

भारतीय रिजर्व बैंक

_______RESERVE BANK OF INDIA ______

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RBI/2021-22/97 DOR.CRE.REC.47/21.01.003/2021-22

September 09, 2021

All Scheduled Commercial Banks (Excluding Regional Rural Banks)

Dear Sir/Madam,

Large Exposures Framework – Credit Risk Mitigation (CRM) for offsetting – non-centrally cleared derivative transactions of foreign bank branches in India with their Head Office

Please refer to <u>circular No.DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019</u> on Large Exposures Framework (LEF).

- 2. It is advised that the Indian branches of foreign banks shall be permitted to reckon cash/unencumbered approved securities, the source of which is interest-free funds from Head Office or remittable surplus retained in Indian books (reserves), held with RBI under 11(2)(b)(i) of the Banking Regulation Act,1949 ('BR Act') as CRM, for offsetting the gross exposure of the foreign bank branches in India to the Head Office (including overseas branches) for the calculation of LEF limit, subject to the following conditions:
 - (i) The amount so held shall be over and above the other regulatory and statutory requirements and shall be certified by the statutory auditors.
 - (ii) The amount so held shall not be included in regulatory capital. (i.e., no double counting of the fund placed under Section 11(2) as both capital and CRM). Accordingly, while assessing the capital adequacy of a bank, the amount will form part of regulatory adjustments made to Common Equity Tier 1 Capital.

विनियमन विभाग, केंद्रीय कार्यालय, केंद्रीय कार्यालय भवन, 12वीं/ 13वीं मंज़िल, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400001 टेलीफोन/ Tel No: 22661602, 22601000 फैक्स/ Fax No: 022-2270 5691

Department of Regulation, Central Office, Central Office Building, 12th/ 13th Floor, Shahid Bhagat Singh Marg, Fort, Mumbai – 400001

(iii) The bank shall furnish an undertaking as on March 31 every year to the

Department of Supervision (DoS), RBI that the balance reckoned as CRM for the

purpose will be maintained on a continuous basis.

(iv) The CRM shall be compliant with the principles/conditions prescribed in paragraph

7 in the Master Circular – Basel III Capital Regulations dated July 1, 2015 as

amended from time to time.

3. The amount held under section 11(2)(b)(i) of the BR Act and earmarked as CRM shall

be disclosed by way of a note in Schedule 1: Capital to the Balance Sheet as given below:

"An amount of ₹... (previous year: ₹....) out of the amount held as deposit under

Section 11(2) of the Banking Regulation Act, 1949 has been designated as credit

risk mitigation (CRM) for offsetting of non-centrally cleared derivative exposures to

Head Office (including overseas branches), and is not reckoned for regulatory

capital and any other statutory requirements."

4. Excess amount over and above the CRM requirements shall be permitted to be

withdrawn subject to certification by the Statutory Auditor and approval of the DoS, RBI.

It may be noted that the onus of compliance with the LEF limit at all times shall be on the

bank.

5. It has been decided to permit foreign banks to exclude derivative contracts executed

prior to April 1, 2019 while computing the derivative exposures on their Head Office

(including overseas branches).

Yours faithfully,

(Manoranjan Mishra)

Chief General Manager

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