



## RCAP jurisdictional assessments: self-reporting monitoring template for RCAP follow-up actions

Jurisdiction: India

Status as of: 31 December 2017

With reference to RCAP report(s): Assessment of Basel III regulations and LCR regulations – India (June 2015)

### Part A<sup>1</sup>

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
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<sup>1</sup> To be completed only for those findings where action has been taken or initiated. Any plans for addressing other findings may be indicated in Part B.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to liquidity coverage ratio standards (RCAP-LCR)

Table B

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
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## Part B

RBI had rectified majority of the findings raised during the process of RCAP assessment itself. All other findings were assessed as non-material and hence, no further action was warranted.

One of the observations of RCAP capital report was the use of word "may" in India's regulatory documents. RCAP team had appreciated that despite the use of word "may", regulations are considered as binding by regulated entities, However, RCAP capital report had suggested that use of word "must" in line with international practice. RBI has decided that future regulations would consider this aspect and regulatory prescriptions would use the word "shall" appropriately in place of "May".

Regarding RCAP – Liquidity, presently apart from maintaining LCR at 80%, the banks have to maintain the Statutory Liquidity Requirement (SLR) of 19.5% of the Net Demand and Time Liabilities. In addition, RBI has progressively reduced SLR by 200 bps since January 2016.

RBI has softened the impact of dual liquidity measures of SLR and LCR by introducing the concept of 'Facility to Avail Liquidity for Liquidity Coverage Ratio' (FALLCR) and 'Marginal Standing Facility' (MSF). While the MSF continues to be 2 per cent of NDTL, the FALLCR has been progressively increased by 500 bps since February 2016 and presently stands at 13 per cent.