

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1122  
ANSWERED ON:05.08.2011  
COMPREHENSIVE CAPITAL PLANNING IN BANKS  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has asked the Public Sector Banks (PSBs) to undertake a comprehensive capital planning exercise;
- (b) if so, the details thereof;
- (c) whether the PSBs have expressed certain reservation to undertake the said planning exercise; and
- (d) if so, the details thereof?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): Reserve Bank of India (RBI) has issued guidelines to Scheduled Commercial Banks on Basel II capital requirements and these banks have already implemented the basic approaches under Basel II. RBI has also listed a road map for implementation of Advanced Approaches under Basel II. Basel II guidelines provide for Total Capital Adequacy Ratio (CAR) of 8%, of which a minimum of 50% must be Tier I capital. RBI has mandated a minimum CAR of 9%, with minimum Tier I capital of 6%.

Government of India, in order to keep the Public Sector Banks (PSBs) well capitalized, has decided to maintain a minimum CAR of 12% for PSBs, of which at least 8% should be Tier I capital. This is also required to prepare the PSBs for Basel III which envisages improving the quality, consistency, risk coverage and transparency of capital and these are supplemented by non risk based leverage ratio improvement and global liquidity standards.