GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO.4989

TO BE ANSWERED ON THE 16th December, 2016/ Agrahayana 25, 1938 (SAKA)

Valuation of Assets

QUESTION

4989. SHRI A. ARUNMOZHITHEVAN:

Will the Minister of FINANCE be pleased to state:

(a) whether recent steps of Reserve Bank of India (RBI) have reduce Rs. 35,000 crore worth of capital requirement burden of public sector banks and if so, the details thereof; and

(b) whether the RBI has allowed banks to assign higher value to hidden assets in balance sheet and if so, the details thereof?

ANSWER

The Minister of State in the Ministry of Finance
(SHRI SANTOSH KUMAR GANGWAR)

(a) & (b): Reserve Bank of India (RBI) has reviewed the capital requirement position of all Scheduled Commercial Banks including the Public Sector Banks (PSBs) and aligned, to some extent, the current regulations on treatment of certain balance sheet items, for the purpose of regulatory capital, with the guidelines of Basel Committee on Banking Supervision (BCBS), vide circular DBR.No.BP.BC.83/21.06.201/2015-16 dated March 1, 2016 as under:

(i) Treatment of revaluation reserves:- Revaluation reserves arising out of change in the carrying amount of a bank's property consequent upon its revaluation may, at the discretion of banks, be reckoned as CET1 capital at a discount of 55%, instead of as Tier 2 capital under extant regulations, subject to meeting some conditions mentioned in above instructions.

(ii) Treatment of Foreign Currency Translation Reserve (FCTR):- Banks may, at their discretion, reckon foreign currency translation reserve arising due to translation of financial statements of their foreign operations in terms of Accounting Standard (AS) 11 as CET1 capital at a discount of 25% subject to meeting some conditions mentioned in above instructions.

(iii) Treatment of Deferred Tax Assets (DTAs):-

(a) Deferred Tax Assets (DTAs) associated with accumulated losses and other such assets should be deducted in full from CET1 capital.

(b) DTAs which relate to timing differences (other than those related to accumulated losses) may, instead of full deduction from CET1 capital, be recognised in the CET1 capital up to 10% of a bank's CET1 capital, at the discretion of banks.

(iv) The amount of DTAs which is not deducted from CET1 capital will be risk weighted at 250% as in the case of significant investments in common shares not deducted from bank's CET1 capital.

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