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RBI/2021-22/151 DOR.No.PRD.LRG.79/21.04.098/2021-22

January 06, 2022

Dear Sir/Madam,

Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards and Net Stable Funding ratio – Small Business Customers

Please refer to the following instructions:

- <u>Circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 09, 2014</u> on 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards';
- ii. <u>Circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018</u> on 'Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines';
- iii. <u>Circular DBR.No.BP.BC.80/21.06.201/2014-15 dated March 31, 2015</u> on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards – Amendments'; and,
- iv. <u>Circular DOR.No.BP.BC.23/21.06.201/2020-21 dated October 12, 2020</u> on 'Regulatory Retail Portfolio – Revised Limit for Risk Weight'.

2. With the objective to better align our guidelines with the BCBS standard and enable banks to manage liquidity risk more effectively, it has been decided to increase the threshold limit for deposits and other extensions of funds made by non-financial Small Business Customers from ₹ 5 crore to ₹ 7.5 crore for the purpose of maintenance of Liquidity Coverage Ratio (LCR).

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हिंदी आसान है इसका प्रयोग बढ़ाइए



3. The above modification is also applicable to deposits and other extensions of funds received from Small Business Customers referred to in the <u>circular</u> <u>DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018</u> on 'Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines'.

4. The revised paragraphs after incorporating the above changes in the relevant circulars is given in <u>Annex</u>.

Applicability

5. This circular is applicable to all Commercial Banks other than Regional Rural Banks, Local Area Banks and Payments Banks.

6. These instructions come into effect from the date of the circular.

Yours faithfully

(Usha Janakiraman) Chief General Manager

ANNEX

Sr.	Original RBI	Existing Text in RBI Circulars	Revised Text
No.	Reference Paragraphs		
1	Explanatory Note (v) to	(v) Small Business Customers: This	(v) Small Business Customers: This category
	BLR-1) of <u>circular</u>	category consists of deposits and other	consists of deposits and other extensions of
	DBOD.BP.BC.No.120/2	extensions of funds made by non-	funds made by non-financial small business
	1.04.098/2013-14 dated	financial small business customers, as	customers, as defined in para 5.9.3 (i) of <u>RBI</u>
	<u>June 09, 2014</u>	defined in para 5.9.3 (i) of <u>RBI Master</u>	Master Circular on Basel III Capital Regulations
	amended vide <u>circular</u>	Circular on Basel III Capital Regulations	dated July 1, 2015, that are managed as retail
	DBR.No.BP.BC.80/21.0	dated July 1, 2013, that are managed	exposures and are generally considered as
	6.201/2014-15 dated	as retail exposures and are generally	having similar liquidity risk characteristics to
	<u>March 31, 2015</u>	considered as having similar liquidity	retail accounts provided total aggregated
		risk characteristics to retail accounts	funding from any such Small Business
		provided total aggregated funding from	Customer is upto ₹ 7.5 crore (on a consolidated
		any such Small Business Customer is	basis where applicable).
		upto Rs.5 crore (on a consolidated	"Aggregated funding" means the gross amount
		basis where applicable).	(i.e. not netting any form of credit extended to
		"Aggregated funding" means the gross	the legal entity) of all forms of funding (e.g.
		amount (i.e. not netting any form of	deposits or debt securities or similar derivative
		credit extended to the legal entity) of all	exposure for which the counterparty is known to
		forms of funding (e.g. deposits or debt	be a small business customer). Notwithstanding
		securities or similar derivative exposure	the definition of small business customer as
		for which the counterparty is known to	defined in para 5.9.3 (i) of <u>RBI Master Circular</u>
		be a small business customer).	on Basel III Capital Regulations dated July 1,
		Notwithstanding the definition of small	2015, a bank may include a deposit in this
		business customer as defined in para	category provided that the total aggregate
		5.9.3 (i) of <u>RBI Master Circular on Basel</u>	funding raised from the customer is upto ₹ 7.5
		III Capital Regulations dated July 1,	crore (on an aggregate basis where applicable)
		<u>2013</u> , a bank may include a deposit in	and the deposit is managed as a retail deposit.
		this category provided that the total	This means that the bank treats such deposits
		aggregate funding raised from the	in its internal risk management systems

		customer is upto Rs.5 crore (on an aggregate basis where applicable) and the deposit is managed as a retail deposit. This means that the bank treats such deposits in its internal risk management systems consistently over time and in the same manner as other retail deposits, and that the deposits are not individually managed in a way comparable to larger corporate deposits.	consistently over time and in the same manner as other retail deposits, and that the deposits are not individually managed in a way comparable to larger corporate deposits.
2	Paragraph 7.4 of our <u>circular</u>	Liabilities receiving a 90% ASF factor comprise "less stable" (as defined in the	Liabilities receiving a 90% ASF factor comprise "less stable" (as defined in the 'Explanatory
	DBR.BP.BC.No.106/21.		Notes' to BLR-1 in <u>Circular on LCR dated June</u>
	04.098/2017-18 dated	· · · · · · · · · · · · · · · · · · ·	<u>9, 2014</u>) non-maturity (demand) deposits and/or
	May 17, 2018 on Net		term deposits with residual maturities of less
	Stable Funding Ratio	deposits with residual maturities of less than one year provided by retail and	than one year provided by retail and small business customers as defined in the
		small business customers as defined in	'Explanatory Note' to BLR-1 of Circular dated
		the 'Explanatory Note' to BLR-1 of	June 9, 2014 and modified vide circulars
		Circular dated June 9, 2014 and	DBR.No.BP.BC.80/21.06.201/2014-15 dated
		modified vide circular dated March 31,	March 31, 2015 and DOR.No.PRD.LRG.
		<u>2015</u> .	79/21.04.098/2021-22 dated January 06, 2022