

## 創語。 RESERVE BANK OF INDIA \_

www.rbi.org.in

RBI/2019-20/59 DBR.No.BP.BC.17/21.06.001/2019-20

September 12, 2019

All Scheduled Commercial Banks All Local Area Banks All Small Finance Banks All Regional Rural Banks

Dear Sir/Madam,

## Risk Weight for Consumer Credit except credit card receivables

Please refer to paragraph 6 of the <u>Statement on Developmental and Regulatory Policies</u> <u>dated August 7, 2019</u> on 'Reduction in risk weight for consumer credit except credit card receivables' (extract enclosed).

2. As per extant instructions, consumer credit, including personal loans and credit card receivables but excluding educational loans, attracts a higher risk weight of 125 per cent or higher, if warranted by the external rating of the counterparty.

3. On a review, it has been decided to reduce the risk weight for consumer credit, including personal loans, but excluding credit card receivables, to 100%. Other stipulations remain the same.

Yours faithfully,

(Saurav Sinha) Chief General Manager-in-Charge

Department of Banking Regulation, Central Office, Central Office Building, Shahid Bhagat Singh Marg, Mumbai - 400001 Tel No: 22661602, 22601000 Fax No: 022-2270 5670, 2260 5671, 5691 2270, 2260 5692 pV-111 e.gmicdbr@rbi.org.in

## Extract from Statement on Developmental and Regulatory Policies dated August 07, 2019

## 6. Reduction in risk weight for consumer credit except credit card receivables

Under the standardised approach for Credit Risk Management, consumer credit, including personal loans and credit card receivables attract a higher risk weight of 125 per cent or higher, if warranted by the external rating of the counterparty. On a review, it has been decided to reduce the risk weight for consumer credit, including personal loans, but excluding credit card receivables, to 100%.

Guidelines in this regard would be issued by the end of August 2019.