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Risk-weighting under Standardised Approach of Computation of Capital for Credit Risk in Basel Framework – An Analysis of Default Experience of Credit Rating Agencies in India

The Reserve Bank of India placed on its website today a Working Paper* titled "[Risk-weighting under Standardised Approach of Computation of Capital for Credit Risk in Basel Framework – An Analysis of Default Experience of Credit Rating Agencies in India](#)" by Ajay Kumar Choudhary, B Nethaji and Anirban Basu under the Reserve Bank of India Working Paper Series.

All scheduled commercial banks in India currently follow the Standardised Approach of computation of capital for credit risk under Basel framework for calculation of regulatory capital requirement. Under this approach, credit rating agencies play a crucial role as the regulatory capital requirement for credit risk of banks is determined based on the credit rating assigned by these agencies and corresponding risk weight prescribed in Basel framework. The paper is an attempt to find out whether the credit risk regulatory capital of Indian banks commensurate the default experience associated with ratings assigned by the Indian rating agencies. The paper also compares the relative assessment standards of the rating agencies, accredited by the Reserve Bank, in terms of ratings assigned to common borrowers and the time taken for the rated borrowers to default.

* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.

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