

RBI defers capital buffer norms by a year; leaves ₹37,000 cr in hands of banks

PTI ■ MUMBAI

The Reserve Bank on Thursday deferred the implementation of the last tranche of Capital Conservation Buffer (CCB) by a year, a move that would leave about estimated ₹37,000 crore capital in the hands of banks.

This would help banks increase lending by over ₹3.5 lakh crore by leveraging ten times of the capital.

“It has been decided to defer the implementation of the last tranche of 0.625 per cent of CCB from March 31, 2019 to March 31, 2020,” the RBI said in a notification.

Accordingly, minimum



capital conservation ratios of 2.5 per cent would be applicable from on March 31, 2020.

Currently, the CCB of banks stands at 1.875 per cent of the core capital. The CCB is the capital buffer that banks have to accumulate in normal times to be used for offsetting losses during periods of stress.

It was introduced after the 2008 global financial crisis to improve the ability of banks to withstand adverse economic conditions.

Further, it said, the pre-specified trigger for loss absorption through conversion or write-down of additional tier 1 instruments will remain at 5.5 per cent of risk-weighted asset (RWA) and will rise to 6.125 per cent of RWAs on March 31, 2020.

The decision to defer CCB was taken in November 19 crucial meeting of central board of directors.

The Board, however, decided to retain the capital adequacy ratio or CRAR at 9 per cent.