

## **Limits on Credit Exposure to Individual/Group Borrowers**

**BP.BC. 47 /21.03.54/2001-02**

**November 22, 2001**

All commercial banks (excluding RRBs)

Dear Sir,

### **Limits on Credit Exposure to Individual/Group Borrowers**

Please refer to para. 2.3.1 of our master circular DBOD.No.DIR.BC.4/13.03.00/ 2000-2001 dated July 17, 2000 on exposure norms, wherein it has been mentioned that capital funds for determining exposure ceiling will comprise paid-up capital and free reserves as per the published accounts as on March 31<sup>st</sup> of the previous year. In terms of para.2(a) of our circular DBOD.No.BP.BC.116/ 21.04.048/2000–2001 dated May 2, 2001 on exposure norms, the concept of capital funds has been broadened to comprise the total capital as defined under capital adequacy standards (Tier 1 and Tier 2 capital), effective from March 31, 2002.

2. Banks have been representing to us that the reckoning of capital funds as at the end of the previous year deprive them of the benefit of capital / long-term resources raised after the date of balance sheet for determining the exposure ceiling.

3. The position in this regard has been examined and it has been decided that infusion of capital either through domestic issue or overseas float, after the published balance sheet date would be taken into account for determining exposure ceiling. Banks will have to furnish a certificate to us on completion of the augmentation of capital before reckoning the additions as stated above. Banks are advised that other accretion to capital funds by way of quarterly profits, etc. would not be eligible to be reckoned for determining exposure ceiling. Banks should also ensure that they do not take exposures in excess of the ceiling prescribed in anticipation of infusion of capital on a future date.

Yours faithfully,

Sd/-

( **M.R. Srinivasan** )

Chief General Manager-in-Charge