

Annex 3

Credit Conversion Factors (CCFs)

Sr. No.	Instruments	Credit Conversion Factor (%)
	Direct credit substitutes e.g., general guarantees of indebtedness (including standby L/Cs serving as financial guarantees for loans and securities, credit enhancements, liquidity facilities for securitisation transactions), and acceptances (including endorsements with the character of acceptance). (i.e., the risk of loss depends on the credit worthiness of the counterparty or the party against whom a potential claim is acquired)	100
	Certain transaction-related contingent items (e.g., performance bonds, bid bonds, warranties, indemnities and standby letters of credit related to particular transaction).	50
	Short-term self-liquidating trade letters of credit arising from the movement of goods (e.g., documentary credits collateralised by the underlying shipment) for both issuing bank and confirming bank.	20
	Revolving / non-revolving underwriting facilities.	50
	Commitments with certain drawdown	100
	Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of	20
	a) up to one year	50
	b) over one year	
	Similar commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's credit worthiness.	0