



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

www.rbi.org.in

RBI/ 2023-24/128

DOR.MRG.REC.80/00-00-003/2023-24

February 28, 2024

All Commercial Banks
(excluding Regional Rural Banks)

Dear Sir / Madam,

Capital Adequacy Guidelines – Review of Trading Book

Please refer to [Master Circular – Basel III Capital Regulations](#) dated May 12, 2023, and [Master Direction – Prudential Norms on Capital Adequacy for Local Area Banks \(Directions\), 2021](#) dated October 26, 2021 (hereinafter together referred to as ‘capital adequacy guidelines’).

2. As you are aware, the [Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks \(Directions\), 2023](#) dated September 12, 2023 (hereinafter referred as ‘MD on Investment’) *inter alia* provides a clearly identifiable trading book under ‘Held for Trading (HFT)’ accounting sub-classification and introduces AFS-reserve which would be part of regulatory capital. In view of the changes cited above, it has been decided to amend the capital adequacy guidelines in alignment with the [MD on Investment](#).

3. Accordingly, the provisions of [Master Circular – Basel III Capital Regulations](#) have been modified as provided in **Annex 1**.

4. It may be noted that ‘[Draft Guidelines on Minimum Capital Requirements for Market Risk – under Basel III](#)’ providing *inter alia* ‘Definition of trading book’ and ‘Market Risk capital Requirements – Simplified Standardised Approach’ were released on February 17, 2023 for public comments. While the revised definition of trading book for the purpose of capital adequacy will be as provided in Annex I of [MD on Investment](#), the final guidelines on ‘Market Risk Capital Requirements – Simplified Standardised Approach’ will be implemented at a later date and detailed guidelines will be issued separately.

5. Considering the transition to ‘Market Risk Capital Requirements – Simplified Standardised Approach’, the extant market risk capital requirements have also been recalibrated by introducing intermediate scalars. Banks should keep this in view while reviewing their strategies and capital planning measures.

6. Further, the provisions of [Master Direction – Prudential Norms on Capital Adequacy for Local Area Banks \(Directions\), 2021](#) have been modified as provided in **Annex 2**.

Applicability

7. These instructions shall be applicable from April 1, 2024 to all Commercial Banks (excluding Regional Rural Banks).

Yours faithfully,

(Usha Janakiraman)
Chief General Manager