All Scheduled Commercial Banks (Excluding Regional Rural Banks), Small Finance Banks

Dear Sir / Madam,

**Risk Weights for exposures to NBFCs**

Please refer to para 5.8 and para 5.13.5 of the *Master Circular on Basel III Capital Regulation dated July 1, 2015*. At present claims on rated as well as unrated Non-deposit Taking Systemically Important Non-Banking Financial Companies (NBFC-ND-SI), other than Asset Finance Companies (AFCs), Non-Banking Financial Companies – Infrastructure Finance Companies (NBFCs-IFC), and Non-banking Financial Companies – Infrastructure Development Funds (NBFCs-IDF), have to be uniformly risk weighted at 100%. Exposures to AFCs, NBFCs – IFC, NBFCs – IDF and other NBFCs which are not NBFC-ND-SI, are risk weighted as per the ratings assigned by the rating agencies accredited by the Reserve Bank of India.

2. As indicated in the *Statement on Developmental and Regulatory Policies dated February 07, 2019*, it has been decided that exposures to all NBFCs, excluding Core Investment Companies (CICs), will be risk weighted as per the ratings assigned by the rating agencies registered with SEBI and accredited by the Reserve Bank of India, in a manner similar to that of corporates as prescribed under para 5.8.1 of the *Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015* on Basel III Capital Regulations read with Circular DBR.No.BP.BC.6/21.06.001/2016-17 dated August 25, 2016 on “Review of Prudential Norms –Risk Weights for Exposures to Corporates, AFCs and NBFC-IFCs” and Mailbox Clarification dated December 29, 2017. Exposures to CICs, rated as well as unrated, will continue to be risk-weighted at 100%.

Yours faithfully,

(Saurav Sinha)
Chief General Manager-in-Charge
4. Risk Weights for rated exposures to Non-Banking Financial Companies (NBFCs)

Under extant guidelines on Basel III Capital Regulations, exposures/claims of banks on rated as well as unrated Non-deposit Taking Systemically Important Non-Banking Financial Companies (NBFC-ND-SIs), other than Asset Finance Companies (AFCs), Non-Banking Financial Companies – Infrastructure Finance Companies (NBFCs-IFC) and Non-Banking Financial Companies – Infrastructure Development Fund (NBFCs-IDF), have to be uniformly risk-weighted at 100%. With a view to facilitating flow of credit to well-rated NBFCs, it has now been decided that rated exposures of banks to all NBFCs, excluding Core Investment Companies (CICs), would be risk-weighted as per the ratings assigned by the accredited rating agencies, in a manner similar to that for corporates. Exposures to CICs will continue to be risk-weighted at 100%. Guidelines in this regard will be issued by the end of February 2019.