



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2014-2015/278

RPCD.RCB.BC.No.37/07.51.012/2014-15

October 29, 2014

All State / Central Cooperative Banks (StCBs/CCBs)

Madam / Dear Sir,

Risk Weights for calculation of CRAR

Please refer to our [circular RPCD.CO.RF.BC.40/07.38.03/2007-08 dated December 4, 2007](#) advising StCBs/CCBs to compute CRAR and disclose it as 'Notes on Accounts'. Risk weights to be allotted to various items of assets were enclosed as annex I to the above mentioned circular.

2. In the light of the [circular RPCD.RCB.BC.73 /07.51.012 /2013-14 dated January 7, 2014](#) on 'Application of Minimum Capital Adequacy Norms', the risk weights on various assets have since been reviewed and revised instructions on risk weights are annexed.

3. The other contents of our circular dated December 7, 2007 remain unchanged.

4. Please acknowledge receipt of this circular to our Regional Office concerned.

Yours faithfully,

(A. Udgata)
Principal Chief General Manager

Encl. as above

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चेतावनी: रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का न्यॉर, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

Prudential Norms - Risk Weights for Computation of CRAR (StCBs/CCBs)

I. Domestic Operations

A. Funded Risk Assets

Items of Assets			Risk weight
I	Balances		
	1	Cash (including foreign currency notes) & balances with RBI	0
	2	Balances in current account with other banks	20
II	Investments		
	1	Investments in Government Securities	2.5
	2	Investment in other approved securities guaranteed by Central Government / State Governments	2.5
	3	Investments in other securities where payment of interest and repayment of principal are guaranteed by Central Govt. (include investment in Indira / Kisan Vikas Patras (IVP/KVP) and investments in bonds and debentures where payment of interest and repayment of principal is guaranteed by Central Government / State Governments)	2.5
	4	Investments in other securities where payment of interest and repayment of principal are guaranteed by State Governments <i>Note : Investment in securities where payment of interest or repayment of principal is guaranteed by State Government and which has become a non-performing investment, will attract 102.5 percentage risk weight</i>	2.5
	5	Investments in other approved securities where payment of interest and repayment of principal are <u>not</u> guaranteed by Central / State Governments.	22.5
	6	Investments in government guaranteed securities of government undertakings which <u>do not</u> form part of the approved market borrowing program	22.5
	7	Claims on commercial banks, District Central Cooperative Banks and State Cooperative Banks, such as fixed deposits, certificates of deposits, money at call and short notice, etc.	22.5
	8	Investments in bonds issued by All India Public Financial Institutions	102.5

Items of Assets			Risk weight
	9	Investments in bonds issued by Public Financial Institutions (PFIs) for their Tier-II Capital	102.5
	10	All other investments <i>Note: Intangible assets and losses deducted from Tier I capital should be assigned zero weight</i>	102.5
	11	Off-balance sheet (net) position in 'When Issued' securities, scrip-wise	2.5
III	Loans and advances including bills purchased and discounted and other credit facilities		
	1	Loans and advances guaranteed by Government of India	0
	2	Loans guaranteed by State Governments	0
	3	State Government guaranteed advance which has become a non performing asset	100
	4	Loans granted to Public Sector Undertakings (PSUs) of Government of India	100
	5	Loans granted to PSUs of State Governments	100
	6	Housing Loans (i) Loans to individuals (fully secured by mortgage of residential properties) up to Rs 30 lakh (a) LTV ratio is equal to or less than 75% (b) LTV ratio is more than 75% (ii) Housing – others	 50 100 100
		<i>* LTV ratio should be computed as a percentage of total outstanding in the account (viz. "principal + accrued interest + other charges pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the bank in the denominator</i>	
	7	Consumer credit including Personal loan	125
	8	Loans up to Rs. 1 lakh against gold and silver ornaments <i>Note : Where the loan amount exceeds Rs. 1 lakh, the entire loan amount has to be assigned the risk weight applicable for the purpose for which the loan has been sanctioned.</i>	50
	9	All other loans and advances including Education loan	100

Items of Assets			Risk weight
	10	Loans extended against primary / collateral security of shares / debentures	125
	11	Leased assets	100
	12	Advances covered by DICGC / ECGC <i>Note: The risk weight of 50% should be limited to the amount guaranteed and not the entire outstanding balance in the accounts. In other words, the outstanding in excess of the amount guaranteed, will carry 100% risk weight.</i>	50
	13	Advances against term deposits, Life policies, NSCs, IVPs and KVPs where adequate margin is available	0
	14	Loans and advances granted by State/Central cooperative banks to their own staff , which are fully covered by superannuation benefits and mortgage of flat/house	20
		Notes : While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, banks may 'net-off' against the total outstanding exposure of the borrower –	
		(a) advances collateralized by cash margins or deposits;	
		(b) credit balances in current or other accounts of the borrower which are not earmarked for specific purposes and free from any lien;	
		(c) in respect of any assets where provisions for depreciation or for bad debts have been made;	
		(d) claims received from DICGC / ECGC and kept in a separate a/c pending adjustment in case these are not adjusted against the dues outstanding in the respective a/cs;	
		(e) Subsidies received under various schemes and kept in a separate account	
IV	Other Assets		
	1	Premises, furniture and fixtures	100
	2	Interest due on Government securities	0
	3	Accrued interest on CRR balances maintained with RBI and claims on RBI on account of Government transactions (net of claims of government / RBI on banks on account of such transactions)	0
	4	Interest receivable on staff loans	20
	5	Interest receivable from banks	20

Items of Assets			Risk weight
	6	All other assets	100
V	Market Risk on Open Position		
	1	Market risk on foreign exchange open position (Applicable to Authorised Dealers only)	100
	2	Market risk on open gold position	100

B. Off-Balance Sheet Items

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

SI.No	Instruments	Credit Conversion Factor (%)
1	Direct credit substitutes e.g. general guarantees of indebtedness (including stand L/Cs serving as financial guarantees for loans and securities) and acceptances (including endorsements with character of acceptance)	100
2	Certain transaction-related contingent items (e.g. performance bonds, bid bonds, warranties and standby L/Cs related to particular transactions)	50
3	Short-term self-liquidating trade-related contingencies (such as documentary credits collateralized by the underlying shipments)	20
4	Sale and repurchase agreement and asset sales with recourse, where the credit risk remains with the bank.	100
5	Forward asset purchase, forward deposit and partly paid shares and securities, which represent commitments with certain draw down	100
6	Note issuance facilities and revolving underwriting facilities	50
7	Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of over one year	50
8	Similar commitments with an original maturity up to one year, or which can be unconditionally cancelled at any time	0

9	(i) Guarantees issued by banks against the counter guarantees of other banks	20
	(ii) Rediscounting of documentary bills accepted by banks (Bills discounted by banks which have been accepted by another bank will be treated as a funded claim on a bank) Note : <i>In these cases, banks should be fully satisfied that the risk exposure is, in fact, on the other bank. Bills purchased / discounted / negotiated under LC (where the payment to the beneficiary is not made 'under reserve') will be treated as an exposure on the LC issuing bank and not on the borrower. All clean negotiations as indicated above, will be assigned the risk weight normally applicable to inter-bank exposures, for capital adequacy purposes. In the case of negotiations 'under reserve' the exposure should be treated as on the borrower and risk weight assigned accordingly.</i>	20
10	Aggregate outstanding foreign exchange contracts of original maturity –	
	(a) less than 14 calendar days	0
	(b) more than 14 days but less than one year	2
	(c) for each additional year or part thereof	3
	Notes :	
	<i>While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, bank may 'net-off' against the total outstanding exposure of the borrower credit balances in current or other accounts which are not earmarked for specific purposes and free from any lien.</i>	
	<i>After applying the conversion factor as indicated above, the adjusted off-balance sheet value shall again be multiplied by the weight attributable to the relevant counter-party as specified.</i>	

Note : *At present, State and District Central Cooperative Banks may not be undertaking most of the off-balance sheet transactions. However, keeping in view their potential for expansion, risk-weights are indicated against various off-balance sheet items, which, perhaps banks may undertake in future.*

II. Additional risk weights in respect of overseas operations of Indian banks (applicable to Authorised Dealers only)

1. Foreign Exchange and Interest Rate related Contracts

(i) Foreign exchange contracts include the following:

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

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

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

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

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

2. Interest Rate Contracts

(iii) Interest rate contracts include the following :

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

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

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

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

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

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