



भारतीय रिजर्व बैंक
RESERVE BANK OF INDIA

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DOR.No.BP.BC.23/21.06.201/2020-21

October 12, 2020

All Scheduled Commercial Banks
(Including Small Finance Banks,
Excluding Local Area Banks and Regional Rural Banks)

Dear Sir/Madam,

Regulatory Retail Portfolio – Revised Limit for Risk Weight

Please refer to paragraph 5 of the [Statement on Developmental and Regulatory Policies dated October 9, 2020](#) on the limit for regulatory retail portfolio.

2. In terms of para 5.9 on “Claims included in the Regulatory Retail Portfolios” of the [Master circular No.DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](#) on Basel III Capital Regulations, claims (including both fund-based and non-fund based) that meet all the four criteria listed in paragraph 5.9.3 of the above Master Circular may be considered as retail claims for regulatory capital purposes and included in a regulatory retail portfolio. Claims included in this portfolio shall be assigned a risk-weight of 75 per cent, except as provided in paragraph 5.12 of above Master Circular for non-performing assets. ‘Low value of individual exposures’ is one of the four qualifying criteria which prescribed that the maximum aggregated retail exposure to one counterparty shall not exceed the absolute threshold limit of ₹ 5 crore.

विनियमन विभाग, केंद्रीय कार्यालय, केंद्रीय कार्यालय भवन, 12वीं/ 13वीं मंजिल, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400001
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हिंदी आसान है, इसका प्रयोग बढ़ाइए

3. In order to reduce the cost of credit for this segment consisting of individuals and small businesses (i.e. with turnover of upto ₹ 50 crore), and also to harmonise with the Basel guidelines, it has been decided that the above threshold limit of ₹ 5 crore for aggregated retail exposure to a counterparty shall stand increased to ₹ 7.5 crore from the date of this circular. The risk weight of 75 per cent will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks upto the revised limit of ₹ 7.5 crore. The other exposures shall continue to attract the normal risk weights as per the extant guidelines. Illustrations are given in the [Annex](#).

4. All other instructions applicable in terms of the [Master Circular dated July 1, 2015](#) remain unchanged

Yours faithfully,

(Prakash Baliarsingh)
Chief General Manager

Illustrations of revised instructions on Regulatory Retail

Scenario 1 : As on October 12, 2020, a bank has an exposure of ₹ 4 crore to borrower A which qualifies for classification as 'regulatory retail' in terms of Paragraph 5.9 of the [Master Circular – Basel III Capital Regulations – DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](#). Accordingly, it attracts 75% risk weight.

If the bank takes an additional exposure to borrower A upto ₹ 7.5 crore and which continues to satisfy all other eligibility criteria of para 5.9 of the above-mentioned circular, the entire revised exposure shall qualify for classification as 'regulatory retail' and attract 75% risk weight.

Scenario 2 : As on October 12, 2020, a bank has an exposure of ₹ 6 crore to borrower B. After October 12, 2020, if the bank takes an additional exposure to borrower B, upto ₹ 7.5 crore and which otherwise satisfies all other eligibility criteria of para 5.9 of the above-mentioned circular, the entire revised exposure shall qualify for classification as 'regulatory retail' and attract 75% risk weight. However, if no additional exposure is taken after October 12, 2020, then the existing exposure shall continue to attract risk weight as applicable earlier. The illustrations are tabulated below.

Borrower		A		B	
Scenarios		1	2	3	4
A	Existing Exposure (in ₹ crore) as on October 12, 2020	4.0	4.0	6.0	6.0
B	Existing risk weight	75%	75%	100%	100%
C	Additional exposure taken on or after October 12, 2020 (in ₹ crore)	0	1.5	0	1.5
D	Total exposure on or after October 12, 2020 (in ₹ crore)	4.0	5.5	6	7.5
E	Applicable risk weight on D	75%	75%	100%	75%