प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI seeks Comments on Draft Framework for dealing with Domestic Systemically Important Banks (D-SIBs)

The Reserve Bank of India today released on its website, the draft framework for dealing with Domestic Systemically Important Banks (D-SIBs). The Reserve Bank has sought views/comments on the document from banks, other institutions and the public at large. Suggestions and comments on the draft framework may be sent to the Principal Chief General Manager, Reserve Bank of India, Department of Banking Operations and Development, Central Office, 12th floor, Central Office Building, Shahid Bhagat Singh Marg, Mumbai-400001 or emailed by December 31, 2013.

The draft framework released today discusses the methodology to be adopted by the Reserve Bank for identifying the D-SIBs and proposes regulatory / supervisory policies which D-SIBs would be subjected to. The assessment methodology adopted by RBI is primarily based on the BCBS methodology for identifying the Global Systemically Important Banks (G-SIBs) with suitable modifications to capture domestic importance of a bank. The indicators which would be used for assessment are: size, interconnectedness, substitutability and complexity. Based on the sample of banks chosen for computation of their systemic importance, a relative composite systemic importance score of the banks will be computed. RBI will determine a cut-off score beyond which banks will be considered D-SIBs. Based on their systemic importance scores, banks will be plotted into different buckets. D-SIBs will be required to have additional Common Equity Tier 1 capital requirement ranging from 0.20% to 0.80% of risk weighted assets. D-SIBs will also be subjected to differentiated supervisory requirements and higher intensity of supervision based on the risks they pose to the financial system. The computation of systemic importance scores will be carried out at yearly intervals.

The names of the banks classified as D-SIBs will be disclosed in the month of August every year starting from 2015.

Background

During the recent financial crisis, it was observed that problems faced by certain large and highly interconnected financial institutions hampered orderly functioning of the financial system, which in turn, harmed the real economy. Government intervention was considered necessary in many jurisdictions to ensure financial stability. Costs of public sector intervention and consequential increase in moral hazard require that future regulatory policies should aim at reducing the probability of failure of Systemically Important Banks (SIBs) and also should try to reduce the impact of the failure of these banks. The additional policies should also create level playing field between the SIBs and non-SIBs by reducing competitive advantages of SIBs in funding markets. The policies should endeavour to curb amplification of risk taking and reduce competitive distortions.

In October 2010, the Financial Stability Board (FSB) recommended that all member countries needed to have in place a framework to reduce risks attributable to Systemically Important Financial Institutions (SIFIs) in their jurisdictions. The Basel Committee on Banking Supervision (BCBS) came out with a framework in November 2011 for identifying the Global Systemically Important Banks (G-SIBs) and the magnitude of additional loss absorbency capital requirements applicable to these G-SIBs. BCBS further required all member countries to have a regulatory framework to deal with Domestic Systemically Important Banks (D-SIBs).

The Reserve Bank had indicated in the second quarter review of monetary policy statement 2013-14 that it would place a draft of the proposed framework for D-SIBs on its website by end-November 2013.

Alpana Killawala
Principal Chief General Manager

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