



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Draft for Comments

RBI/2025-26/

DOR.MRG.REC.No. /00-00-020/2025-26

XX, 2025

All Scheduled Commercial Banks (excluding Payments Banks and Regional Rural Banks)

Dear Sir/ Madam,

**Counterparty Credit Risk: Add-on factors for computation of Potential Future Exposure
- Revised Instructions – Draft**

Please refer to the [circular DBOD.No.BP.BC.31/21.04.157/2008-09 dated August 8, 2008](#) on 'Prudential Norms for Off-Balance Sheet Exposures of Banks' incorporated in the [Master Circular DOR.CAP.REC.2/21.06.201/2025-26 dated April 1, 2025](#) on 'Basel III Capital Regulations' (hereinafter referred to as the Basel III Master Circular) and the [circular DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016](#) on 'Operating Guidelines for Small Finance Banks'.

2. Banks acting as clearing members of SEBI recognised stock exchanges in the equity derivatives and commodity derivatives segments are hereby advised to compute and maintain capital charge for Counterparty Credit Risk (CCR), in terms of paragraph 5.15.3 on "Treatment of Total Counterparty Credit Risk" of the Basel III Master Circular. Further, the add-on factors for calculation of Potential Future Exposure (PFE) under the Current Exposure Method (CEM) for computation of capital charge for CCR are being revised to largely align with the Basel Committee on Banking Supervision (BCBS) guidelines.

3. Accordingly, the instructions on Counterparty Credit Risk have been amended vide the [Reserve Bank of India \(Counterparty Credit Risk: Add-on factors for computation of Potential Future Exposure\) \(Amendment\) Directions, 2025](#).

Yours faithfully,

(Usha Janakiraman)
Chief General Manager-in-Charge

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हिंदी आसान है इसका प्रयोग बढ़ाइए



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Reserve Bank of India (Counterparty Credit Risk: Add-on factors for computation of Potential Future Exposure) (Amendment) Directions, 2025 - Draft

The Reserve Bank had issued the [circular on 'Prudential Norms for Off-Balance Sheet Exposures of Banks' dated August 8, 2008](#) which has been incorporated in the [Master Circular dated April 1, 2025](#) on 'Basel III Capital Regulations' (hereinafter referred to as the Basel III Master Circular). The Reserve Bank had also issued the [circular on 'Operating Guidelines for Small Finance Banks' dated October 6, 2016](#). There is a need to amend these instructions to provide greater clarity and to largely align the guidelines with international standards.

2. Accordingly, in exercise of the powers conferred by section 35A of the Banking Regulation Act, 1949 and all other provisions of this Act or any other laws enabling the Reserve Bank to issue instructions in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest to do so, hereby issues these instructions to amend the extant instructions as given hereunder.

3. (i) These instructions shall be called the Reserve Bank of India (Counterparty Credit Risk: Add-on factors for computation of Potential Future Exposure) (Amendment) Directions, 2025.

(ii) The amended instructions shall come into effect on the day these are placed on the official website of the Reserve Bank of India.

4. The Table included under Annex 2 of the [circular dated August 8, 2008](#) (incorporated as Table 9 under paragraph 5.15.3.4 of the Basel III Master Circular) is hereby substituted by the following, namely: -



Table 9: Credit Conversion Factors for Market-Related Off-Balance Sheet Items

	Credit Conversion Factors (%)				
	Interest Rate Contracts	Exchange Rate Contracts and Gold	Equities*	Precious Metals except Gold*	Other Commodities*
One year or less	0.25	1.00	6.00	7.00	10.00
Over one year to five years	0.50	5.00	8.00	7.00	12.00
Over five years	1.50	7.50	10.00	8.00	15.00

* Applicable only in respect of CCR exposures of eligible banks acting as clearing members of SEBI recognised stock exchanges in the equity derivatives and commodity derivatives segments

(Usha Janakiraman)
Chief General Manager-in-Charge