



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA



www.rbi.org.in

RBI/2024-2025/128

DOR.CAP.REC.No.68/21.01.002/2024-25

March 21, 2025

Dear Sir/Madam,

Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes

Please refer to:

- Paragraphs 5.1.25 and 107.2 of the [Master Direction - Reserve Bank of India \(Non-Banking Financial Company \(NBFC\) – Scale Based Regulation\) Directions, 2023](#) - (definition of Owned Fund and Common Equity Tier 1 (CET 1) capital)
- Paragraph 4.1.28 of the [Master Direction - Non-Banking Financial Company - Housing Finance Company \(HFC\) \(Reserve Bank\) Directions, 2021](#) – (definition of Owned Fund)
- Paragraph 3.(1)(xxii) of the [Core Investment Companies \(Reserve Bank\) Directions, 2016](#) – (definition of Owned Fund)
- Paragraph 3(a)(xxv) of the [Mortgage Guarantee Companies \(Reserve Bank\) Directions, 2016](#) – (definition of Owned Fund)
- Paragraph 3.1(xi) of the [Master Direction – Reserve Bank of India \(Asset Reconstruction Companies\) Directions, 2024](#) – (definition of Owned Fund)
- Paragraph 3(iv) of the [Master Direction -Standalone Primary Dealers \(Reserve Bank\) Directions, 2016](#) – (definition of Tier 1 capital)

The instructions cited above require deducting the book value of intangible assets while calculating Owned Fund/ CET 1 capital/ Tier 1 capital.

2. In terms of Indian Accounting Standard (Ind AS) 116 - Leases, most leases will be reflected on a lessee's balance sheet as an obligation to make lease payments (a liability) and a related ROU asset (an asset). We have received references from various NBFCs (in their capacity as lessees) on the treatment of ROU assets for calculation of regulatory capital/ Owned Fund.

विनियमन विभाग, केंद्रीय कार्यालय, 12 वीं और 13 वीं मंजिल, केंद्रीय कार्यालय भवन, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई-400001
दूरभाष: 022-22601000 फैक्स: 022-22705691 ई-मेल: cgmicdor@rbi.org.in

Department of Regulation, Central Office, 12th and 13th Floor, Central Office Building, Shahid Bhagat Singh Marg, Fort, Mumbai- 400 001
Tel: 022- 2260 1000 Fax: 022-2270 5691 email: cgmicdor@rbi.org.in

हिंदी आसान है इसका प्रयोग बढ़ाइए

3. In this regard, it is clarified that regulated entities shall not be required to deduct an ROU asset (created in terms of Ind AS 116-Leases) from Owned Fund/ CET 1 capital/ Tier 1 capital (as the case may be), provided the underlying asset being taken on lease is a tangible asset. The ROU asset shall be risk-weighted at 100 per cent, consistent with the risk weight applied historically to the owned tangible assets.

4. The above revisions/changes have been incorporated in the respective Master Directions, as [detailed](#) in Annexure 1 to Annexure to 6 below.

Applicability

5. This circular is applicable, with immediate effect, to all NBFCs (including HFCs) and Asset Reconstruction Companies implementing Companies (Indian Accounting Standards) Rules, 2015.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager-in-Charge

Withdrawn

Master Direction - Reserve Bank of India (Non-Banking Financial Company (NBFC) – Scale Based Regulation) Directions, 2023

Extant paragraph	Amended paragraph
<p>5.1.25 “Owned Fund” means aggregate of</p> <p>(i) paid up equity capital,</p> <p>(ii) preference shares which are compulsorily convertible into equity,</p> <p>(iii) free reserves,</p> <p>(iv) balance in share premium account and</p> <p>(v) capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset;</p> <p>as reduced by</p> <p>(vi) accumulated loss balance,</p> <p>(vii) book value of intangible assets and</p> <p>(viii) deferred revenue expenditure, if any.</p>	<p>5.1.25 “Owned Fund” means aggregate of</p> <p>(i) paid up equity capital,</p> <p>(ii) preference shares which are compulsorily convertible into equity,</p> <p>(iii) free reserves,</p> <p>(iv) balance in share premium account and</p> <p>(v) capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset;</p> <p>as reduced by</p> <p>(vi) accumulated loss balance,</p> <p>(vii) book value of intangible assets and</p> <p>(viii) deferred revenue expenditure, if any.</p> <p><u>NBFCs shall not be required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset.</u></p>
<p>107.2</p> <p>(ix) The following regulatory adjustments/deductions shall be applied in the calculation of CET 1 capital [i.e., to be deducted from the sum of items (i) to (viii)]:</p> <p>(a) Goodwill and other intangible assets:</p> <p>(i) Goodwill and all other intangible assets should be deducted from CET 1 capital.</p> <p>(ii) The full amount of the intangible assets is to be deducted net of any associated deferred tax liabilities which would be extinguished if the intangible assets become</p>	<p>107.2</p> <p>(ix) The following regulatory adjustments/deductions shall be applied in the calculation of CET 1 capital [i.e., to be deducted from the sum of items (i) to (viii)]:</p> <p>(a) Goodwill and other intangible assets:</p> <p>(i) Goodwill and all other intangible assets should be deducted from CET 1 capital.</p> <p>(ii) The full amount of the intangible assets is to be deducted net of any associated deferred tax liabilities which would be extinguished if the intangible assets become</p>

Extant paragraph	Amended paragraph																								
impaired or derecognized under the relevant accounting standards. For this purpose, the definition of intangible assets would be in accordance with the relevant accounting standards. Losses in the current period and those brought forward from previous periods should also be deducted from CET 1 capital, if not already deducted.	impaired or derecognized under the relevant accounting standards. For this purpose, the definition of intangible assets would be in accordance with the relevant accounting standards. Losses in the current period and those brought forward from previous periods should also be deducted from CET 1 capital, if not already deducted. NBFCs shall not be required to deduct an ROU asset (created in terms of Ind AS 116- Leases) from CET 1 capital, provided the underlying asset being taken on lease is a tangible asset.																								
84. Treatment to On-Balance Sheet Assets for Capital Ratio	84. Treatment to On-Balance Sheet Assets for Capital Ratio																								
<table><tr><th>Sr. no</th><th></th><th>Weighted risk assets - On-balance Sheet items</th><th>Percentage Weight</th></tr><tr><td>(5)</td><td></td><td>Other Assets</td><td></td></tr><tr><td></td><td>(d)</td><td>Others (to be specified)</td><td>100</td></tr></table>	Sr. no		Weighted risk assets - On-balance Sheet items	Percentage Weight	(5)		Other Assets			(d)	Others (to be specified)	100	<table><tr><th>Sr. no</th><th></th><th>Weighted risk assets - On-balance Sheet items</th><th>Percentage Weight</th></tr><tr><td>(5)</td><td></td><td>Other Assets</td><td></td></tr><tr><td></td><td>(d)</td><td>Others (including ROU assets)</td><td>100</td></tr></table>	Sr. no		Weighted risk assets - On-balance Sheet items	Percentage Weight	(5)		Other Assets			(d)	Others (including ROU assets)	100
Sr. no		Weighted risk assets - On-balance Sheet items	Percentage Weight																						
(5)		Other Assets																							
	(d)	Others (to be specified)	100																						
Sr. no		Weighted risk assets - On-balance Sheet items	Percentage Weight																						
(5)		Other Assets																							
	(d)	Others (including ROU assets)	100																						

**Master Direction - Non-Banking Financial Company - Housing Finance Company
(Reserve Bank) Directions, 2021**

Extant paragraph	Amended paragraph																								
<p>4.1.28 “Owned Fund” means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves including balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.</p>	<p>4.1.28 “Owned Fund” means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves including balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.</p> <p>HFCs shall not be required to deduct a Right-of Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset.</p>																								
<p><u>On balance sheet assets:</u></p> <p>6.2</p> <table><tr><th>Sr. no</th><th></th><th>Weighted risk assets - On-balance Sheet items</th><th>% Weight</th></tr><tr><td>(6)</td><td></td><td>Other Assets</td><td></td></tr><tr><td></td><td>(d)</td><td>Others (to be specified)</td><td>100</td></tr></table>	Sr. no		Weighted risk assets - On-balance Sheet items	% Weight	(6)		Other Assets			(d)	Others (to be specified)	100	<p><u>On balance sheet assets:</u></p> <p>6.2</p> <table><tr><th>Sr. no</th><th></th><th>Weighted risk assets - On-balance Sheet items</th><th>% Weight</th></tr><tr><td>(6)</td><td></td><td>Other Assets</td><td></td></tr><tr><td></td><td>(d)</td><td>Others (including ROU assets)</td><td>100</td></tr></table>	Sr. no		Weighted risk assets - On-balance Sheet items	% Weight	(6)		Other Assets			(d)	Others (including ROU assets)	100
Sr. no		Weighted risk assets - On-balance Sheet items	% Weight																						
(6)		Other Assets																							
	(d)	Others (to be specified)	100																						
Sr. no		Weighted risk assets - On-balance Sheet items	% Weight																						
(6)		Other Assets																							
	(d)	Others (including ROU assets)	100																						

Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016

Extant paragraph	Amended paragraph												
<p>3.(1)(xxii) "owned funds" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;</p>	<p>3.(1)(xxii) "owned funds" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;</p> <p><u>NBFCs shall not be required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset.</u></p>												
<p>8. On balance sheet assets</p> <table border="1" data-bbox="236 1153 783 1310"> <thead> <tr> <th>Weighted risk assets - On-Balance Sheet items</th><th>Percentage weight</th></tr> </thead> <tbody> <tr> <td>(v) Other assets</td><td></td></tr> <tr> <td>(d) Others (to be specified)</td><td>100</td></tr> </tbody> </table>	Weighted risk assets - On-Balance Sheet items	Percentage weight	(v) Other assets		(d) Others (to be specified)	100	<p>8. On balance sheet assets</p> <table border="1" data-bbox="869 1153 1422 1339"> <thead> <tr> <th>Weighted risk assets - On-Balance Sheet items</th><th>Percentage weight</th></tr> </thead> <tbody> <tr> <td>(v) Other assets</td><td></td></tr> <tr> <td>(d) Others (<u>including ROU assets</u>)</td><td>100</td></tr> </tbody> </table>	Weighted risk assets - On-Balance Sheet items	Percentage weight	(v) Other assets		(d) Others (<u>including ROU assets</u>)	100
Weighted risk assets - On-Balance Sheet items	Percentage weight												
(v) Other assets													
(d) Others (to be specified)	100												
Weighted risk assets - On-Balance Sheet items	Percentage weight												
(v) Other assets													
(d) Others (<u>including ROU assets</u>)	100												

Master Directions - Mortgage Guarantee Companies (Reserve Bank) Directions, 2016

Extant paragraph	Amended paragraph																		
3(a)(xxv) "owned fund" means paid up equity capital, free reserves including contingency reserves maintained as per paragraph 18 of the Guidelines on Registration and Operations of Mortgage Guarantee Company, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;	3(a)(xxv) "owned fund" means paid up equity capital, free reserves including contingency reserves maintained as per paragraph 18 of the Guidelines on Registration and Operations of Mortgage Guarantee Company, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any; NBFCs shall not be required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset.																		
9. Capital Adequacy On balance sheet assets	9. Capital Adequacy On balance sheet assets																		
<table><tr><th colspan="2">Items of Assets - On-Balance Sheet Items</th><th>Risk Weight % Age</th></tr><tr><td>(vi)</td><td>Other Assets</td><td></td></tr><tr><td>(d)</td><td>Others</td><td>100</td></tr></table>	Items of Assets - On-Balance Sheet Items		Risk Weight % Age	(vi)	Other Assets		(d)	Others	100	<table><tr><th colspan="2">Items of Assets - On-Balance Sheet Items</th><th>Risk Weight % Age</th></tr><tr><td>(vi)</td><td>Other Assets</td><td></td></tr><tr><td>(d)</td><td>Others (including ROU assets)</td><td>100</td></tr></table>	Items of Assets - On-Balance Sheet Items		Risk Weight % Age	(vi)	Other Assets		(d)	Others (including ROU assets)	100
Items of Assets - On-Balance Sheet Items		Risk Weight % Age																	
(vi)	Other Assets																		
(d)	Others	100																	
Items of Assets - On-Balance Sheet Items		Risk Weight % Age																	
(vi)	Other Assets																		
(d)	Others (including ROU assets)	100																	

Master Direction – Reserve Bank of India (Asset Reconstruction Companies)
Directions, 2024

Extant paragraph	Amended paragraph								
<p>3.1 (xi) “Owned fund” means the aggregate of</p> <ol style="list-style-type: none"> paid up equity capital; paid up preference capital, to the extent it is compulsorily convertible into equity capital; free reserves (excluding revaluation reserve); credit balance in profit and loss account; <p>as reduced by-</p> <ol style="list-style-type: none"> the debit balance on the profit and loss account; miscellaneous expenditure (to the extent not written off or adjusted); book value of intangible assets; under/ short provision against NPA/ diminution in value of investments; over recognition of income, if any; and other deductions required on account of the items qualified by the auditors in their report on the financial statements. 	<p>3.1 (xi) “Owned fund” means the aggregate of</p> <ol style="list-style-type: none"> paid up equity capital; paid up preference capital, to the extent it is compulsorily convertible into equity capital; free reserves (excluding revaluation reserve); credit balance in profit and loss account; <p>as reduced by-</p> <ol style="list-style-type: none"> the debit balance on the profit and loss account; miscellaneous expenditure (to the extent not written off or adjusted); book value of intangible assets; under/ short provision against NPA/ diminution in value of investments; over recognition of income, if any; and other deductions required on account of the items qualified by the auditors in their report on the financial statements. <p>NBFCs shall not be required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset.</p>								
<p>18. Capital adequacy ratio:</p> <table border="1"> <thead> <tr> <th>On-balance sheet items</th><th>Risk weight(%)</th></tr> </thead> <tbody> <tr> <td>(iv) All other assets</td><td>100</td></tr> </tbody> </table>	On-balance sheet items	Risk weight(%)	(iv) All other assets	100	<p>18. Capital adequacy ratio:</p> <table border="1"> <thead> <tr> <th>On-balance sheet items</th><th>Risk weight(%)</th></tr> </thead> <tbody> <tr> <td>(iv) All other assets (including ROU asset)</td><td>100</td></tr> </tbody> </table>	On-balance sheet items	Risk weight(%)	(iv) All other assets (including ROU asset)	100
On-balance sheet items	Risk weight(%)								
(iv) All other assets	100								
On-balance sheet items	Risk weight(%)								
(iv) All other assets (including ROU asset)	100								

Master Direction - Standalone Primary Dealers (Reserve Bank) Directions, 2016

Extant paragraph	Amended paragraph																		
3(iv) Tier-I capital means paid-up capital, statutory reserves and other disclosed free reserves. Investment in subsidiaries (where applicable), intangible assets, losses in current accounting period, deferred tax asset and losses brought forward from previous accounting periods will be deducted from the Tier-I capital.	3(iv) Tier-I capital means paid-up capital, statutory reserves and other disclosed free reserves. Investment in subsidiaries (where applicable), intangible assets [*] , losses in current accounting period, deferred tax asset and losses brought forward from previous accounting periods will be deducted from the Tier-I capital. NBFCs shall not be required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset.																		
<div>Annex II</div> <div>Capital Adequacy for Credit Risk</div> <div>Risk weights for calculation of CRAR</div> <div>1. On-Balance Sheet Assets</div> <table><tr><th colspan="2">Nature of asset/item</th><th>Percentage weight</th></tr><tr><td>(vi)</td><td><u>Other assets</u></td><td></td></tr><tr><td>(d)</td><td>Others (to be specified and risk weight indicated as per counter party)</td><td>X</td></tr></table>	Nature of asset/item		Percentage weight	(vi)	<u>Other assets</u>		(d)	Others (to be specified and risk weight indicated as per counter party)	X	<div>Annex II</div> <div>Capital Adequacy for Credit Risk</div> <div>Risk weights for calculation of CRAR</div> <div>1. On-Balance Sheet Assets</div> <table><tr><th colspan="2">Nature of asset/item</th><th>Percentage weight</th></tr><tr><td>(vi)</td><td><u>Other assets</u></td><td></td></tr><tr><td>(d)</td><td>Others (ROU assets)</td><td>100</td></tr></table>	Nature of asset/item		Percentage weight	(vi)	<u>Other assets</u>		(d)	Others (ROU assets)	100
Nature of asset/item		Percentage weight																	
(vi)	<u>Other assets</u>																		
(d)	Others (to be specified and risk weight indicated as per counter party)	X																	
Nature of asset/item		Percentage weight																	
(vi)	<u>Other assets</u>																		
(d)	Others (ROU assets)	100																	