



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA



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DOR.CAP.REC.2/09.18.201/2022-23

April 1, 2022

The Chief Executive Officers
All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

Master Circular - Prudential Norms on Capital Adequacy - Primary (Urban) Co-operative Banks (UCBs)

Please refer to our [Master Circular DCBR.BPD.\(PCB\).MC.No.10/09.18.201/2015-16 dated July 01, 2015](#) on the captioned subject.

2. The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines on the subject issued up to March 31, 2022 as listed in the [Appendix](#).

Yours faithfully

(Usha Janakiraman)
Chief General Manager

Encl: As above

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

Master Circular

Prudential Norms on Capital Adequacy - Primary (Urban) Co-operative Banks (UCBs)

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Master Circular

Prudential Norms on Capital Adequacy – Primary (Urban) Co-operative Banks (UCBs)

1. Introduction

Capital acts as a buffer in times of crisis or poor performance by a bank. Sufficiency of capital also instills depositors' confidence. As such, adequacy of capital is one of the pre-conditions for licensing of a new bank as well as its continuance in business.

2. Statutory Requirements

In terms of the provisions contained in Section 11 of Banking Regulation Act (AACS), no co-operative bank shall commence or carry on banking business unless the aggregate value of its paid-up capital and reserves is not less than one lakh of rupees. In addition, under Section 22(3)(d) of the above Act, the Reserve Bank prescribes the minimum entry point capital (entry point norms) from time to time, for setting-up of a new Primary (Urban) Cooperative Bank.

3. Capital Adequacy Norms

Reserve Bank of India has broadly mandated the Basel-I Framework for Primary (Urban) Co-operative Banks in India. Accordingly, they shall maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% on an ongoing basis.

$$\text{CRAR} = \frac{\text{Eligible Total Capital}}{\text{Total Risk Weighted Assets (RWAs)}}$$

The capital funds for capital adequacy purposes shall consist of Tier I and Tier II capital as defined below. The total of Tier II capital shall be limited to a maximum of 100 per cent of total Tier I capital for the purpose of compliance with CRAR norms.

Risk weights for different categories of exposures of banks are outlined in [Annex-I](#).

3.1 Tier I Capital

Tier I shall comprise the following:

- (i) Paid-up share capital¹ collected from regular members having voting rights.
- (ii) Contributions received from associate / nominal members where the bye-laws permit allotment of shares to them and provided there are restrictions

¹ UCBs are permitted to raise share capital, as hitherto, by way of (i) issue of shares to persons within their area of operation, in accordance with the provisions of their bye-laws, and (ii) issue of additional shares to the existing members.

on withdrawal of such shares, as applicable to regular members.

- (iii) Contribution / non-refundable admission fees collected from the nominal and associate members which is held separately as 'reserves' under an appropriate head since these are not refundable.
- (iv) Perpetual Non-Cumulative Preference Shares (PNCPS), which comply with the regulatory requirements as specified in [Annex-II](#).
- (v) Free Reserves as per the audited accounts. Reserves, if any, created out of revaluation of fixed assets or those created to meet outside liabilities should not be included in the Tier I Capital. Free reserves shall exclude all reserves / provisions which are created to meet anticipated loan losses, losses on account of fraud etc., depreciation in investments and other assets and other outside liabilities. For example, while the amounts held under the head "Building Fund" will be eligible to be treated as part of free reserves, "Bad and Doubtful Reserves" shall be excluded.
- (vi) Capital Reserves representing surplus arising out of sale proceeds of assets.
- (vii) Perpetual Debt Instruments (PDIs) which comply with the regulatory requirements as specified in [Annex-III](#).
- (viii) Any surplus (net) in Profit and Loss Account i.e., balance after appropriation towards dividend payable, education fund, other funds whose utilisation is defined, asset loss, if any, etc.
- (ix) Outstanding amount in Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961.

Note :

- (i) *Amount of intangible assets, losses in current year and those brought forward from previous periods, deficit in NPA provisions, income wrongly recognized on non-performing assets, provision required for liability devolved on bank, etc. will be deducted from Tier I Capital.*
- (ii) *For a Fund to be included in the Tier I Capital, the Fund should satisfy two criteria viz., the Fund should be created as an appropriation of net profit and should be a free reserve and not a specific reserve. However, if the same has been created not by appropriation of profit but by a charge on the profit then this Fund is in effect a provision and hence will be eligible for being reckoned only as Tier II capital as defined below and subject to a limit of 1.25% of risk weight assets provided it is not attributed to any identified potential loss or diminution in value of an asset or a known liability.*
- (iii) *Outstanding Innovative Perpetual Debt Instruments (IPDI) which were issued in terms of Annex to [circular UCB.PCB.Cir.No.39/09.16.900/08-09 dated January 23, 2009](#) shall also be eligible to be reckoned as Tier-I capital subject to the*

ceilings prescribed in Annexes to this Master Circular. It may be noted that the Annex to circular dated January 23, 2009 has since been repealed vide [circular No. DOR.CAP.REC.92/09.18.201/2021-22 dated March 08, 2022](#), and with effect from March 08, 2022, amount issued through PDI by conversion of existing deposits as part of revival plan/ financial reconstruction of the UCBs (in terms of circular dated January 23, 2009) shall comply with the [Annex-III](#) of this Master Circular.

3.2 Tier II Capital

Tier II capital shall comprise the following:

3.2.1 Revaluation Reserves

These reserves often serve as a cushion against unexpected losses, but they are less permanent in nature and cannot be considered as 'Core Capital'. Revaluation reserves arise from revaluation of assets that are undervalued in the bank's books. The typical example in this regard is bank premises and marketable securities. The extent to which the revaluation reserves can be relied upon as a cushion for unexpected losses depends mainly upon the level of certainty that can be placed on estimates of the market value of the relevant assets, the subsequent deterioration in values under difficult market conditions or in a forced sale, potential for actual liquidation of those values, tax consequences of revaluation, etc. Therefore, it would be prudent to consider revaluation reserves at a discount of 55% when determining their value for inclusion in Tier II Capital i.e. only 45% of revaluation reserve should be taken for inclusion in Tier II Capital. Such reserves will have to be reflected on the face of the balance sheet as revaluation reserves.

3.2.2 General Provisions and Loss Reserves

These would include such provisions of general nature appearing in the books of the bank which are not attributed to any identified potential loss or a diminution in value of an asset or a known liability. Adequate care must be taken to ensure that sufficient provisions have been made to meet all known losses and foreseeable potential losses before considering any amount of general provision as part of Tier II capital as indicated above. To illustrate: General provision for Standard Assets, excess provision on sale of NPAs etc. could be considered for inclusion under this category. Such provisions which are considered for inclusion in Tier II capital will be admitted up to 1.25% of total weighted risk assets.

As per the extant instructions, provisions made for NPAs as per prudential norms are deducted from the amount of Gross NPAs to arrive at the amount of Net NPAs. The prudential treatment of different type of provisions and its treatment for capital adequacy purposes is given below:

(a) Additional General Provisions (Floating Provisions)

Additional general provisions (floating provisions) for bad debts i.e., provisions not earmarked for any specific loan impairments (NPAs) may be used either for netting off of gross NPAs or for inclusion in Tier II capital but cannot be used on both counts.

(b) Additional Provisions for NPAs at higher than prescribed rates

In cases where banks make specific provision for NPAs in excess of what is prescribed under the prudential norms, the total specific provision may be deducted from the amount of Gross NPAs while reporting the amount of Net NPAs. The additional specific provision made by the bank will not be reckoned as Tier II capital.

(c) Excess Provisions on transfer of stressed loans to Asset Reconstruction Companies (ARC)

In terms of instructions issued vide [Reserve Bank of India \(Transfer of Loan Exposures\) Directions, 2021 dated September 24, 2021](#), when the stressed loan is transferred to ARC at a price higher than the Net Book Value (NBV) at the time of transfer, UCBs shall reverse the excess provision on transfer to the profit and loss account in the year the amounts are received and only when the sum of cash received by way of initial consideration and / or redemption or transfer of Security Receipts (SR) / Pass Through Certificates (PTCs)/ other securities issued by ARCs is higher than the NBV of the loan at the time of transfer. Further, such reversal shall be limited to the extent to which cash received exceeds the NBV of the loan at the time of transfer.

Until reversal, such excess provisions shall continue to be shown under 'provisions' and would be considered as Tier II capital subject to the overall ceiling of 1.25% of risk weighed assets.

(d) Provisions for Diminution in Fair Value

Provisions for diminution in the fair value of restructured accounts, both in respect of standard assets and NPAs, are permitted to be netted from the relative loan asset and will not be reckoned as Tier II capital.

3.2.3 Investment Fluctuation Reserve

Balances in the Investment Fluctuation Reserve created out of appropriation of net profit from the realised gains from the sale of investments held in AFS & HFT can be reckoned as Tier II capital.

3.2.4 Tier-II capital instruments

UCBs may issue the following instruments to augment their Tier-II capital:

a) Upper Tier-II instruments - Perpetual Cumulative Preference Shares

(PCPS), Redeemable Non-Cumulative Preference Shares (RNCPS) and Redeemable Cumulative Preference Shares (RCPS) which comply with the regulatory requirements as specified in [Annex-II](#).

b) Lower Tier-II instruments - Long Term Subordinated Bonds (LTSB) which comply with the regulatory requirements as specified in [Annex-III](#).

Note: Outstanding Long Term (Subordinated) Deposits (LTD) which were issued in terms of Annex-II to the [circular UBD.PCB.Cir.No.4/09.18.201/08-09 dated July 15, 2008](#), and subsequent amendments thereto, shall also be eligible to be reckoned as Tier-II capital subject to the ceilings prescribed in [Annex-III](#) to this Master Circular. It may be noted that the circular dated July 15, 2008 has since been repealed vide [circular No.DOR.CAP.REC.92/09.18.201/2021-22 dated March 08, 2022](#).

4. Capital for Market Risk

4.1 Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices. The market risk positions, which are subject to capital charge are as under:

- The risks pertaining to interest rate related instruments and equities in the trading book; and
- Foreign exchange risk (including open position in precious metals) throughout the bank (both banking and trading books).

4.2 As an initial step towards prescribing capital requirement for market risks, UCBs were advised to assign an additional risk weight of 2.5 per cent on investments. These additional risk weights are clubbed with the risk weights prescribed for credit risk in respect of investment portfolio of UCBs as per [Annex-I](#), and banks are not required to provide for the same separately. Further, UCBs are advised to assign a risk weight of 100% on the open position limits on foreign exchange and gold, and to build up investment fluctuation reserve as per extant instructions.

4.3 UCBs having AD Category I licence are required to provide capital for market risk in terms of [circular UBD.BPD\(PCB\)Cir.No.42/09.11.600/2009-10 dated February 8, 2010](#).

5. Share linking to Borrowings

Borrowings from UCBs shall be linked to shareholdings of the borrowing members as below:

- (i) 5 per cent of the borrowings, if the borrowings are on unsecured basis.
- (ii) 2.5 per cent of the borrowings, in case of secured borrowings.
- (iii) In case of secured borrowings by Micro and Small Enterprises (MSEs), 2.5 per cent of the borrowings, of which 1 per cent is to be collected initially and the balance of 1.5 per cent is to be collected in the course of next 2 years.

The above share linking norms may be applicable for member's shareholdings up to the limit of 5 per cent of the total paid up share capital of the bank. Where a member is already holding 5 per cent of the total paid up share capital of a UCB, it would not be necessary for him / her to subscribe to any additional share capital on account of the application of extant share linking norms. In other words, a borrowing member may be required to hold shares for an amount that may be computed as per the extant share linking norms or for an amount that is 5 per cent of the total paid up share capital of the bank, whichever is lower.

Share-linking to borrowing norms shall be discretionary for UCBs which meet the minimum regulatory CRAR criteria of 9 per cent and a Tier 1 CRAR of 5.5 per cent as per the latest audited financial statements and the last CRAR as assessed by RBI during statutory inspection. Such UCBs shall have a Board-approved policy on share-linking to borrowing norms which shall be implemented in a transparent, consistent and non-discriminatory manner. The policy may be reviewed by the Board at the beginning of the accounting year. UCBs, which do not maintain the minimum CRAR of 9 percent and Tier 1 CRAR of 5.5 per cent, shall continue to be guided by the norms on share-linking to borrowing as specified above.

Perpetual Non-Cumulative Preference Shares (PNCPS) held by members / subscribers, may be treated as shares for the purpose of compliance with the extant share linking to borrowing norms.

6. Refund of share capital

In terms of Section 12 (2) (ii) read with Section 56 of the BR Act, a co-operative bank shall not withdraw or reduce its share capital, except to the extent and subject to such conditions as the Reserve Bank may specify in this behalf. Accordingly, it has been decided to permit UCBs to refund the share capital to their members, or nominees / heirs of deceased members, on demand², subject to the following conditions:

- a) The bank's CRAR is 9 per cent or above, both as per the latest audited financial statements and the last CRAR as assessed by RBI during statutory inspection.
- b) Such refund does not result in the CRAR of the bank falling below regulatory minimum of 9 per cent.

For the purpose of computing CRAR as above, accretion to capital funds after the balance sheet date³, other than by way of profits, may be taken into account. Any reduction in capital funds, including by way of losses, during the aforesaid period shall also be considered.

² Subject to the member fulfilling all the eligibility conditions for refund.

³ Capital funds shall be as per audited data

7. Measures for protection of investors in regulatory capital instruments specified in [Annex-II](#) and [Annex-III](#)

For the purpose of enhancing investor education on the risk characteristics of regulatory capital instruments, UCBs, which issue regulatory capital instruments specified in [Annex-II](#) and [Annex-III](#) shall adhere to the following conditions:

- a) For floating rate instruments, banks should not use its Fixed Deposit rate as benchmark.
- b) A specific sign-off, as quoted below, from the investors, for having understood the features and risks of the instruments, may be incorporated in the common application form of the proposed issue:

"By making this application, I / we acknowledge that I / we have understood the terms and conditions of the issue of [Name of the share/security] being issued by [Name of the bank] as disclosed in the Prospectus and Offer Document".

- c) UCBs shall ensure that all the publicity material / offer document, application form and other communication with the investor should clearly state in bold letters (Arial font, size 14, equivalent size in English / Vernacular version) how a PNCPS / PCPS / RNCPS / RCPS / PDI / LTSB, as the case may be, is different from a fixed deposit, and that these instruments are not covered by deposit insurance.
- d) The procedure for transfer to legal heirs in the event of death of the subscriber of the instrument should also be specified.

8. Returns

Banks should furnish to the respective Regional Offices annual return indicating (i) capital funds, (ii) conversion of off-balance sheet / non-funded exposures, (iii) calculation of risk weighted assets, and (iv) calculation of capital funds and risk assets ratio. The format of the return is given in the [Annex-IV](#). The returns should be signed by two officials who are authorized to sign the statutory returns submitted to Reserve Bank.

Prudential Norms - Risk Weights for Computation of CRAR

I. Domestic Operations

A. Funded Risk Assets

Assets Items		Risk Weight
I.	Balances	
i.	Cash (including foreign currency notes) Balances with RBI	0
ii.	Balances in current account with UCBs	20
iii.	Balances in current account with other banks	20
II.	Investments	
i.	Investment in Government Securities	2.5
ii.	Investment in other Approved Securities guaranteed by Central Government / State Government	2.5
iii.	Investment in Other Securities where payment of interest and repayment of principal are guaranteed by Central Govt. (include investment in Indira / Kisan Vikas Patras and investments in bonds & debentures where payment of interest and repayment of principal is guaranteed by Central Govt. / State Government)	2.5
iv.	Investment in other securities where payment of interest and repayment of principal are guaranteed by State Govt.	2.5
	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 (w.e.f. March 31, 2006)	
v.	Investment in other Approved Securities where payment of interest and repayment of principal is not guaranteed by Central / State Govt.	22.5
	Investment in Govt. guaranteed securities of government undertakings which do not form part of the approved market borrowing Program	22.5
vi.	(a) Claims on commercial banks, District Central Co-operative Banks, and State Co-operative Banks such as fixed deposits, certificates of deposits, etc.	20
	(b) Claims on other Urban Co-operative banks such as term / fixed deposits	
vii.	Investments in bonds issued by All India Public financial Institutions.	102.5
viii.	Investments in bonds issued by Public Financial Institutions for their Tier-II Capital	102.5

	ix	Investment in bonds/ debentures/Security Receipts issued by Asset Reconstruction Company	102.5
	x.	All Other Investments <i>Note : Intangible assets and losses deducted from Tier I capital should be assigned zero weight</i>	102.5
	xi.	The off balance sheet (net) position in 'WI' securities, scrip-wise.	2.5
III.	Loans and Advances		
	i.	Loans and advances including bills purchased and discounted and other credit facilities guaranteed by GOI	0
	ii.	Loans guaranteed by State Govt	0
	iii.	A State Government guaranteed advance which has become a non performing advance (w.e.f 31.03.06)	100
	iv.	Loans granted to PSUs of GOI	100
	v.	Real Estate Exposure	
	(a)	Mortgaged residential housing loan to individuals	
	-	upto ₹30.00 lakh (LTV* ratio =or<75%)	50
	-	above ₹30.00 (LTV ratio =or<75%).	75
	-	Irrespective of the loan amount (LTV ratio >75 %).	100
	(b)	Commercial Real Estate	100
	(c)	Co-op / group housing societies and Housing Board and for any other purpose.	100
	(d)	Commercial Real Estate – Residential Housing	75
	* LTV ratio should be computed as a percentage of total outstanding in the account (viz. "principal + accrued interest + other charges pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the bank in the denominator		
	vi.	Retail Loans and Advances	
	(a)	consumer credit including personal loan	125
	(b)	loans up to ₹1 lakh against gold and silver ornaments	50
	(c)	all other loans and advances including educational loan.	100
	(d)	Loans extended against primary / collateral security of shares / debentures	127.5
	vii.	Leased Assets	
	(a)	Loans and advances for eligible activities to NBFCs engaged in hire purchase / leasing activities now classified as Asset Finance Companies	100
	(b)	loans and advances for eligible activities to Non-Deposit Taking Systemically Important Non-Banking Finance Companies (NBFC-ND-SI) engaged in hire purchase / leasing activities	125
	viii.	Advances covered by DICGC / ECGC	50

ix.	Portion of housing loan guaranteed by Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH). The balance outstanding excess of guaranteed portion will attract appropriate risk-weight	0
Note : <i>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.</i>		
x.	Advances for term deposits, Life policies, NSCs, IVPs and KVPs where adequate margin is available	0
xi.	Loans to staff of banks, which are fully covered by superannuation benefits and mortgage of flat / house	20
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 Collateralised 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 recd. 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.	
IV.	Other Assets	
1.	Premises, furniture and fixtures	100
2.	Other assets	
(i)	Interest due on Government securities	0
(ii)	Accrued interest on CRR balances maintained with RBI	0
(iii)	Interest receivable on staff loans	20
(iv)	Interest receivable from banks	20
(v)	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 amount of each of the off-Balance Sheet items by 'credit conversion factors' 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	Financial Guarantees/ 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 character of acceptance)	100
2	Performance Guarantees/ Related contingent items (e.g. warranties and standby L/Cs related to particular transactions)	50
3	Short-term self-liquidating trade-related contingencies (such as documentary credits collateralised 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 shams 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 upto 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. Bills purchased / discounted / negotiated under LC (where the payment to the beneficiary is not made 'under reserve') will be treated as an exposure on the LC issuing bank and not on the borrower. All clean negotiations as indicated above, will be assigned the risk weight which is normally applicable to inter-bank exposures, for capital adequacy purposes. In the case of negotiations 'under reserve' the exposure should be treated as on the borrower and risk weight assigned accordingly.	
10	Aggregate outstanding foreign exchange contracts of original maturity -	
	Less than 14 calendar days	0

more than 14 days but less than one year	2
for each additional year or part thereof	3
Notes :	
<i>While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, bank may 'net-off' against the total outstanding exposure of the borrower credit balances in current or other accounts which are not earmarked for specific purposes and free from any lien.</i>	
<i>After applying the conversion factor as indicated above, the adjusted off-Balance Sheet value shall again be multiplied by the weight attributable to the relevant counter-party as specified.</i>	

Note : At present, Primary Urban Cooperative Banks 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 Primary Urban Cooperative Banks may undertake in future.

II. Additional Risk Weights (applicable to Authorised Dealers only)

1. Foreign Exchange and Interest Rate related Contracts

1.1 Foreign exchange contracts include the following:

- (a) Cross currency swaps
- (b) Forward foreign exchange contracts
- (c) Currency futures
- (d) Currency options purchased
- (e) Other contracts of a similar nature

1.2 Interest rate contracts include the following:

- (a) Single currency interest rate swaps
- (b) Basis swaps
- (c) Forward rate agreements
- (d) Interest rate futures
- (e) Interest rate options purchased
- (f) Other contracts of a similar nature

1.3 As in the case of other off-Balance Sheet items, a two-stage calculation prescribed below shall be applied:

- (a) Step 1 - The notional principal amount of each instrument is multiplied by the conversion factor given below:

Original maturity	Conversion factor	
	Interest rate contracts	Foreign Exchange Contracts
Less than one year	0.5%	2%
One year and less than two years	1.0%	5% (i.e. 2% + 3%)
For each additional year	1.0%	3%

When effective bilateral netting contracts as specified in paragraph II.3 of this Annex are in place, the conversion factors, as mentioned in the below table, shall be applicable⁴:

Original maturity	Conversion factor	
	Interest rate contracts	Foreign Exchange Contracts
Less than one year	0.35%	1.5%
One year and less than two years	0.75%	3.75% (i.e. 1.5% + 2.25%)
For each additional year	0.75%	2.25%

(b) Step 2 - The adjusted value thus obtained shall be multiplied by the risk weight allotted to the relevant counter-party as given in I-A above.

Note: At present, most of the Primary (Urban) Cooperative Banks are not carrying out forex transactions. However, those who have been given A.D's licence may undertake transactions mentioned above. In the event of any uncertainty in assigning risk weight against a specific transaction, RBI clarification may be sought for.

2. Repo in Corporate Bonds

UCBs which are lenders of funds in the repo transaction are required to provide counter-party credit risk corresponding to the risk weight for such exposure as applicable to the loan / investment exposure.

⁴ For purposes of calculating the credit exposure to a netting counterparty for forward foreign exchange contracts and other similar contracts in which notional principal is equivalent to cash flows, the original credit conversion factors (i.e., without considering the impact of bilateral netting) should be applied to the notional principal, which is defined as the net receipts falling due on each value date in each currency. In no case should the reduced factors above be applied to net notional amounts.

3. Requirement for recognition of Bilateral Netting Contract:

(a) UCBs may net transactions subject to novation under which any obligation between a UCB and its counterparty to deliver a given currency on a given value date is automatically amalgamated with all other obligations for the same currency and value date, legally substituting one single amount for the previous gross obligations.

(b) UCBs may also net transactions subject to any legally valid form of bilateral netting not covered in (a), including other forms of novation.

(c) In both cases (a) and (b), a UCB will need to satisfy that it has:

(i) A netting contract or agreement with the counterparty which creates a single legal obligation, covering all included transactions, such that the UCB would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions in the event a counterparty fails to perform due to any of the following: default, bankruptcy, liquidation or similar circumstances.

(ii) Written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the UCB's exposure to be such a net amount under:

- The law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of the jurisdiction in which the branch is located.
- The law that governs the individual transactions; and
- The law that governs any contract or agreement necessary to effect the netting.

(iii) Procedures in place to ensure that the legal characteristics of netting arrangements are kept under review in the light of possible changes in relevant law.

(d) Contracts containing walkaway clauses will not be eligible for netting for the purpose of calculating capital requirements under these guidelines. A walkaway clause is a provision which permits a non-defaulting counterparty to make only limited payments or no payment at all, to the estate of a defaulter, even if the defaulter is a net creditor.

Guidelines on Issuance of Preference Shares

A. Perpetual Non-Cumulative Preference Shares (PNCPS) eligible for inclusion in Tier-I capital

UCBs are permitted to issue Perpetual Non-Cumulative Preference Shares (PNCPS) at face value to their members or any other person residing within their area of operation, with the prior approval of Reserve Bank of India (RBI). The UCBs shall submit the application seeking permission, together with the Prospectus / Offer Document / Information Memorandum, to the concerned Regional Office (RO) of the RBI. A certificate from a Chartered Accountant to the effect that the terms of the offer document are in compliance with these instructions shall also be submitted along with the application. The amounts raised through PNCPS shall comply with the following terms and conditions to qualify for inclusion as Tier-I capital.

2. Terms of Issue

2.1 Limits

The outstanding amount of PNCPS and Perpetual Debt Instruments (PDI) along with outstanding Innovative Perpetual Debt Instruments (IPDI) shall not exceed 35 per cent of total Tier-I capital at any point of time. The above limit will be based on the amount of Tier-I capital after deduction of goodwill and other intangible assets, but before deduction of equity investment in subsidiaries, if any. PNCPS issued in excess of the overall ceiling of 35 per cent, shall be eligible for inclusion under Upper Tier-II capital, subject to limits prescribed for Tier-II capital. However, investors' rights and obligations would remain unchanged.

2.2 Amount

The amount of PNCPS to be raised shall be decided by the Board of Directors of banks.

2.3 Maturity

The PNCPS shall be perpetual.

2.4 Options

- a. PNCPS shall not be issued with a 'put option' or 'step up option'.
- b. PNCPS may be issued with a call option, subject to following conditions:
 - i. The call option on the instrument is permissible after the instrument has run for at least ten years; and
 - ii. Call option shall be exercised only with the prior approval of Department of Regulation (DoR), RBI. While considering the proposals received from banks for exercising the call option, the RBI would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

2.5 Classification in the Balance Sheet

These instruments shall be classified as 'Capital' and shown separately in the Balance Sheet.

2.6 Dividend

The rate of dividend payable to the investors will be a fixed rate or a floating rate referenced to a market determined rupee interest benchmark rate.

2.7 Payment of Dividend

2.7.1 The payment of dividend by the bank shall be subject to availability of distributable surplus out of current year's profits, and if:

- i. the CRAR is above the minimum regulatory requirement prescribed by RBI
- ii. the impact of such payment does not result in bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI
- iii. the balance sheet as at the end of the previous year does not show any accumulated loss

2.7.2 The dividend shall not be cumulative, i.e., dividend missed in a year shall not be paid in subsequent years even if adequate profit is available and the level of CRAR conforms to the regulatory minimum. When dividend is paid at a rate lesser than the prescribed rate, the unpaid amount will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum.

2.7.3 All instances of non-payment of dividend / payment of dividend at a rate less than that specified should be reported by the issuing UCB to the concerned RO of Department of Supervision (DoS), RBI.

2.8 Seniority of Claim

The claims of the investors in PNCPS shall be senior to the claims of investors in equity shares and subordinated to the claims of all other creditors and the depositors.

2.9 Voting Rights

The investors in PNCPS shall not be eligible for any voting rights.

2.10 Discount

The PNCPS shall not be subjected to a progressive discount for capital adequacy purposes since these are perpetual.

2.11 Other Conditions

2.11.1 PNCPS shall be fully paid-up, unsecured, and free of any restrictive clauses.

2.11.2 UCBs shall also comply with the terms and conditions, if any, stipulated by other regulatory authorities in regard to issue of the PNCPS, provided they are not in conflict with the terms and conditions specified in these guidelines. Any instance of conflict shall be brought to the notice of DoR of RBI for seeking confirmation of the eligibility of the instrument for inclusion in Tier I capital.

2.12 Compliance with Reserve Requirements

2.12.1 The total amount raised by the bank by issue of PNCPS shall not be reckoned as liability for calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will not attract CRR / SLR requirements.

2.12.2 However, the amount collected from members / prospective investors and held pending allotment of the PNCPS, shall be reckoned as liability for the purpose of calculating the net demand and time liabilities and shall, accordingly, attract reserve requirements. Such amounts shall not be reckoned for calculation of capital funds.

2.13 Reporting Requirements

UCBs issuing PNCPS shall submit a report to the concerned RO of DoS, RBI, giving details of the capital raised, including the terms and conditions of issue together with a copy of the Prospectus / Offer Document, soon after the issue is completed.

2.14 Investments in PNCPS and Advances for Purchase of PNCPS

UCBs shall not grant any loan or advance to any person for purchasing their own PNCPS or the PNCPS of other banks. Further, UCBs shall not invest in PNCPS of other banks and shall not grant advances against the security of the PNCPS issued by them or other banks.

B. Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS) for inclusion in Upper Tier-II capital

UCBs are permitted to issue Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS), at face value, to their members or any other person residing within their area of operation, with the prior approval of the RBI. The UCBs shall submit the application seeking permission, together with the Prospectus / Offer Document / Information Memorandum to the concerned Regional Office (RO) of the RBI. A certificate from a Chartered Accountant to the effect that the terms of the offer document are in compliance with these instructions shall also be submitted along with the application. These three instruments, collectively referred to as Tier-II preference shares, shall comply with the following terms and conditions, to qualify for inclusion as Upper Tier-II capital.

2. Terms of issue

2.1 Limits

The outstanding amount of these instruments along with other components of Tier-II capital shall not exceed 100 per cent of Tier-I capital at any point of time. The above limit shall be

based on the amount of Tier-I capital after deduction of goodwill and other intangible assets, but before deduction of equity investment in subsidiaries, if any.

2.2 Amount

The amount to be raised may be decided by the Board of Directors of banks.

2.3 Maturity

The Tier-II preference shares could be either perpetual (PCPS) or dated (RNCPS and RCPS) instruments with a minimum maturity of 10 years.

2.4 Options

2.4.1 These instruments shall not be issued with a 'put option' or 'step up option'.

2.4.2 These instruments may be issued with a call option, subject to following conditions:

- a) The call option on the instrument is permissible after the instrument has run for at least ten years; and
- b) Call option shall be exercised only with the prior approval of DoR, RBI. While considering the proposals received from banks for exercising the call option, the RBI would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

2.5 Classification in the Balance Sheet

These instruments will be classified as 'Borrowings' and shown separately in the Balance sheet.

2.6 Coupon

The coupon payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate

2.7 Payment of Coupon

2.7.1 The coupon payable on these instruments will be treated as interest and accordingly debited to P& L Account. However, it will be payable only if:

- a) the bank's CRAR is above the minimum regulatory requirement prescribed by RBI
- b) the impact of such payment does not result in bank's CRAR falling below or remaining below the minimum regulatory requirement.
- c) the bank should not have a net loss. For this purpose, the net loss is defined as either (i) the accumulated loss at the end of the previous financial year or (ii) the loss incurred during the current financial year.

2.7.2 In the case of PCPS and RCPS, the unpaid / partly unpaid coupon will be treated as a liability. The interest amount due and remaining unpaid may be allowed to be paid in later years subject to the bank complying with the above requirements.

2.7.3 In the case of RNCPS, deferred coupon will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum. The bank can however pay a coupon at a rate lesser than the specified rate, if adequate profit is available and the level of CRAR conforms to the regulatory minimum, subject to conformity with para 2.7.1.

2.7.4 All instances of non-payment of interest or payment of interest at a rate lesser than the specified rate should be reported by the issuing UCB to the concerned RO of DoS, RBI.

2.8 Redemption / Repayment of Redeemable Tier-II Preference Shares

RNCPS and RCPS shall not be redeemable at the initiative of the holder. Redemption of these instruments at maturity shall be made only with the prior approval of the DoR, RBI subject, *inter alia*, to the following conditions:

- (a) the bank's CRAR is above the minimum regulatory requirement prescribed by RBI
- (b) the impact of such payment does not result in bank's CRAR falling below or remaining below the minimum regulatory requirement.

2.9 Seniority of Claim

The claims of the investors in these instruments shall be senior to the claims of investors in instruments eligible for inclusion in Tier-I capital and subordinate to the claims of all other creditors including those in lower Tier-II capital and the depositors. Amongst the investors of various instruments included in Upper Tier-II capital, the claims shall rank *pari passu* with each other.

2.10 Voting Rights

The investors in Tier-II preference shares shall not be eligible for any voting rights.

2.11 Progressive Discount for the purpose of computing CRAR

The Redeemable Preference Shares (both cumulative and non-cumulative) shall be subjected to progressive discount for capital adequacy purposes over the last five years of their tenor, as under:

Remaining Maturity of Instruments	Rate of Discount (%)
Less than one year	100
One year and more but less than two years	80
Two years and more but less than three years	60
Three years and more but less than four years	40
Four years and more but less than five years	20

2.12 Other Conditions

2.12.1 The Tier II preference shares shall be fully paid-up, unsecured, and free of any restrictive clauses.

2.12.2 UCBs shall also comply with the terms and conditions, if any, stipulated by other regulatory authorities in regard to issue of the Tier II preference shares, provided they are not in conflict with any terms and conditions specified in these guidelines. Any instance of conflict shall be brought to the notice of DoR of RBI for seeking confirmation of the eligibility of the instrument for inclusion in Tier II capital.

2.13 Compliance with Reserve Requirements

2.13.1 The total amount raised by a bank through the issue of these instruments shall be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will attract CRR / SLR requirements.

2.13.2 The amount collected from members / prospective investors and held pending allotment shall not be reckoned for calculation of capital funds until the allotment process is over.

2.14 Reporting Requirements

UCBs issuing these instruments shall submit a report to the concerned RO of DoS, RBI, giving details of the capital raised, including the terms and conditions of issue together with a copy of the Prospectus / Offer Document soon after the issue is completed.

2.15 Investments in Tier-II preference shares and advances for purchase of Tier-II preference shares

UCBs shall not grant any loan or advance to any person for purchasing their own Tier-II preference shares or Tier-II preference shares of other banks. UCBs shall not invest in Tier-II preference shares issued by other banks and shall not grant advances against the security of Tier-II preference shares issued by them or other banks.

Guidelines on issuance of Debt Capital Instruments

A. Perpetual Debt Instrument (PDI) eligible for inclusion in Tier-I Capital

UCBs may issue Perpetual Debt Instruments (PDI) as bonds or debentures to their members or any other person residing within their area of operation, with the prior approval of RBI. The UCBs shall submit the application seeking permission, together with the Prospectus / Offer Document / Information Memorandum to the concerned Regional Office (RO) of the RBI. A certificate from a Chartered Accountant to the effect that the terms of the offer document are in compliance with these instructions shall also be submitted along with the application. PDI can also be issued through conversion of a portion of existing deposits of the Institutional Depositors as a part of revival plan / financial reconstruction of the UCB with consent of depositors as per applicable regulatory instructions. The amounts raised through PDI shall comply with the following terms and conditions to qualify for inclusion as Tier I capital.

2. Terms of Issue

2.1 Limit

- i. The amount of PDI reckoned for Tier-I capital shall not exceed 15 per cent of total Tier-I capital⁵. The outstanding Innovative Perpetual Debt Instruments (IPDI)⁶ shall also be covered in the aforementioned ceiling of 15 per cent and reckoned for capital purposes as hitherto. PDI in excess of the above limits shall be eligible for inclusion under Tier-II capital, subject to the limits prescribed for Tier-II capital. However, investors' rights and obligations would remain unchanged.
- ii. The aforesaid ceiling of 15 per cent for PDI can be exceeded with prior RBI approval, if PDI are issued as part of revival plan / financial reconstruction of UCBs.
- iii. The eligible amount shall be computed with reference to the amount of Tier-I capital as on March 31 of the previous year, after deduction of goodwill, DTA and other intangible assets, but before deduction of equity investment in subsidiaries, if any.

2.2 Amount

The amount of PDI to be raised may be decided by the Board of Directors of banks.

2.3 Maturity

These instruments shall be perpetual.

⁵ Reference is invited to para 2.1 of [Annex-II](#) as per which the outstanding amount of PNCPS and Perpetual Debt Instruments (PDI) along with outstanding Innovative Perpetual Debt Instruments (IPDI) shall not exceed 35 per cent of total Tier-I capital at any point of time

⁶ Issued in terms of [circular UCB.PCB.Cir.No.39/09.16.900/08-09 dated January 23, 2009](#) on Financial Restructuring of UCBs.

2.4 Options

2.4.1 The PDI shall not be issued with a 'put option' or 'step-up' option.

2.4.2 However, PDI may be issued with a call option subject to following conditions:

- a) The call option on the instrument is permissible after the instrument has run for at least ten years; and
- b) Call option shall be exercised only with the prior approval of Department of Regulation (DoR), RBI. While considering the proposals received from banks for exercising the call option, the RBI would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

2.5 Classification

PDI shall be classified as 'Borrowings' and shown separately in the Balance Sheet.

2.6 Rate of interest

The interest payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate.

2.7 Lock-in-Clause

2.7.1 PDI shall be subjected to a lock-in-clause in terms of which the issuing bank shall not be liable to pay interest, if

- i. the bank's CRAR is below the minimum regulatory requirement prescribed by RBI; or
- ii. the impact of such payment results in bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by RBI;

2.7.2 However, UCBs may pay interest with the prior approval of the DoR, RBI when the impact of such payment may result in net loss or increase the net loss, provided the CRAR meets the regulatory norm. For this purpose, net loss is defined as either (i) the accumulated loss at the end of the previous financial year or (ii) the loss incurred during the current financial year.

2.7.3 The interest shall not be cumulative.

2.7.4 All instances of invocation of the lock-in-clause should be reported by the issuing UCB to the concerned RO of DoS, RBI.

2.8 Seniority of claim

The claims of the investors of PDI shall be superior to the claims of investors in equity shares and PNCPS but subordinated to the claims of all other creditors and the depositors. Among

investors in PDI and outstanding Innovative Perpetual Debt Instruments (IPDI⁷), the claims shall rank *pari passu* with each other.

2.9 Discount

The PDI shall not be subjected to a progressive discount for capital adequacy purposes since these are perpetual.

2.10 Other conditions

2.10.1 PDI shall be fully paid-up, unsecured and free of any restrictive clauses.

2.10.2 UCBs shall also comply with the terms and conditions, if any, stipulated by other regulatory authorities in regard to issue of the PDI, provided they are not in conflict with the terms and conditions specified in these guidelines. Any instance of conflict shall be brought to the notice of the DoR of RBI for seeking confirmation of the eligibility of the instrument for inclusion in Tier-I capital.

2.11 Compliance with Reserve Requirements

The total amount raised by a UCB through the issue of PDI shall not be reckoned as liability for calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will not attract CRR / SLR requirements. However, the amount collected from members / prospective investors and pending issue of PDI, shall be reckoned as liability for the purpose of calculating the net demand and time liabilities and shall, accordingly, attract reserve requirements. Such amounts pending issue of PDI, shall not be reckoned for calculation of capital funds.

2.12 Reporting Requirements

UCBs issuing PDI shall submit a report to the concerned RO of DoS, RBI giving details of the amount raised, including the terms and conditions of issue together with a copy of the Prospectus / Offer Document, soon after the issue is completed.

2.13 Investments in PDI and Advances for Purchase of PDI

UCBs shall not grant any loan or advance to any person for purchasing their PDI or PDI of other banks. UCBs shall not invest in PDI issued by other banks (except when the PDI are issued as a part of revival plan of a UCB as mentioned in Para 1 above) and shall not grant advances against the security of PDI issued by them or other banks.

B. Long Term Subordinated Bonds (LTSB) eligible for inclusion in Lower Tier-II capital

UCBs are permitted to issue LTSB to their members, or any other person residing within their area of operation. The amounts raised through LTSB shall comply with the following terms and conditions to be eligible for inclusion in Lower Tier-II capital.

⁷ IPDI issued in terms of [circular no.UBD.PCB.Cir.No.39/09.16.900/08-09 on 'Financial restructuring of UCBs' dated January 23, 2009.](#)

2. Term of Issue

2.1 Eligibility

2.1.1 Banks fulfilling the following criteria as per their latest audited financial statements are permitted to issue LTSB without seeking specific permission of RBI in this regard:

- i. CRAR not less than 10%.
- ii. Gross NPA less than 7% and net NPA not more than 3%.
- iii. Net profit for at least three out of the preceding four years subject to the bank not having incurred net loss in the immediate preceding year.
- iv. No default in maintenance of CRR/SLR during the preceding year.
- v. The bank has at least two professional directors on its Board.
- vi. Core Banking Solution (CBS) fully implemented.
- vii. No monetary penalty has been imposed on the bank for violation of RBI directives / guidelines during the two financial years preceding the year in which the LTSB are being issued.

2.1.2 Prior permission of the RBI is required for banks which do not comply with the above criteria. The UCBs shall submit the application seeking permission, together with the Prospectus / Offer Document / Information Memorandum to the concerned Regional Office of the RBI. A certificate from a Chartered Accountant to the effect that the terms of the offer document are in compliance with these instructions shall also be submitted along with the application.

2.2 Limit

The amount of LTSB eligible to be reckoned as Tier-II capital shall be limited to 50 per cent of total Tier-I capital. The outstanding Long Term (Sub-ordinated) Deposits (LTDs) shall also be covered in the aforementioned ceiling of 50 per cent and reckoned for capital purposes as hitherto. These instruments, together with other components of Tier-II capital shall not exceed 100 per cent of Tier-I capital. The aforementioned limit shall be based on the amount of Tier-I capital after deduction of goodwill and other intangible assets, but before the deduction of equity investments in subsidiaries, if any.

2.3 Amount

The amount to be raised may be decided by the Board of Directors of banks.

2.4 Maturity

LTSB shall be issued with a minimum maturity of ten years.

2.5 Options

2.5.1 The LTSB shall not be issued with a 'put option' or 'step-up' option.

2.5.2 However, LTSB may be issued with a call option subject to following conditions:

- a) The call option on the instrument is permissible after the instrument has run for at least ten years; and
- b) Call option shall be exercised only with the prior approval of Department of Regulation (DoR), RBI. While considering the proposals received from banks for exercising the call option, the RBI would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

2.6 Classification in the Balance Sheet

These instruments will be classified as 'Borrowings' and shown separately in the Balance Sheet.

2.7 Interest Rate

LTSB may bear a fixed rate of interest or a floating rate of interest referenced to a market determined rupee interest benchmark rate.

2.8 Redemption / Repayment

Redemption / repayment at maturity shall be made only with the prior approval of the DoR, RBI.

2.9 Seniority of Claims

LTSB will be subordinated to the claims of depositors and other creditors but would rank senior to the claims of investors in instruments eligible for inclusion in Tier-I capital and holders of preference shares (both Tier I & Tier II). Among investors of instruments included in Lower Tier-II capital (i.e., including outstanding LTDs, if any), the claims shall rank *pari passu* with each other.

2.10 Progressive Discount

These Bonds shall be subjected to a progressive discount for capital adequacy purposes in the last five years of their tenor, as under:

Remaining Maturity of Instruments	Rate of Discount (%)
Less than one year	100
One year and more but less than two years	80
Two years and more but less than three years	60
Three years and more but less than four years	40
Four years and more but less than five years	20

2.11 Other conditions

2.11.1 LTSB shall be fully paid-up, unsecured, and free of any restrictive clauses.

2.11.2 UCBs shall also comply with the terms and conditions, if any, stipulated by other regulatory authorities in regard to issue of the LTSB, provided they are not in conflict with the terms and conditions specified in these guidelines. Any instance of conflict shall be brought to the notice of the DoR of RBI for seeking confirmation of the eligibility of the instrument for inclusion in Tier-II capital.

2.12 Reserve Requirement

The total amount raised through the issue of LTSB shall be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will attract CRR / SLR requirements. The amount collected by the UCB from members / prospective investors and held by it pending issue of LTSB, shall not be reckoned for calculation of capital funds.

2.13 Reporting Requirements

UCBs issuing LTSB shall submit a report to the concerned RO of DoS, RBI giving details of the amount raised, including the terms and conditions of issue together with a copy of Prospectus / Offer Document, soon after the issue is completed.

2.14 Investments in LTSB and advances for purchase of LTSB

UCBs shall not grant any loan or advance to any person for purchasing their LTSB or LTSB of other banks. UCBs shall not invest in LTSB issued by other banks nor shall they grant advances against the security of LTSB issued by them or other banks.

(Proforma for Returns)
Statement of Capital Funds, Risk Assets / Exposures and Risk Asset Ratio

1. Part A - Capital Fund and Risk Assets Ratio

(₹ in lakh)

I	Capital Funds		
A	Tier I Capital elements		
	(a) Paid-up Capital		
	Less : Intangible assets and losses		
	Net Paid-up Capital		
	(b) Reserves & Surplus		
	1. Statutory reserves		
	2. Capital reserves (see note below)		
	3. Other reserves		
	4. Surplus in Profit & Loss Account*		
	Total Reserves & Surplus		
	Total Capital Funds (a + b)		
Notes: Capital reserves representing surplus on sales of assets and held in a separate account will be included			
Revaluation reserves, general/floating provisions and specific provisions made for loan losses and other asset losses or diminution in the value of any assets will not be reckoned as Tier I capital funds.			
* In case of surplus in P & L Account [not allocated and yet to be approved by AGM] the following assumption may be made:			
(a) The current year's surplus may be nationally arrived at to the extent recommended by the BOD to be allocated among various reserves/funds and retained in business.			
(b) Where the BOD have not decided the distribution of the surplus, it may be notionally arrived at on the basis of last 3 years average.			
B	Tier II capital elements		
(i)	Undisclosed reserves		
(ii)	Revaluation reserves		
(iii)	General provisions and loss reserves #		
(iv)	Investment Fluctuation Reserves / Funds		
(v)	Hybrid debt capital instruments		
(vi)	Subordinated debts		
	Total		
	Total of I (A + B)		
# Includes General Provision on standard assets (subject to restrictions)			
II	Risk Assets		
(a)	Adjusted value of funded risk assets i.e. on Balance Sheet items (to tally with Part 'B')		
(b)	Adjusted value of non-funded and off-Balance		

	Sheet items (to tally with Part 'C')		
(c)	Total risk-weighted assets (a+b)		
III	Percentage of capital funds to risk-weighted assets I / II x 100		

2. Part B - Weighted Assets i.e. On-Balance Sheet Items

(₹ in lakh)			
	Book Value	Risk weight	Risk adjusted value
1	2	3	4
I. CASH & BANK BALANCES			
a) Cash in hand (including foreign currency notes)			
b) Balance with banks in India			
i) Balance with RBI			
ii) Balances with banks			
1. Current account (in India and outside India)			
2. Other accounts (in India and outside India)			
3. Current Account balances with other primary co-operative banks			
II. Money at Call and Short Notice			
III. INVESTMENTS			
a) Government and other approved Securities*			
b) Other (net of depreciation provided)			
IV. ADVANCES**			
Loans and advances, bills purchased and discounted and other credit facilities			
a) Claim guaranteed by Govt of India			
b) Claims guaranteed by State Govt			
c) Claims on public sector undertakings of Government of India			
d) Claims on PSUs of State Governments			
e) Others			
Notes: 1. Netting may be done only for advances collateralised by cash margins in deposits and in respect of assets where provisions for depreciation for bad and doubtful debts have been made.			
2. Equity investments in subsidiaries, intangible assets and losses deducted from Tier I capital should be assigned zero weight			
V. Premises (net of depreciation provided)			

VI. Furniture and fixtures (net of depreciation provided)			
VII. Other assets (including branch adjustments, non-banking assets, etc.)			
Total			
<i>* Provision, if any, made for depreciation in investments in Government and other approved securities may be indicated by way of a footnote. ** Provisions held, either general or specific, for bad and doubtful debts and standard assets may be indicated by way of footnote.</i>			

Part C - Weighed Non-funded Exposures / Off-Balance Sheet Items Each off-Balance Sheet item may be submitted in the format indicated below:

(₹ in Lakh)

Nature of Item	Book Value	Conversion Factor	Equivalent Value	Risk Weight	Adjusted Value

Note : *Netting may be done only for advances collateralised by cash margins or deposits and in respect of assets where provisions for depreciation or for bad and doubtful debts.*

Appendix

List of Circulars consolidated in the Master Circular

SI No.	Circular	Date	Subject
1	DOR.CAP.REC.92/09.18.201/2021-22	08.03.2022	Issue and regulation of share capital and securities - Primary (Urban) Co-operative Banks.
2	DCBR.BPD.(PCB/RCB)Cir.No.1/16.20.000/2018-19	06.07.2018	Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks – Spreading of MTM losses and creation of Investment Fluctuation Reserve (IFR) by Co-operative banks.
3	UBD.CO.BPD.PCB.Cir.No.67/09.50.001/2013-14	30.05.2014	Deferred Tax Liability on Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961 - UCBs.
4	UBD BPD(PCB) Cir No.45/13.05.000/2013-14	28.01.2014	Housing Sector: New Sub- Sector CRE-ResidentialHousing (CRE-RH) Segment within CRE Sector & Rationalisation of Provisioning and Risk Weight.
5	UBD. BPD PCB Cir No.37/09.22.010/2013-14	14.11.2013	Advances guaranteed by Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) – Risk Weights and Provisioning.
6	UBP BPD (SCB) Cir.No.4/16.20.000/2012-13	10.06.2013	Ready Forward Contracts inCorporate Debt Securities.
7	UBD.BPD.(PCB)Cir.No.42/09.11.600/2009-10	08.02.2010	Prudential guidelines on capital charge for market risks.
8	UBD.PCB.Cir.No.30/09.14.000/2008-09	16.12.2009	Prudential treatment of different types of provisions in respect of loan portfolios.
9	UBD.PCB.Cir.No.73/09.14.000/2008-09	29.06.2009	Prudential treatment of different types of provisions in respect of loan portfolios.
10	UBD.PCB.Cir.No.29/09.11.600/2008-09	01.12.2008	Review of Prudential Norms- Provision for Standard Assets & Risk weights for exposures to commercial real estate and NBFCs.
11	UBD.PCB.Cir.No.53/13.05.000/07-08	16.06.08	Claims secured by residential property - change in limits for risk weights.
12	UBD.PCB.Cir.No.31/09.11.600/07-08	29.01.08	Prudential Norms for Capital Adequacy - Risk Weight for Educational Loans.
13	UBD.PCB.CirNo.40/13.05.000/2006-07	04.05.07	Annual Policy Statement for the Year 2007-08 - residential housing loans-reduction of risk weight.
14	UBD(PCB).Cir.No.39/13.05.000	30.04.07	Annual Policy Statement for2007-08-Loans against Gold / silver ornaments-reduction of risk weight.
15	UBD(PCB).Cir.No.30/09.11.600/06-07	19.02.07	Third Quarter Review of the Annual Statement on Monetary Policy for the year 2006-07 - Provisioning requirement for Standard Assets.

SI No.	Circular	Date	Subject
16	UBD.BPD.Cir.No:7/09.29.000/2006-07	18.08.06	'When Issued' Transactions in Central Government Securities - Accounting and Related Aspects.
17	UBD.PCB.Cir.No.55/09.11.600/05-06	01.06.06	Annual Policy Statement for the Year 2006-07 - Risk weight on exposure to commercial real estate.
18	UBD.PCB).BPD.Cir.No.46/13.05.000/2005-06	19.04.06	Bills Discounted under LC - Risk Weight and Exposure Norms.
19	UBD.PCB.Cir.No.9/13.05.00/05-06	09.08.05	Risk Weight for Capital Market Exposure.
20	UBD.PCB.Cir.No.8/09.116.00/05-06	09.08.05	Prudential Norms on Capital Adequacy - Risk Weight on Housing Finance / commercial real estate exposures.
21	UBD.DS.Cir/No.44/13.05.00/04-05	15.04.05	Maximum Limit on Advances - Exposures to individuals / group of borrowers.
22	UBD.PCB.Cir.33/09.116.00/2004	05.01.05	Risk Weight on Housing Finance and Consumer Credit.
23	UBD.PCB.Cir.26/09.140.00/2004-05	01.11.04	Prudential Norms - State Government Guaranteed Exposures.
24	UBD.No.BPD.PCB.Cir.52/09.116.00/2003-04	15.06.04	Risk Weight for Exposure to Public Financial Institutions (PFIs).
25	UBD.No.BPD.PCB.Cir.37/13.05.00/03-04	16.03.04	Discounting / Rediscounting of Bills by Banks.
26	UBD.No.BPD.PCB.Cir.34/13.05.00/2003-04	11.02.04	Maximum Limit on Advances - Limits on Credit Exposure to Individual / Group of borrowers computation of capital funds.
27	UBD.No.POT.PCB.CIR.18/09.22.01/2002-03	30.09.02	Risk Weight on HousingFinance.
28	UBD.No.POT.PCB.Cir.No.45/09.116.00/2000	25.04.01	Application of Capital Adequacy Norms to Urban (Primary) Co-operativeBanks.