

RBI plans to extend implementation of last tranche of 0.625% CCB by a year

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The Reserve Bank of India, on Thursday, notified extension of the transition period for implementing the last tranche of 0.625 per cent of risk-weighted assets (RWAs) under the Capital Conservation Buffer (CCB) by one year to March 31, 2020, following agreement on this in its Central Board meeting on November 19.

This move will give a breather to banks, which have been weighed down due to huge provisioning for bad loans in the last two years.

Under Basel III capital regulations, CCB is designed to ensure that banks build up capital buffers during normal times (outside periods of stress), which can be drawn down as losses are incurred during a stressed period. The

requirement is based on simple capital conservation rules designed to avoid breaches of minimum capital requirements.

Following the extension of the transition period, the CCB Framework as applicable from March 31, 2018, will also apply from March 31, 2019, till the CCB reaches the level of 2.5 per cent on March 31, 2020.

Banks are required to maintain a capital conservation buffer of 2.5 per cent, comprising Common Equity Tier 1 capital, above the regulatory minimum capital requirement of 9 per cent.

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