

Capital Adequacy Standards – risk Weight on Staff Loans and Advances

Ref.DBS.FID No. C-1/01.02.00/ 2000-01

7 August 2001

To

The CEOs of the All-India Term Lending and Refinancing Institutions

Dear Sir,

Capital Adequacy Standards – risk Weight on Staff Loans and Advances

Please refer to para II(A)(v)(e) of Annexure I to our Circular FIC.No.842/01.02.00/93-94 dated 29 March 1994 addressed too the all-India term lending institutions and the para II(A)(v)(e) of Annexure I to our Circular FIC.No.641/01.10.00/95-96 dated 7 March 1996 addressed to the refinancing institutions relating to capital adequacy standards. In terms of instructions contained in these paragraphs, the loans granted by the Financial Institutions to their own employees attract zero risk weight.

2. On a review of the matter, it has since been decided that henceforth, a risk weight of 20 per cent should be assigned to all such loans and advances granted by the FIs to their own employees as are fully covered by superannuation benefits and mortgage of flats / houses. Further, all other loans and advances granted to their own employees, however, would now be subject to 100 per cent risk weight.

3. Please acknowledge receipt.

Yours faithfully,

(K.
Chief General Manager

C.

Bandyopadhyay)