

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5090  
ANSWERED ON:24.04.2015  
BANKS EXPOSURE LIMIT  
Joshi Shri Chandra Prakash

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has implemented / proposed to implement the recommendation of the Basel Committee on Banking Supervision (BCBS) which emphasised the need for banks to measure and limit the size of large exposures in relation to their capital;
- (b) if so, the details thereof and the present status of implementation;
- (c) whether there is any plan to limit exposure of a bank to a business group to 25% of its capital, down from the existing level of 55% with an aim to reduce risk in the banking sector; and
- (d) if so, the details thereof?

**Answer**

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a) to (b): Reserve Bank of India (RBI) has implemented the Basel III recommendations. These norms stipulate higher level of capital to support given level of risk weighted assets.

The norms have been implemented with effect from 1st April, 2013 and will be fully effective by 31st March, 2019. The prescribed requirements are:-

Minimum Capital ratio	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Minimum Common Equity Tier 1 (CET 1)	4.5	5	5.5	5.5	5.5	5.5	5.5
Capital conservation buffer (CCB)	-	-	0.625	1.25	1.875	2.5	-
Minimum CET1+CCB	4.5	5	5.5	6.125	6.75	7.375	8
Minimum Tier 1 capital	6	6.5	7	7	7	7	7
Minimum Total capital#	9	9	9	9	9	9	9
Minimum Total Capital +CCB	9	9	9	9.625	10.25	10.875	11.5

(c) & (d): RBI has informed that the Discussion Paper on "Large Exposures Framework and Enhancing Credit Supply through Market Mechanism" has been issued by the RBI on March 27, 2015 which is available on RBI's website: [www.rbi.org.in](http://www.rbi.org.in).

The salient features of the proposed Large Exposure (LE) Framework include:

# Large Exposure (LE) limit in respect of each counterparty, which includes a group of connected counterparties, will be capped at 25% of the eligible capital base.

# The eligible capital base will be defined as the Tier 1 capital of the bank as against 'Capital Funds' at present.

# A group of connected counterparties will be identified on the basis of 'control' as well as 'economic interdependence' criteria as against only 'control' criteria under extant RBI exposure norms.

# The proposed LE framework will be fully applicable from January 1, 2019.