**Certificate in Risk in Financial Services**

**RBI Notifications during the period**

**1st July 2020 to 31st Dec 2020**

**Basel III Capital Regulations – Treatment of debt mutual funds/ETFs**

RBI/2020-21/18 DOR.No.BP.BC/5/21.04.201/2020-21

August 6, 2020

All Scheduled Commercial Banks (Excluding Local Area Banks and Regional Rural Banks)

Please refer to our circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015, on Basel III capital regulations.

2. In terms of para 8.4.1 of the circular, capital charge for equities is applicable to units of mutual funds. It has now been decided that the banks investing in debt mutual fund/exchange traded fund (ETF) with underlying comprising of (i) Central, State and Foreign Central Governments’ bonds (ii) Bank’s Bonds and (iii) Corporate Bonds (other than Bank Bonds) shall compute capital charge for market risk as under:

a) Investment in debt mutual fund/ETF for which full constituent debt details are available shall attract general market risk charge of 9 per cent, as hitherto. Specific risk capital charge for various kinds of exposures would be applied as detailed below:

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Nature of debt securities/issuer** | **Table to be followed (details in**[**Annex**](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11943&Mode=0#A_1)**)** |
| a | Central, State and Foreign Central Governments’ bonds | Table 16 – Part B |
| b | Banks’ Bonds | Table 16 – Part D |
| c | Corporate Bonds (other than Bank Bonds) | Table 16 - Part E(ii) |

b) In case of debt mutual fund/ETF which contains a mix of the above debt instruments, the specific risk capital charge shall be computed based on the lowest rated debt instrument/ instrument attracting the highest specific risk capital charge in the fund.

c) Debt mutual fund/ETF for which constituent debt details are not available, at least as of each month-end, shall continue to be treated on par with equity for computation of capital charge for market risk as prescribed in para 8.4.1 of Master Circular on Basel III Capital Regulations.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11943&Mode=0>

**Basel III Capital Regulations - Review of transitional arrangements**

RBI/2020-21/42 DOR.BP.BC.No15/21.06.201/2020-21

September 29, 2020

All Commercial Banks (Excluding Small Finance Banks, Payment Banks, RRBs and LABs)

Please refer to circular DOR.BP.BC.No.45/21.06.201/2019-20 dated March 27, 2020 on ‘Basel III Capital Regulations - Review of transitional arrangements’.

2. In view of the continuing stress on account of COVID-19, it has been decided to defer the implementation of the last tranche of 0.625 per cent of the Capital Conservation Buffer (CCB) from September 30, 2020 to April 1, 2021. Accordingly, the minimum capital conservation ratios in para 15.2.2 of Part D ‘Capital Conservation Buffer Framework’ of Master Circular, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on ‘Basel III Capital Regulations’, shall continue to apply till the CCB attains the level of 2.5 per cent on April 1, 2021.

3. The pre-specified trigger for loss absorption through conversion / write-down of Additional Tier 1 instruments (Perpetual Non-Convertible Preference Shares and Perpetual Debt Instruments), shall remain at 5.5 per cent of risk weighted assets (RWAs) and will rise to 6.125 per cent of RWAs from April 1, 2021.

**Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR)**

RBI/2020-21/43 DOR.BP.BC.No.16/21.04.098/2020-21

September 29, 2020

All Commercial Banks (excluding Regional Rural Banks, Local Area Banks and Payments Banks)

Please refer to our circular DOR.BP.BC.No.46/21.04.098/2019-20 dated March 27, 2020 on Net Stable Funding Ratio (NSFR) guidelines.

2. In view of the continued uncertainty on account of COVID-19, on a review, it has been decided to defer the implementation of NSFR guidelines by a further period of six months. These guidelines shall now come into effect from April 1, 2021.

**SLR holdings in HTM category (Amended)**

RBI/2020-21/29 DoR.No.BP.BC.9/21.04.141/2020-21

September 1, 2020

All Commercial Banks

Please refer to our circulars DBR.No.BP.BC.6/21.04.141/2015-16 dated July 1, 2015 read with DBR.No.BP.BC.65/21.04.141/2015-16 dated December 10, 2015 and DBR.No.Ret.BC.90/12.02.001/2017-18 dated October 4, 2017 on the subject.

2. Currently, banks are permitted to exceed the limit of 25 per cent of the total investments under Held to Maturity (HTM) category, provided the excess comprises only of SLR securities and total SLR securities held under HTM category is not more than 19.5 per cent of NDTL as on the last Friday of the second preceding fortnight. On a review, it has been decided to allow banks to hold under HTM category, SLR securities acquired on or after September 1, 2020 up to an overall limit of 22 per cent of NDTL, up to March 31, 2021, which shall be reviewed thereafter.

**SLR holdings in HTM category**

RBI/2020-2021/54 DoR.No.BP.BC.22/21.04.141/2020-21

October 12, 2020

All Commercial Banks

Please refer to paragraph 2 of Statement on Developmental and Regulatory Policies of the Monetary Policy Statement, 2020-21 dated October 9, 2020 and our circular DoR.No.BP.BC.9/21.04.141/2020-21 dated September 1, 2020 on the above subject.

2. Banks are permitted to exceed the limit of 25 per cent of the total investments under Held to Maturity (HTM) category provided the excess comprises only of SLR securities and total SLR securities held under HTM category is not more than 19.5 per cent of Net Demand and Time Liabilities (NDTL) as on the last Friday of the second preceding fortnight. Banks are, vide our circular dated September 1, 2020 referred to above, allowed to hold under HTM category, SLR securities acquired on or after September 1, 2020 up to an overall limit of 22 per cent of NDTL, up to March 31, 2021. It has now been decided to extend the dispensation of the enhanced HTM limit of 22 percent, for SLR securities acquired between September 1, 2020 and March 31, 2021, up to March 31, 2022, i.e. banks may continue to hold such excess SLR securities in HTM category upto March 31, 2022.

3. It has also been decided that the enhanced HTM limit shall be restored to 19.5 per cent in a phased manner, beginning from the quarter ending June 30, 2022, i.e. the excess SLR securities acquired by banks during the period September 1, 2020 to March 31, 2021 shall be progressively reduced such that the total SLR securities held in the HTM category as a percentage of the NDTL does not exceed:

1. 21.00 per cent as on June 30, 2022
2. 20.00 per cent as on September 30, 2022
3. 19.50 per cent as on December 31, 2022

4. As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year and such shifting will normally be allowed at the beginning of the accounting year. However, in order to enable banks to shift their excess SLR securities from the HTM category to AFS/HFT to comply with the instructions as indicated in paragraph 3 above, it has been decided to allow such shifting of the excess securities during the quarter in which the HTM ceiling is brought down. This would be in addition to the shifting permitted at the beginning of the accounting year.

**FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020)**

Link for FAQ:

<https://www.rbi.org.in/scripts/FAQView.aspx?Id=137>