



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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June 20, 2013

The Chairman and Managing Director/  
Chief Executive Officer of  
All Commercial Banks  
(excluding LABs and RRBs)

Dear Sir

**Risk Weights on deposits placed with NABARD/SIDBI/NHB in lieu of shortfall in achievement of priority sector lending targets/sub-targets**

It has been observed that there is a lack of uniformity among banks in application of risk weights on claims on deposits placed with NABARD/SIDBI/NHB, in lieu of shortfall in achievement of priority sector lending targets/sub-targets, for the purpose of capital adequacy.

2. In terms of extant instructions [*paras 5.4.1 and 5.8.1 of the Master Circular dated July 2, 2012 on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF)*], claims on public sector entities (*including NABARD, SIDBI, NHB, etc.*) are required to be risk weighted in a manner similar to claims on corporates as per the ratings assigned by the rating agencies registered with the SEBI and accredited by the Reserve Bank of India. Where the borrower has a specific assessment for an issued debt, but the bank's claim is not an investment in this particular debt, the rating applicable to this specific debt can be applied to the bank's unassessed claim provided the conditions indicated in para 6.8 of the Master Circular *ibid* are satisfied.



3. It is clarified that if the conditions indicated in para 6.8 are not satisfied, the rating applicable to the specific debt cannot be used and the claims on NABARD/SIDBI/NHB on account of deposits placed in lieu of shortfall in achievement of priority sector lending targets/sub-targets shall be risk weighted as applicable for unrated claims, i.e. 100%.

Yours faithfully,

(Chandan Sinha)

Principal Chief General Manager