



First Capital
A Janashakthi Group Company

REVISION OF CAPITAL ADEQUACY REQUIREMENTS FOR THE BANKING SECTOR

BANKING ACT DIRECTIONS

23rd May 2022

FIRST CAPITAL RESEARCH

1

Empowerment

- ✓ The Monetary Board is empowered to issue directions to all Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs) regarding the manner in which aspect of the business of such bank or banks is to be conducted.



2

Capital Conservation Buffer (CCB)

✓ LBs may drawdown the CCB, up to 2.5% and should submit a Board approved capital augmentation plan on rebuilding CCB within 03 yrs, to the Director of Bank Supervision within 21 days of drawing down. Distributions will be subjected to mentioned restrictions.

May 2022

CCB Maintenance Ratio	Applicable minimum Earnings Retention Ratio
2.5%	0%
>1.875% - 2.5%	40%
>1.25% - 1.875%	60%
> 0.625% - 1.25%	80%
0% < - 0.625%	100%

3

Risk Weighted Assets for Operational Risks

- ✓ LBs may move to The Standardized Approach (TSA) or The Alternative Standardized Approach (ASA) to compute risk weighted assets for Operational Risk until 31.12.2023 by adopting a prudent documented procedure.



4

Staggering the Mark to Market losses

- ✓ LBs may stagger the MTM losses on Govt. Securities rising from changes in policy rates announced on 08th Apr-22 until 2Q2024.
- ✓ If a LB decides to stagger, then they may not pay any dividends/repatriate profits and refrain from incurring nonessential and capital expenses.

	2Q2022	2Q2023	2Q2024
Cumulative % of Absorption	33.33%	66.66%	100%

5

Treatment of OCI

- ✓ LBs may include 100% of accumulated gains which are reflected in the statement of changes in equity as per the latest available annual or interim financial statements, subject to complying with all other conditions as mentioned in the banking act.



6

LCR and NSFR

- ✓ LBs are permitted to maintain an LCR (Liquidity Coverage Ratio) and Net Stable Funding Ratio (NSFR) at a minimum level of 90% up to 30.09.2022.



7

Minimum Capital Requirement

- ✓ The deadline for minimum capital requirement is extended up to 31.12.2023 for banks which fails to meet the criteria by 31.12.2022.
- ✓ Such banks shall submit their capital augmentation plan by 31.12.2022 and refrain from distribution of dividends/repatriate profits until requirements are met.

May 2022

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8

Submission of ICAAP

✓ LBs are granted time until 30.06.2022 to submit Internal Capital Adequacy Assessment process (ICAAP) document for 2022.



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Thank you!

*“SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS”*

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