UPCB CAPITAL MANAGEMENT POLICY

Version 1.0

UPCB Capital Management policy

1. Introduction

Capital of the Bank, serves as the foundation that enables to navigate through economic cycles, absorb shocks, and pursue growth opportunities. The Capital Management Policy is born out of this necessity, demonstrating our strong commitment to ensuring sufficient capital, adhering to regulations, and protecting the interests of our stakeholders. The Capital to Risk weighted Assets Ratio (CRAR) framework was introduced for Rural Cooperative Banks in the year 2007. The fundamental objective of RBI, behind introducing Capital to Risk Weighted Asset Ratio (CRAR) framework was to strengthen the soundness and stability of the rural co-operative banks

2. OBJECTIVE OF CAPITAL MANAGEMENT POLICY

a) To ensure sufficient capital is maintained to meet all regularity requirements and needs of bank

b) To ensure that the interest of banks depositors and stakeholders are protected.

c) To support the bank's growth and strategic objectives

3. Definition of Capital Fund

The Capital Funds can be segregated into two broad groups/tiers - Tier I and Tier II. While Tier I Capital, otherwise known as core capital, provides the most permanent and readily available support to a bank against unexpected losses, the Tier II capital consists elements that are less readily available. StCBs are advised to maintain a **mandated minimum CRAR of 9% with effect from March 31, 2017.**

1. Tier I Capital/Core Capital

Tier I Capital would include the following items:

a. **Paid up share capital collected from regular members of a bank having voting powers.**

b. **Free Reserves**

c. **Capital Reserve representing surplus arising out of sale proceeds of assets.**

d. **Any surplus (net) in profit and loss account** i.e. balances after appropriation towards dividend payable, education fund, other funds whose utilization is defined and asset loss, if any, etc.

Note: Amount of intangible assets, losses in current year and those brought forward from previous periods, d ficit in NPA provisions, income wrongly recognized on non-performing assets, provision required for liability devolved on bank etc., will be deducted from Tier I Capital.

2. Tier II Capital

3.2.1 Undisclosed Reserves

These often have characteristics similar to equity and disclosed reserves. They have the capacity to absorb unexpected losses and can be included in capital, if they represent accumulation of profits and not encumbered by any known liability and should not be routinely used for absorbing normal loss or operating losses.

3.2.2. Revaluation Reserves

These reserves often serve as a cushion against unexpected losses, but they are less permanent in nature and cannot be considered as 'Core Capital'. Revaluation reserves arise from revaluation of assets that are undervalued on the bank's books. The typical examples in this regard are bank premises and marketable securities. The extent to which the revaluation reserves can be relied upon as a cushion for unexpected losses depends mainly upon the level of certainty that can be placed on estimates of the market values of the relevant assets, the subsequent deterioration in values under difficult market conditions or in a forced sale, potential for actual liquidation of those values, tax consequences of revaluation, etc. Therefore, it would be prudent to consider revaluation reserves at a discount of 55 percent when determining their value for inclusion in Tier II capital i.e. only 45% of revaluation reserve is available for inclusion in Tier II capital. Such reserves will have to be reflected on the face of the Balance Sheet as revaluation reserves.

3.2.3. General Provisions and Loss Reserves

These will include such provisions of general nature appearing in the books of the bank which are not attributed to any identified potential loss or a diminution in value of an asset or a known liability. Adequate care must be taken to ensure that sufficient provisions have been made to meet all known losses and foreseeable potential losses before considering any amount of general provision as part of Tier II capital as indicated above. To illustrate, excess provision in respect of Bad and Doubtful Debt, general provision for Standard Assets etc. could be considered for inclusion under this category. Such provisions which are considered for inclusion in Tier II capital will be admitted up to 1.25% of total weighted risk assets.

3.2.4. Investment Fluctuation Reserve

Balance, if any, in Investment Fluctuation Reserve of bank.

Note: It may be noted that the total of Tier II elements will be limited to a maximum of 100 percent of total Tier I elements for the purpose of compliance with the norms.

4.Risk Adjusted Assets and Off-Balance Sheet Items

Risk adjusted assets would mean weighted aggregate of funded and non-funded items. Degrees of credit risk expressed as percentage weightings have been assigned to Balance Sheet assets and conversion factors to off-Balance Sheet items. The value of each asset/item shall be multiplied by the relevant weights to produce risk-adjusted values of assets and of off-Balance Sheet items. The aggregate will be taken into account for reckoning the minimum capital ratio. The weights allotted to each of the items of assets and off-Balance Sheet items are furnished in the **Annexure "I"** as per RBI Circular No. RPCD.RCB.BC. No.37/07.51.012/2014-15, Dated October 29, 2014.

***Capital to Risk-weighted Assets Ratio (CRAR) or Capital Adequacy Ratio (CAR)** is the ratio of a bank's capital in relation to its risk weighted assets. StCBs are advised to maintain a **mandated minimum CRAR of 9% with effect from March 31, 2017. Bank will comply the RBI capital adequacy norms including CRAR** .

5.Leverage Ratio

The leverage ratio was introduced into the Basel III framework as a non-risk- based backstop limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Tier 1 capital divided by Total Assets. Leverage Ratio of 4.5% or higher is considered good

6.Authorized Capital of the Bank

(1) The Bank shall have an indefinite number of shares. The value of each share shall be Rs-100.00 (One hundred rupees only). These shares shall be purchased by the State government and the members of the Society. The application for purchasing a share shall be accompanied by the payment of the value of the share.

(2). The Board of Directors shall issue such capital of shares of the Bank as it may deem fit from time to time as may be subscribed.

(3) Every member other than a nominal member shall have to subscribe for at least one share.

(4) The full value of the shares shall be paid for the shares.

7. Paid-up Capital of the Bank

Paid up Capital of the Bank is the issued capital which meets the criteria for classification as common shares for regulatory purposes as per Bank's Bye Laws. The membership of the Bank is open to: -

a. Apex Co-operative Societies
b. Central Banks
C. State Government shall, purchase at least one fully paid-up share of the bank and such additional shares as the Bank may permit it to purchase.

The Bank may receive from the State Government up to 25% of share capital. This capital shall receive the same dividend as may be paid to other shareholders unless otherwise agreed between the Bank and the State Government.

The Bank will not issue shares to individual entities. However, in case of individual borrower, nominal Membership is charged at the time of the sanction of the loan. This membership is normally valid up to 3 years. But if a nominal member remains indebted to the Bank in his personal capacity or as a surety and guarantor of any person at the expiration of the period of which he was made a member, he shall be deemed to be continue to be a nominal member until that the loan given by the Bank against his security or guarantee has not fully repaid. The amount of membership fee obtained by the Individual borrowers will be transferred to Statutory Reserve at the end of each financial year which ultimately becomes the part of Tier 1 Capital.

In order to augment the Share Capital, the Bank has linked its loans to member cooperative societies with their shareholding as per the directions of Registrar Cooperative Societies U.P. The ratio for linking of shareholding to borrowings by Cooperative societies is 1:20

8. Admission of members or Share holders

Members shall be admitted by the Board of Directors/Executive Committee of the Bank on payment of full value of shares/shares as prescribed in the bye-laws or Bank's Policy on Capital Management.

9. Acceptance of Shares

An application for membership shall be deemed to have become a member as soon as on allotment of share has been made to him on the basis of his application for membership.

10. When right of membership to be exercised

A. Every applicant before admitted to the membership of the Bank shall sign a declaration that he will be bound by the existing Bye-laws of the Bank and by any modification, addition to such Bye-laws that may be legally affected during the period of this membership.

   A member, who is already a member by reason of having submitted the application for registration, shall be required to sign such declaration within one month of the registration with the Bank.

B. No applicant shall exercise any rights of membership until he has signed the declaration referred to above and has paid the application money i.e. the Admission Fee plus the full value of share/shares.

11. Maximum and Minimum shares to be held by member

A. Every member other than State Govt. shall hold at least one fully paid-up share of the Bank to exercise the right of membership and such additional shares as the Bank may permit it to purchase.

B. The Bank may receive from the Govt. of Uttar Pradesh share capital up to 25%. This capital shall receive the same dividend as may be paid to other shareholders unless otherwise agreed between the Bank and the State Govt.

12. Bank's lien on shares and other interests

The Bank shall have the first and paramount lien upon all the shares and dividends of any member for all moneys due or payable to the Bank from him from time to time. The shares of any member who may be indebted to the Bank may by order of the Board be sold to satisfy the Bank's lien thereon and transferred in the name of the purchase without any consent and not withstanding any oppositions on the part of the indebted member. Such transfer shall be signed on behalf of the Bank by the Managing Director/General Manager or any other officer authorized by him in this behalf.

13. Mode of payment of share money

The full value of share/shares shall be deposited with the application in share account maintained with Head Office (CBS).

14.Transfer of Shares

14.1) Transfer of shares register

The Bank shall keep a register "Register of transfer of shares" and enter therein all particular of every transfer of the share in the Bank.

2)Transfer and withdrawal of shares held by Co-operative Societies

1. Share held by a Co-operative Society in the Bank shall not be transferable unless directed by the Registrar, Cooperative Societies as per the Bye Laws of the Bank.

2. Shares held by the Co-operative Societies are not withdrawable except when the society is dissolved unless otherwise directed by the Registrar, Co-operative Societies.

3)Instrument of transfer of shares

Every instrument of transfer of shares shall be executed jointly by the transferor and the transferee and the transferor shall be deemed to remain the holder of such shares until the name of transferee is approved by the Board of Directors and the name of transferee is entered in the Register of share transfers.

4)Refusal to register transfer of shares by the Board

The Board may decline/refuse to register any transfer of shares without giving any reason and in particular if the transferor is indebted to the Bank.

5)Evidence of such transfers

The entry in the share transfer register shall be conclusive evidence of the approval by the Board of the transferee being admitted as a member of the Bank.

15. Forfeiture of Shares

1)Notice about the forfeiture and renewal of forfeited shares

If any member fails to pay any money due from him in respect of any share on the last day fixed for payment, the Board may, at any time thereafter give a notice to such member requiring payment thereof with interest from the specify, the day and place on and at which the same is to be paid and also that in the event of non-payment thereof at the appointed time or place the share or shares in respect of which the same is would be liable to be forfeited, with all payment made thereon and the rights of membership attaching to these shares shall be extinct. The shares so forfeited may within three months from the date of the notice of forfeiture shares so forfeited may within three months from the date of the notice of forfeiture be renewed on payment of all arrears and a renewal fee of Re. 1/- per share. The amount so forfeited after the expiry of the renewal period of 3 months specified above shall be credited to the Reserve fund.

2)Certificate of forfeiture

A certificate signed by the Managing Director and a member of the Board to the effect that the forfeiture of shares was made by a resolution of the Board shall be conclusive evidence of the fact stated therein.

3)Forfeited Share be sold, re-allotted or otherwise disposed

Every share which is declared forfeited by the Board shall thereupon be the property of the Bank and may, at any time, thereafter be sold, re-allotted or otherwise disposed of up on such terms and in such manner as the Board shall think fit.

4)Liability of members of forfeiture of shares

Any member whose share has been forfeited shall, notwithstanding the forfeiture, be liable to pay the Bank all money owing upon the shares at the time of forfeiture and all expenses incurred by the Bank relating to the forfeiture of the shares.

5)Forfeiture to be remitted

Forfeiture may at the discretion of the Board be remitted before the forfeited share is re-sold, re-allotted or otherwise dealt with as aforesaid on payment of monies owned thereon to the Bank within the prescribed time.

16.The bank will follow ICAAP and Risk management framework.

17. The profit allocation will be done as per U.P. cooperative society Act-1965. The bank will create Corporate Social Responsibility (CSR) fund from @ 1% of Its net profit.

18.Dividend policy

The Bank's dividend objective is to maintain steady dividends in light of profitability, regulatory requirements, growth opportunities and the operating environment. The declaration of dividends is made with the approval of the Board by appropriation of Net profit, which will take into account the following:

i.The statutory and regulatory restrictions on dividend payment if any.
ii.Dividend should not exceed @9% per annum on the paid-up value of each share.
iii.No unpaid dividend shall bear interest.
iv.A member who is in default in respect of any share installment due from him, shall not be entitled to Dividend on the paid-up amount of his shares.

18.Supervisory Action Framework - Self-Initiatives for Turn Around (SAF-SITA) for Rural Cooperative Banks (RCBs)

With the introduction of supervisory rating model for Cooperative Banks on CAMELSC pattern, at present supervisory action is initiated based on the findings of Statutory Inspections conducted by NABARD and periodic monitoring through returns submitted by RCBs. As the Bank is on CBS platform and the information about the working of the bank are available on real time basis, the bank can take corrective steps without waiting for supervisor to point out.

When the SAF-SITA triggers, viz., the CRAR falls below 9% or there is deterioration in asset quality or decline in profit or liquidity constraints, the management of the bank shall identify causes for such deterioration and take necessary corrective measures, on their own, with a view to improving the financial position of the bank. Such self-corrective action should be prompt as any delay could be detrimental to the interest of depositors and other stakeholders of the Bank. The corrective action should include measures for augmenting capital, close monitoring of NPAs and their recovery, mobilization of low-cost deposits, curtailing of expenditure, etc., depending upon the nature of the deficiency. The bank should prepare a time bound action plan for improvement in its functioning and removing the identified deficiencies with the approval of the Board, which shall also monitor the progress in implementation of the said action plan in every Board meeting.
Accordingly, a framework focusing on the need to prevent deterioration in the financial position by adopting timely self-corrective action by Rural Cooperative Banks has been developed. To initiate such self-corrective action, NABARD has prepared trigger points on four parameters, as mentioned hereunder:

UPCB Capital Management policy

Parameter	Capital Adequacy	Suggested Corrective Action for Bank
Trigger Points (TP-I)	(i)CRAR less than 9% but equal to or more than 6%	a) Submit Board approved monitorable Action Plan for capital restoration to NABARD, Regional Office concerned including the following: 1. Restriction on expansion of risk weighted assets; 2. Not to declare or pay dividend without prior approval of NABARD, Regional office concerned; 3. Not to make donations without prior approval of NABARD, Regional Office concerned. b)Bank to submit Quarterly Progress Reports (QPRs) on the action plan, duly approved by Board, to NABARD, Regional Office concerned.

Trigger Points (TP-II)	(ii)CRAR less than6%But equal to or more than 3%	a. In addition to the self- corrective actions indicated at I (i), 1. To review Asset Portfolio (Risk Weight) and revise its credit / investment strategy and controls; 2. Restrict the operating expenses to the maximum of 75% of operating expenditure as on 31 March of the previous year; 3. Discussion in High Level Committee (HLC) meetings for improvement in the working
Trigger Points (TP-III)	(iii) CRAR less than3%	a) In addition to the self- corrective actions indicated at I (ii), 1. Not to incur, without prior approval of NABARD, capital expenditure in excess of 0.5% of Fixed Assets of the bank as on 31 March of the previous financial year.

UPCB Capital Management policy

Sl. No.	Parameters	Trigger Points (TP-I)	Trigger Points (TP-II)
II	**Asset Quality (NNPA)**	**(i) Net NPAs of 12% or above but less than17%**	**(ii)Net NPAs of17% and above**
	Suggested Corrective Action for RCBs	a. Submit Board approved Monitor able Action Plan for reduction of net NPAs to less than 5%, to NABARD, Regional Office concerned including the following: 1. Not to declare or pay dividend without prior approval of NABARD, Regional office concerned; 2. Not to make donations without prior approval of NABARD, Regional Office concerned; 3. Review loan and recovery policies, strengthen follow-up mechanism including loan review mechanism for large loans; 4. Upgrade credit due diligence process and systems 5.Initiate/expedite legal action on recovery of NPAs; 6.Expedite action for recovery of dues from Societies under liquidation;	a. In addition to the self-corrective actions indicated at II (i), 1. Contain sanction/fresh disbursal of credit facilities to sectors / segments having high proportion of NPAs / defaults; 2. Explore implementing board approved non-discriminatory and non - discretionary OTS/write off with due approvals; 3. Restrict the Operating expenses to the maximum of75% of operating expenditure as on31 March of the previous year; 4. Not to incur, without prior approval of NABARD, capital expenditure in excess of0.5%ofFixedAssets of the bank as on31 March of the previous financial year;

UPCB Capital Management policy

Sl. No.	Parameters	Trigger Points (TP-I)	Trigger Points (TP-II)
		8. Expedite action for disposal of non- banking assets; 9. Review prudent credit risk management framework / policies / process / procedures / prudential limit (b)Bank to submit Quarterly Progress Reports (QPRs) on the action plan, duly approved by Board, to NABARD, Regional Office concerned Discretionary Action: Bank will not enter in to newlines of business	Discussion in High Level

Sl. No.	**Parameters**	**Trigger Point**
III	**Asset Quality (GNPA)**	**(i)Gross NPAs of more than 25%**
		Submit Board approved Monitorable Action Plan for reduction of gross NPAs to less than 25%, to NABARD, Regional Office concerned including the following: 1. Review loan and recovery policies, strengthen follow- up mechanism; 2. Investigation for identification of the causes and fixing responsibility for the large advances becoming NPA/ malpractices/ fraud, if any. 3. Bank to identify sectors/ activities with high NPAs and mount a recovery drive. 4. Conduct of portfolio study by NABARD and communicate specific action points to the bank. 5. Quarterly review of action taken by the bank on the recommendations of portfolio study and action plan, by NABARD. 6. Restrictions on sanction/ renewal of loans to specific activities/ sectors where high NPAs observed. 7. Restriction on mobilization of deposits. 8. Restricting the bank from making grants/donations 9. Restricting the bank from declaring/ paying dividend 10. Restricting the bank from incurring capital expenditure. 11. NABARD to request Cooperation Department to conduct investigation into the activities, specific to large NPAs, of the bank. 12. Discussion in High Level Committee (HLC) meetings for improvement in the recovery

UPCB Capital Management policy

I V	**Profitability**	**i)Incurred losses during last 2 consecutive years**	**ii) Incurred losses during last 3 or more consecutive years**
	Suggested Corrective Action for RCBs	a) Submit Board approved Monitorable Action Plan to NABARD, Regional Office concerned including the following: 1. Not to declare or pay dividend without prior approval of NABARD, Regional office concerned; 2. Not to make donations without prior approval of NABARD, Regional Office concerned; 3. Review loan and recovery policies, strengthen follow-up mechanism including loan review mechanism for large loans to reduce NPAs and contain generation of fresh NPAs; 4. To desist from mobilizing/ renewing high-cost deposit; 5. Increase proportion of CASA deposits; 6. Increase income from non-fund business; 7. Restrict the operating expenses to the maximum of 75%of the operating expenditure as on 31 March of the previous year b) Bank to submit Quarterly Progress Reports (QPRs) on the action plan, duly approved by Board, to NABARD, Regional Office concerned Discretionary Action: Bank will not enter in to new lines of business	a) In addition to the self-corrective actions indicated at IV(i), 1. Restriction on Capital Expenditure to the extent of 0.5%ofFixed Assets as on 31 March of previous year; 2. Restrict operating expenses to the maximum of 50% of the operating expenditure as on 31 March of previous year

Annexure "I"

Prudential Norms - Risk Weights for Computation of CRAR (StCBs/CCBs)

I. Domestic Operations

A. Funded Risk Assets

		Items of Assets	Risk weight
I		**Balances**	
	1	Cash (including foreign currency notes) & balances with RBI	0
	2	Balances in current account with other banks	20
II		**Investments**	
	1	Investments in Government Securities	2.5
	2	Investment in other approved securities guaranteed by Central Government / State Governments	2.5
	3	Investments in other securities where payment of interest and repayment of principal are guaranteed by Central Govt. (include investment in Indira / Kisan Vikas Patras (IVP/KVP) and investments in bonds and debentures where payment of interest and repayment of principal is guaranteed by Central Government / State Governments)	2.5
	4	Investments in other securities where payment of interest and repayment of principal are guaranteed by State Governments **Note:** Investment in securities where payment of interest or repayment of principal is guaranteed by State Government and which has become a non-performing investment, will attract 102.5 percentage risk weight	2.5
	5	Investments in other approved securities where payment of interest and repayment of principal are not guaranteed by Central / State Governments.	22.5
	6	Investments in government guaranteed securities of government undertakings which do not form part of the approved market borrowing program	22.5
	7	Claims on commercial banks, District Central Cooperative Banks and State Cooperative Banks, such as fixed deposits, certificates of deposits, money at call and short notice, etc.	22.5
	8	Investments in bonds issued by All India Public Financial Institutions	102.5

UPCB Capital Management policy

		Items of Assets	Risk weight
	9	Investments in bonds issued by Public Financial Institutions (PFIs) for their Tier-II Capital	102.5
	10	All other investments **Note:** Intangible assets and losses deducted from Tier I capital should be assigned zero weight	102.5
	11	Off-balance sheet (net) position in 'When Issued' securities, scrip-wise	2.5
II I	**Loans and advances including bills purchased and discounted and other credit facilities**		
	1	Loans and advances guaranteed by Government of India	0
	2	Loans guaranteed by State Governments	0
	3	State Government guaranteed advance which has become a non performing asset	100
	4	Loans granted to Public Sector Undertakings (PSUs) of Government of India	100
	5	Loans granted to PSUs of State Governments	100
	6	Housing Loans Loans to individuals (fully secured by mortgage of residential properties) up to Rs 30 lakh a. LTV ratio is equal to or less than 75% b. LTV ratio is more than 75%	 50 100
		(ii) Housing – others	100
		* LTV ratio should be computed as a percentage of total outstanding in the account (viz. "principal + accrued interest + other charges pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the bank in the denominator	
	7	Consumer credit including Personal loan	125
	8	Loans up to Rs. 1 lakh against gold and silver ornaments Note: Where the loan amount exceeds Rs. 1 lakh, the entire loan amount has to be assigned the risk weight applicable for the purpose for which the loan has been sanctioned.	50
	9	All other loans and advances including Education loa	100

		Items of Assets	Risk weight
	10	Loans extended against primary / collateral security of shares / Debentures	125
	11	Leased assets	100
	12	Advances covered by DICGC / ECGC **Note:** The risk weight of 50% should be limited to the amount guaranteed and not the entire outstanding balance in the accounts. In other words, the outstanding in excess of the amount guaranteed, will carry 100% risk weight.	50
	13	Advances against term deposits, Life policies, NSCs, IVPs and KVPs where adequate margin is available	0
	14	Loans and advances granted by State/Central cooperative banks to their own staff, which are fully covered by superannuation benefits and mortgage of flat/house	20
		Notes: While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, banks may 'net-off' against the total outstanding exposure of the borrower –	
		(a) advances collateralized by cash margins or deposits;	
		(b) credit balances in current or other accounts of the borrower which are not earmarked for specific purposes and free from any lien;	
		(c) in respect of any assets where provisions for depreciation or for bad debts have been made;	
		(d) claims received from DICGC / ECGC and kept in a separate a/c pending adjustment in case these are not adjusted against the dues outstanding in the respective a/cs;	
		(e) Subsidies received under various schemes and kept in a separate account	
IV	**Other Assets**		
	1	Premises, furniture and fixtures	100
	2	Interest due on Government securities	0

3	Accrued interest on CRR balances maintained with RBI and claims on RBI on account of Government transactions (net of claims of government / RBI on banks on account of such transactions)	0
4	Interest receivable on staff loans	20
5	Interest receivable from banks	20

		Items of Assets	**Risk weight**
	6	All other assets	100
V	**Market Risk on Open Position**		
	1	Market risk on foreign exchange open position (Applicable to Authorized Dealers only)	100
	2	Market risk on open gold position	100

B. Off-Balance Sheet Items

The credit risk exposure attached to off-Balance Sheet items has to be first calculated by multiplying the face amount of each of the off-Balance Sheet items by 'credit conversion factors' as indicated in the table below. This will then have to be again multiplied by the weights attributable to the relevant counter- party as specified above.

Sl. No	**Instrument s**	**Credit Conversion Factor (%)**
1	Direct credit substitutes e.g. general guarantees of indebtedness (including stand L/Cs serving as financial guarantees for loans and securities) and acceptances (including endorsements with character of acceptance)	100
2	Certain transaction-related contingent items (e.g. performance bonds, bid bonds, warranties and standby L/Cs related to particular transactions)	50
3	Short-term self-liquidating trade-related contingencies (such as documentary credits collateralized by the underlying shipments)	20
4	Sale and repurchase agreement and asset sales with recourse, where the credit risk remains with the bank.	100

5	Forward asset purchase, forward deposit and partly paid shares and securities, which represent commitments with certain draw down	100
6	Note issuance facilities and revolving underwriting facilities	50
7	Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of over one year	50
8	Similar commitments with an original maturity up to one year, or which can be unconditionally cancelled at any time	0
9	(i) Guarantees issued by banks against the counter guarantees of other banks	20
	(ii) Rediscounting of documentary bills accepted by banks (Bills discounted by banks which have been accepted by another bank will be treated as a funded claim on a bank)	20
	Note: In these cases, banks should be fully satisfied that the risk exposure is, in fact, on the other bank. Bills purchased / discounted / Negotiated under LC (where the payment to the beneficiary is not made 'under reserve') will be treated as an exposure on the LC issuing bank and not on the borrower. All clean negotiations as indicated above, will be assigned the risk weight normally applicable to inter-bank exposures, for capital adequacy purposes. In the case of negotiations 'under reserve' the exposure should be treated as on the borrower and risk weight assigned accordingly.	
10	Aggregate outstanding foreign exchange contracts of original maturity –	
	(a) less than 14 calendar days	0
	(b) more than 14 days but less than one year	2
	(c) for each additional year or part thereof	3
	Notes:	
	While calculating the aggregate of funded and non- funded exposure of a borrower for the purpose of assignment of risk weight, bank may 'net-off' against the total outstanding exposure of the borrower credit balances in current or other accounts which are not earmarked for specific purposes and free from any lien. After applying the conversion factor as indicated above, the adjusted off-balance sheet value shall again be multiplied by the weight attributable to the relevant counter-party as specified.	