



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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April 7, 2010

**All Scheduled Commercial Banks
(excluding Local Area Banks and Regional Rural Banks)**

Dear Sir,

**Prudential Guidelines on Capital Adequacy and Market Discipline –
New Capital Adequacy Framework (NCAF) - Parallel run and prudential floor**

Please refer to [paragraph 2.4](#) of our Master Circular dated February 8, 2010 on the captioned subject in terms of which the banks were advised to have parallel run of the revised framework along with the then current framework (Basel I). Further, in terms of paragraph 4.1.2 ibid the banks were also advised that the minimum capital maintained by them shall be subject to the prudential floors indicated therein.

2. On a review of the implementation so far, it has been decided to continue with the prudential floor until further advice. Accordingly, the foreign banks in India and Indian banks having operational presence outside India would continue to have the parallel run beyond the specified date (i.e., March 31, 2010) and ensure that their Basel II minimum capital requirement continues to be higher than 80 % of the minimum capital requirement computed as per Basel I framework for credit and market risk.

3. All other commercial banks (except LABs and RRBs) would also continue to ensure compliance with the prescribed prudential floor in terms of paragraph 4.1.2 of the Master Circular on NCAF.

4. All other guidelines contained in paragraph 2.4 of the aforesaid circular on parallel run should be adhered to by all the banks.

Yours faithfully,

Sd/-

(B Mahapatra)
Chief General Manager