	Book Value	Conversion Factor	Equivalent Value	Risk Weight	Adjusted Value

Note : Netting may be done only for advances collateralised by cash margins or deposits and in respect of assets where provisions for depreciation or for bad and doubtful debts.

Appendix

List of Circulars consolidated in the Master Circular.

No	Circular	Date	Subject.
1	UBD.PCB.Cir.No.53/13.05.000/07-08	16.06.08	Claims secured by residential property-change in limits for risk weights.
2	UBD.PCB.Cir.No.31/09.11.600/07-08	29.01.08	Prudential Norms for Capital Adequacy – Risk Weight for Educational Loans
3	UBD.PCB.Cir No.40/13.05.000/2006-07	04.05.07	Annual Policy Statement for the Year 2007-08 Residential Housing Loans : Reduction of Risk Weight
4	UBD(PCB).Cir.No.39/13.05.000/06-07	30.04.07	Annual Policy Statement for the Year 2007-08 - Loans Extended against Gold and Silver Ornaments - Reduction of Risk Weight
5	UBD(PCB).Cir.No.30/09.11.600/06-07	19.02.07	Third Quarter Review of the Annual Statement on Monetary Policy for the year 2006-07 - Provisioning Requirement for Standard Assets
6	UBD.BPD.Cir.No:7/09.29.000/2006-07	18.08.06	'When Issued' Transactions in Central Government Securities - Accounting and Related Aspects
7	UBD.PCB.Cir.No.55/09.11.600/05-06	01.06.06	Annual Policy Statement for the Year 2006-07 - Risk Weight on Exposures to Commercial Real Estate
8	UBD.(PCB).BPD.Cir.No.46/13.05.000/2005-06	19.04.06	Bills Discounted under LC - Risk Weight and Exposure Norms
9	UBD.PCB.Cir.No.9/13.05.00/05-06	09.08.05	Risk Weight for Capital Market Exposure -
10	UBD.PCB.Cir.No.8/09.116.00/05-06	09.08.05	Prudential Norms on Capital Adequacy – Risk Weight on Housing Finance / Commercial Real Estate Exposures
11	UBD.DS.Cir/No.44/13.05.00/04-05	15.04.05	Maximum Limit on Advances - Limits on Credit Exposure to Individuals / Group of Borrowers
12	UBD.PCB.Cir.33/09.116.00/2004-05	05.01.05	Risk Weight on Housing Finance and Consumer Credit
13	UBD.PCB.Cir.26/09.140.00/2004-05	01.11.04	Prudential Norms - State Government Guaranteed Exposures
14	UBD.No.BPD.PCB.Cir.52/09.116.00/2003-04	15.06.04	Risk Weight for Exposure to Public Financial Institutions (PFIs)

No	Circular	Date	Subject.
15	UBD.No.BPD.PCB.Cir.37/13.05.00/2003-2004	16.03.04	Discounting / Rediscounting of Bills by Banks
16	UBD.No.BPD.PCB.Cir.34/13.05.00/2003-04	11.02.04	Maximum Limit on Advances - Limits on Credit Exposure to Individual/ Group of Borrowers - Computation of Capital Funds
17	UBD.No.POT.PCB.CIR.18/09.22.01/2002-2003	30.09.02	Risk Weight on Housing Finance
18	UBD.No.POT.PCB.Cir.No.45/09.116.00/2000-01	25.04.01	Application of Capital Adequacy Norms to Urban (Primary) Co-operative Banks