



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Highlights of the Revised Economic Capital Framework of the Reserve Bank of India approved by the Central Board

In its 578th meeting held on August 26, 2019, the Central Board had adopted the Economic Capital Framework based on the recommendations of the Expert Committee to Review the Extant Economic Capital Framework of the Reserve Bank of India (Chairman: Dr. Bimal Jalan). The Expert Committee, *inter-alia*, recommended that the framework may be periodically reviewed every five years.

2. In line with the recommendation of the Expert Committee, the Bank undertook an internal review of the framework, based on the experience gained from the operationalization of the extant ECF, developments in the external operating environment, and changes in the asset profile of the RBI. The outcome of the review was considered by the Central Board in its meeting held on May 15, 2025, and a revised framework was approved.

3. It was noted by the Central Board that the extant ECF had met its objective of ensuring a resilient balance sheet for RBI, while maintaining healthy transfer of surplus to the Government. Accordingly, it was decided to retain the broad principles underlying the extant ECF, with no major changes in risk assessment methodologies. Certain changes have, however, been made with the objective of further strengthening the framework to align better with any emerging risks to the balance sheet of the RBI. The revised ECF provides requisite flexibility year-on-year to the Central Board in the maintenance of risk buffers, considering the prevailing macroeconomic and other factors, while also ensuring needed inter-temporal smoothening of the surplus transfer to the Government.

4. Major changes to the ECF with regard to risk provisioning and surplus distribution

A. With respect to Market Risk

A1. The computation of market risk buffer requirement to adopt an integrated approach, wherein the off-balance sheet portfolio is also reckoned, together with the on-balance sheet portfolio.

A2. The computation of market risk buffer requirement may also include investments in Foreign Currency Assets in minor currencies.

B. With respect to Credit risk and Operational risk

B1. The existing requirement is retained without any change.

C. With respect to Monetary and Financial Stability risk

C1. The range for buffers for Monetary and Financial Stability risks has been widened to $5.0 \pm 1.5\%$ of balance sheet (B/S) size (vis-à-vis the existing range of 4.5% - 5.5%). The Central Board may maintain it at any level between the range of 3.5% - 6.5% based on its assessment of the prevailing macroeconomic conditions and other factors affecting the balance sheet of RBI.

D. Consequently, the Contingent Risk Buffer, which includes buffers for Monetary and Financial Stability risk, Credit risk and Operational risk, would be maintained in the range of $6.0 \pm 1.5\%$ of B/S size (as against the existing level of 6.5%, with a lower bound of 5.5%).

E. Central Board would have the flexibility to maintain market risk buffers at any resilience level within the range of ES at 99.5% Confidence Level (CL) and ES at 97.5% CL, and to maintain risk provisions for shortfall in revaluation balances accordingly, based on its assessment of expected market risk factors.

F. With respect to the Surplus Distribution Policy, any available equity in excess of 7.5% of B/S size (after considering shortfall in market risk buffers, if any) may be written back from the Contingency Fund to income. In case the available equity is below the lower bound of its requirement, no surplus will be transferred to the Government till at least the minimum level of Required Realised Equity is achieved.

The [revised framework](#) comes into effect from the financial year 2024-25.

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