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RESERVE BANK OF INDIA

Date: Oct 21, 2014

RRBs - Risk Weights for Calculation of CRAR

RBI/2014-15/270
RPCD.CO.RRB.BC.No.35/03.05.33/2014-15

October 21, 2014

All Regional Rural Banks

Dear Sir,

Risk Weights for Calculation of CRAR

Please refer to our [circular RPCD.CO.RRB.No.BC.44/05.03.095/2007-08 dated December 28, 2007](#) advising RRBs to compute CRAR and disclose it as 'Notes on Accounts' to their Balance Sheets. Risk weights to be allotted to various items of assets were enclosed as [Annex I](#) to the above mentioned circular.

2. In the light of the [circular dated November 26, 2013](#) on prescription of minimum CRAR, the risk weights on various assets have since been reviewed and revised instructions are annexed.

3. The other contents of our circular dated December 28, 2007 remain unchanged.

4. Please acknowledge receipt to our Regional Offices concerned.

Yours faithfully

(A.
Principal Chief General Manager

Udgata)

Encls: as above

Annex

Prudential Norms - Risk Weights for Computation of CRAR

Domestic Operations

A. Funded Risk Assets

Items of Assets		Risk Weights
I Balances		
1	Cash & balances with RBI	0
2	Balances in current account with other banks	20
3	Claims on banks	20
II Investments		
1	Investments in Government Securities	2.5
2	Investments in other approved securities guaranteed by Central Government / State Government	2.5
3	Investments in other securities where payment of interest and repayment of principal are guaranteed by Central Govt. (this will include investment in Indira / Kisan Vikas Patra (IVP / KVP) and investments in bonds and debentures where payment of interest and repayment of principal is guaranteed by Central Government)	2.5
4	Investments in other securities where payment of interest and repayment of principal are guaranteed by State Governments. Note: Investment in securities where payment of interest or repayment of principal is guaranteed by State Government and which has become a non-performing investment, will attract 102.5 percentage risk weight.	2.5
5	Investment in other approved securities where payment of interest and repayment of principal is <u>not</u> guaranteed by Central / State Government.	22.5
6	Investments in Government guaranteed securities of government undertakings which <u>do not</u> form part of the approved market borrowing program.	22.5
7	Claims on commercial banks	22.5
8	Investments in securities which are guaranteed by banks as to payment of interest and repayment of principal.	22.5
9	Investments in bonds issued by Public Financial Institutions (PFIs) for their Tier-II Capital	102.5
10	All other investments including investments in securities by Public Financial Institutions Note : Intangible assets and losses deducted from Tier I capital should be assigned zero weight	102.5

11	Direct investment in equity shares, convertible bonds, debentures and units of equity oriented mutual funds including those exempted from Capital Market Exposure	127.5
III Loans and advances including bills purchased and discounted and other credit facilities		
1	Loans and advances guaranteed by Government of India.	0
2	Loans guaranteed by State Governments.	0
3	State Government guaranteed loan which has become a non performing asset.	100
4	Loans granted to Public Sector Undertakings (PSUs) of Government of India.	100
5	Loans granted to Public Sector Undertakings (PSUs) of State Governments.	100
6	Others including PFIs	100
7	For the purpose of credit exposure, bills purchased / (i) discounted / negotiated under LC (where payment to the beneficiary is not under reserve) is treated as an exposure on the LC issuing bank and assigned risk weight as is normally applicable to inter-bank exposures.	20
(ii)	Bills negotiated under LCs under reserve', bills purchased / discounted / negotiated without LCs, will be reckoned as exposure on the borrower constituent. Accordingly, the exposure will attract a risk weight appropriate to the borrower.	
	(i) Government	0
	(ii) Banks	20
	(iii) Others	100
8	Micro and Small Enterprises (MSE) Advances Guaranteed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) up to the guaranteed portion Note: Banks may assign zero risk weight for the guaranteed portion. The balance outstanding in excess of the guaranteed portion would attract a risk-weight as appropriate to the counter-party. Two illustrative examples are given in Annex 1.1	0
9	Housing Loan to individuals	
(a)		
	Category of Loan	LTV Ratio (%)
	(a) Up to Rs 20 Lakh	90
		50

	(b) Above Rs 20 lakh and up to Rs 75 lakh	80	50
	(c) Above Rs 75 lakh	75	75
	(b) Housing loans guaranteed by Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) up to the guaranteed portion Note: The bank may assign zero risk weight for the guaranteed portion. The balance outstanding in excess of the guaranteed portion would attract a risk-weight as appropriate to the counter- party.		0
10	Consumer credit including personal loan		125
11	Loans up to Rs. 1 lakh against gold and silver ornaments Note: In case the loan amount is more than Rs. 1 lakh, entire loan amount has to be risk weighted for the purpose for which the loan has been sanctioned.		50
12	Education loans.		100
13	Loans extended against primary / collateral security of shares / debentures		125
14	Advances covered by DICGC / ECGC Note: The risk weight of 50% should be limited to the amount guaranteed and not the entire outstanding balance in the accounts. In other words, the outstanding in excess of the amount guaranteed, will carry 100% risk weight.		50
15	Advances for term deposits, life policies, NSCs, IVPs and KVPs where adequate margin is available		0
16	Loans and Advances granted by RRBs to their staff		20
17	Takeout Finance		
	(i) Unconditional takeover (in the books of lending institution)		
	(a) Where full credit risk is assumed by the taking over institution		20
	(b) Where only partial credit risk is assumed by taking over institution		
	(i) The amount to be taken over		20
	(ii) The amount not to be taken over		100
	(ii) Conditional takeover (in the books of lending and taking over institution)		100
	Notes : While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk		

	weight, banks may 'net-off' against the total outstanding exposure of the borrower –	
	(a) advances collateralized by cash margins or deposits,	
	(b) credit balances in current or other accounts of the borrower which are not earmarked for specific purposes and free from any lien,	
	(c) in respect of any assets where provisions for depreciation or for bad debts have been made,	
	(d) claims received from DICGC / ECGC and kept in a separate a/c pending adjustment in case these are not adjusted against the dues outstanding in the respective a/cs,	
	(e) Subsidies received against various schemes and kept in a separate account.	
IV Other Assets		
1	Premises, furniture and fixtures	100
2	Interest due on Government securities	0
3	Accrued interest on CRR balances maintained with RBI -@ <u>net of claims of Government / RBI on banks on account of such transactions</u>	0
4	Income tax deducted at source(net of provision)	0
5	Advance tax paid (net of provision)	0
5	All other assets	100
V Market Risk on Open Position		
1	Market risk on foreign exchange open position (Applicable to Authorised Dealers only)	100
2	Market risk on open gold position	100

B. Off-Balance Sheet Items

The credit risk exposure attached to off-Balance Sheet items has to be first calculated by multiplying the face value of each of the off-Balance Sheet items by 'credit conversion factor' as indicated in the table below. This will then have to be again multiplied by the weights attributable to the relevant counter-party as specified above.

Sl.No.	Instruments	Credit Conversion Factor (%)
1	Direct credit substitutes e.g. general guarantees of indebtedness (including stand L/Cs serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptance)	100

2	Certain transaction-related contingent items (e.g. performance bonds, bid bonds, warranties and standby L/Cs related to particular transactions)	50
3	Short-term self-liquidating trade-related contingencies (such as documentary credits collateralized by the underlying shipments)	20
4	Sale and repurchase agreement and asset sales with recourse, where the credit risk remains with the bank.	100
5	Forward asset purchase, forward deposit and partly paid shares and securities, which represent commitments with certain draw down	100
6	Note issuance facilities and revolving underwriting facilities	50
7	Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of over one year.	50
8	Similar commitments with an original maturity up to one year, or which can be unconditionally cancelled at any time.	0
9	(i) Guarantees issued by banks against the counter guarantees of other banks	20
	(ii) Rediscounting of documentary bills accepted by banks. Bills discounted by banks which have been accepted by another bank will be treated as a funded claim on a bank.	20
	Note: In these cases, banks should be fully satisfied that the risk exposure is, in fact, on the other bank.	
10	Aggregate outstanding foreign exchange contracts of original maturity –	
	(a) Less than one year	2
	(b) For each additional year or part thereof	3
Note : At present, RRB may not be undertaking most of the off balance sheet transactions. However, keeping in view their potential for expansion, risk-weights are indicated against various off balance sheet items, which, perhaps banks may undertake in future.		

Annex 1.1

**MSE Advances Guaranteed by Credit Guarantee Fund Trust for
Micro and Small Enterprises (CGTMSE) -
Risk weights and Provisioning norms (paragraph (A)(III)(8))**

Risk -Weight

Example I

CGTSI Cover: 75% of the amount outstanding or 75 % of the unsecured amount or Rs. 18.75 lakh, which ever is less

	Realisable value of Security	Rs. 1.50 lakh
(a)	Balance outstanding	Rs. 10.00 lakh
(b)	Realisable value of security	Rs. 1.50 lakh
(c)	Unsecured amount (a-b)	Rs. 8.50 lakhs
(d)	Guaranteed portion (75% of (c)	Rs. 6.38 lakhs
(e)	Uncovered portion (Rs. 8.50 lakh-6.38 lakh)	Rs. 2.12 lakh
	Risk-weight on (b) and (e) -	Linked to the counter party
	Risk-weight on (d) -	Zero

Example II

CGTSI Cover : 75% of the amount outstanding or 75 % of the unsecured amount or Rs. 18.75 lakh, which ever is less

	Realisable value of Security	Rs. 10.00 lakh
a)	Balance outstanding	Rs. 40.00 lakh
b)	Realisable value of security	Rs. 10.00 lakh
c)	Unsecured amount (a-b)	Rs. 30.00 lakhs
d)	Guaranteed portion (75% of (c))	Rs. 18.75 lakhs
e)	Uncovered portion (Rs. 30 lakh-18.75 lakh)	Rs. 11.25 lakh
	Risk-weight on (b) and (e) -	Linked to the counter party
	Risk-weight on (d) -	Zero