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RBI brings Capital Treatment of Banks' Balance Sheet Items in closer Alignment with Basel Framework

On a review of the existing capital adequacy guidelines, the Reserve Bank of India today made [some amendments](#) to the treatment of certain balance sheet items for the purposes of determining banks' regulatory capital. The review was carried out with a view to further aligning the definition of regulatory capital with the internationally adopted Basel III capital standards, issued by the Basel Committee on Banking Supervision (BCBS).

The salient features of the amendments are:

- Revaluation reserves arising from change in the carrying amount of a bank's property consequent upon its revaluation would be considered as common equity tier 1 capital (CET1) instead of Tier 2 capital as hitherto. These would continue to be reckoned at a discount of 55 per cent.
- Foreign currency translation reserves arising due to translation of financial statements of a bank's foreign operations to the reporting currency may be considered as CET1 capital. These will be reckoned at a discount of 25 per cent.
- Deferred tax assets arising due to timing differences may be recognised as CET1 capital up to 10% of a bank's CET1 capital.

These amendments are applicable with immediate effect.

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