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RESERVE BANK OF INDIA

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December 30, 2011

RBI Releases Draft Guidelines on Basel III Capital Regulations

The Reserve Bank today released on its website, [draft guidelines](#) outlining proposed implementation of Basel III capital regulation in India. These guidelines are in response to the comprehensive reform package entitled “*Basel III: A global regulatory framework for more resilient banks and banking systems*” of the Basel Committee on Banking Supervision (BCBS) issued in December 2010.

The major highlights of the draft guidelines are:

Minimum Capital Requirements

- Common Equity Tier 1 (CET1) capital must be at least 5.5% of risk-weighted assets (RWAs);
- Tier 1 capital must be at least 7% of RWAs; and
- Total capital must be at least 9% of RWAs.

Capital Conservation Buffer

- The capital conservation buffer in the form of Common Equity of 2.5% of RWAs.

Transitional Arrangements

- It is proposed that the implementation period of minimum capital requirements and deductions from Common Equity will begin from January 1, 2013 and be fully implemented as on March 31, 2017.
- Capital conservation buffer requirement is proposed to be implemented between March 31, 2014 and March 31, 2017.
- The implementation schedule indicated above will be finalized taking into account the feedback received on these guidelines.
- Instruments which no longer qualify as regulatory capital instruments will be phased-out during the period beginning from January 1, 2013 to March 31, 2022.

Enhancing Risk Coverage

- For OTC derivatives, in addition to the capital charge for counterparty default risk under Current Exposure Method, banks will be required to compute an additional credit value adjustments (CVA) risk capital charge.

Leverage Ratio

- The parallel run for the leverage ratio will be from January 1, 2013 to January 1, 2017, during which banks would be expected to strive to operate at a minimum Tier 1 leverage ratio of 5%. The leverage ratio requirement will be finalized taking into account the final proposal of the Basel Committee.

Comments / Feedback

Comments / feedback on the draft guidelines, including implementation schedule may be sent on or before February 15, 2012 to the Chief General Manager-in-Charge, Department of Banking Operations and Development, Reserve Bank of India, Central Office Building, 12th Floor, S.B. Singh Marg, Mumbai – 400001, through [e-mail](#). The guidelines will be finalized taking into account the suggestions and comments.

Background

It may be recalled that in the Second Quarter Review of Monetary Policy 2011-12 (paragraph 95) on October 25, 2011, it was announced that the Reserve Bank would issue the draft guidelines for implementing the Basel III framework by end-December 2011.

Press Release : 2011-2012/1046

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Related Notification	
Dec 30, 2011	Implementation of Basel III Capital Regulations in India – Draft Guidelines