

RBI/2009-10/239

DNBS.PD/ CC.No.165/03.05.002/2009-10

December 1, 2009

All NBFCs

Dear Sir,

Capital Adequacy - Risk weightage on Lending through Collateralized Borrowing and Lending Obligation (CBLO)

Investing by NBFCs in instruments like Collateralized Borrowing and Lending Obligations (CBLOs) results in their exposure to Central Counter Parties (CCPs) like Clearing Corporation of India Ltd. (CCIL).

2. It is therefore clarified that the counterparty credit risk, arising out of exposure of NBFCs to CCIL on account of securities financing transactions (CBLOs) will carry a risk weight of zero, as it is presumed that the CCP's exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP's credit risk exposures. The deposits / collaterals kept by NBFCs with CCIL will attract a risk weight of 20%.

3. A copy each of amending Notifications No. DNBS. 211 / CGM (ANR)-2009 and Notification No. DNBS. 212/CGM (ANR)-2009 both dated December 1, 2009 is enclosed.

Yours sincerely,

(A. Narayana Rao)
Chief General Manager-in-Charge
Encl: As above

**RESERVE BANK OF INDIA/
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA,
MUMBAI 400 005.**

Notification No. DNBS. 211 / CGM (ANR)-2009 dated December 1, 2009

In exercise of the powers conferred by Sections 45J, 45JA, 45K and 45L of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, and in partial modification of its Notification No. DNBS. 192 dated DG (VL)-2007 dated February 22, 2007, the Reserve Bank hereby notifies as follows, namely-

In the Notes under (v) (d) of Explanations (1) of paragraph 16, the following shall be added after sub clause (3):

“(4) The counterparty credit risk, arising out of exposure of NBFCs to CCIL on account of securities financing transactions (CBLOs) will carry a risk weight of zero, as it is presumed that the CCP’s exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP’s credit risk exposures. The deposits / collaterals kept by NBFCs with CCIL will attract a risk weight of 20%”.

(A. Narayana Rao)
Chief General Manager in Charge

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Notification No. DNBS. 212 / CGM(ANR)-2009 dated December 1, 2009

In exercise of the powers conferred by Sections 45J, 45JA, 45K and 45L of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, and in partial modification of its Notification No. DNBS. 193 dated DG (VL)-2007 dated February 22, 2007, the Reserve Bank hereby notifies as follows, namely-

In the Notes under (v) (d) of Explanations (1) of paragraph 16, the following shall be added after sub clause (3):

“(4) The counterparty credit risk, arising out of exposure of NBFCs to CCIL on account of securities financing transactions (CBLOs) will carry a risk weight of zero, as it is presumed that the CCP’s exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP’s credit risk exposures. The deposits / collaterals kept by NBFCs with CCIL will attract a risk weight of 20%”.

(A. Narayana Rao)
Chief General Manager in Charge