RBI/2014-15/529
DBR.No.BP.BC.80 /21.06.201/2014-15 March 31, 2015

All Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Dear Sir,

Prudential Guidelines on Capital Adequacy and Liquidity Standards - Amendments

As you are aware, the Reserve Bank has issued and implemented prudential guidelines on capital adequacy framework and liquidity standards for banks operating in India. These guidelines have been framed based on the internationally accepted reform package, as agreed to by the Basel Committee on Banking Supervision (BCBS) and endorsed by the G20 Leaders post-crisis. Accordingly, it is important to adopt and implement these minimum prudential standards in a manner which is consistent across all member jurisdictions. Such consistent implementation not only provides a level playing field for banks but also reduces regulatory arbitrage and promotes financial stability to a great extent.

2. In this context, it is considered desirable to make certain modifications / amendments to the guidelines on Basel III capital and liquidity regulations, implementation of advanced model-based approaches for credit, market and operational risk, guidelines on compensation and securitisation exposures, etc., with a view to more closely align our regulatory framework with the internationally agreed standards.

3. Accordingly, the above modifications / amendments are given in the **Annex**. These changes become applicable with effect from April 1, 2015.

Yours faithfully,

(Sudarshan Sen)
Chief General Manager-in-Charge

Encl: As above

बैंकिंग विनियमन विभाग, केंद्रीय कार्यालय, 12वीं और 13वीं मंज़िल, केंद्रीय कार्यालय भवन, शहीद भगत सिंह मार्ग, मुंबई 400001
टेलीफोन /Tel No: 22661602, 22601000 फैक्स/Fax No: 022-2270 5670, 2260 5671, 5691 2270, 2260 5692
Department of Banking Regulation, Central Office, 12th & 13th Floor, Central Office Bhavan, Shahid Bhagat Singh Marg, Mumbai - 400001
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Part A

Basel III Master Circular
(DBOD.No.BP.BC.6/21.06.201/2014-15 dated July 1, 2014)

Sr. No	**RBI reference para**	**Existing text in RBI regulation**	**Proposed text in RBI regulation (track change mode)**
1	Paragraphs 3.3.2, 4.4 and 5.13.6	Figure 1	Revised Figure 1 is enclosed with this document.
2	Paragraph 4.4.1 (ii)	............For this purpose, the definition of intangible assets would be in accordance with the Indian accounting standards. Operating losses in the current period and those brought forward from previous periods should also be deducted from Common Equity Tier 1 capital.	..........For this purpose, the definition of intangible assets would be in accordance with the Indian accounting standards. ~~Operating~~ Losses in the current period and those brought forward from previous periods should also be deducted from Common Equity Tier 1 capital, if not already deducted.
3	Paragraph 4.4.2(i)(b)	The DTA (excluding DTA associated with accumulated losses), net of DTL. Where the DTL is in excess of the DTA (excluding DTA associated with accumulated losses), the excess shall neither be adjusted against item (a) nor added to Common Equity Tier 1 capital.	The DTA (excluding DTA associated with accumulated losses), net of DTL. Where the DTL is in excess of the DTA (excluding DTA associated with accumulated losses), the excess shall neither be adjusted against item (a) nor added to Common Equity Tier 1 capital. DTAs may be netted with associated deferred tax liabilities (DTLs) only if the DTAs and DTLs relate to taxes levied by the same taxation authority and offsetting is permitted by the relevant taxation authority. The DTLs permitted to be netted against DTAs must exclude amounts that have been netted against the deduction of goodwill, intangibles and defined benefit pension assets. ....
4	Paragraph 4.4.9.6		Numbering of paragraph 4.4.9.6 - "Intra Group Transactions and Exposures" to be changed to paragraph 4.4.11
5	Paragraph 4.4	No reference	A new paragraph is added as given below: 4.4.10 As indicated in paragraphs 3.3.2 and 3.4.1, equity investments in non-financial subsidiaries should be fully deducted from the consolidated and solo CET1 capital of the

			bank respectively, after making all the regulatory adjustments as indicated in above paragraphs.
6	Paragraph 4.5.5	Capital instruments which do not meet the criteria for inclusion in Common Equity Tier 1 will be excluded from Common Equity Tier 1 as on April 1, 2013. However, instruments meeting the following two conditions will be phased out over the same horizon described in paragraph 4.5.4 above: (i) they are treated as equity under the prevailing accounting standards; and (ii) they receive unlimited recognition as part of Tier 1 capital under current laws / regulations.	Capital instruments which do not meet the criteria for inclusion in Common Equity Tier 1 will be excluded from Common Equity Tier 1 as on April 1, 2013. ~~However, instruments meeting the following two conditions will be phased out over the same horizon described in paragraph 4.5.4 above: (i) they are treated as equity under the prevailing accounting standards; and (ii) they receive unlimited recognition as part of Tier 1 capital under current laws / regulations.~~
7	Paragraph 5.2	No reference	A new paragraph is added as given below: 5.2.6 The above risk weights will be applied if such exposures are denominated in Indian Rupees and also funded in Indian Rupees.
8	Paragraph 5.9	The exposure (both fund-based and non fund-based) is to an individual person or persons or to a small business; Person under this clause would mean any legal person capable of entering into contracts and would include but not be restricted to individual, HUF, partnership firm, trust, private limited companies, public limited companies, co-operative societies etc. Small business is one where the total average annual turnover is less than ` 50 crore.	The exposure (both fund-based and non fund-based) is to an individual person or persons or to a small business; Person under this clause would mean any legal person capable of entering into contracts and would include but not be restricted to individual and HUF; small business would include partnership firm, trust, private limited companies, public limited companies, co-operative societies etc. Small business is one where the total average annual turnover is less than ` 50 crore.
9	Paragraph 5.13.6	All investments in the paid-up equity of non-financial entities (other than subsidiaries) which exceed 10% of the issued common share capital of the issuing entity or where the entity is an unconsolidated affiliate as defined in paragraph 4.4.9.2(C)(i) will receive a risk weight of 1111%[47].	All investments in the paid-up equity of non-financial entities (other than subsidiaries) which exceed 10% of the issued common share capital of the issuing entity or where the entity is an unconsolidated affiliate as defined in paragraph 4.4.9.2(C)(i) will receive a risk weight of~~1111~~1250%[47]. ......

		FN:47 Equity investments in non-financial subsidiaries will be deducted from the consolidated / solo bank capital as indicated in paragraphs 3.3.2 /3.4.1.	FN:47 Equity investments in non-financial subsidiaries will be deducted from the consolidated / solo bank capital as indicated in paragraphs 3.3.2 /3.4.1.
10	Paragraph 5.15.3.9. (ii) (c)	.... • Clearing member banks may apply a risk-weight of 1111% to their default fund exposures to the qualifying CCP, subject to an overall cap on the risk-weighted assets from all its exposures to the QCCP (i.e. including trade exposures) equal to 20% of the trade exposures to the QCCP. More specifically, the Risk Weighted Assets (RWA) for both bank *i*'s trade and default fund exposures to each QCCP are equal to[65]: *Min {(2% * TEi+ 1111% * DFi); (20% * TEi)}* Where; TEi is bank *i*'s trade exposure to the QCCP; and DFi is bank *i*'s pre-funded contribution to the QCCP's default fund.	.... • Clearing member banks may apply a risk-weight of~~1111~~1250% to their default fund exposures to the qualifying CCP, subject to an overall cap on the risk-weighted assets from all its exposures to the QCCP (i.e. including trade exposures) equal to 20% of the trade exposures to the QCCP. More specifically, the Risk Weighted Assets (RWA) for both bank *i*'s trade and default fund exposures to each QCCP are equal to[65]: *Min {(2% * TEi+~~1111~~1250% * DFi); (20% * TEi)}* Where; TEi is bank *i*'s trade exposure to the QCCP; and DFi is bank *i*'s pre-funded contribution to the QCCP's default fund.
11	Paragraph 5.15.3.10	.... (b) Banks must apply a risk weight of 1111% to their default fund contributions to a non-qualifying CCP. (c) For the purposes of this paragraph, the default fund contributions of such banks will include both the funded and the unfunded contributions which are liable to be paid should the CCP so require. Where there is a liability for unfunded contributions (i.e. unlimited binding commitments) the Reserve Bank will determine in its Pillar 2 assessments the amount of unfunded commitments to which an 1111% risk weight should apply.	.... (b) Banks must apply a risk weight of~~1111~~1250% to their default fund contributions to a non-qualifying CCP. (c) For the purposes of this paragraph, the default fund contributions of such banks will include both the funded and the unfunded contributions which are liable to be paid should the CCP so require. Where there is a liability for unfunded contributions (i.e. unlimited binding commitments) the Reserve Bank will determine in its Pillar 2 assessments the amount of unfunded commitments to which a~~n1111~~1250% risk weight should apply.
12	Paragraph 5.15.4	(v) ....However, if five business days after the second contractual payment / delivery date the	(v) .... However, if five business days after the second contractual payment / delivery date the second leg has not yet

		second leg has not yet effectively taken place, the bank that has made the first payment leg will receive a risk weight of 1111% on the full amount of the value transferred plus replacement cost, if any. This treatment will apply until the second payment / delivery leg is effectively made.	effectively taken place, the bank that has made the first payment leg will receive a risk weight of ~~1111~~ 1250% on the full amount of the value transferred plus replacement cost, if any. This treatment will apply until the second payment / delivery leg is effectively made.
13	Paragraph 5.16.2	**Treatment of Securitisation Exposures** (i) Credit enhancements which are first loss positions should be risk weighted at 1111%. (ii) Any rated securitisation exposure with a long term rating of 'B+ and below' when not held by an originator, and a long term rating of 'BB+ and below' when held by the originator will receive a risk weight of 1111%. (iii) Any unrated securitisation exposure, except an eligible liquidity facility as specified in **paragraph 5.16.8** should be risk weighted at 1111%. In an unrated and ineligible liquidity facility, both the drawn and undrawn portions (after applying a CCF of 100%) shall receive a risk weight of 1111%. (iv) The holdings of securities devolved on the originator through underwriting should be sold to third parties within three-month period following the acquisition. In case of failure to off-load within the stipulated time limit, any holding in excess of 20% of the original amount of issue, including secondary market purchases, shall receive a risk weight of 1111%.	**Treatment of Securitisation Exposures** (i) Credit enhancements which are first loss positions should be risk weighted at ~~1111%~~1250**%**. (ii) Any rated securitisation exposure with a long term rating of 'B+ and below' when not held by an originator, and a long term rating of 'BB+ and below' when held by the originator will receive a risk weight of ~~1111%~~1250**%**. (iii) Any unrated securitisation exposure, except an eligible liquidity facility as specified in **paragraph 5.16.8** should be risk weighted at ~~1111~~1250%. In an unrated and ineligible liquidity facility, both the drawn and undrawn portions (after applying a CCF of 100%) shall receive a risk weight of ~~1111%~~1250**%**. (iv) The holdings of securities devolved on the originator through underwriting should be sold to third parties within three-month period following the acquisition. In case of failure to off-load within the stipulated time limit, any holding in excess of 20% of the original amount of issue, including secondary market purchases, shall receive a risk weight of ~~1111%~~ 1250**%**.
14	Paragraph 5.16.5 and 5.16.9	5.16.5 (ii) ……… **Table 10: Securitisation Exposures –**	5.16.5 (ii) ………. **Table 10: Securitisation Exposures – Risk Weight Mapping**

Risk Weight Mapping to Long-Term Ratings

Domestic rating agencies	AAA	AA	A	BBB	BB	B and below or unrated
Risk weight for banks other than originators (%)	20	30	50	100	350	1111
Risk weight for originator (%)	20	30	50	100	1111	

5.16.5 (iii)

....

Table 10-A: Commercial Real Estate Securitisation Exposures – Risk Weight mapping to long-term ratings

Domestic Rating Agencies	AAA	AA	A	BBB	BB	B and below or unrated
Risk weight for banks other than originators	100	100	100	150	400	1111

to Long- Term Ratings

5.16.5 (iii)

Domestic rating agencies	AAA	AA	A	BBB	BB	B and below or unrated
Risk weight for banks other than originators (%)	20	30	50	100	350	~~1111~~1250
Risk weight for originator (%)	20	30	50	100	~~1111~~ 1250	

....

Table 10-A: Commercial Real Estate Securitisation Exposures – Risk Weight mapping to long-term ratings

Domestic Rating Agencies	AAA	AA	A	BBB	BB	B and below or unrated
Risk weight for banks other than originators (%)	100	100	100	150	400	~~1111~~1250
Risk weight for originator (%)	100	100	100	150	~~1111~~1250	

(%)						
Risk weight for originator (%)	100	100	100	150	1111	

5.16.5 (v): ....If a bank exceeds the above limit, the excess amount would be risk weighted at 1111 per cent. Credit exposure on account of interest rate swaps/ currency swaps entered into with the SPV will be excluded from the limit of 20 per cent as this would not be within the control of the bank.

5.16.5 (vii) The investing banks will assign a risk weight of 1111 per cent to the exposures relating to securitization/ or assignment where the requirements in the paragraphs 2.1 to 2.3 of Section A / or paragraphs 2.1 to 2.8 of Section B, respectively, of the circular DBOD.No.BP.BC.103/21.04.177/ 2011-12 dated May 07, 2012 on 'Revision to the Guidelines on Securitisation Transactions' dated May 07, 2012 are not met. The higher risk weight of 1111 per cent is applicable with effect from October 01, 2012.

5.16.9

....

Table 11: Re-securitisation Exposures – Risk Weight Mapping to Long-Term Ratings

Domestic rating agencies	**AAA**	**AA**	**A**	**BBB**	**BB**	**B and below or**

5.16.5 (v):......... If a bank exceeds the above limit, the excess amount would be risk weighted at ~~1111~~1250per cent. Credit exposure on account of interest rate swaps/ currency swaps entered into with the SPV will be excluded from the limit of 20 per cent as this would not be within the control of the bank.

5.16.5 (vii) The investing banks will assign a risk weight of ~~1111~~1250 per cent to the exposures relating to securitization/ or assignment where the requirements in the paragraphs 2.1 to 2.3 of Section A / or paragraphs 2.1 to 2.8 of Section B, respectively, of the circular DBOD.No.BP.BC.103/21.04.177/ 2011-12 dated May 07, 2012 on 'Revision to the Guidelines on Securitisation Transactions' dated May 07, 2012 are not met. ~~The higher risk weight of 1111 per cent is applicable with effect from October 01, 2012.~~

5.16.9

....

Table 11: Re-securitisation Exposures – Risk Weight Mapping to Long-Term Ratings

Domestic rating agencies	**AAA**	**AA**	**A**	**BBB**	**BB**	**B and below or unrated**

						unrated
Risk weight for banks other than originators (%)	40	60	100	200	650	1111
Risk weight for originator (%)	40	60	100	200	1111	

Risk weight for banks other than originators (%)	40	60	100	~~200~~225	650	~~1111~~1250
Risk weight for originator (%)	40	60	100	~~200~~225	~~1111~~1250	

Table 11 A: Commercial Real Estate Re-Securitisation Exposures – Risk Weight Mapping to Long-Term Ratings

Domestic rating agencies	AAA	AA	A	BBB	BB and below or unrated
Risk weight for banks other than originators (%)	200	200	200	400	1111
Risk weight for originator (%)	200	200	200	400	1111

Table 11 A: Commercial Real Estate Re-Securitisation Exposures – Risk Weight Mapping to Long-Term Ratings

Domestic rating agencies	AAA	AA	A	BBB	BB and below or unrated
Risk weight for banks other than originators (%)	200	200	200	400	~~1111~~1250
Risk weight for originator (%)	200	200	200	400	~~1111~~1250

15	Paragraph 5.16.5 Footnote 71	As per Basel III rules of the Basel Committee, the maximum risk weight for securitization exposures, consistent with minimum 8 per cent capital requirement, is 1250 per cent. Since in India minimum capital requirement is 9 per cent, the risk weight has been capped at 1111 per cent (100/9) so	~~As per Basel III rules of the Basel Committee, the maximum risk weight for securitization exposures, consistent with minimum 8 per cent capital requirement, is 1250 per cent. Since in India minimum capital requirement is 9 per cent, the risk weight has been capped at 1111 per cent (100/9) so as to ensure that capital charge does not exceed the exposure~~

<table>
<tr><td></td><td></td><td>as to ensure that capital charge does not exceed the exposure value.</td><td>~~value.~~</td></tr>
<tr><td>16</td><td>Paragraph 7.4</td><td>No reference</td><td>A new paragraph is added as given below:

7.4(d) monitors and controls its roll-off risks............</td></tr>
<tr><td>17</td><td>Paragraph 7.5.6</td><td>No reference</td><td>A new paragraph is added as given below:

7.5.6 (iv)-. In case of securitisation transactions, SPEs cannot be recognised as eligible guarantors.</td></tr>
<tr><td>18</td><td>Paragraph 8.6.4</td><td>Treatment of Exposures below Materiality Thresholds of CDS
Materiality thresholds on payments below which no payment is made in the event of loss are equivalent to retained first loss positions and should be assigned risk weight of 1111 per cent for capital adequacy purpose by the protection buyer.</td><td>Treatment of Exposures below Materiality Thresholds of CDS
Materiality thresholds on payments below which no payment is made in the event of loss are equivalent to retained first loss positions and should be assigned risk weight of ~~1111~~1250 per cent for capital adequacy purpose by the protection buyer.</td></tr>
<tr><td>19</td><td>Paragraph 8.7</td><td>As explained earlier capital charges for specific risk and general market risk are to be computed separately before aggregation. For computing the total capital charge for market risks, the calculations may be plotted in the following table:

<u>Proforma</u>
(INR in crore)

<table><tr><td>Risk Category</td><td>Capital Charge</td></tr><tr><td>I. Interest Rate Risk (a+b)</td><td></td></tr><tr><td>a. General market risk</td><td></td></tr></table></td><td>As explained earlier capital charges for specific risk and general market risk are to be computed separately before aggregation. For computing the total capital charge and Risk Weighted Assets for market risks, the calculations may be plotted in the following table:

<u>Proforma</u> (INR in crore)

<table><tr><td>Risk Category</td><td>Capital Charge</td><td>Risk Weighted Assets (RWA)</td></tr><tr><td>I. Interest Rate Risk (a+b)</td><td></td><td>12.5 times the capital charge</td></tr><tr><td>a.General market risk</td><td></td><td></td></tr><tr><td>i. Net position (parallel shift)</td><td></td><td></td></tr></table></td></tr>
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<tr><td>i. Net position (parallel shift)
ii. Horizontal disallowance (curvature)
iii. Vertical disallowance (basis)
iv. Options</td><td></td></tr>
<tr><td>b. Specific Risk</td><td></td></tr>
<tr><td>II. Equity (a+b)</td><td></td></tr>
<tr><td>a. General market risk</td><td></td></tr>
<tr><td>b. Specific risk</td><td></td></tr>
<tr><td>III. Foreign Exchange and Gold</td><td></td></tr>
<tr><td>IV. Total capital charge and RWA for market risks (I+ II+ III)</td><td></td></tr>
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<table>
<tr><td>ii. Horizontal disallowance (curvature)
iii. Vertical disallowance (basis)
iv. Options</td><td></td><td></td></tr>
<tr><td>b. Specific Risk</td><td></td><td></td></tr>
<tr><td>II. Equity (a+b)</td><td></td><td>12.5 times the capital charge</td></tr>
<tr><td>a.General market risk</td><td></td><td></td></tr>
<tr><td>b.Specific risk</td><td></td><td></td></tr>
<tr><td>III.Foreign Exchange and Gold</td><td></td><td>12.5 times the capital charge</td></tr>
<tr><td>IV. Total capital charge and RWA for market risks (I+ II+ III)</td><td></td><td></td></tr>
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<td>20</td>
<td>Paragraph 9.3</td>
<td>No reference</td>
<td>A new paragraph is added as given below:

9.3.5 Once the bank has calculated the capital charge for operational risk under BIA, it has to multiply this with 12.5 and arrive at the notional risk weighted asset (RWA) for operational risk.</td>
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21	Paragraph 15.2.1	Banks are required to maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 capital, above the regulatory minimum capital requirement[110] of 9%. Banks should not distribute capital (i.e. pay dividends or bonuses in any form) in case capital level falls within this range. However, they will be able to conduct business as normal when their capital levels fall into the conservation range as they experience losses. ...... FN110: Common Equity Tier 1 must first be used to meet the minimum capital requirements (including the 7% Tier 1 and 9% Total capital requirements, if necessary), before the remainder can contribute to the capital conservation buffer requirement.	Banks are required to maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 capital, above the regulatory minimum capital requirement[110] of 9%. Capital distribution constraints will be imposed on a bank when capital level falls within this range.~~Banks should not distribute capital (i.e. pay dividends or bonuses in any form) in case capital level falls within this range.~~However, they will be able to conduct business as normal when their capital levels fall into the conservation range as they experience losses. .... FN110: Common Equity Tier 1 must first be used to meet the minimum capital requirements (including the 7% Tier 1 and 9% Total capital requirements, if necessary), before the remainder can contribute to the capital conservation buffer requirement.
22	Annex 18	**Table DF-3:** Credit Risk: General Disclosures for All Banks **Quantitative Disclosures** .... (j) Movement of provisions for NPAs Opening balance Provisions made during the period Write-off Write-back of excess provisions Closing balance	**Table DF-3:** Credit Risk: General Disclosures for All Banks **Quantitative Disclosures** .... j) Movement of provisions ~~for NPAs~~ (Separate disclosure shall be made for specific provisions and general provisions held by the bank with a description of each type of provisions held) • Opening balance • Provisions made during the period • Write-off • Write-back of excess provisions • Any other adjustments, including transfers between provisions • Closing balance In addition, write-offs and recoveries that have been booked directly to the income statement should be disclosed separately.

			……….. Two new points (n) and (o) are being added as given below: (n) By major industry or counterparty type: • Amount of NPAs and if available, past due loans, provided separately; • Specific and general provisions; and • Specific provisions and write-offs during the current period. In addition, banks are encouraged also to provide an analysis of the ageing of past-due loans. (o) Amount of NPAs and, if available, past due loans provided separately broken down by significant geographic areas including, if practical, the amounts of specific and general provisions related to each geographical area.The portion of general provisions that is not allocated to a geographical area should be disclosed separately.
23	Annex 18	No reference	A new table DF-16 is added in Annex 18 as given below: **Table DF-16 Equities: Disclosure for banking book positions** **Qualitative Disclosures:** 1. The general qualitative disclosure requirement (Para 2.1 of this annex) with respect to equity risk, including: ○ differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and

			○ discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. **Quantitative Disclosures:** 2. Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value. 3. The types and nature of investments, including the amount that can be classified as: ○ Publicly traded; and ○ Privately held. 4. The cumulative realised gains (losses) arising from sales and liquidations in the reporting period. 5. Total unrealised gains (losses)[2] 6. Total latent revaluation gains (losses)[3] 7. any amounts of the above included in Tier 1 and/or Tier 2 capital. 8. Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirements. [2]Unrealised gains (losses) recognised in the balance sheet but not through the profit and loss account. [3]Unrealised gains (losses) not recognised either in the balance sheet or through the profit and loss account.

24	Annex 7 Paragraph 8	Materiality thresholds on payments below which no payment is made in the event of loss are equivalent to retained first loss positions and should be assigned risk weight of 1111%[149] for capital adequacy purpose by the protection buyer. FN 149: As per Basel II framework the first loss positions are required to be deducted from capital. However, according to Basel III, the risk weight for such positions consistent with minimum 8% capital requirement is 1250%. Since in India, minimum capital requirement is 9%, the risk weight has been capped at 1111% (100/9) so as to equate the capital charge to the exposure value.	Materiality thresholds on payments below which no payment is made in the event of loss are equivalent to retained first loss positions and should be assigned risk weight of 1250~~1111~~%[149] for capital adequacy purpose by the protection buyer. ~~FN 149: As per Basel II framework the first loss positions are required to be deducted from capital. However, according to Basel III, the risk weight for such positions consistent with minimum 8% capital requirement is 1250%. Since in India, minimum capital requirement is 9%, the risk weight has been capped at 1111% (100/9) so as to equate the capital charge to the exposure value.~~
25	Annex 7 Paragraph 11.4 (iv)	(iv) .... In case of the event of any breach in the single / group borrower exposure limit, the entire exposure in excess of the limit will be risk weighted at 1111%. In order to ensure that consequent upon such a treatment, the bank does not breach the minimum capital requirement prescribed by RBI, it should keep sufficient cushion in capital in case it assumes exposures in excess of normal exposure limit.	(iv) .... In case of the event of any breach in the single / group borrower exposure limit, the entire exposure in excess of the limit will be risk weighted at ~~1111~~1250%. In order to ensure that consequent upon such a treatment, the bank does not breach the minimum capital requirement prescribed by RBI, it should keep sufficient cushion in capital in case it assumes exposures in excess of normal exposure limit.

Part B
Section 1

Implementation of the Internal Rating Based (IRB) Approaches for Calculation of Capital Charge for Credit Risk
(DBOD.No.BP.BC.67/21.06.202/2011-12 dated December 22, 2011)

Sr. No	RBI reference para	Existing text in RBI regulation	Proposed text in RBI regulation (track change mode)
1	Paragraph 25	Once a bank adopts IRB approach, it is expected to extend it across all material asset classes within the bank and the entire banking group. However, for some banks, if it is not be practicable for various reasons to implement the IRB approach at the same time, RBI may permit banks to adopt a phased roll out of the IRB approach.	Once a bank adopts IRB approach, it is expected to extend it across all material asset classes within the bank and the entire banking group with the exception of its exposure to central counterparties (CCPs) treated under para 5.15.3.8 of extant Basel III master circular. However, for some banks, if it is not be practicable for various reasons to implement the IRB approach at the same time, RBI may permit banks to adopt a phased roll out of the IRB approach. Irrespective of the materiality, exposures to CCPs arising from OTC derivatives, exchange traded derivatives transactions and SFTs must be treated according to the dedicated treatment laid down in para 5.15.3.8 of extant Basel III master circular. When assessing the materiality for the purposes of paragraph 26 and 28, the IRB coverage measure used must not be affected by the bank's amount of exposures to CCPs treated under para 5.15.3.8 of extant Basel III master circular – i.e, such exposures must be excluded from both the numerator and the denominator of the IRB coverage ratio used.
2	Paragraph 32	..........During the transition period, the minimum capital maintained by banks for implementation of IRB Approach will be subjected to prudential floor which shall be higher of the minimum capital required to be maintained as per the IRB Approach and a specified percentage of minimum capital required to be maintained as per the Standardised Approach.	.... During the transition period, the minimum capital maintained by banks for implementation of IRB Approach will be subjecte~~d~~ to prudential floor which shall be higher of the minimum capital required to be maintained as per the IRB Approach and a specified percentage of minimum capital required to be maintained as per the Standardised Approach.

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<td>The specified percentage will progressively decline as indicated below:
<table><tr><th>Financial year ending</th><th>Year 1</th><th>Year 2 and onwards</th></tr><tr><td>Prudential floor (Minimum Capital requirement computed as per Standardised Approach of Basel II)</td><td>100%</td><td>90%</td></tr></table>Any change in the prudential floor subsequent to second year of IRB implementation, if any, will be communicated by RBI at that time.</td>
<td>However, to compare the capital required under IRB with a specified percentage of capital required under SA, banks need to make adjustments as given here during the transition period. To the capital requirement as per IRB, banks need to add Tier 1 and Tier 2 deduction relating to credit risk under IRB approach, deduct from Tier 2 the difference between provision and EL (if any, as mentioned in the para 200 of this guideline) Also, if an IRB bank is calculating regulatory capital for credit risk under SA for a portion of the portfolio and part of general provision earmarked for that portfolio is already added in Tier 2 capital then that part needs to be deducted from IRB capital for this comparison purpose. To the capital requirement under SA, banks need to add all Tier 1 and Tier 2 deductions related to credit risk under Standardised Approach and deduct the amount of general provision that has been considered as a part of Tier 2. This amount will then be subject to the specified percentage as mentioned in the table below. The specified percentage will progressively decline as indicated below:
<table><tr><th>Financial year ending</th><th>Year 1</th><th>Year 2 and onwards</th></tr><tr><td>Prudential floor (Minimum Capital requirement computed as per Standardised Approach of Basel II)</td><td>100%</td><td>90%</td></tr></table>Any change in the prudential floor subsequent to second year of IRB implementation, if any, will be communicated by RBI at that time.</td>
</tr>
<tr>
<td>3</td>
<td>Paragraph</td>
<td>Each separate legal entity to which the bank is exposed must</td>
<td>Each separate legal entity to which the bank is exposed must</td>
</tr>
</table>

	45	be separately rated. A bank must have policies acceptable to the RBI regarding the treatment of individual entities in a connected group including circumstances under which the same rating may or may not be assigned to some or all related entities.	be separately rated. A bank must have policies acceptable to its supervisor regarding the treatment of individual entities in a connected group including circumstances under which the same rating may or may not be assigned to some or all related entities. Those policies must include a process for the identification of specific wrong way risk for each legal entity to which the bank is exposed. Transactions with counterparties where specific wrong way risk has been identified need to be treated differently when calculating the EAD for such exposures
4	Paragraph 70	.... To the extent that LGD estimates take into account the existence of collateral, banks must establish internal requirements for collateral management, operational procedures, legal certainty and risk management process.	..........To the extent that LGD estimates take into account the existence of collateral, banks must establish that internal requirements for collateral management, operational procedures, legal certainty and risk management process are generally consistent with those required for the standardised approach.
5	Paragraph 115	..... R= Asset Correlation (correlation between borrower's exposure and systematic risk factor)	..... R= Asset Correlation (correlation between borrower's exposure and systematic risk factor) However, a multiplier of 1.25 is applied to the correlation parameter applicable to all exposures to financial institutions meeting the following criteria: • Financial institutions whose total assets are greater than or equal to INR 6000 billion. The most recent audited financial statement of the parent company and consolidated subsidiaries must be used in order to determine asset size. For the purpose of this paragraph, a regulated financial institution is defined as a parent and its subsidiaries where any substantial legal entity in the consolidated group is supervised by a regulator that imposes prudential requirements consistent with international norms. These include, but are not limited to, prudentially regulated Insurance Companies, Broker/Dealers,

			Banks, NBFCs, FIs, PDs; • Unregulated financial institutions, regardless of size. Unregulated financial institutions are, for the purposes of this paragraph, legal entities whose main business includes: the management of financial assets, lending, factoring, leasing, provision of credit enhancements, securitisation, investments, financial custody, central counterparty services, proprietary trading and other financial services activities identified by supervisors.
6	Paragraph 126	(vi) The bank has the right to receive payment from the guarantor/credit protection provider without having to take legal action in order to pursue the counterparty for payment. (xi) The bank should have the right to receive payment from guarantor/credit protection provider without having to take legal action in order to pursue the counterparty for payment.	(vi) The bank has the right to receive payment from the guarantor/credit protection provider without having to take legal action in order to pursue the counterparty for payment. To the extent possible, a bank should take steps to satisfy itself that the protection provider is willing to pay promptly if a credit event should occur. (xi) ~~The bank should have the right to receive payment from guarantor/credit protection provider without having to take legal action in order to pursue the counterparty for payment~~. In the case of protection against dilution risk, the seller of purchased receivables must not be a member of the same group as the protection provider.
7	Paragraphs 132(iv) & 138(b)	132 (iv) Low Value of Individual Exposures - The maximum aggregated retail exposure to one counterpart, except for individual person or persons as mentioned in para 132 (i), should be less than the threshold limit of Rs. 5 crore. 138 (b) The exposures are to individuals.	132 (iv) Low Value of Individual Exposures - The maximum aggregated retail exposure to one counterpart, except for individual person or persons as mentioned in para 132 (i) and for QRRE sub portfolio as mentioned in para 138(b), should be less than the threshold limit of Rs. 5 crore; 138 (b) The exposures are to individuals. The maximum exposure to a single individual to be treated under QRRE should be INR 50 lakh or less.
8	Paragraph 147	No reference	A new paragraph is added as given below:

<table>
<tr><td></td><td></td><td></td><td><u>147(a)</u>
<u>To the extent that foreign exchange and interest rate commitments exist within a bank’s retail portfolio for IRB purposes, banks are not permitted to provide their internal assessments of credit equivalent amounts (i.e., apply CCF for EAD calculation). Instead, the rules for the standardised approach continue to apply in these cases.</u>~~.~~</td></tr>
<tr><td>9</td><td>Paragraph 171</td><td>The maximum risk weight for the PD/LGD approach for equity exposures is 1111%. This maximum risk weight can be applied, if risk weights calculated according to paragraph 167 plus the EL associated with the equity exposure multiplied by 12.5 exceed the 1111% risk weight.</td><td>The maximum risk weight for the PD/LGD approach for equity exposures is ~~1111%~~<u>1250%</u>. This maximum risk weight can be applied, if risk weights calculated according to paragraph 167 plus the EL associated with the equity exposure multiplied by 12.5 exceed the ~~1111%~~ <u>1250%</u> risk weight.</td></tr>
<tr><td>10</td><td>Paragraph 203</td><td>The full EL amount for equity exposures under the PD/LGD approach will be risk weighted at 1111% to derive the capital requirement for the same. Provisions or write-offs for equity exposures under the PD/LGD approach will not be used in the EL-provision calculation.</td><td>The full EL amount for equity exposures under the PD/LGD approach will be risk weighted at ~~1111%~~ <u>1250%</u> to derive the capital requirement for the same. Provisions or write-offs for equity exposures under the PD/LGD approach will not be used in the EL-provision calculation.</td></tr>
<tr><td>11</td><td>Paragraph 212(c)</td><td>c. Securitization exposures to which none of these approaches can beapplied must receive 1111% risk weight.</td><td>c. Securitization exposures to which none of these approaches can be applied must receive ~~1111%~~<u>1250%</u>risk weight.</td></tr>
<tr><td>12</td><td>Paragraph 215</td><td>.......
<u>Table A</u> <u>(appears after para 218)</u>

RBA risk weights when the external assessment represents a long-term credit rating and/or an inferred rating derived from a long-term assessment
<table>
<tr><td rowspan="2">External Rating (Illustrative) / Inferred Rating</td><td colspan="2">N* ≥ 6</td><td>N < 6</td></tr>
<tr><td>Risk weights for senior positions**</td><td>Base risk weights, i.e. Risk weights for other</td><td>Risk weights for tranches backed by non-granular pools</td></tr>
</table></td><td>..........
<u>Table A</u> <u>(appears after para 218)</u>
RBA risk weights when the external assessment represents a long-term credit rating and/or an inferred rating derived from a long-term assessment
<table>
<tr><td rowspan="2">External Rating (Illustrative) / Inferred Rating</td><td colspan="2">N* ≥ 6</td><td>N < 6</td></tr>
<tr><td>Risk weights for senior positions**</td><td>Base risk weights, i.e. Risk weights for other exposures</td><td>Risk weights for tranches backed by non-granular pools</td></tr>
<tr><td>AAA</td><td>7%</td><td>12%</td><td>20%</td></tr>
</table></td></tr>
</table>

		exposures	
AAA	7%	12%	20%
AA	8%	15%	25%
A+	10%	18%	35%
A	12%	20%	
A-	20%	35%	
BBB+	35%	50%	
BBB	60%	75%	
BBB-	100%		
BB+	250%		
BB	425%		
BB-	650%		
Below BB- and unrated	1111%		

Table B

RBA risk weights when the external assessment represents a short-term credit rating and/or an inferred rating derived from a short-term assessment

External Rating (Illustrative) / Inferred Rating	**N ≥ 6**		**N < 6**
	Risk weights for senior positions	**Base risk weights, i.e. Risk weights for other exposures**	**Risk weights for tranches backed by non-granular pools**
A-1/P-1	7%	12%	20%

AA	8%	15%	25%
A+	10%	18%	35%
A	12%	20%	
A-	20%	35%	
BBB+	35%	50%	
BBB	60%	75%	
BBB-	100%		
BB+	250%		
BB	425%		
BB-	650%		
Below BB- and unrated	~~1111%~~**1250%**		

Table B

RBA risk weights when the external assessment represents a short-term credit rating and/or an inferred rating derived from a short-term assessment

External Rating (Illustrative) / Inferred Rating	**N ≥ 6**		**N < 6**
	Risk weights for senior positions	**Base risk weights, i.e. Risk weights for other exposures**	**Risk weights for tranches backed by non-granular pools**
A-1/P-1	7%	12%	20%
A-2/P-2	12%	20%	35%
A-3/P-3	60%	75%	75%
All other ratings/unrated	~~1111%~~**1250%**	~~1111%~~**1250%**	~~1111%~~**1250%**

		<table><tr><td>A-2/P-2</td><td>12%</td><td>20%</td><td>35%</td></tr><tr><td>A-3/P-3</td><td>60%</td><td>75%</td><td>75%</td></tr><tr><td>All other ratings/unrated</td><td>1111%</td><td>1111%</td><td>1111%</td></tr></table>	
13	Paragraph 232	Risk-weighted asset amounts generated through the use of the SF are calculated by multiplying the capital requirement as determined above by 12.5. If the risk-weight resulting from the SF is 1111% of the exposure value or greater, the bank must deduct the securitisation exposure from its common equity...........	Risk-weighted asset amounts generated through the use of the SF are calculated by multiplying the capital requirement as determined above by 12.5. If the risk-weight resulting from the SF is ~~1111~~1250% of the exposure value or greater, the bank must deduct the securitisation exposure from its common equity...........
14	Paragraph 235	.... If the facility is not rated (which is generally the case), the bank may use the inferred rating, if applicable, or may apply the SFA. If neither approach can be used, then the facility must be deducted risk weighted at 1111%.	.... If the facility is not rated (which is generally the case), the bank may use the inferred rating, if applicable, or may apply the SFA. If neither approach can be used, then the facility must be ~~deducted~~ risk weighted at ~~1111%~~1250%.
15	Paragraph 14 of Appendix 1	For each pool, banks must estimate PD, LGD, and EAD. Some of the indicative risk drivers when assigning exposures to a pool, are given below:	For each pool, banks must estimate PD, LGD, and EAD. ~~Some of the indicative risk drivers when assigning exposures to a pool, are given below:~~Banks should consider the risk drivers mentioned below along with other relevant risk drivers and base the segmentation into pools, for each rating system, on those drivers that provide a high degree of risk differentiation for the exposures covered by that rating system. ....
16	Paragraph 21 of Appendix 1	.... The internal rating policy should also ideally be having the following features:	.... The internal rating policy should also ~~ideally~~ be having the following features: ....
17	Appendix 1	No reference	A new paragraph is added as given below: PD estimates for borrowers that are highly leveraged or for borrowers whose assets are predominantly traded assets must reflect the performance of the underlying assets based on periods of stressed volatilities.
18	Paragraph	.... In the interim, banks would be expected to compute	.... In the interim, banks would be expected to compute

	107 (appendix 1)	capital charges using a simple risk weight approach or PD/LGD approach if permissible.	capital charges using a simple risk weight approach ~~or PD/LGD approach if permissible~~.
19	Paragraph 9 (appendix 3)	In addition to the above types of collaterals, RBI may permit banks to recognise other physical collaterals as risk mitigants which meet the following two standards: • Existence of liquid markets for disposal of collateral in an expeditious and economically efficient manner. • Existence of well established, publicly available market prices for the collateral or Board approved policy of regular collateral valuation with qualified professionals. RBI should be certain that the amount a bank receives when collateral is realised does not deviate significantly from these market prices.	In addition to the above types of collaterals, RBI may permit banks to recognise other physical collaterals as risk mitigants which meet the following ~~two~~ standards: • Existence of liquid markets for disposal of collateral in an expeditious and economically efficient manner. Existence of well established, publicly available market prices for the collateral ~~orBoard approved policy of regular collateral valuation with qualified professionals RBI should be certain that the amount a bank receives when collateral is realised does not deviate significantly from these market prices.~~ • Board approved policy of regular collateral valuation with qualified professionals. The collateral value used for LGD must be lower of the market price and the professional valuation. RBI should be certain that the amount a bank receives when collateral is realised does not deviate significantly from the valuations based either on market price or done by qualified professionals as mentioned above.
20	Appendix 7 Para 5(v)	.... However, if five business days after the second contractual payment / delivery date the second leg has not yet effectively taken place, the bank that has made the first payment leg will apply 1111% risk weight to the full amount of the value transferred plus replacement cost, if any. This treatment will apply until the second payment / delivery leg is effectively made.	.... However, if five business days after the second contractual payment / delivery date the second leg has not yet effectively taken place, the bank that has made the first payment leg will apply ~~1111%~~1250% risk weight to the full amount of the value transferred plus replacement cost, if any. This treatment will apply until the second payment / delivery leg is effectively made.
21	Appendix 9 Table 1, 4th	Covenant package is fair for this type of project. Project may issue limited additional debt	~~Covenant package is fair for this type of project.~~ ~~Project may issue limited additional debt~~

	column, last row under Reserve Funds		Average coverage period, all reserve funds fully funded.
22	Appendix 11- Table 5	No reference	A footnote will be added in Table 5 of Appendix 11 as given below. For banks eligible to adopt IRB approach, Table 5 disclosures will be in addition to the disclosures applicable to banks using Standardised Approach and as mentioned in Table DF-6 (**Securitisation Exposures: Disclosure for Standardised Approach)** as per the extant master circular on Basel III

Implementation of the Advanced Measurement Approach (AMA) for Calculation of Capital Charge for Operational Risk
(DBOD.No.BP.BC. 88 /21.06.014/2010-11 dated April 27, 2011)

<table>
<tr><th>Sr. No</th><th>RBI reference para</th><th>Existing text in RBI regulation</th><th>Proposed text in RBI regulation (track change mode)</th></tr>
<tr><td>1</td><td>Paragraph 0.7</td><td>**Calculation of Capital Charge for Operational Risk**

Once the bank has calculated the capital charge for operational risk under AMA, it has to multiply this with (100÷9) and arrive at the notional risk weighted asset (RWA) for operational risk.</td><td>**Calculation of Capital Charge for Operational Risk**

Once the bank has calculated the capital charge for operational risk under AMA, it has to multiply this with ~~(100÷9)~~12.5 and arrive at the notional risk weighted asset (RWA) for operational risk.</td></tr>
<tr><td>2</td><td>Paragraph 6</td><td>6.1 After the final approval for migrating to AMA is granted by RBI, there will be a prudential capital floor for two years which would be applicable from the end of the financial year in which the parallel run ends. While the minimum capital requirement for operational risk during the Parallel Run period will be 100 percent, banks are required to maintain a minimum capital requirement as per the Table below during the two years' period of prudential floor:
<table><tr><th>Years →</th><th>Parallel Run</th><th>Prudential Floor Year 1 (applicable from the balance sheet as at the end of the financial year until next balance sheet date)</th><th>Prudential Floor Year 2 (applicable from the balance sheet as at the end of the financial year until next</th></tr></table></td><td>6.1 After the final approval for migrating to AMA is granted by RBI, there will be a prudential capital floor ~~for two years~~ which would be applicable from the end of the financial year in which the parallel run ends. While the minimum capital requirement for operational risk during the Parallel Run period will be 100 percent, banks are required to maintain a minimum capital requirement as per the Table below during ~~the two years'~~ period of prudential floor:
<table><tr><th>Years →</th><th>Parallel Run</th><th>Prudential Floor for the first year of implementation of AMA approach ~~Year 1~~ (applicable from the balance sheet as at the end of</th><th>Prudential Floor ~~Year 2~~ for the second year of implementation of the AMA approach and each year thereafter (applicable from the balance sheet</th></tr></table></td></tr>
</table>

			balance sheet date)
Banks having at least 3 years' data			
Prudential Floor (as percentage of minimum capital requirement as per current measurement method i.e. BIA or TSA/ASA)	3 Years	95	90
Banks having 5 years' or more data			
Prudential Floor (as percentage of minimum capital requirement as per current measurement method i.e. BIA or TSA/ASA)	2 Years	95	90

Footnote 6: The approval to migrate to AMA based on 3 year data will be granted by RBI in exceptional cases subject to conditions mentioned in para 8.5.4.3 (v).

6.2 RBI will review performance of AMA in banks on an on-going basis and will take a decision on continuance of prudential floors or otherwise after the period indicated above.

		the financial year until next balance sheet date))	as at the end of the financial year until next balance sheet date)
Banks having at least 3 years' data			
Prudential Floor (as percentage of minimum capital requirement as per current measurement method i.e. BIA or TSA/ASA)	3 Years	95	90
Banks having 5 years' or more data			
Prudential Floor (as percentage of minimum capital requirement as per current measurement method i.e. BIA or TSA/ASA)	2 Years	95	90

Footnote 6: ~~The approval to migrate to AMA based on 3 year data will be granted by RBI in exceptional cases subject to conditions mentioned in para 8.5.4.3 (v).~~The Basel Committee is reviewing the design of a capital floor framework based on standardised approaches. Pending revision, the floor will continue to apply on a permanent basis.

6.2 ~~RBI will review performance of AMA in banks on an on-going basis and will take a decision on continuance of prudential floors or otherwise after the period indicated above.~~ The approval to migrate to AMA based on 3 year

			data will be granted by RBI in exceptional cases subject to conditions mentioned in para 8.5.4.3 (v).

TSA Guidelines (Circular No.DBOD. No. BP.BC. 84 /21.06.001/2009-10 dated March 31, 2010)

Sr. No	RBI reference para	Existing text in RBI regulation	Proposed text in RBI regulation (track change mode)
1.	Paragraph 3.1	Once the bank has calculated the capital charge for operational risk under TSA / ASA, it has to multiply this with (100÷9) and arrive at the notional risk weighted asset (RWA) for operational risk.	Once the bank has calculated the capital charge for operational risk under TSA / ASA, it has to multiply this with ~~(100/9)~~12.5 and arrive at the notional risk weighted asset (RWA) for operational risk.

Prudential Guidelines on Capital Adequacy - Implementation of Internal Models Approach for Market Risk
(DBOD.No.BP.BC.86 /21.06.001 (A)/2009-10 dated April 7, 2010)

Sr. No	RBI reference para	Existing text in RBI regulation	Proposed text in RBI regulation (track change mode)
1	Paragraph 9.8	Banks must update their data sets no less frequently than once every three months and should also reassess them whenever market prices are subject to material changes. This updating process must be flexible enough to allow for more frequent updates.	Banks must update their data sets no less frequently than once every ~~three~~months~~s~~ and should also reassess them whenever market prices are subject to material changes. This updating process must be flexible enough to allow for more frequent updates. RBI may also require a bank to calculate its value-at-risk using a shorter observation period if, it is considered necessary due to a significant upsurge in price volatility.
2	Paragraph 15.1	Once a bank has calculated the capital charge for market risk, it has to notionally multiply this with (100÷9) to arrive at the value of the Risk Weighted Assets for market risk.	Once a bank has calculated the capital charge for market risk, it has to notionally multiply this with 12.5~~(100÷9)~~ to arrive at the value of the Risk Weighted Assets for market risk.

Part C
Section 1

Guidelines on Securitisation of Standard Assets
(DBOD.NO.BC.60/21.04.048/2005-06 dated February 1, 2006)

Sr. No	RBI reference para	Existing text in RBI regulation	Proposed text in RBI regulation (track change mode)
1	Paragraph 7	No reference	A new paragraph is added as given below: 7.16 The securitisation transaction should not contain clauses that increase the yield payable to parties other than the originating bank, such as investors and third-party providers of credit enhancements, in response to a deterioration in the credit quality of the underlying pool.
2	Paragraph 14	No reference	A new paragraph is added as given below: 14.10 If the exposures that the facility is required to fund are externally rated securities, it can only be used to fund securities that are externally rated investment grade at the time of funding.

Guidelines for implementation of Countercyclical Capital Buffer (CCCB)
(DBR.No.BP.BC.71/21.06.201/2014-15dated Feb 5, 2015)

Sr. No	**RBI reference para**	**Existing text in RBI regulation**	**Proposed text in RBI regulation (track change mode)**
1	Paragraph 2	The CCCB may be maintained in the form of Common Equity Tier 1 (CET 1) capital or other fully loss absorbing capital only, and the amount of the CCCB may vary from 0 to 2.5% of total risk weighted assets (RWA) of the banks. If, as per the Reserve Bank of India directives, banks are required to hold CCCB at a given point in time, the same may be disclosed at table DF-11 of Annex 18 as indicated in Basel III Master Circular.	The CCCB may be maintained in the form of Common Equity Tier 1 (CET 1) capital ~~or other fully loss absorbing capital~~ only, and the amount of the CCCB may vary from 0 to 2.5% of total risk weighted assets (RWA) of the banks. If, as per the Reserve Bank of India directives, banks are required to hold CCCB at a given point in time, the same may be disclosed at table DF-11 of Annex 18 as indicated in Basel III Master Circular.
2	Paragraph 9 with Footnote 3	Banks incorporated in India having international presence have to maintain adequate capital under CCCB as prescribed by the host supervisors in respective jurisdictions. The banks, based on the geographic location of their RWA, shall calculate their bank specific CCCB requirement as a weighted[3] average of the requirements that are being applied in respective jurisdictions. The Reserve Bank of India may also ask Indian banks to keep excess capital under CCCB framework for exposures in any of the host countries they are operating if it feels the CCCB requirement in host country is not adequate. – [3]Weight = (bank's total RWA in a jurisdiction)/ (bank's total RWA across all jurisdictions)	Banks incorporated in India having international presence have to maintain adequate capital under CCCB as prescribed by the host supervisors in respective jurisdictions. The banks, based on the geographic location ~~of their RWA~~ of their private sector credit exposures (including non-bank financial sector exposures), shall calculate their bank specific CCCB requirement as a weighted[3] average of the requirements that are being applied in respective jurisdictions. The Reserve Bank of India may also ask Indian banks to keep excess capital under CCCB framework for exposures in any of the host countries they are operating if it feels the CCCB requirement in host country is not adequate. [3]Weight = (bank's total credit risk charge that relates to private sector credit exposures in that jurisdiction/ bank's total credit risk

			charge that relates to private sector credit exposures across all jurisdictions), where credit includes all private sector credit exposures that attract a credit risk capital charge or the risk weighted equivalent trading book capital charges for specific risk, IRC and securitisation
3	Paragraph 11	Banks must ensure that their CCCB requirements are calculated and publicly disclosed with at least the same frequency as their minimum capital requirements as applicable in various jurisdictions. The buffer should be based on the latest relevant jurisdictional CCCB requirements that are applicable on the date that they calculate their minimum capital requirement. In addition, when disclosing their buffer requirement, banks must also disclose the geographic breakdown of their RWAs used in the calculation of the buffer requirement. –	Banks must ensure that their CCCB requirements are calculated and publicly disclosed with at least the same frequency as their minimum capital requirements as applicable in various jurisdictions. The buffer should be based on the latest relevant jurisdictional CCCB requirements that are applicable on the date that they calculate their minimum capital requirement. ~~In addition, when disclosing their buffer requirement, banks must also disclose the geographic breakdown of their RWAs used in the calculation of the buffer requirement.~~ In addition, when disclosing their buffer requirement, banks must also disclose the geographic breakdown of their private sector credit exposures used in the calculation of the buffer requirement.

Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc (DBOD.BC.72/29.67.001/2011-12 dated January 13, 2012)

Sr. No	RBI reference para	Existing text in RBI regulation	Proposed text in RBI regulation (track change mode)
1	Paragraph B(3)	**3. Disclosure and engagement by stakeholders** **3.1 Guideline 6: Disclosure** Banks are required to make disclosure on remuneration on an annual basis at the minimum, in their Annual Financial Statements. 3.2 To improve clarity on disclosure, banks may make the disclosures in table or chart format and make disclosures for previous as well as the current reporting year (previous year's disclosure need not be made when the disclosures are made for the first time).The key disclosures required to be made by banks have been given in the **Appendix 2** to the guidelines.	**3. Disclosure and engagement by stakeholders** **3.1 Guideline 6: Disclosure** Banks are required to make disclosure on remuneration on an annual basis at the minimum, in their Annual Financial Statements. 3.2 To improve clarity on disclosure, banks may make the disclosures in table or chart format and make disclosures for previous as well as the current reporting year (previous year's disclosure need not be made when the disclosures are made for the first time).The key disclosures required to be made by banks have been given in the **Appendix 2** to the guidelines. Banks are strongly encouraged not only to disclose the required information, but to articulate as far as possible how these factors complement and support their overall risk management framework.
2	Paragraph B(3)-Appendix 2.	**Qualitative Disclosures** a. Information relating to the composition and mandate of the Remuneration Committee. b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy. c. Description of the ways in which current and future	**Qualitative Disclosures** a. Information relating to the bodies that oversee remuneration. Disclosure should include: • Name, composition and mandate of the main body overseeing

		risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks. d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting. f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	remuneration. • External consultants whose advice has been **sought**, the body by which they were commissioned, and in what areas of the remuneration process. • A description of the scope of the bank's remuneration policy (eg. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. • A description of the type of employees covered and number of such employees. b. Information relating to the design and structure of remuneration processes. Disclosure should include: • An overview of the key features and objectives of remuneration policy. • Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made. • A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee. c. Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosure should include : • An overview of the key risks that the bank takes into account when implementing remuneration measures. • An overview of the nature and type of key measures used to take account of these risks, including risk difficult to measure (values need not be disclosed).

				• A discussion of the ways in which these measures affect remuneration. •A discussion of how the nature and type of these measures have changed over the past year and reasons for the changes, as well as the impact of changes on remuneration. d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosure should include: • An overview of main performance metrics for bank, top level business lines and individuals. • A discussion of how amounts of individual remuneration are linked to the bank-wide and individual performance. •A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining 'weak' performance metrics. e. Description of the ways in which the bank seeks to adjust remuneration to take account of the longer term performance. Disclosure should include: • A discussion of the bank's policy on deferral and vesting of variable remuneration and , if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance. • A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after

		Quantitative disclosure g. Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members. h. Details of guaranteed bonus, if any, paid as joining / sign on bonus. ………………..	vesting through claw back arrangements. f. Description of the different forms of variable remuneration ~~(i.e. cash, shares, ESOPs and other forms)~~ that the bank utilizes and the rationale for using these different forms. Disclosure should include: • An overview of the forms of variable remuneration offered. • A discussion of the use of different forms of variable remuneration and , if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance. **Quantitative disclosure** g. Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member. h. •Number of employees having received a variable remuneration award during the financial year. • Number and total amount of sign-on awards made during the financial year. • Number and total amount of guaranteed bonuses awarded during the financial year. • Details of severance pay, in addition to accrued benefits, if any.

		j. Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	……… j. Breakdown of amount of remuneration awards for the financial year to show • fixed and variable. • deferred and non-deferred, • different forms used.

Part D

Basel III Framework on Liquidity Standards Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards (DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 9, 2014)

Sr. No.	RBI reference para	Existing text in RBI regulation	Proposed change in RBI regulation
1	Paragraph 2	The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.	The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.In view of this objective, it is emphasised that the LCR should be used on an ongoing basis to help monitor and control liquidity risk.
2	Paragraph 3	To start with, the LCR and monitoring tools would be applicable for Indian banks at whole bank level only i.e. on a stand-alone basis including overseas operations through branches. However, banks should endeavour to move over to meeting the standard at consolidated level also. For foreign banks operating as branches in India, the framework would be applicable on stand- alone basis (i.e. for Indian operations only).	To start with, the LCR and monitoring tools would be applicable for Indian banks at whole bank level only i.e. on a stand-alone basis including overseas operations through branches. From January 1, 2016 onwards, the LCR standard, Liquidity Risk Monitoring Tools and LCR Disclosure Standards will be applicable to Indian banks on a consolidated basis. ~~However, banks should endeavour to move over to meeting the standard at consolidated level also~~. For foreign banks operating as branches in India, the framework would be applicable on stand- alone basis (i.e. for Indian operations only). Principles to be followed while calculating LCR on a consolidated basis are appended at Appendix III.
3	Paragraphs 5.2 & 5.6	5.2 While the fundamental characteristics of these assets include low credit and market risk; ease and certainty of valuation; low correlation with risky assets and listing on a developed and recognized exchange market, the market related characteristics include active	5.2 While the fundamental characteristics of these assets include low credit and market risk; ease and certainty of valuation; low correlation with risky assets and listing on a developed and recognized exchange market, the market related characteristics include active and sizeable market; presence of committed market makers; low market

		and sizeable market; presence of committed market makers; low market concentration and flight to quality (tendencies to move into these types of assets in a systemic crisis). 5.6 All assets in the stock of liquid assets must be managed as part of that pool by the bank and shall be subject to the following operational requirements: must be available at all times to be converted into cash, should be unencumbered, should not be co-mingled / used as hedges on trading position; designated as collateral or credit enhancement in structured transactions; designated to cover operational costs, should be managed with sole intent for use as a source of contingent funds, should be under the control of specific function/s charged with managing liquidity risk of the bank, e.g. ALCO.	concentration and flight to quality (tendencies to move into these types of assets in a systemic crisis). Detailed description of these fundamental characteristics and market related characteristics are appended at Appendix III to this circular. [Given at the end of this Table] 5.6 All assets in the stock of liquid assets must be managed as part of that pool by the bank and shall be subject to the following operational requirements (detailed description appended at Appendix III to this circular): • must be available at all times to be converted into cash, • should be unencumbered, • should not be co-mingled / used as hedges on trading position; designated as collateral or credit enhancement in structured transactions; designated to cover operational costs, • should be managed with sole intent for use as a source of contingent funds, • should be under the control of specific function/s charged with managing liquidity risk of the bank, e.g. ~~ALCO~~**Treasurer**.
4	Footnote 2 to para 5.4 (iv)	These securities will include only marketable securities which attract a 0% risk-weight in terms of paragraph 5.3.1 of RBI's Master Circular on 'Basel III Capital Regulations' dated July 1, 2013. In cases where a foreign sovereign has been assigned a non-0% risk weight as per rating by an international rating agency, but a 0% risk-weight has been assigned at national discretion under Basel II Framework, marketable securities issued or guaranteed by that foreign sovereign within its domestic jurisdiction will be allowed to the extent those securities cover a bank's stressed net cash outflows in that specific foreign currency stemming from	These securities will include only marketable securities which attract a 0% risk-weight in terms of paragraph 5.3.1 of RBI's Master Circular on 'Basel III Capital Regulations' dated July 1, 2013. In cases where a foreign sovereign has been assigned a non-0% risk weight as per rating by an international rating agency, but a 0% risk-weight has been assigned at national discretion under Basel II Framework, marketable securities issued ~~or guaranteed~~ by that foreign sovereign within its domestic jurisdiction will be allowed to the extent those securities cover a bank's stressed net cash outflows in that specific foreign currency stemming from the bank's operations(by virtue of presence through a subsidiary or a branch) in the jurisdiction where the bank's liquidity risk is being taken.

		the bank's operations in the jurisdiction where the bank's liquidity risk is being taken.	
5	Paragraph 5.5 (a)	**(a) Level 2A Assets** A minimum 15% haircut should be applied to the current market value of each Level 2A asset held in the stock....	A minimum 15% haircut should be applied to the current market value of each Level 2A asset held in the stock. Apart from the usual fundamental and market related characteristics as given in Appendix III, these securities should also have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e., maximum decline of price not exceeding 10% or increase in haircut not exceeding 10 percentage points over a 30-day period during a relevant period of significant liquidity stress).
6	Paragraph 5.5 (b)	**(b) Level 2B Assets** A minimum 50% haircut should be applied to the current market value of each Level 2B asset held in the stock. Further, Level 2B assets should comprise no more than 15% of the total stock of HQLA. They must also be included within the overall Level 2 assets. Level 2B assets are limited to the following: i. Marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, i.e., they should have a credit rating not lower than BBB- as per our Master Circular on 'Basel III – Capital Regulations'. ii. Common Equity Shares which satisfy all of the following conditions: a) not issued by a bank/financial institution/NBFC or any of its affiliated entities; b) included in NSE CNX Nifty index and/or S&P BSE Sensex index.	A minimum 50% haircut should be applied to the current market value of each Level 2B asset held in the stock. Further, Level 2B assets should comprise no more than 15% of the total stock of HQLA. They must also be included within the overall Level 2 assets. Banks should have appropriate systems and measures to monitor and control the potential risks (eg credit and market risks) that they could be exposed to in holding Level 2B assets. i. Marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, i.e., they should have a credit rating not lower than BBB- as per our Master Circular on 'Basel III – Capital Regulations'. Apart from the usual fundamental and market related characteristics as given in Appendix III, these securities should also have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e., a maximum decline of price not exceeding 20% or increase in haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress. ii. Common Equity Shares which satisfy all of the following conditions: a) not issued by a bank/financial institution/NBFC or any of its affiliated entities;

			b) included in NSE CNX Nifty index and/or S&P BSE Sensex index. c) Apart from the usual fundamental and market related characteristics as given in Appendix III, these securities should also have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e., a maximum decline of share price not exceeding 40% or increase in haircut over a 30-day period not exceeding 40 percentage points during a relevant period of significant liquidity stress.
7	Explanatory Note (i) to BLR-1	(i) **Retail Deposits:** All demand and term deposits (irrespective of maturity) including foreign currency deposits placed with a bank by a natural person. However, in cases of bulk deposits i.e. Rs.1 crore and above where banks have decided to disallow premature withdrawal in terms of circular DBOD.No.Dir.BC.74/13.03.00/2012-13 dated January 24, 2013 on 'Interest Rates on and Premature Withdrawal of Rupee Term Deposits', bulk deposits of residual maturity of more than 30 days may be excluded.	i) **Retail Deposits:** All demand and term deposits (irrespective of maturity) including foreign currency deposits placed with a bank by a natural person. However, in cases of bulk deposits i.e. Rs.1 crore and above where banks have decided to disallow premature withdrawal in terms of circular DBOD.No.Dir.BC.74/13.03.00/2012-13 dated January 24, 2013 on 'Interest Rates on and Premature Withdrawal of Rupee Term Deposits', bulk deposits of residual maturity of more than 30 days may be excluded. Cash outflows related to retail term deposits with a residual maturity or withdrawal notice period of greater than 30 days can be excluded from total expected cash outflows if the depositor has no legal right to withdraw deposits within the 30-day horizon of the LCR, or if early withdrawal results in a significant penalty that is materially greater than the loss of interest. Despite a clause that says the depositor has no legal right to withdraw a deposits, if a bank allows a depositor to withdraw such deposits or waives the applicable penalty for the pre-mature withdrawal, the entire category of these funds would then have to be treated as demand deposits (i.e. regardless of the remaining term, the deposits would be subject to run-off rates applicable to retail deposits).
8	Explanatory Note (iv) to BLR-1	(iv) **Unsecured wholesale funding:** The wholesale funding included in the LCR is defined as all funding from non-natural persons, i.e. legal entities, is callable within the LCR's horizon of 30 days or that has its earliest possible contractual maturity date situated within this horizon (such as maturing term deposits and unsecured debt securities) as also funding with an	(iv) **Unsecured wholesale funding:** The unsecured wholesale funding included in the LCR is defined as all funding from non-natural persons, i.e. legal entities including sole proprietor or partnership, and are **not** collateralised by legal rights to specifically designated assets owned by the borrowing institution. This is callable within the LCR's horizon of 30 days or that has its earliest possible contractual maturity date situated within this horizon (such as maturing term deposits and unsecured debt securities) as also funding with an undetermined maturity.

		undetermined maturity.	
9	Explanatory Note (v) to BLR-1	(v) **Small Business Customers:** As defined in para 5.9.3 (i) of RBI Master Circular on Basel III Capital Regulations dated July 1, 2013, i.e. where the total average annual turnover is less than Rs.50 crore provided total aggregated funding from any such Small Business Customer is less than Rs.50 crore. "Aggregated funding" means the gross amount (i.e. not netting any form of credit extended to the legal entity) of all forms of funding (e.g. deposits or debt securities or similar derivative exposure for which the counterparty is known to be a small business customer).	(v) **Small Business Customers:**This category consists of deposits and other extensions of funds made by non-financial small business customers, ~~A~~as defined in para 5.9.3 (i) of RBI Master Circular on Basel III Capital Regulations dated July 1, 2013, ~~i.e. where the total average annual turnover is less than Rs.50 crore~~that are managed as retail exposures and are generally considered as having similar liquidity risk characteristics to retail accounts provided total aggregated funding from any such Small Business Customer is ~~less than~~upto Rs.5~~0~~ crore (on a consolidated basis where applicable).. "Aggregated funding" means the gross amount (i.e. not netting any form of credit extended to the legal entity) of all forms of funding (e.g. deposits or debt securities or similar derivative exposure for which the counterparty is known to be a small business customer). Notwithstanding the definition of small business customer as defined in para 5.9.3 (i) of RBI Master Circular on Basel III Capital Regulations dated July 1, 2013, a bank may include a deposit in this category provided that the total aggregate funding raised from the customer is upto Rs.5 crore (on an aggregate basis where applicable) and the deposit is managed as a retail deposit. This means that the bank treats such deposits in its internal risk management systems consistently over time and in the same manner as other retail deposits, and that the deposits are not individually managed in a way comparable to larger corporate deposits.
10	Explanatory Note (vi) to BLR-1	(vi) **Operational deposits:** Qualifying operational deposits generated by clearing, custody or cash management activities and: • The deposits are by-products of the underlying services provided by the banking organisation and not sought out in the wholesale market in the sole interest of offering interest income. • The deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer (not limited to paying market interest rates) to leave any excess funds on these	(vi) **Operational deposits:** Qualifying Operational deposits are the deposits generated by clearing, custody or cash management activities where financial and non-financial customers are required to maintain deposits with a bank in order to facilitate their access and ability to use payment and settlement systems or make payments. If such deposits qualify under certain criterion, they can attract relatively lower run-off rates (25% if uninsured and 5% if insured under deposit insurance). Definition, qualifying criterion and other conditions for andthis purpose are given below: (a) **Definitions and Criterion for Qualifying Activities which can**

		accounts.	**generate Operational Deposits** • Clearing relationship: A service arrangement that enables customers to transfer funds (or securities) indirectly through direct participants in domestic settlement systems to final recipients. Such services are limited to the following activities: transmission, reconciliation and confirmation of payment orders; daylight overdraft, overnight financing and maintenance of post-settlement balances; and determination of intra-day and final settlement positions. • Custody relationship: The provision of safekeeping, reporting, processing of assets or the facilitation of the operational and administrative elements of related activities on behalf of customers in the process of their transacting and retaining financial assets. Such services are limited to the settlement of securities transactions, the transfer of contractual payments, the processing of collateral, and the provision of custody related cash management services. Also included are the receipt of dividends and other income, client subscriptions and redemptions. Custodial services can furthermore extend to asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services (excluding correspondent banking), and depository receipts. • Cash management relationship: The provision of cash management and related services to customers. Cash management services, in this context, refers to those products and services provided to a customer to manage its cash flows, assets and liabilities, and conduct financial transactions necessary to the customer's ongoing operations. Such services are limited to payment remittance, collection and aggregation of funds, payroll administration, and control over the disbursement of funds. • The customer should have substantial dependency on the bank to perform the above services as an independent third party intermediary in order to fulfil its normal banking activities over the next

			30 days and the deposits are required for the above purposes. • Eligibility for 25% run-off rate for operational deposits generated by the above activities would require approval from the Reserve Bank of India (Department of Banking Supervision) so as to ensure that these operational activities are actually being conducted by the banks. • The above services must be provided under a legally binding agreement to institutional customers. The termination of such agreements shall be subject either to a notice period of at least 30 days or significant switching costs (such as those related to transaction, information technology, early termination or legal costs) to be borne by the customer if the operational deposits are withdrawn before 30 days. **(b) Qualifying criterion and Other Conditions**: • The deposits are by-products of the underlying services provided by the banking organisation and not sought out in the wholesale market in the sole interest of offering interest income. • The deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer (not limited to paying market interest rates) to leave any excess funds on these accounts. In the case that interest rates in a jurisdiction are close to zero, it would be expected that such accounts are non-interest bearing. Banks should be particularly aware that during prolonged periods of low interest rates, excess balances (as defined below) could be significant. • Any excess balances that could be withdrawn and would still leave enough funds to fulfil these clearing, custody and cash management activities will not qualify for the 25% run-off factor. In other words, only that part of the deposit balance with the service provider that is proven to serve a customer's operational needs can qualify as stable. Excess balances should be treated in the appropriate category for non-operational deposits. If banks are unable to determine the amount of the excess balance, then the entire deposit should be assumed to be

			excess to requirements and, therefore, considered non-operational. •Operational deposits held by banks at other financial institutions for operational purposes, are assumed to stay at those institutions, and no inflows can be counted for these funds – ie they will receive a 0% inflow rate.
11	Explanatory Note (vii) to BLR-1	(vii) **Secured Funding:** "Secured funding" is defined as those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution. For calculating 'cash outflow', it will include all outstanding secured funding transactions with maturities within the 30 calendar day stress horizon. The amount of outflow is calculated based on the amount of funds raised through the transaction, and not the value of the underlying collateral.	(vii) **Secured Funding:** "Secured funding" is defined as those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution. For this purpose secured funding transactions (SFTs) will include only the transactions which are permitted by RBI regulations and relevant Acts of law in India, e.g. repo, reverse repo, CBLO, etc. It is clarified that other forms of SFTs like collateral swaps and lending security for meeting short position of a customer, which prevail in other jurisdictions, are presently not permitted in India. For calculating 'cash outflow', it will include all outstanding secured funding transactions with maturities within the 30 calendar day stress horizon. The amount of outflow is calculated based on the amount of funds raised through the transaction, and not the value of the underlying collateral.
12	Explanatory Note (ix) and (x) to BLR-1	(ix) Increased liquidity needs related to downgrade triggers embedded in financing transactions, derivatives and other contracts: Often contracts governing derivatives and other transactions have clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon the bank's downgrade by a recognisedcredit rating organisation. The scenario therefore requires that for each contract in which "downgrade triggers" exist, the bank assumes that 100% of this additional collateral or cash outflow will have to be posted for any downgrade up to and including a 3-notch downgrade of the bank's long-term credit rating. (x) Increased liquidity needs related to the potential for valuation changes on posted collateral securing	(ix) Increased liquidity needs related to downgrade triggers embedded in financing transactions, derivatives and other contracts: Often contracts governing derivatives and other transactions have clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon the bank's downgrade by a recognised credit rating organisation. The scenario therefore requires that for each contract in which "downgrade triggers" exist, the bank assumes that 100% of this additional collateral or cash outflow will have to be posted for any downgrade up to and including a 3-notch downgrade of the bank's long-term credit rating. Triggers linked to a bank's short-term rating should be assumed to be triggered at the corresponding long-term rating in accordance with published ratings criteria. The impact of the downgrade should consider impacts on all types of margin collateral and contractual triggers which change re-hypothecation rights for non-segregated collateral.

		derivative and other transactions: Most counterparties to derivatives transactions typically are required to secure the mark-to-market valuation of their positions and that this is predominantly done using Level 1 securities like cash or government securities, etc. However, if counterparties are securing mark-to-market exposures with collaterals other than Level 1 securities, to cover the potential loss of market value on those securities, such collaterals are to be accounted for 'cash outflow'. For this purpose, run-off rate of 20% will be applied on the notional amount required to be posted as collateral after any other haircuts that may be applicable to the collateral category. ……….	(x) Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions: Most counterparties to derivatives transactions typically are required to secure the mark-to-market valuation of their positions and that this is predominantly done using Level 1 securities like cash or government securities, etc. However, if counterparties are securing mark-to-market exposures with collaterals other than Level 1 securities, to cover the potential loss of market value on those securities, such collaterals are to be accounted for 'cash outflow'. For this purpose, run-off rate of 20% will be applied on the notional amount required to be posted as collateral after any other haircuts that may be applicable to the collateral category. This notional amount can be taken net of collateral received on a counterparty basis provided that the collateral received is not subject to restrictions on reuse or re-hypothecation. Further, any collateral that is in a segregated margin account can only be used to offset outflows that are associated with payments that are eligible to be offset from that same account. ……………. New explanatory notes are added to BLR-1 as given below: (xiii) Increased liquidity needs related to excess non-segregated collateral held by the bank that could contractually be called at any time by the counterparty: In such cases, run-off rate will be 100% of the non-segregated collateral that could contractually be recalled by the counterparty because the collateral is in excess of the counterparty's current collateral requirements. (xiv) Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted: In such cases run-off rate will be 100% of the collateral that is contractually due but where the counterparty has not yet demanded the posting of such collateral.

			(xv) Increased liquidity needs related to contracts that allow collateral substitution to non-HQLA assets: In such cases run-off rate will be 100% of the amount of HQLA collateral that can be substituted for non-HQLA assets without the bank's consent that have been received to secure transactions that have not been segregated. (xvi) Drawdowns on committed credit and liquidity facilities: For the purpose of the standard [Serial No.4 (ix) under 'Cash Outflows' of BLR-1], credit and liquidity facilities are defined as explicit contractual agreements or obligations to extend funds at a future date to retail or wholesale counterparties. In order to secure the facility if a counterparty has posted any eligible HQLA or is contractually obliged to post the same before drawing down the facility (eg a liquidity facility structured as a repo facility), the currently undrawn portion of these facilities should be calculated net of the HQLA , provided the bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the facility is drawn, and there is no undue correlation between the probability of drawing the facility and the market value of the collateral. The collateral can be netted against the outstanding amount of the facility to the extent that this collateral is not already counted in the stock of HQLA (to avoid double-counting). (xvii) For the purpose of this standard, a liquidity facility is defined as any committed, undrawn back-up facility that would be utilised to refinance the debt obligations of a counterparty in situations where such a counterparty is unable to rollover that debt in financial markets (eg pursuant to a commercial paper programme, secured financing transactions, obligations to redeem units, etc). The amount of liquidity facility for deciding outflow would be the amount of the currently outstanding debt obligation of the counterparty customer (or proportionate share of the bank, if a consortium/multiple bank/syndicated facility) maturing within a 30 day period that is backstopped by the facility. The portion of a liquidity facility that is backing debt that does not mature within the 30-day window is excluded from the scope of the definition of a facility. Any additional capacity of the facility (ie the remaining commitment) would be treated as a

			committed credit facility with its associated drawdown rate. Further, any facilities provided to hedge funds, money market funds and special purpose funding vehicles, for example SPEs or conduits, or other vehicles used to finance the banks own assets, should be captured in their entirety as a liquidity facility to other legal entities. (xviii) If the total of all contractual obligations to extend funds to retail and non-financial corporate clients within the next 30 calendar days (not captured in the prior categories) exceeds 50% of the total contractual inflows due in the next 30 calendar days from these clients, the difference should be reported as a 100% outflow. (xix) Lending commitments, such as direct import or export financing for non-financial corporate firms, are excluded from this treatment and banks will apply the draw-down rates specified in BLR 1, Panel II, Serial number 4 (ix). (xx) Other contractual cash outflows: Any other contractual cash outflows within the next 30 calendar days, such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments, etc., should be reported as 100% outflow. Outflows related to operating costs are not included in this standard.
13	BLR-1	No reference	New Explanatory Notes are added to BLR-1 as given below: (xxi) Inflows from securities maturing within 30 days not included in the stock of HQLA should be treated in the same category as inflows from financial institutions (i.e., 100% inflow). Banks may also recognise in this category inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets, provided that these segregated balances are maintained in HQLA. This inflow should be calculated in line with the treatment of other related outflows and inflows covered in this standard. Level 1 and Level 2 securities maturing within 30 days should be included in the stock of liquid assets, provided that they meet all operational and definitional requirements.

			(xxii) Where derivatives are collateralised by HQLA, cash inflows should be calculated net of any corresponding cash or contractual collateral outflows that would result, all other things being equal, from contractual obligations for cash or collateral to be posted by the bank, given these contractual obligations would reduce the stock of HQLA. This is in accordance with the principle that banks should not double-count liquidity inflows or outflows. (xxiii) Other contractual cash inflows should be captured here, with explanation given to what comprises this bucket. Inflow percentages should be determined as appropriate for each type of inflow by supervisors in each jurisdiction. Cash inflows related to non-financial revenues are not taken into account in the calculation of the net cash outflows. (xxiv) Banks should monitor the concentration of expected inflows across wholesale counterparties in the context of banks' liquidity management in order to ensure that their liquidity position is not overly dependent on the arrival of expected inflows from one or a limited number of wholesale counterparties.
14	Footnote 3 to BLR-1	Banks should include only such contractual inflows from the outstanding exposures that are fully performing and for which the bank has no reason to expect a default within the 30 day time horizon	Banks should include only such contractual inflows from the outstanding exposures that are fully performing and for which the bank has no reason to expect a default within the 30 day time horizon New Explanatory notes are added to BLR-1 as given below: (xxv) When considering inflows from loan repayments, the bank should only include inflows from fully performing loans. Further, inflows should only be taken at the latest possible date, based on the contractual rights available to counterparties. For revolving credit facilities, this assumes that the existing loan is rolled over and that any remaining balances should be treated in the same way as a committed facility (xxvi) Inflows from loans that have no specific maturity (i.e., have non-defined or open maturity) should not be included; therefore, no assumptions should be applied as to when maturity of such loans would

			occur. An exception to this would be minimum payments of principal, fee or interest associated with an open maturity loan, provided that such payments are contractually due within 30 days. These minimum payment amounts should be captured as inflows at the rates for specific counterparties.
15	Paragraph 6.2	The formula for the calculation of the stock of HQLA is as follows: Stock of HQLA = Level 1 + Level 2A + Level 2B – Adjustment for 15% cap – Adjustment for 40% cap Where: Adjustment for 15% cap = Max [{Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A)}, {Level 2B - 15/60*Adjusted Level 1}, 0] Adjustment for 40% cap = Max {(Adjusted Level 2A + Level 2B – Adjustment for 15% cap - 2/3*Adjusted Level 1 assets), 0}	The formula for the calculation of the stock of HQLA is as follows: Stock of HQLA = Level 1 + Level 2A + Level 2B – Adjustment for 15% cap – Adjustment for 40% cap Where: Adjustment for 15% cap = Max [{Adjusted Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A)}, {Adjusted Level 2B - 15/60*Adjusted Level 1}, 0] Adjustment for 40% cap = Max {(Adjusted Level 2A + Adjusted Level 2B – Adjustment for 15% cap - 2/3*Adjusted Level 1 assets), 0}
16	Paragraph 6.3	Calculation of the stock of HQLA requires computations of adjusted Level 1 and Level 2 assets. As stated in para 5.5 above, Level 2 assets cannot exceed 40% of the overall stock of liquid assets after haircuts have been applied and Level 2B assets cannot exceed 15% of the total stock of HQLA after haircuts have been applied. However, there may be instances when assets classified under a lower level may get temporarily converted into an asset classified under a higher level or vice-versa (e.g. borrowing/lending cash, a Level 1 asset, by repo/reverse repo of Corporate Bonds, a Level 2A asset). Therefore, the calculation of 40% cap on Level 2 assets and 15% cap on Level 2B assets should take into	Calculation of the stock of HQLA requires computations of adjusted Level 1 and Level 2 assets. As stated in para 5.5 above, caps have been prescribed for Level 2 assets, i.e., Level 2 assets cannot exceed 40% of the overall stock of liquid assets after haircuts have been applied and Level 2B assets cannot exceed 15% of the total stock of HQLA after haircuts have been applied. However, there may be instances when assets classified under a lower level may get temporarily converted into an asset classified under a higher level or vice-versa (e.g. borrowing/lending cash, a Level 1 asset, by repo/reverse repo of Corporate Bonds, a Level 2A asset). Therefore, the calculation of 40% cap on Level 2 assets and 15% cap on Level 2B assets should take into account the impact of such secured funding transactions and collateral swap transactions (wherever permitted) maturing within 30 calendar

account the impact of such secured funding transactions on the stock of HQLA to be categorised under a particular Level. In order to ensure this while calculating the eligible amounts of HQLAs under Level 1 and Level 2, any repo / reverse repo transactions undertaken in repo-eligible Level 2 assets up to and including 30 days needs to be reversed i.e., adjusted. Presently, Corporate Bonds are the only Level 2 assets where repo is allowed. The required adjustments are shown below:

S. No.	Particulars	Amount	Factor	Adjusted Amount (Amount * Factor)
1	Total Level 1 Assets		100%	
2	Adjustments required :			
	(i) Add amount lent under a reverse repo transaction undertaken for up to and including 30 days in corporate bonds (irrespective of whether they qualify as Level 2 assets or not)		100%	
	(ii) Deduct amount borrowed under a repo transaction undertaken for up to and including 30 days in corporate bonds (irrespective of whether they qualify as Level 2 assets or not)		100%	
3	Total Adjusted Level 1 Assets {1 + 2 (i) - 2 (ii)}			

Adjusted Level 1 assets are, therefore, arrived at by adding back the amount of cash lent (reverse repo) and by subtracting the amount of cash borrowed (repo) up to 30 days against corporate bonds.

days on the stock of HQLA to be categorised under a particular Level. In order to ensure this while calculating the eligible amounts of HQLAs under Level 1 and Level 2, any repo / reverse repo transactions undertaken in repo-eligible Level 2 assets up to and including 30 days needs to be reversed i.e., adjusted. Presently, Corporate Bonds are the only Level 2 assets in Indian market where repo is allowed. The required adjustments are shown below:

S. No.	Particulars	Amount	Factor	Adjusted Amount (Amount * Factor)
1	Total Level 1 Assets		100%	
2	Adjustments required :			
	(i) Add amount lent under a reverse repo transaction undertaken for up to and including 30 days in repo-eligible non-Level 1 assets ~~corporate bonds~~ (irrespective of whether they qualify as Level 2 assets or not)		100%	
	(ii) Deduct amount borrowed under a repo transaction undertaken for up to and including 30 days in repo-eligible non-Level 1 assets~~corporate bonds~~ (irrespective of whether they qualify as Level 2 assets or not)		100%	
3	Total Adjusted Level 1 Assets {1 + 2 (i) - 2 (ii)}			

The adjusted amount of Level 1 assets is defined as the amount of Level 1 assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 1 assets (including cash) that

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<td>meet, or would meet if held unencumbered, the operational requirements for HQLA. Adjusted Level 1 assets are, therefore, arrived at by adding back the amount of cash lent (reverse repo) and by subtracting the amount of cash borrowed (repo) up to 30 days against corporate bonds.

New footnote to para 6.3 is added as given below:

Caps on Level 2 assets should be determined after the application of required haircuts, and after taking into account the unwind of short-term securities financing transactions and collateral swap transactions (wherever permitted) maturing within 30 calendar days that involve the exchange of HQLA.</td>
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<td>17</td>
<td>Paragraph 6.4</td>
<td>Similarly, following adjustments are required in Level 2A assets also:

<table>
<tr><th>S. No.</th><th colspan="2">Particulars</th><th>Amount</th><th>Factor</th><th>Adjusted Amount (Amount * Factor)</th></tr>
<tr><td>1</td><td colspan="2">Total Level 2A Assets</td><td></td><td>85%</td><td></td></tr>
<tr><td>2</td><td colspan="2">Adjustments required :</td><td></td><td></td><td></td></tr>
<tr><td></td><td>(i)</td><td>Add market value of Level 2A corporate bonds placed as collateral under a repo transaction undertaken for up to (and including) 30 days.</td><td></td><td>85%</td><td></td></tr>
<tr><td></td><td>(ii)</td><td>Deduct market value of Level 2A securities acquired as collateral under a reverse repo transaction undertaken for up to (and including) 30 days</td><td></td><td>85%</td><td></td></tr>
<tr><td>3</td><td colspan="2">Total Adjusted Level 2A Assets {1 + 2 (i) - 2 (ii)}</td><td></td><td></td><td></td></tr>
</table>
</td>
<td>Similarly, following adjustments are required in Level 2A assets also:</td>
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<td>Adjusted Level 2A assets are therefore arrived at by adding the amount of Level 2 A securities placed as collateral (after applying the haircut of 15%) and by subtracting the amount of Level 2 A securities acquired (after applying the haircut of 15%).</td>
<td>
<table>
<tr><th>S. No.</th><th>Particulars</th><th>Amount</th><th>Factor</th><th>Adjusted Amount (Amount * Factor)</th></tr>
<tr><td>1</td><td>Total Level 2A Assets</td><td></td><td>85%</td><td></td></tr>
<tr><td>2</td><td>Adjustments required :</td><td></td><td></td><td></td></tr>
<tr><td></td><td>(i) Add market value of repo-eligible Level 2 A securities~~Level 2A corporate bonds~~ placed as collateral under a repo transaction undertaken for up to (and including) 30 days.</td><td></td><td>85%</td><td></td></tr>
<tr><td></td><td>(ii) Deduct market value of repo-eligible Level 2 A securities~~Level 2A securities~~ acquired as collateral under a reverse repo transaction undertaken for up to (and including) 30 days</td><td></td><td>85%</td><td></td></tr>
<tr><td>3</td><td>Total Adjusted Level 2A Assets {1 + 2 (i) - 2 (ii)}</td><td></td><td></td><td></td></tr>
</table>

The adjusted amount of Level 2A assets is defined as the amount of Level 2A assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 2A assets that meet, or would meet if held unencumbered, the operational requirements for HQLA. Adjusted Level 2A assets are therefore arrived at by adding the amount of Level 2 A securities placed as collateral (after applying the haircut of 15%) and by subtracting the amount of Level 2 A securities acquired (after applying the haircut of 15%).
</td>
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<tr>
<td>18</td>
<td>Paragraph 6.5</td>
<td>As no repoable securities like corporate bonds are included under Level 2B assets, the adjusted Level 2B assets would be same as unadjusted Level 2B assets.</td>
<td>Following adjustments are required in Level 2B assets</td>
</tr>
</table>

S. No.	Particulars		Amount	Factor	Adjusted Amount (Amount * Factor)
1	Total Level 2B Assets			50%	
2	Adjustments required :				
	(i)	Add market value of repo-eligible Level 2B securities placed as collateral under a repo transaction undertaken for upto (and including) 30 days		50%	
	(ii)	Deduct market value of repo-eligible Level 2B securities acquired as collateral under a reverse repo transaction undertaken for upto (and including) 30 days		50%	
3	Total Adjusted Level 2B Assets {1 + 2 (i) - 2 ii)}				

The adjusted amount of Level 2B assets is defined as the amount of Level 2B assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 2B assets that meet,

			or would meet if held unencumbered, the operational requirements for HQLA.
19	BLR 1, Panel 1, Sr No 20	Total Stock of HQLAs = Level 1 + Level 2A + Level 2B – Adjustment for 15% cap – Adjustment for 40% cap Where: Adjustment for 15% cap = Max (Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A), Level 2B - 15/60*Adjusted Level 1, 0) Adjustment for 40% cap = Max ((Adjusted Level 2A + Level 2B – Adjustment for 15% cap) - 2/3*Adjusted Level 1 assets, 0)	Total Stock of HQLAs = Level 1 + Level 2A + Level 2B – Adjustment for 15% cap – Adjustment for 40% cap Where: Adjustment for 15% cap = Max (Adjusted Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A), Adjusted Level 2B - 15/60*Adjusted Level 1, 0) Adjustment for 40% cap = Max ((Adjusted Level 2A + Adjusted Level 2B – Adjustment for 15% cap) - 2/3*Adjusted Level 1 assets, 0)
20	Paragraph 8	The above mentioned returns and the corresponding frequency of submission are summarised below. Banks will be required to submit these returns to the Principal Chief General Manager, Department of Banking Supervision, Central Office, Reserve Bank of India, Mumbai from the month / quarter ending September 2014.	The above mentioned returns and the corresponding frequency of submission are summarised below. Banks will be required to submit these returns to the Principal Chief General Manager, Department of Banking Supervision, Central Office, Reserve Bank of India, Mumbai from the month / quarter ending September 2014.The frequency of submission of Statement on LCR to RBI is prescribed as monthly, however, banks must develop operational capacity to increase the frequency to weekly or even daily in stressed situations if directed by RBI. Similarly, time lag in reporting should be as short as feasible, notwithstanding the outer limits given below.
21	Paragraph 9.1	Banks are required to disclose information on their LCR in their annual financial statements under Notes to Accounts, starting with the financial year ending March 31, 2015, for which the LCR related information needs to be furnished only for the quarter ending March 31, 2015. However, in subsequent annual financial statements, the disclosure should cover all the four quarters of the relevant financial year. The disclosure format is given in the Appendix II.	Banks are required to disclose information on their LCR in their ~~annual~~published financial statements (whether audited or otherwise) under Notes to Accounts, starting with the financial year ending March 31, 2015, for which the LCR related information needs to be furnished only for the quarter ending March 31, 2015. However, in subsequent annual financial statements, the disclosure should cover all the four quarters of the relevant financial year. This would be in addition to the quarterly disclosure made in the published quarterly financial statement.The disclosure format is given in the Appendix II.
22	Paragraph 9.2	Data must be presented as simple averages of monthly observations over the previous quarter (i.e. the average is calculated over a period of 90 days). However, with	Data must be presented as simple averages of monthly observations over the previous quarter (i.e. the average is calculated over a period of 90 days).Banks must publish the number of data points used in

		effect from the financial year ending March 31, 2017, the simple average should be calculated on daily observations.	calculating the average figures in the template.~~However, w~~With effect from the January 1, 2017~~financial year ending March 31, 2017,~~ the simple average should be calculated on daily **observations** over the previous quarter.