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Financial

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Impact of COVID 19 on RBI regulatory submissions

Indicative changes in regulatory reports



Regulatory Submissions to portray the impact of RBI measures

As part of the regulatory and supervisory functions bestowed on it, the RBI collects data in the form of reports from respective regulated entities including Banks, NBFCs, Authorized Dealers, and other Financial Institutions with submission frequencies across different periods.

These reports showcase the various facets of the institution including but not limited to Asset-Liability profile, Exposure to various sectors/industries/entities, Foreign exchange vulnerability and trade finance operations. More importantly, some of these reports act as an input to Ministry of Finance to measure the implementation impact of the various finance schemes formed by the government for specific classes and/or scenarios.

Extension of submission timelines

Taking cognizance of hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, various departments of RBI have issued instructions delaying the submission deadline for multiple reports being submitted to them by the respective banks.

For example, the timelines for submission of the returns to Department of Supervision and Department of Statistics and Information Management was extended by a period of one week to one month depending on the existing reporting frequency.

Change in existing logic & Consideration of New facilities

As indicated in our previous version, the measures announced by the Central Bank are bound to impact the values being reported by banks in the respective reports. Banks need to be wary of the impact of these measures and accordingly consider them while performing respective submissions.

For example,

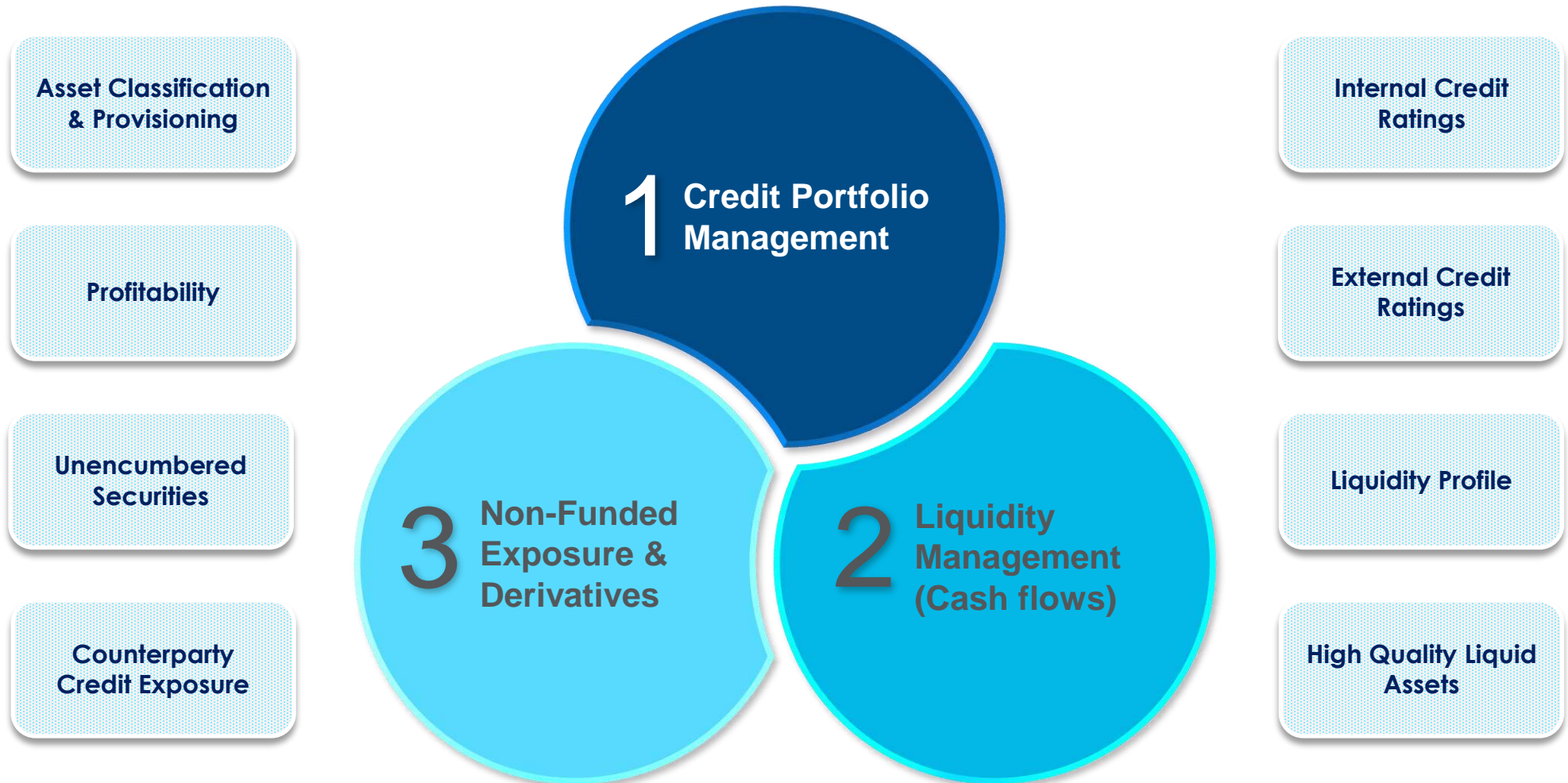
- a. Three month moratorium will impact the way assets are classified into Performing and Non-Performing categories
- b. Introduction of TLTRO facility may potentially impact the depiction of Borrowings/Liabilities, Liquidity Profile and calculation of Unencumbered securities

Three Primary Areas that we foresee to be impacted by these measures are:

1. Credit Portfolio Management
2. Liquidity Management (Cash Flows)
3. Non-Funded Exposure & Derivatives



Regulatory Reporting – Primary Functional Areas Impacted



Credit Portfolio Management



Performing Assets shielded from being downgraded

Asset Classification & Provisioning

RBI has permitted the banks to provide option to customers to opt in for three month moratorium. High level changes that may be required to ensure compliance of the same are enlisted below for respective class of assets

▪ Performing Assets

• Asset Classification

Zero default accounts: All accounts with Zero days default (i.e. DPD = 0) and outstanding as on March 1, 2020 to be considered as Zero default until May 31, 2020 and considered as Standard with no Overdue even without any repayments through the period i.e. even when the actual Days Past Due > 0

Overdue Accounts: All accounts with Days past Due greater than zero and less than 90 to be immune from further downgrade. All accounts classified as SMA0, SMA1, SMA2 as on March 1, 2020 to be classified as the same until May 31, 2020 even without any repayments through the period i.e. even when the actual DPD goes beyond 90

• Provisioning

In respect of accounts in default but standard where provisions of above scenarios are applicable, and asset classification benefit is extended, banks are expected to make general provisions of not less than 10% of the total outstanding of such accounts, to be phased over two quarters as under:

- (i) Quarter ended March 31, 2020 – not less than 5%
- (ii) Quarter ending June 30, 2020 – not less than 5%

These provisions are not be reckoned for arriving at net NPAs till they are adjusted against the actual provisioning requirements.

▪ Non-Performing Assets

Provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, are expected to continue in the usual manner

Indicative List of Impacted Returns: RAQ, ALE, RBS1, LR, IRS, CRILC, RLC, ROR

Asset Quality and Provisioning requirements need to be evaluated

Return on Asset Quality (RAQ) contains asset classification and provisioning for the advances and investment portfolio of the banks. This statement also contains sector wise granular break up of credit and investment portfolio. It is primarily characterised to track Asset Quality Movement over the financial year.

SECTION - 1 Portfolio Analysis (By delinquency in Interest Payment) *					
Period of Delinquency	Loans and Advances (Non-banks)				Total Loan Assets
	Term Loans	Cash Credits, Overdrafts and Demand Loans	Bills Purchased and Discounted	Loans and Advances to Banks	
i) Current					0.00
ii) Overdue [ii.a + ii.b]	0.00	0.00	0.00	0.00	0.00
ii.a) Loans and Advances where 90 day norms is applicable as per IRAC	0.00	0.00	0.00	0.00	0.00
ii.a.1 Overdue less than 30 days					0.00
ii.a.2 Overdue for 30 to 60 days					0.00
ii.a.3 Overdue for 60 to 90 days					0.00
ii.b) Loans and Advances where 90 day norms is NOT applicable as per IRAC					0.00
A. PERFORMING (i + ii)	0.00	0.00	0.00	0.00	0.00
iii) Substandard					0.00
iv) Doubtful					0.00
v) Loss					0.00
B. NON-PERFORMING (iii + iv + v)	0.00	0.00	0.00	0.00	0.00
C. Total (A + B)	0.00	0.00	0.00	0.00	0.00

Section 4: Change in Asset Quality Profile and Recoveries of NPAs					
Part-A: Movement in Loans and Advances during the Period (April to Date)					
Movement from	(Domestic Operations)				
	Standard	Sub-standard	Doubtful	Loss	
(a)	(b)	(c)	(d)	(e)	
From Standard					
From Sub-standard					
From Doubtful					
From Loss					
Total Upgrade/Downgrade	0.00	0.00	0.00	0.00	0.00
A. Loans and Advances Disbursed during April to Date					
B. Current Outstanding Balance of Loans and Advances					
C. Provisions Required on Current Balance (Estimate)					
D. Provisions Held					
E. Excess/Deficit in Provisions Held (C-D)	0.00	0.00	0.00	0.00	0.00

3-month Moratorium

- Classification of Accounts of Customers opting for this facility will require direction from RBI for sections reporting Standard (Current & Overdue) accounts.
- Two levels of Classification are expected to be impacted in this return because of the guideline
 - Level 1 – Performing / Non-Performing
 - Level 2 – Performing (Current) / Performing (Overdue)
- We can expect logic change/introduction of new line item accordingly in respective sections of the return.

Provisioning requirements*

- As desired, Provisions not less than 10% of the total outstanding need to be accounted for the above identified accounts over the two upcoming quarters.
- This will entail consideration of logic change in line items reporting Provision required for Standard Accounts.
- In addition, these provisions are expected not to be netted with Gross Advances, however, to be reported separately as appropriate

*Similar impact is envisaged in Asset Liability and off-Balance Sheet Exposures (ALE) as well

Credit Information in CRILC may have to be revisited

Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC) captures credit information of borrowers having aggregate funded and non-funded exposure of ₹5 crore & above. It identifies a borrower basis PAN number with information including Credit Rating, Asset Classification, Write-Off and Exposure.

Section A - Exposure to Large Individual Borrowers (Global Operations)

Info of the Bank	No. Loans
Regulator (Capital or previous Month)	
Capital (Equity)	
Note: The ratio of published capital adequacy	

Section 1 - Exposure to Large Borrowers (Global Operations, L1, Domestic Operations and/or O)

Sl. No.	Borrower Name*	Industry Code*	Industry Name*	Sector code	Banking Arrangement	Lead Bank Name*	Internal Rating	External Rating
1								
Total								

Section 1 - Exposure to Large Borrowers (Global Operations, L1, Domestic Operations and/or O)

Sl. No.	IFIN Number*	Borrower/Customer Name*	EB	CRN	Date of RPA Classification	Date from which Restructuring Scheme becomes effective, if any of the borrower's restructuring (DD/MM/YYYY)	Special Mention Accounts(SMA)*	Date of SMA Classification	Foreign Exchange Contracts	Interest Rate Revisions (and FX Interest Rate Derivatives)	Other Non-Funded Outstanding	
A	B	C	D	E	F	G	T	U	AV	AT	AW	
1												
Total										0.00	1.00	0

Asset Classification*

- Accounts opting for 3-month moratorium and Standard as on March 1, 2020 are expected NOT to be downgraded to NPA until May 31, 2020 while reporting to RBI

SMA Classification of Overdue Accounts

- 3-month moratorium may infuse a change in the classification logic of Standard Overdue accounts into SMA0, SMA1 and SMA2
- This needs to be taken into consideration while reporting the respective Outstanding and Exposure amounts in CRILC

Credit Ratings*

- As per the guidelines, the rescheduling of payments will not qualify as a default for the purposes of supervisory reporting.
- Accordingly, Internal and External ratings need to be carefully reviewed against those Customers/Accounts opting for moratorium facility
- Also, banks are expected to ensure the same while reporting to Credit Information Companies (CICs) thus avoiding impact on credit history of the respective customers

*Similar impact is envisaged in RLC (Return on Large Credits) as well

Reporting of Rating Wise Advances & Credit Card business in RBS

Risk Based Supervision (RBS) return captures information on Rating wise distribution of standard advances, Rating distribution of non-SLR investments, Sale of loans and securitization, Credit card business carried out by the bank or through its subsidiaries, Disbursements and outstanding housing finance and Details of infrastructure finance

Section 1 - Distribution of Standard Advances- Rating-wise								
Sr. No.	Internal Rating	Type of the Facility	Number of Accounts	Amt of Advances	Rate of Interest (ROI) Charged			Number of Accounts
					Min	Max	Weighted Avg ROI	
1		Bills Purchase and Discounts						
		Term Loan						
		Cash Credit, Overdraft, Working Capital, Demand Loan, etc.,						
Note: Select the green cell above to add row(s) from IFile Menu -> 'Add Row Below' option. In case of no data, leave the row blank								
A1	Unrated Advances (Advances where Rating was required)	Bills Purchase and Discounts						
		Term Loan						
		Cash Credit, Overdraft, Working Capital, Demand Loan, etc.,						
A2	Advances where Rating is not required	Bills Purchase and Discounts						
		Term Loan						
		Cash Credit, Overdraft, Working Capital, Demand Loan, etc.,						
A3	Total Standard Advances	Bills Purchase and Discounts	0.00	0.00	0.00%	0.00%	0.00%	0.00
		Term Loan						

Section 4 - Details of the Credit Card Business carried by the Bank or through its Subsidiaries							
Total Number of Card Holders						0.00	0.00
Total Limit Sanctioned						0.00	0.00
Total Unavailed Limits						0.00	0.00
Classification of Gross Amount Outstanding as per Asset Classification Norms							
Standard						0.00	0.00
Substandard						0.00	0.00
Doubtful						0.00	0.00
Loss						0.00	0.00
Total						0.00	0.00
Provisions Held							
Standard						0.00	0.00
Substandard						0.00	0.00
Doubtful						0.00	0.00
Loss						0.00	0.00
Total						0.00	0.00
Amount Written Offs (during April to Date)							
Substandard						0.00	0.00
Doubtful						0.00	0.00
Loss						0.00	0.00
Total						0.00	0.00

Internal Ratings

- Internal Ratings are used by banks for Credit decision and Pricing. RBS considers reporting of Rating-wise aggregate position as Standard Advances in a separate section
- As per guidelines from RBI, accounts opting for moratorium facility should not be classified as default on account of delayed repayments. Accordingly, Internal Ratings need to be carefully reviewed before reporting
- 'Hurdle Rate' being arrived basis underlying rated advances may have to be accordingly adjusted while reporting

Credit Card Business

- Based on the clarification by RBI, moratorium facility will be extended to Credit Card holders as well
- Accordingly, revised asset classification and provisioning norms for those credit cards not classified as NPA as on February 29, 2020 need to be considered specifically while reporting to RBI
- RBS return captures the related information on Credit cards in a separate section viz. 'Details of the Credit Card Business carried by the Bank or through its Subsidiaries'

Refunds, Increased Provisioning, Reduced Income to impact Profitability

Report on Operating Results (ROR) primarily considers reporting of Profit & Loss statement containing granular break up of interest income and interest expenses

Section-A: EARNINGS BEFORE PROVISIONS & TAXES			
X. Fee Income (Commission, Exchange and Brokerage)	0.00	0.00	
X.1 LCs			
X.2 BGS			
X.3 Derivative Contracts			
X.4 Other OBS Operations			
X.5 Others			
XI Profit/(loss) on Forex Operations			
XII Profit/(loss) on Securities Trading			
XIII Income from Off-balance Sheet Operations (Excluding Fee Income)	0.00	0.00	
XIII.1 Profit/Loss from Derivatives Contracts (net)			
XIII.2 Others			
XIV Income from Parabanking Activities	0.00	0.00	
XIV.1 Issue/Renewal of Credit/Debit Cards			
XIV.2 Income from Selling of Insurance Products			
XIV.3 Income from Selling of Mutual Fund Products			
XIV.4 Income from other Parabanking Activities			
XV Dividend Income from Subsidiaries/JVs/Associates			
XVI Penal Charges			
XVII Miscellaneous Income	0.00	0.00	
XVIII.1 Revenue from Written-off Accounts			

Section-B: NET PROFIT & RETAINED EARNINGS			
B Risk Provisions	0.00	0.00	0.00
B.1 For Standard Advances			
B.2 For Restructured Standard Advances			
B.3 For Country Risk			
B.4 For Non-Performing Loans & Advances	0.00	0.00	0.00
B.4.1 Provisions made out of EBPT (A)			
B.4.2 Provisions taken back from the Provisions made earlier (including for upgradations and write-offs)			
B.5 For Depreciation in Securities and Investments			
B.6 For Other Impaired Assets			
B.7 For Contingent Credit Exposures			
B.8 For Other Losses			
C Write Offs	0.00	0.00	0.00
C.1 Bad and doubtful debts	0.00	0.00	0.00
C.1.1 Amount of W/O out of EBPT (A)			
C.1.2 Amount of W/O out of the Provisions made earlier			
C.2 Other assets			
D Provisions For Liabilities			
E Profit/Loss Before Tax (PBT) [A - B - C - D]	0.00	0.00	0.00
F Provision For Income Taxes			

Reduction in Interest and Non-Interest Income

- Accounts opting for moratorium will not be charged any Penal Interest as per the guidelines
- Reduced Interest rates with sluggish demand may impact the Interest Income in absolute terms in the medium term
- Non-Interest Income (which accounts for approximately 15-20% of the Total Income) of the Banks is expected to be impacted owing to waiver of penalties and reduced transaction volumes
- It is expected that RBI may introduce a line/Memo Item to capture the refunds that Bank had to process owing to moratorium option in ROR

Provisions to impact Net Profit & Retained Earnings, Reserves & Surplus*

- Although classified as Standard, higher provisioning for accounts opting for moratorium will in turn impact reporting of Net Profit & Retained earnings
- Incorporation of guidelines for such accounts in ROR is expected to be considered while reporting to RBI

*Similar impact is envisaged in Asset Liability and off-Balance Sheet Exposures (ALE) as well

SLF-MF not to be reckoned for ANBC to compute PSL targets

Quarterly Statement on Priority Sector Advances and Sectoral Deployment of Credit is used by the Central Bank to monitor Priority Sector Lending Utilization and targets depicting the disbursements and Outstanding of the defined period (Quarter)

Quarterly Statement on Priority Sector Advances and Sectoral Deployment of Credit
Name of the bank _____
For the quarter ended _____

[Number of Accounts in absolute terms and Amount in ₹ thousands]

Net Bank Credit (NBC) as on the corresponding date of the preceding year	
Credit Equivalent of Off Balance sheet Exposures (CEOBE) as on the corresponding date of the preceding year	
Advances against incremental FCNR (B) / NRE deposits	
Bonds/debentures in non-SLR categories under HTM category + other investments eligible to be treated as priority sector + Outstanding Deposits under RIDF and other eligible funds with NABARD, NHB, SIDBI and MUDRA Ltd. on account on priority sector shortfall + Outstanding PSLs as on corresponding date of the preceding year	
Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable housing as per circular DBOD BP/BC.No.25/08.12.014/2014-15 dated July 15, 2014	
Effective ANBC for computation of PSL targets	0.00

Sl. No	Categories	Disbursements during the Quarter		Outstanding at the end of the Quarter		
		No. of A/c	Amount disbursed	No. of A/c	No. of beneficiaries	Balance Dis
1	Priority Sector (I+II+III+IV+V+VI+VII+VIII+IX)	0	0.00	0	0	0.00
I	Agriculture (IA+IB+IC+ID)	0	0.00	0	0	0.00
IA	Farm Credit (i) + (ii) + (iii) + (iv) + \$	0	0.00	0	0	0.00
V	Other Non-Priority Sector Loans					
4	Total Loans (1+3)	0	0.00	0	0	0.00
Sector wise achievements:		Effective ANBC	Total Outstanding	% Achievement		
1	Overall PSL	0.00	0.00	100/100		
2	Agriculture	0.00	0.00	100/100		
3	Small and Marginal Farmers	0.00	0.00	100/100		
4	Non - Corporate Farmers	0.00	0.00	100/100		
5	Micro Enterprises	0.00	0.00	100/100		
6	Weaker Sections	0.00	0.00	100/100		

Calculation of Adjusted Non-food Bank Credit (ANBC)

- ANBC is calculated as Maximum of
 - Net Bank Credit – Advances Against Incremental FCNR(B)/NRE deposits + **Bonds/debentures in non-SLR categories under HTM category** + other investments eligible to be treated as priority sector - Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable housing
 - (CEOBE) as on the corresponding date of the preceding year
- Since securities acquired under the Special Liquidity Facility for Mutual Funds (SLF-MF) and kept in the HTM category are not be reckoned for computation of ANBC, the above formula may undergo a change to exclude the face value of the securities under SLF-MF
- Regulatory benefits announced under the SLF-MF scheme will be extended to all banks, irrespective of whether they avail funding from RBI or deploy their own resources
- Accordingly, we may expect rephrasing of existing lines/guidelines or addition of a new line for reporting **Quarterly PSA** report
- A **Weekly statement** containing consolidated information on entity-wise and instrument-wise loans and advances extended or investment made to eligible entities is desired by RBI to claim the benefits mentioned above

*Similar impact is envisaged in all PSL related returns

Liquidity Management

Prominent Liquidity measures for Banks to balance cash flows

Cash Flows (Liquidity)

▪ Liquidity Profile

• Three month moratorium facility to customers

Three month moratorium offered by the banks will delay the repayments of the respective advances. The **repayment schedule** and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by three months.

• Targeted Long Term Repo Operations (TLTRO)

To ensure appropriate Liquidity balance, RBI has provided relief to banks by offering **long-term repos** (aggregate value ₹1,50,000 crore) of up to three years tenor at the prevailing repo rate

• Reduction in major policy repo rates (CRR: 3% of NDTL; Repo: 4.40%; Reverse Repo: 3.75%; MSF & Bank Rate: 4.65%)

With Reduction in Repo and more significant reduction in Reverse Repo rates, RBI is clearly encouraging Banks to utilize the funds for increasing lending to customers rather than parking it with RBI.

In addition, **reduction in other policy rates** such as CRR, MSF and Bank rate will help banks meet their short term liquidity requirements.

Banks will be able to offer loans at cheaper Interest rate, targeting adequate cash flow across the Fis.

The above changes will have to be considered while portraying the **liquidity profile** of the bank.

▪ Liquidity Coverage Ratio

- To accommodate the burden on Banks' cash flows, Banks' are permitted to maintain LCR as below

April 17, 2020 to September 30, 2020	80%
Oct 1, 2020 to March 31, 2021	90%
April 1, 2021 onwards	100%

- Increasing the Overnight Marginal Standing Facility (MSF) borrowing limit for banks from 2% to 3% with along with the above measures will ensure stock of High Quality Liquid Assets, thus maintaining the **LCR** for the bank

Indicative List of Impacted Returns: ALE, LR, IRS, CRILC, RLC, BLR1, BLR3, RAQ, Form A, Form VIII

Potential increase in Liquidity Gap need to be attentively observed

The Liquidity return (LR) includes maturity (residual/behavioral) profile of various components of on / off-balance sheet items based on assumptions

Item	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1 Investments (including those under repos but excluding Reverse Repos)							
2 Advances Performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 Bills Purchased and Discounted (including bills under DUFA)							
4 Cash Credits, Overdrafts and Loans Repayable on Demand							
5 Other Liabilities & Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6 Total Assets	0.00						
7 Total Liabilities							
8 Liquidity Gap							

Report on Interest Rate Sensitivity (IRS) captures the banks exposure to the interest rate risk

Item	0.00	0.00	0.00
1 Advances Performing			
2 Bills Purchased and Discounted (including bills under DUFA)			
3 Cash Credits, Overdrafts and Loans Repayable on Demand			
4 Total Assets	0.00	0.00	0.00
5 Total Liabilities			
6 Liquidity Gap			

Borrowings via targeted long-term repos*

Additional logic/new line item may be introduced in Outflows to consider reporting of the captioned instrument/borrowing mechanism.

Investments made under TLTRO*

Investments depicted under Inflows will also have to consider reporting of Investments made under TLTRO

Repayment schedule for Advances opting for Moratorium*

Respective change will entail realignment of expected cash flows. Accordingly, logic will have to be incorporated to depict appropriate Liquidity Profile of the respective accounts

Statement on Interest Rate Sensitivity depicts two techniques of Interest Rate Risk measurement viz;

- TGA (Traditional Gap Analysis)
- DGA (Duration Gap Analysis)

Both the techniques will be impacted in a similar manner as that of Liquidity Return, however, **DGA** involves consideration of **Modified Duration** calculated basis Yield and Coupon of the underlying Instruments.

Investments under the TLTRO facility classified as HTM, will primarily be similar tenure (3 year) **Gsecs**. Increased demand for these securities will in turn **reduce the Yield** driving the short-term market rates to lower values

Reduced CRR requirement to release liquidity across banking system

Form A return is used for ascertaining the maintenance of CRR and for calculating of penalty in case of shortfall. It is also used for compilation of monetary aggregates

The image shows a screenshot of the 'Consolidated Form A - Main' form. It is a table with multiple columns and rows. The top row is labeled 'Outstanding' and 'Consolidated Form A - Main'. Below this, there are sections for 'I. INVESTMENTS IN APPROVED SECURITIES' and 'II. INVESTMENTS IN NON-APPROVED SECURITIES'. The form includes various sub-sections like '1.1 Short Term', '1.2 Long Term', 'II.1 Commercial Paper', 'II.2 Units of UTI and other mutual funds', 'II.3 Shares Issued by', 'II.3.1 Public Sector Undertakings', 'II.3.2 Private Sector Undertakings', and 'II.3.3 Public Financial Institutions'. The form is marked with 'All Figures are in 000s (INR)' and 'Adhocreport'.

Reduction in CRR requirement by 100 basis points to 3% of NDTL
 This reduction would release liquidity in proportion to liabilities of constituents rather than in relation to holdings of excess SLR. From a reporting perspective, this measure will entail change in parameter value for calculation of Total CRR and Average CRR requirement for the short term (up to June 26, 2020)

Investments under HTM portfolio opted under TLTRO facility may be asked to be reported based on their respective categorization as a separate line item or will have to be reported under an existing line item in Form A

Form VIII: Statement of demand and time liabilities & unencumbered approved securities for ascertaining maintenance of SLR and levy of penalty for default

The image shows a screenshot of the 'Form VIII Main' form. It is a table with columns for 'Date of fortnight', 'Demand and time liabilities required to be maintained', 'Cash balances & loans maintained with RBI', 'Excess/shortfall of SLR', and 'Penalty in default'. Below the table, there are sections for 'VII. Net liabilities for the purposes of section 18 and 20 of the Banking Regulation Act, 1949', 'VIII. Minimum amount of cash reserve required to be maintained under section 18 of the Banking Regulation Act, 1949', 'IX. Excess of SLR over VIII', and 'X. Minimum amount of assets required to be maintained under section 24 of the Banking Regulation Act, 1949'. The form is marked with 'Adhocreport'.

Average CRR calculation will undergo a change, thus impacting reporting of Form VIII and its related annexures

Average Excess Cash Balance because of reduced CRR
 Average excess cash balance maintained with RBI over statutory requirement may undergo change, thus impacting the excess/shortfall of SLR requirement depicted in Form VIII

Maintenance and Calculation of Daily CRR/Daily SLR may be impacted in account of reduced requirement of **minimum daily CRR balance maintenance from 90% to 80%** in the short term (up to June 26, 2020)

Reduced LCR requirement, Improved HQLA facilitate Short term Liquidity

Statement on Liquidity Coverage Ratio (BLR1) level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar daytime

Statement of available unencumbered assets (BLR- 3) captures the details of available unencumbered assets that could serve as collateral for secured borrowing in secondary markets and/or borrowing from RBI

BLR 1 Statement on Liquidity Coverage Ratio (LCR)					
I		III		IV	
II		IV		V	
Panel I		Level 2A Assets		V (Total)	
1	High Quality Liquid Assets ("HQLA")	11	Marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel II Standardized Approach for credit risk and provided that they are not issued by a bank/financial institution/NBFC or any of its affiliated entities. (Issue-wise details to be provided under memo item no.2)	80%	0
Level 1 Assets					
1	Cash in hand				
2	Excess RBI balance				
3	Government securities in excess of minimum requirement				
4	Government securities within the mandatory requirement, to the extent allowed by RBI and (priority to the extent of 2 per cent of NDTL is allowed for MSF)	12	Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency.	80%	0
5	Marketable securities issued or guaranteed by sovereigns (except 1% risk weight under Basel Standardized Approach (country-wise details provided under memo item no.1))	13	Commercial Papers not issued by a bank/ FD/financial institution or any of its affiliated entities, which have a short term rating equivalent to the long term rating of AA- or above by an Eligible Credit Rating Agency.	80%	0
6	Facility to Avail Liquidity for Liquidity Coverage	14	Total Level 2A Assets (11+12+13)		0
		15	Add market value of repo-eligible Level 2A securities placed as collateral under a repo transaction undertaken for up to (and including) 30 days.	10%	0

Statement of available unencumbered assets that are marketable as collateral in secondary markets and/or eligible for central bank's standing facility				
Currency	Type of Asset	Location	Value (Amount in million)	Estimated/Actual Losses (in per cent)
INR	Government Securities			
INR	Corporate Bonds			
INR	Commercial Papers			
INR	Repo-eligible Level 2A Securities			
INR	Other			
INR	Total			

Reduction in CRR requirement will impact the **Excess CRR balance**. Increasing the Overnight Marginal Standing Facility (MSF) borrowing limit for banks from 2% to 3% will entail **change in the respective line item for consideration of HQLA**, thus facilitating increased liquidity

Liquidity availed under the **TLTRO scheme** by banks is expected to be deployed in investment grade corporate bonds, commercial paper, and nonconvertible debentures.. Though advised by RBI to classify the securities **under HTM category**, **Bank may decide to classify them under AFS/HFT** at the time of acquisition, however, it will not be allowed to shift to HTM category later. Accordingly, this may have to be considered for reporting in the **Level 2 assets under HQLA**

Calculation of Unencumbered Assets/Securities*

Primarily, Unencumbered Assets calculation may be impacted on account of Investments made under TLTRO facility availed by the respective bank.

These specific securities will have to be accordingly earmarked and as borrowed under TLTRO scheme, thus ensuring appropriate consideration and reporting of Unencumbered securities

* Will also have to be considered while reporting in Form VIII, Daily SLR and BLR1

Non-Funded Exposure & Derivatives



Measures pertaining to Non-Funded Exposure and Derivatives

Non-Funded Exposure & Derivatives

- **Exposures under TLTRO scheme**

Exposures under the TLTRO scheme are not expected to be reckoned with the Large Exposure Framework. This, in effect may impact the consideration for Capital Requirements pertaining to eligible capital base for the purpose of LEF.

- **Permission to banks to Deal in Offshore Non-Deliverable Rupee Derivative Markets (Offshore NDF Rupee Market) from June 1, 2020**

- **Notional & MTM reporting**

RBI aims to remove segmentation between the onshore and offshore markets and improve efficiency of price discovery.

This guideline may entail inclusion of a new line item across multiple ADF reports reporting Derivatives related information at the respective granularity.

- **Total Exposure**

- **Exposure Norms**

Exposure norms may have to be relooked at to consider inclusion of the above two measures as a part of Non-Funded/Derivative Exposure, thus impacting the Total Exposure at Counterparty/Customer level.

Indicative List of Impacted Returns: ALE, LR, IRS, CRILC, RLC, RAQ, FTD

Non-deliverable derivatives permitted to contain volatility in Indian Rupee

Report on Asset Liability and Off-Balance Sheet Exposures (ALE) contains the granular breakup of Assets and liability items along with details regarding off balance sheet and derivative exposures

Report on Large Credits (RLC) captures all individual borrowers (excluding banks), all borrower groups having exposure above specific threshold of bank's capital. Also, it captures exposure to Top 20 banks.

Section 2: OBS Exposures

No.	Name of the Bank / Co.	Notional	Current Credit	Potential Future	Notional paid due	Actual Credit	Restructured
Section 2: OBS Exposures							
		Notional Principal Total	Current Credit Exposure (Positive MTM value)	Potential Future Exposure	Negative MTM value	PVBP/MTM/ Delta/CV/ (Discounted) Liab	
Part D(1) Derivatives - from Risk Perspective (Domestic Operations)							
B) Forward Interest Contracts							
B1) Futures							
B2) Currency Futures							
B3) Interest rate Futures							
B4) Options							
C) Corporate and others - Top ten Counterparties *							
Currency (foreign purchase/sell)							
Currency (foreign options)							
BVI Forward Rate Agreements							
FX Swaps - Currency							
Cross currency interest rate swaps (Non-investing purpose)							
FX - IRB interest rate swaps							
FX Swaps - Interest Rate							
Single currency interest rate swaps							

Section C - Top Twenty Exposures to Banks

Sr. No.	Counterparty Bank Name*	Counterparty Bank Details*	(Amount in Rs. Lakh)			TE as % of Capital Funds	Total Bank Name*	Internal Rating	External Rating
			Funded Exposure	Non-Funded Exposure	Total Exposure (TE)				
1			0.00	0.00	0.00	0.000%			
2			0.00	0.00	0.00	0.000%			
3			0.00	0.00	0.00	0.000%			
4			0.00	0.00	0.00	0.000%			
5			0.00	0.00	0.00	0.000%			
6			0.00	0.00	0.00	0.000%			
7			0.00	0.00	0.00	0.000%			
8			0.00	0.00	0.00	0.000%			
9			0.00	0.00	0.00	0.000%			
10			0.00	0.00	0.00	0.000%			
11			0.00	0.00	0.00	0.000%			
12			0.00	0.00	0.00	0.000%			

Offshore Non-Deliverable Rupee Derivative*

These are OTC contracts, usually short term in nature and executed without exchange of notional. Receivable/Payable is calculated on the notional amount of the agreement by taking the difference between the contracted rate and the spot rate at the time of settlement.

Dealing in New Derivative instrument may lead to creation of a separate contract/derivative category or consideration of the same in the existing category (Forward Forex Contracts/Forward Rate Agreements) under the Off-balance sheet exposures.

Counterparty Exposure Calculation*

Dealing in New Derivative Instrument will in turn entail consideration of the same in **Non-Funded - Derivative Exposure** calculation against the respective counterparty. This will in turn impact all the Exposure related reports including RLC.

Large Exposure Framework

Exposures under TLTRO facility are not expected to be reckoned with Large Exposure Framework. Accordingly, Capital requirements pertaining to eligible capital base for the purpose of LEF may have to be relooked at while reporting in RLC

* Similar Impact envisaged in FTD, RAQ, LR, IRS & other reports related to Derivatives

* Similar Impact envisaged in RAQ, CRILC and other reports related to Exposure



Impact across multiple solutions

As a part of this series, we have tried to analyze the impact of COVID related RBI measures on Regulatory reporting requirements, primarily related with ADF.

The changes envisaged in this version of whitepaper are across certain important returns that are applicable for almost all banks. We believe that these are indicative changes and may be applicable for other returns as well belonging to similar subject areas.

Also, the measures prescribed by RBI are bound to impact not just ADF reporting per se but also other requirements which may or may not have been automated depending on the Bank's readiness and RBI directions.

Risk Based Supervision is one such area wherein we expect multiple data indents will either undergo rephrasing or will involve some logic change. It may also be expected that some data indents may be added specifically to categorize and identify COVID 19 impact on Bank's portfolio.

Bank's ALM system needs to be in line to consider the revised measures from RBI capturing the authorization of delay in repayments and accordingly redefining the cash flow generation

Identification of Non-Performing Assets and Provisioning for Standard Accounts opting for moratorium needs to be incorporated in the NPA system and considered in General Ledger to be appropriately depicted in the Financial Statement/Annual Disclosure of the bank.

Thus, Banks need to evaluate every RBI measure from both perspectives viz; Functional and Technical. Senior stakeholders need to be apprised of the Decision making involved in defining the Strategic and Tactical steps not just from Reporting perspective but also Operational perspective

Disclaimer

We have taken utmost care in ensuring the integrity of the information referred while creating this whitepaper. The views and/or analysis expressed in this paper are based on the information available in the public domain and in no way constitute professional advice. We assume no legal and/or financial liability for the accuracy, reliability or for any decisions and/or actions arising from the information contained herein.

Abbreviations

Abbreviation	Description	Abbreviation	Description
ALE	Report on Asset Liability and Off-Balance Sheet Exposures	SIBC	Sector-wise and industry-wise deployment of credit
LCR	Liquidity Coverage Ratio	RDB	Report on Default Borrowers
RAQ	Report on Asset Quality	BLR 1	Statement on Liquidity Coverage Ratio (LCR)
LR	Liquidity Return	BLR 3	Statement of Available Unencumbered Assets
IRS	Report on Interest Rate Sensitivity	HQLA	High Quality Liquid Assets
RLC	Report on Large Credits	ADF	Automated Data Flow
BSA	Balance Sheet Analysis	BLR 7	Statement of Net Stable Funding Ratio (NSFR)
RCA III	Report on Capital Adequacy (Basel III)	CRILC	Central Repository of Information on Large Credit
SFR II	Special Fortnightly Return – II	RBS	Risk Based Supervision
SMA	Special Mention Accounts	DPD	Days Past Due
NPA	Non-Performing Assets	CIC	Credit Information Company
NDTL	Net Demand and Time Liabilities	MSF	Marginal Standing Facility
CRR	Cash Reserve Ratio	SLR	Statutory Liquidity Ratio
ANBC	Adjusted Non-Food Bank Credit	Gsecs	Government Securities
TLTRO	Targeted Long Term Repo Operations	CEOBE	Credit Equivalent of Off-Balance sheet Exposures
PSL	Priority Sector Lending	PSA	Priority Sector Advances

References

Reserve Bank of India notifications

Operations and Performance of Commercial Banks (Dec 24, 2019): <https://m.rbi.org.in/Scripts/PublicationsView.aspx?id=19365>

COVID 19 regulatory package (March 27, 2020): <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11835&Mode=0>

Special Liquidity Facility for Mutual Funds: https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49728#AN1

COVID19 Regulatory Package – Review of Resolution Timelines: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11871&Mode=0>

Multiple Other Notifications for the month of March and April: <https://www.rbi.org.in/Scripts/NotificationUser.aspx>

Reserve Bank of India ORFS portal: <https://orfs.rbi.org.in/>

List of Returns Submitted to RBI: https://m.rbi.org.in/Scripts/BS_Listofreturns.aspx



<https://www.verisk.com/financial-services/>