

Annex VII

PDR III Return - Format

Statement of Capital Adequacy - Quarter ended -

Name of the Primary Dealer :

Statement - 1 (Summary)

(Amount in Rs.)

- (i) **Total of Risk Weighted Assets(RWA) for Credit Risk
(Appendix I)**
- (ii) **(a) Tier-I Capital funds (after deductions)
(b) Tier-II Capital funds eligible
(c) Total of available Tier-I & II capital funds**
- (iii) **Minimum credit risk capital required
i.e. (i) x 15 per cent**
- (iv) **Excess of Tier-I & II capital funds available
for market risk capital charge i.e. (ii) (c) – (iii)**
- (v) **The Market Risk capital charge worked
out as the higher of the amounts under the
Standardised method and the one as per
internal risk management framework based VaR model
(Appendices II and III)**
- (vi) **Capital funds available to meet (v)
i.e: excess of Tier-I and Tier-II as at (iv) above,**
- (vii) **Over all Capital Adequacy**
 - (a) **Total RWA for credit risk i.e. (i)**
 - (b) **Capital charge for market risk i.e. (v)**
 - (c) **Numerical Link for (b) =
i.e.(reciprocal of credit risk capital ratio of 15%)** 6.67
 - (d) **Risk Weighted Assets relating to
Market Risk i.e. (b) x (c)**
 - (e) **Total Risk Weighted Assets i.e. (a) + (d)**
 - (f) **Minimum capital required i.e. (e) x 15%**
 - (g) **Total Capital funds available i.e. (ii) + (vi)**
 - (h) **less : Capital funds prescribed by other regulators/
licensors e.g. SEBI/ NSE/ BSE/OTCEI**
 - (i) **Net capital funds available (g – h)
for PD business**
- (viii) **Capital to Risk-Weighted Assets Ratio (CRAR) % (i / e) * 100**

Following Appendices are to be sent along with the PDR III Return:

Appendix I - Details of the various on-balance sheet and off-balance sheet items, the risk weights assigned and the risk adjusted value of assets have to be reported in this format. The format enclosed is purely illustrative. PDs are required to adhere to the guidelines on activities permitted to be undertaken by PDs while diversifying business activities.

Appendix II - Details of the market risk charge using the standardised model as per the format enclosed.

Appendix III - Details of market risk using the VaR based internal model as per the format enclosed.

Appendix IV - Details of back-testing results for the previous quarter, giving the details of VaR predicted by the model, the actual change in the value of the portfolio and the face value of the portfolio.

Appendix V - Details of stress testing, along with details of the change in the value of the portfolio for a given change in the yield, in the format enclosed.

Appendix I

CREDIT RISK

A. BALANCE SHEET ITEMS

FUNDED RISK ASSET	BOOK VALUE Rupees	RISK WEIGHT %	RISK ADJUSTED VALUE
I. Cash balances and balances in current account with RBI		0%	
II. Amount lent in call/ notice money market and balances in current account with banks		20%	
III. Investments			
(a) Government securities/ Approved securities guaranteed by Central / State governments other than at (e) below		0%	
(b) Fixed deposits, Bonds and Certificates of Deposit of banks, PDs and Public Financial Institutions		20%	
(c) Bonds issued by banks / PDs / public financial Institutions (as specified by DBR) as Tier-II capital		100%	
(d) Shares of all companies/units of mutual funds		100%	
(e) debentures / bonds / commercial papers of companies other than in (b) above (As per circular DNBRCO.PD.No.080/03.10.01/2015-16 dated April 28, 2016 , as amended from time to time)			
i. Short term instruments (Aggregate amount rating wise)			
A1+		20%	
A1		30%	
A2		50%	
A3		100%	
A4&D		150%	
Unrated		100%	
ii. Long term instruments (Aggregate amount rating wise)			
AAA		20%	
AA		30%	
A		50%	
BBB		100%	
≤BB		150%	
Unrated		100%	
(f) Securities of Public Sector Undertakings guaranteed by Central / State Govts. but issued outside the market borrowing programme <i>Note: In case where the guarantee has been invoked and the concerned state government has remained in default, PDs should assign 100% risk weight.</i>		20%	
(g) Securities of and other exposures on PDs in the Government Securities market including bills rediscounted		100%	

(h) Subordinated debts issued by other PDs as Tier-II capital		100%	
IV. Current Assets			
(a) Loans to staff		100%	
(b) Other secured loans and advances considered good		100%	
(c) Others (to be specified)		100%	
V. Fixed Assets (net of depreciation)			
(a) Assets leased out		100%	
(b) Fixed Assets		100%	
VI. Other assets			
(a) Income-tax deducted at source (net of provision)		0%	
(b) Advance tax paid (net of provision)		0%	
(c) Interest due on Government securities		0%	
(d) Others (to be specified and risk weight indicated as per the counter party)		X%	

AA. TOTAL RISK-WEIGHTED BALANCE SHEET ASSETS

B. OFF-BALANCE SHEET ITEMS

FUNDED RISK ASSET	BOOK VALUE Rupees	CREDIT CONV FACTOR %	RISK WEIGHT %	RISK ADJ VALUE
i. Share/ debenture/ auction stock underwritten				
- Government/ any exposure guaranteed by Government		50	0	
- Banks/ Financial Institutions		50	20	
- PDs		50	100	
- All others		50	100	
ii. Partly-paid shares/debentures including actual devolvement and other securities				
- Government/ any exposure guaranteed by Government		100	0	
- Banks/ Financial Institutions		100	20	
- PDs in the Government securities market		100	100	
- All others		100	100	
iii. Notional Equity/Index Positions underlying the equity derivative				
iv. Repurchase agreements where the credit risk remains with the PD				
- Government/ any exposure guaranteed by Government		100	0	
- Banks/ Financial Institutions		100	20	
- PDs		100	100	
- All others		100	100	
v. Other contingent liabilities/ commitments like standby facility with original maturity of over one year				

- Government/ any exposure guaranteed by Government		50	0	
- Banks/ Financial Institutions		50	20	
- PDs		50	100	
- All others		50	100	
vi. <u>Interest Rate Derivative*</u>				
Residual maturity of 1 year or less		0.5		
Residual maturity of 1 year to 5 years		1		
Residual maturity of over 5 years		3		
vii. <u>Foreign Exchange Contract*</u>				
Residual maturity of 1 year or less		2		
Residual maturity of 1 year to 5 years		10		
Residual maturity of over 5 years		15		

Note: Cash margins/deposits should be deducted before applying the credit conversion factor

*:Risk weights would be as per the counterparty

BB. TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS

C. TOTAL RISK-WEIGHTED BALANCE SHEET & OFF-BALANCE SHEET ASSETS

Appendix II

PDR-III Quarterly Return

Statement 2

MARKET RISK CAPITAL STATEMENT
(Appreciation in book value not recognized)

Standardised Method

A. Interest rate Instruments & Equity /Equity like instruments

INSTRUMENT	Maturity Date	POSITION (FV)	BOOK PRICE	BOOK VALUE	MODIFI ED DUR ATION	DURATION BUCKET	ZONE	YIELD	ASSUM ED CHANG E IN YIELD (bps)	CHANG ED YIELD	CHANG ED PRICE	CHANG E IN PRICE	MARKET RISK CHARGE
(Including equity positions)													
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
Total of A													
B. Unhedged Foreign Exchange Position													15%
Total of B													
Total (A+B)													

**Position
(Marked to Market value) Market Risk Measure
(15% of the position)**

C. Unhedged Foreign Exchange Position

D. Asset items subjected to flat charge of 15% for market risk measurement

Memo items:

Items of assets which, with the approval of RBI, have been classified as investment items and not subjected to market risk measure:

	Asset	Book Value	MTM/NAV
1.			
2.			
3.			

Appendix III

VaR Calculation

Appendix IV**Back Testing of VaR Model****For the last 250 trading days****Backtesting Report as part of PDR III for Quarter ended.....**

	Actual	Hypothetical
No. of observations (excluding holidays)	250	250
No. of failures, i.e. No. of times VaR underpredicted the actual trading/hypothetical MTM losses

DATE-WISE BACKTESTING RESULTS

(Rs. in crore)

S. No.	Date	1 day VaR Entire Portfolio	Mkt. Value Entire Portfolio	Mkt. Value Next Day Same Portfolio	Difference	Failure (Y/N)	Actual P/L	Failure (Y/N)
1								
2								
3								
4								
.								
.								
.								
.								
.								
250								

The daily VaR preceding holidays should be up-scaled by the square root of number of intervening holidays. For, example, if the Friday is followed by 2 holidays, then the one VaR figure for Friday should be multiplied by square root of 2.

Appendix V

Details of Stress Testing

		STRESS TEST AS ON:	
Name of the PD:			
ASSETS (All tradable interest rate related assets)			
		MTM Value (Rs. Crore)	Weighted Average Mod. Duration (years)
1	G-Sec and T-Bills		
2	Corporate/PSU/FI Bonds		
3	Receiving leg in respect of FRA/IRS		
4	Other tradable interest rate instruments		
Total MTM value of assets (Va)			
Weighted Average Mod. Duration of the assets (Da)			
LIABILITIES (excluding NOF)		MTM Value (Rs. Crore)	Weighted Average Mod. Duration (years)
1	Net borrowing Call, notice & term money		
2	Net borrowing in Repo (including LAF of RBI)		
3	Net Borrowing through CBLO		
4	Borrowing through ICDs		
5	Borrowing through CPs		
6	Borrowing through Bond issuances		
7	Credit lines from banks/FIs		
8	Paying leg in respect of FRA/IRS		
9	Other tradable interest rate liabilities		
Total MTM value of liabilities (Vi)			
Weighted Average Mod. Duration of Liabilities (Di)			

Mod. Duration of NOF (Dn) = $(Va \cdot Da - Vi \cdot Di) / (Va - Vi)$

Percentage change in NOF = $(-) Dn \cdot \text{Change in interest rates (1\%)}$

Change in NOF = $(-) Dn \cdot \text{Change in Interest rates (1\%)} \cdot \text{NOF}$

Other details:		
Net interest income in the current year so far		
Trading profits/loss in the current year so far		
Unrealised MTM (Net gain/loss on cash positions)		
Unrealised MTM (Net gain/loss on derivative positions)		
Other income, if any (Details to be specified) ***		
NOF deployed in fixed income and related instruments		
Total NOF (Break-up to be furnished)		

Note: NOF should be determined as per the definition prescribed in this regard. The MTM gains or losses should be adjusted in the NOF.

***Details of Other Income

Capital funds of the firm as on the date of stress test

(Rs. in crore)

i.	Tier-I Capital	
ii.	Tier-II Capital	
iii.	Total Capital (i+ii)	
iv.	Details of Deductions	
a.	Investment in subsidiaries	
b.	Intangible assets	
c.	Losses in current accounting period	
d.	Deferred tax assets	
e.	Losses brought forward from previous accounting periods	
f.	Capital funds prescribed by other regulator	
v.	Total Deductions(a+b+c+d+e+f)	
vi.	Net Total Capital Funds (iii-v)	
	Less	
vii.	Change in NOF due to one per cent increase in yields	
viii.	Net capital funds available after providing for change in NOF	
ix.	Risk-weighted assets for the credit risk of the firm	
x.	Risk-weighted assets for the market risk of the firm	
xi.	Total risk-weighted assets (ix+x)	
xii.	Capital adequacy ratio as on the date of stress test (viii/xi)	