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Banks welcome RBI's new capital valuation norms

By PTI | Updated: Mar 02, 2016, 09:40 PM IST

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MUMBAI: The Reserve Bank's decision to amend the [capital valuation](#) rules as per the Basel-III framework will help boost core equity of lenders, bankers said today.

"It's a good move. We always wanted to be brought in line with Basel III...It will be a substantial sum (that will get unlocked)," SBI chairman [Arundhati Bhattacharya](#) told reporters on the sidelines of a [CBI](#) event on banking frauds and cyber crimes.

SBI Chief Financial Officer Anshula Kant told a private news channel that the move will help in adding up to 1 percentage point to its common equity tier-I capital, which stood at 9.60 per cent as of the December quarter.

Shikha Sharma, Managing Director and Chief Executive of private sector Axis Bank, also welcomed [RBI](#) move but said the gains will be different for different lenders.

"The RBI amendments move us closer to Basel III norms and that is helpful. But the impact will obviously be different for different banks," she said, adding her bank is still calculating the benefit which it can bring.

The RBI yesterday released the amendments to the rules of recognising capital buffers for banks in line with the best practices, which can unlock up to Rs 40,000 crore in capital in the system, which according to analysts, can effectively release Rs 4 trillion in lendable capital for banks. Banks normally take a 10 times [leverage](#) on their core capital.

The changes, which have been ushered, are on property revaluation, forex reserves and double taxation avoidance.

Under the new norms, banks can leverage 45 per cent of revaluation reserves, 75 per cent of their foreign currency translation reserve and 11.8 per cent of deferred tax assets under tier I capital.

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