BANK OF MAURITIUS

Guidance Notes on Risk Weighted Capital Adequacy Ratio

November 1993

Guidance Notes -
Risk Weighted Capital Adequacy Ratio

1. Introduction

The Basle Capital Accord, or the agreed framework on international convergence of capital measurement and capital standards of the Committee on Banking Regulations and Supervisory Practices (Basle Committee), is based on a concept of weighting both on-balance sheet assets and off-balance sheet exposures according to their perceived level of risk. The sum of risk weighted assets and risk assessed off-balance sheet exposures is related to a bank's capital base and the resulting "risk asset ratio" is used as a measure of capital adequacy.

The risk-based approach to capital adequacy focuses on credit risk, that is the risk that the counterparty in any given transaction will default. The Basle Committee has set the minimum standard at 8 per cent. National authorities are, however, free to adopt arrangements that set higher levels.

Two fundamental objectives lie at the heart of the Basle Capital Accord. These are, firstly, that the new framework should serve to strengthen the soundness and stability of the banking system and, secondly, that the framework should be fair and have a high degree of consistency in its application to banks in different countries with a view to diminishing an existing source of competitive inequality among international banks.

For the purposes of assessing capital adequacy, capital will be split into two tiers - Tier 1 core capital and Tier 2 supplementary capital. While Tier 1 capital provides the most permanent and readily available support to a bank against unexpected losses, Tier 2 capital contains elements that are less permanent in nature or are less readily available.

The broad details of the capital framework which is to be implemented are indicated in the following paragraphs.

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2. Tier 1 - Core Capital

Tier 1 capital will consist of paid up capital or assigned capital, as the case may be, share premium, statutory reserve, surplus arising from sale of fixed assets, general reserve, other disclosed free reserves created by appropriations from post-tax retained earnings and undistributed balance in profit and loss account attributable to previous years. Accumulated losses, current year's interim losses, goodwill and other intangible assets will be deducted from Tier 1 capital.

The current year's interim retained profits may be included in Tier 1 capital if they have been verified by the bank's external auditors. In the absence of such verification, current year's interim profits will not be included in the capital base. The verification by external auditors should entail at least the following:

(a) satisfying themselves that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;

(b) reviewing the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the bank in drawing up its annual financial statements;

(c) performing analytical procedures on the result to date, including comparisons of actual performance to date with budget and with the results of prior period(s);

(d) discussing with management the overall performance and financial position of the bank;

(e) obtaining adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisioning for bad and doubtful debts have been properly taken into account in arriving at the interim profits; and

(f) following up problem areas of which the auditors are already aware in the course of auditing the bank's financial statements.

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The external auditors must submit an opinion to the bank on whether the interim results are fairly stated. The required report, set out in Annexure II, should be attached to the Quarterly Capital Adequacy Return.

3. Tier 2 - Supplementary Capital

Tier 2 supplementary capital will consist of:

(a) Undisclosed reserves

These may be inherently of the same intrinsic quality as published retained earnings, but the Basle framework treats undisclosed freely available reserves as supplementary capital because of their lack of transparency. Accordingly, undisclosed reserves representing accumulations of post-tax profits which are not encumbered by any known liability and are not routinely used for absorbing normal loan or operating losses may be included in the supplementary capital.

(b) Fixed assets revaluation reserves

These reserves arise mainly from revaluation of a bank's own premises to reflect their current value, or something closer to their current value than historic cost. The extent to which the revaluation reserves can be relied upon as a cushion for unexpected losses depends mainly on the level of certainty that can be placed on estimates of the market values of the relevant assets. The assets must, therefore, be prudently valued.

Revaluation of premises should be carried out by independent professional valuers, on a basis satisfactory to both the external auditors and the Bank of Mauritius. The reserves arising from revaluation of fixed assets should be explicitly reported in the balance sheet or by way of notes to the audited accounts.

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Only 75 per cent of the amount of reserves arising from the revaluation of tangible fixed assets will be eligible for inclusion in Tier 2 capital.

(c) General provisions/general loan loss reserves

General provisions or general loan loss reserves are created against the possibility of losses. Where they do not reflect a known deterioration in the valuation of particular assets, these provisions or reserves qualify for inclusion in Tier 2 capital. Where, however, the provisions or reserves have been created against identified losses or in respect of an identified deterioration in the value of any asset or group of assets, they are not freely available to meet unidentified losses which may subsequently arise elsewhere in the portfolio and do not possess an essential characteristic of capital. Such provisions or reserves should therefore not be included in the capital base.

Adequate care must be taken to see that sufficient provisions or reserves have been made to meet all known losses and foreseeable potential losses before considering general provisions and/or general loan loss reserves to be part of Tier 2 capital.

General provisions and/or general loan loss reserves held against unidentified and unforeseen losses will be included in Tier 2 capital subject to an amount not exceeding 1.25 per cent of total weighted risk assets.

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(d) Subordinated debt

Subordinated debt as approved by the Bank of Mauritius may be included in Tier 2 supplementary capital. Broadly, to be eligible for inclusion, it should satisfy the following conditions:-

(i) the subordinated debt must be unsecured;

(ii) it must have an original maturity of over five years;

(iii) it may be redeemed before maturity only at the option of the bank concerned and with the prior written approval of the Bank of Mauritius;

(iv) notwithstanding the provisions of any other enactment, in the event of the winding up of the bank concerned, the subordinated debt shall not be repaid until the claims of depositors and other creditors have been fully satisfied; and

(v) such further conditions, if any, as may be prescribed by the Bank of Mauritius.

During the last five years to maturity, a cumulative discount (or amortisation) factor of 20 per cent per year should be applied to reflect the diminishing value of the subordinated debt as a continuing source of strength.

The amount of subordinated debt included in Tier 2 capital will be limited to a maximum of 50 per cent of Tier 1 core capital.

4. Minimum Requirement of Capital Funds

The on-balance sheet assets, non-funded items and other off-balance sheet exposures will be assigned the prescribed risk weights and banks should maintain minimum capital funds equivalent to eight per cent of the aggregate of the risk weighted assets and other exposures.

The minimum risk weighted assets ratio of eight per cent should be achieved as early as possible but not later than the 30th June 1994. Tier 1 core capital should not be less than 50 per cent of total capital funds and Tier 2 supplementary capital will be limited to a maximum of 100 per cent of Tier 1 core capital for the purpose of compliance with the norm.

5. Group A Countries

Group A countries are countries which are full members of the Organisation for Economic Co-operation and Development (OECD) or countries which have concluded special lending arrangements with the International Monetary Fund associated with the Fund's General Arrangements to Borrow. The following countries fall into this Group.

Australia	Luxembourg
Austria	Netherlands
Belgium	New Zealand
Canada	Norway
Denmark	Portugal
Finland	Saudi Arabia
France	Spain
Germany	Sweden
Greece	Switzerland
Iceland	Turkey
Ireland	United Kingdom
Italy	United States of America
Japan	

6. Group B Countries

All other foreign countries.

7. Multilateral Development Banks

The following institutions will be considered as Multilateral Development Banks for the purpose of the capital adequacy ratio.

- African Development Bank;
- Asian Development Bank;
- European Bank for Reconstruction and Development;
- European Investment Bank;
- International Bank for Reconstruction and Development including International Finance Corporation;
- Inter-American Development Bank;
- African Export Import Bank; and
- PTA Trade and Development Bank.

Other Multilateral Development Banks may also qualify subject to the approval of the Bank of Mauritius.

8. Associates

The term "associate" is defined in the Mauritius Accounting Standard 11. It means an enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. An investor holding directly, or indirectly through subsidiaries, 20 per cent or more of the voting power of the investee, is presumed to have significant influence, unless it can be clearly demonstrated that this is not the case. A substantial or majority ownership by another investor does not preclude an investor from having significant influence.

9. Specific Provisions

Specific provisions for bad and doubtful debts and general provisions for doubtful debts in excess of the amount permitted for inclusion in Tier 2 supplementary capital may be deducted from the book value of the relevant exposures before weighting.

10. Risk Weight Categories - On-Balance Sheet

		Risk weight
A.		
(i)	Cash in hand;	0%
(ii)	Foreign currency notes and coin;	0%
(iii)	Balances with the Bank of Mauritius;	0%
(iv)	Balances with foreign central banks and monetary authorities;	0%
(v)	Claims collateralised by cash deposits placed with the lending bank or by a legal right of set-off on credit balances and meeting the conditions set out in the Guidance Notes;	0%
(vi)	Claims on or guaranteed by Government of Mauritius	0%

		Risk weight
(vii)	Holdings of securities issued or guaranteed by Government of Mauritius, Treasury Bills and Bank of Mauritius Bills;	0%
(viii)	Claims collateralised by securities issued or guaranteed by Government of Mauritius, Treasury Bills and Bank of Mauritius Bills and Bonds;	0%
(ix)	Claims on central governments and central banks of Group A countries;	0%
(x)	Claims guaranteed by Group A central governments and central banks;	0%
(xi)	Claims on Group B central governments and central banks denominated in local currency and funded in that currency;	0%
(xii)	Claims guaranteed by Group B central governments and central banks, where the claims being guaranteed are denominated and funded in the national currency common to the guarantor and borrower;	0%
B.		
(i)	Holdings of fixed interest securities with a residual maturity of one yearor less, and floating rate and index linked securities of any maturity, issued or guaranteed by central governments and central banks of Group A countries, and claims fully collateralised by such securities;;	10%
(ii)	Holdings of fixed interest securities with a residual maturity of one year or less, and floating rate and index linked securities of any maturity, issued or guaranteed by central governments and central banks of Group B countries, and claims fully collateralised by such securities,where denominated in local currency and funded by liabilities in the same currency;	10%

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		Risk weight
C.		
(i)	Holdings of fixed interest securities with a residual maturity of over one year issued or guaranteed by central governments and central banks of Group A countries, and claims fully collateralised by such securities;	20%
(ii)	Holdings of fixed interest securities with a residual maturity of over one year issued or guaranteed by central governments and central banks of Group B countries, and claims fully collateralised by such securities, where denominated in local currency and funded by liabilities in the same currency;	20%
(iii)	Claims on, or claims guaranteed by or collateralised by securities issued by, Multilateral Development Banks;	20%
(iv)	Claims on, or claims guaranteed or accepted or endorsed by, banks licensed under the Banking Act 1988;	20%
(v)	Claims on, or claims guaranteed or accepted or endorsed by, banks incorporated in Group A countries;	20%
(vi)	Claims on, or claims guaranteed or accepted or endorsed by, banks incorporated in Group B countries (excluding those licensed under the Banking Act 1988) with a residual maturity of one year or less;	20%
(vii)	Cash items in the process of collection;	20%
D.		
	Loans to <u>individuals</u> fully secured by first priority fixed charge on residential property that is (or is to be) occupied by the borrower;	50%

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			Risk weight
E.			
	(i)	Claims on central governments and central banks of Group B countries which are not denominated in local currency and funded by liabilities in the same currency;	100%
	(ii)	Claims guaranteed by central governments and central banks of Group B countries which are not denominated and funded in the national currency common to the guarantor and borrower;	100%
	(iii)	Claims on, or claims guaranteed or accepted or endorsed by, banks incorporated in Group B countries (excluding those licensed under the Banking Act 1988) with a residual maturity of over one year;	100%
	(iv)	Claims on non-bank private sector;	100%
	(v)	Credit card debtors;	100%
	(vi)	Investments in corporate shares and securities;(1)	100%
	(vii)	Premises, real estate, furniture, fixtures, equipment, vehicles and other fixed assets including capital works in progress;	100%
	(viii)	All other assets not elsewhere specified;	100%
	(ix)	Aggregate net short open foreign exchange position(2).	100%

(1) Other than those deducted from total (gross) capital.

(2) This is a proxy weight for a bank's foreign exchange risk, and will remain in effect until an international framework for capturing foreign exchange risk is agreed.

11. Off-Balance Sheet Exposures

The Basle Committee framework takes account of the credit risk on off-balance sheet exposures by applying credit conversion factors to the different types of off-balance sheet instrument or transaction. A two step approach is used in order to derive the weighted amounts of off-balance sheet items.

The nominal principal amounts of off-balance sheet items should be multiplied by the credit conversion factors and the resultant credit equivalent amounts should then be multiplied by the weights applicable to the category of the counterparty, or if relevant, that of the guarantor or the collateral security, as if they were on-balance sheet assets.

The credit conversion factors for off-balance sheet exposures, excluding foreign exchange rate and interest rate related contracts, are set out in the table below.

Instruments	Credit conversion factor
(i) Direct credit substitutes, including general guarantees of indebtedness, standby letters of credit serving as financial guarantees, acceptances and endorsements (including *per aval* endorsements);	100%
(ii) Sale and repurchase agreements and asset sales with recourse where the credit risk remains with the bank; [(1)];	100%
(iii) Forward asset purchases, forward forward deposits placed and the unpaid part of partly-paid shares and securities, [(1)] and any other commitments with a certain drawdown;	100%

(1) These items are to be weighted according to the category of the asset or the issuer of the security (or the borrower in the underlying loan agreement) and not according to the counterparty with whom the transaction has been entered into. For example, if the reporting bank has contracted with a non-bank customer to purchase forward a specified sum of securities issued by a government of a Group A country, the transaction should be weighted according to the issuer of the securities and not the customer. Reverse repos (i.e. purchase and resale agreements where the bank is the receiver of the asset) are treated as collateralised loans, with the risk being measured as an exposure to the counterparty. Where the security temporarily acquired attracts a preferential risk weighting, this is recognised as collateral and the risk weighting of the loan accordingly reduced (e.g. Group A government security).

Instruments		Credit conversion factor
(iv)	Transaction-related contingent items not having the character of direct credit substitutes (e.g. performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions);	50%
(v)	Short-term self-liquidating trade-related contingent items (such as documentary credits collateralised by the underlying shipments);	20%
(vi)	Note issuance facilities and revolving underwriting facilities; [(1)]	50%
(vii)	Other commitments (e.g. formal standby facilities and credit lines) with an original maturity of over 1 year;	50%
(vii)	Other commitments (e.g. formal standby facilities and credit lines) with an original maturity of over 1 year;	50%
(viii)	Similar commitments with an original maturity of up to 1 year, or which can be unconditionally cancelled at any time;	0%
(ix)	Endorsements of bills (including *per aval* endorsements) which have previously been accepted by a bank.	0%

Multi-option facilities and other composite products should be disaggregated into their component parts, e.g. into a credit commitment, NIF, etc., and each component part converted according to the above classification. However, components carrying the lowest credit conversion factors should be disregarded to the extent necessary to ensure that the total value of all the components does not exceed the value of the facility.

(1) **To be applied to the total amount of the institution's underwriting obligations of any maturity. Where the facility has been drawn down by the borrower and the notes are held by anyone other than the reporting institution, its underwriting obligations must continue to be reported as the full nominal amount. (Own holdings of notes underwritten are, however, deducted from the overall value of the commitment, because they are weighted as an on-balance sheet item.)**

(i) **Direct credit substitutes**

Direct credit substitutes are any irrevocable off-balance sheet obligations which carry the same credit risk as a direct extension of credit, that is the risk of loss depends on the creditworthiness of the counterparty. These include instruments such as:

- acceptances and endorsements (including *per aval* endorsements);

- guarantees given on behalf of customers to stand behind the current financial obligations of a customer and to carry out these obligations should the customer fail to do so, e.g., a loan guarantee;

- letters of credit issued by a bank without provision for it to retain title to the underlying shipment or where the title has passed from the bank;

- letters of credit confirmed by the bank;

- standby letters of credit serving as financial guarantees.

(ii) Transaction-related contingencies

These are contingent liabilities which involve an irrevocable obligation of a bank to pay a third party beneficiary when a customer fails to perform some contractual non-financial obligation, that is where the risk of loss to the bank depends on the likelihood of a future event which is independent of the creditworthiness of the counterparty. They are essentially guarantees which support particular obligations rather than supporting customers' general financial obligations, and include:

- performance bonds, warranties and indemnities;
- bid or tender bonds;
- advance payment guarantees;
- customs and excise bonds;
- standby letters of credit related to particular contracts or non-financial transactions.

(iii) Trade-related contingencies

These relate to self-liquidating trade-related obligations such as documentary letters of credit issued by a bank which are, or are to be, collateralised by underlying shipments, that is where the credit provides for the bank to retain title to the underlying shipment, and shipping guarantees issued by a bank.

Letters of credit issued by a bank on behalf of a counterparty back-to-back with letters of credit of which the counterparty is a beneficiary ("back-to-back" letters) should be reported in full. Letters of credit advised by a bank or for which the bank is acting as reimbursement agent need not be reported.

(iv) Sale and repurchase agreements

A sale and repurchase agreement ("repos") is an arrangement whereby a bank sells a loan, security, or fixed asset to a third party with a commitment to repurchase the asset for an agreed price on demand, or after a stated time, or in the event of a particular contingency. It represents an irrevocable commitment.

Loans or other assets sold should continue to be reported on the balance sheet. Where this is not the reporting bank's normal accounting practice, the sale and repurchase agreements ("repos") should be reported as an off-balance sheet item.

The bank which has purchased such loans or assets (that is purchase and resale agreements or reverse repos) should for the duration of the agreement report the transaction as a collateralised loan.

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(v) <u>Asset sales with recourse</u>

An arrangement whereby a bank sells a loan or other asset to a third party, but retains an obligation to assume the credit risk if the borrower defaults or the value of the asset otherwise deteriorates. They may take the form of "put options" written by a bank where the holder of the asset is entitled to put the asset back to the bank, e.g., if the credit quality deteriorates.

(vi) <u>Forward asset purchases</u>

These are commitments to purchase a loan, security or other asset at a specified future date on pre-arranged terms.

(vii) <u>Forward forward deposits placed</u>

An agreement between two parties whereby one will pay and the other receive an agreed rate of interest on a deposit to be placed by one party with the other at some predetermined date in the future. The bank which has contracted to place the deposit is fully exposed to the credit risk of the counterparty and the weight should be determined according to the counterparty with whom the deposit will be placed.

For the bank which has contracted to receive the deposit, failure to deliver by the counterparty will result in an unanticipated change in its interest rate exposure and may involve a replacement cost. Its exposure should therefore be accorded the same treatment as interest rate related contract.

(viii) <u>Partly-paid shares and securities</u>

Where only part of the issue price or nominal face value of a security purchased has been paid and the issuer may call for the outstanding balance (or a further instalment)), either on a date predetermined at the time of issue or at an unspecified future date, the unpaid part should be reported.

If it is not known whether and when such calls may be made, the unpaid part may be treated as long-term commitment and reported under "Other commitments with an original maturity of over 1 year" with a credit conversion factor of 50%.

(ix) <u>Note Issuance Facilities (NIFs) and Revolving Underwriting Facilities (RUFs)</u>

These are arrangements whereby a borrower may draw down funds up to a prescribed limit over an extended period by repeated issues to the market of, for example, three or six-month promissory notes. If at any time, the notes cannot be placed in the market at a minimum price, a group of underwriters undertake to buy them at a prescribed price. The contingent risk to banks arises from their role as underwriters of such issues.

Note issuance facilities and revolving underwriting facilities should include the total amounts of the reporting bank's underwriting obligations of any maturity. Where the facility has been drawn down by the borrower and the notes are held by anyone other than the reporting bank, the underwriting obligation should continue to be reported at the full nominal amount.

The nominal amount of the reporting bank's own holding of the notes should be deducted from the nominal amount of the facility.

(x) <u>Other Commitments</u>

Other commitments include the undrawn portion of any binding arrangements which obligate a bank to provide funds at some future date. These should be classified as to whether:

(i) they have an original maturity of over 1 year; or

(ii) they have an original maturity of up to 1 year, or can be unconditionally cancelled at any time.

The reporting bank is regarded as having a commitment from the date the customer is advised of the facility (e.g., the date of the letter advising the customer) regardless of whether the commitment is revocable or irrevocable, conditional or unconditional, and in particular whether or not the facility contains a "material adverse change" clause.

Rolling or undated/open -ended commitments, e.g., overdrafts or unused credit card lines, should be included under (ii) providing that they are unconditionally cancellable at any time without notice - other than where the only reason for cancellation is "force majeure" - and subject to credit review at least annually. Other rolling or undated commitments should be reported under (i).

The maturity of a commitment should be determined in accordance with the following:

(a) **<u>Original and remaining maturity</u>**

The maturity of a commitment should be measured as from the date when the commitment was entered into, that is based on original maturity, until the final date by which it must be drawn down in full.

(b) **<u>Renegotiation of the terms of a commitment</u>**

In the case where the terms of a commitment have been renegotiated, the maturity should be measured as from the date of the renegotiation until the end of the period of the renegotiated commitment providing the renegotiation involves:

(i) a full credit assessment of the customer; and

(ii) the lender's right, without notice, to withdraw the commitment.

Where these conditions are not met, the original starting date of the commitment must be used to determine its maturity rather than the date of renegotiation.

(c) **<u>A commitment to provide a loan (or purchase an asset) which has a maturity of over one year but which must be drawn down within a period of up to one year</u>**

Such commitments should be treated as having a maturity of up to one year so long as any undrawn portion of the facility is automatically cancelled at the end of the draw-down period.

(d) **<u>A commitment to provide a loan (or purchase an asset) to be drawn down in a number of tranches, some up to one year and some over one year</u>**

The whole commitment should be considered as having a maturity of over one year.

(e) **<u>Commitments for fluctuating amounts</u>**

Where a commitment provides for a customer to have a facility limit which varies during the period of the commitment, e.g., for seasonsal reasons, the amount of the commitment should at all times be taken as the maximum amount that can be drawn under the commitment for the remaining period of the commitment.

(f) **<u>Forward commitments</u>**

A forward commitment is where a bank is committed to granting a facility at a future date. The original maturity of the commitment is to be measured from the date the commitment is entered into until the final date by which the facility must be drawn in full.

(g) **<u>Commitments for off-balance sheet transactions</u>**

A distinction is drawn between a commitment to provide an off-balance sheet <u>facility</u> which may or may not be drawn by the customer, and a commitment to provide an off-balance sheet <u>instrument</u> with <u>certain</u> draw-down. For example:

(i) A commitment of over one year to provide a trade related contingent <u>facility</u> at a future date which may or may not be drawn down should be given a credit conversion factor of 50% (the credit conversion factor for long-term commitments) multiplied by 20% (the credit conversion factor for trade-related contingents), that is, an effective credit conversion factor of 10%. Accordingly, 20% of the principal amount should be multiplied by the credit conversion factor of 50% and the resultant credit equivalent amount should then be multipled by the counterparty weight.

Similarly, a long-term commitment to provide a guarantee facility would receive a credit conversion factor of 50% multiplied by 100%, that is, an effective credit conversion factor of 50%. As such, 100% of the principal amount should be multiplied by the credit conversion factor of 50% and the resultant credit equivalent amount should then be multiplied by the counterparty weight.

(ii) A commitment (short-term or long-term) to provide a trade-related contingent item, where it is certain that the draw-down will occur at some point in the future, including a range of dates, a credit conversion factor of 20% should be applied, that is without multiplying by the relevant credit conversion factor for a commitment. Similarly, a commitment to issue a guarantee at a particular point in the future should receive a credit conversion factor of 100%.

12. Foreign Exchange Rate and Interest Rate Related Contracts

(a) Foreign exchange rate contracts include:[(1)]

- (i) cross-currency swaps;
- (ii) cross-currency interest rate swaps;
- (iii) outright forward foreign exchange contracts;
- (iv) currency futures;[(2)]
- (v) currency options purchased.[(2)]

(b) Interest rate contracts include:

- (i) single currency interest rate swaps;
- (ii) basis swaps;
- (iii) forward rate agreements, forward forward deposits accepted and products with similar characteristics;
- (iv) interest rate futures;[(2)]
- (v) interest rate options purchased.[(2)]

(1) Exchange rate contracts with an original maturity of 14 calendar days or less are excluded.

(2) Instruments traded on exchanges may be excluded where they are subject to daily margining requirements.

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Special treatment is given to these contracts since banks are not exposed to credit risk for the full face value of their contracts, but only to the potential cost of replacing the cash flow difference if the counterparty defaults. This cost depends on the maturity of the contract and on the volatility of the underlying interest or exchange rates. Higher conversion factors are applied to those contracts which are based on exchange rate risk, reflecting the greater volatility of exchange rates.

To derive the credit equivalent amounts of exchange rate and interest rate related contracts, two methods, "Original Exposure Method" and "Replacement Cost Method" (or Current Exposure Method) are used. Banks with a small volume of business in such contracts may use the "Original Exposure Method" while those which actively trade these contracts or where such contracts form a significant part of their treasury operation should normally adopt the "Replacement Cost Method".

Original Exposure Method

To obtain the credit equivalent amount of a contract using this method, the nominal principal amount of the contract should be multiplied by one of the following conversion factors determined according to the nature of the contract and its maturity.

Original maturity	Exchange rate contracts	Interest rate contracts
One year or less	2.0%	0.5%
Over one year not exceeding two years	5.0% **(i.e., 2% + 3%)**	1.0%
For each additional year	3.0%	1.0%

Replacement Cost Method (or Current Exposure Method)

In order to calculate the credit equivalent amount of exchange rate and interest rate contracts under this method, the bank should add together the:

(a) current exposure, which is the total replacement cost (obtained by "marking to market") of all its contracts with positive value; and

(b) potential exposure, which is derived by applying the following credit conversion factors, according to residual maturity, to the principal amount or face value of the contracts.

Residual maturity	Exchange rate contracts	Interest rate contracts
One year or less	1.0%	nil
Over one year	5.0%	0.5%

No potential exposure should be calculated for single currency floating/ floating interest rate swaps; the credit equivalent amount of these contracts should be evaluated solely on the basis of their current exposures, that is replacement cost.

Once the credit equivalent amount for an exchange rate or interest rate contract has been determined using either of the methods, that amount should then be weighted according to the risk weight of the counterparty, or if relevant, that of the guarantor or the collateral security. However, a 50% weight may be applied in respect of counterparties which would otherwise attract a 100% weight since most counterparties of these contracts are usually first class names.

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13. **Foreign Currency Exposure**

(a) **General**

The return set out in Part E of Annexure III should be completed to show the equivalent values in rupees (Rs 000's) of all foreign currency assets and liabilities and of the contracted foreign currency amounts of all forward transsactions. Positive or (in brackets) negative entries should be made as required.

Outstanding spot and forward liabilities and assets in foreign currencies should all be translated into rupees at the closing middle market spot rate of the day of the report.

(b) **Arithmetic Relationships**

Please ensure that the following relationships hold for the completed return, taking into account that figures in brackets are negative:

(i) for each row, column 1 less column 2 equals column 3;

(ii) for each row, the sum of columns 3 and 4 equals column 5;

(iii) the aggregate net short open foreign exchange position in column 5 should equal the sum of all the bracketed (i.e., negative) figures in the column.

(c) **Completion of the Return**

(i) **Gross spot claims - column 1**

Enter in column 1 all spot claims in foreign currencies. All the entries should be positive.

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(ii) **<u>Gross spot liabilities - column 2</u>**

Enter in column 2 all spot liabilities in foreign currencies. Entries in the currency rows of this column should not be in brackets.

(iii) **<u>Net spot claims (liabilities) - column 3</u>**

The entries in this column should equal the entries in column 1 less those in column 2.

(iv) **<u>Net forward purchases (sales) - column 4</u>**

Enter in this column net forward and unmatured spot purchases and sales of foreign currency. Where one side of such a transaction is denominated in rupees, the rupee amount will not appear in this column.

(v) **<u>Net overall long (short) position - column 5</u>**

Banks should report in column 5 the net overall position which should be calculated by summing the entries in columns 3 and 4.

(vi) **<u>Rupee balancing item</u>**

The entry against the rupee balancing item should be the figure that is necessary in order that the total of the net overall long and short positions, in all currencies taken together, equals zero. In other words, it should be equal and opposite to the sum of the entries in column 5 above it.

(vii) **<u>Aggregate net short open foreign exchange position</u>**

The aggregate net short open foreign exchange position should be the sum of all net short (i.e., bracketed) entries in the rows for individually specified foreign currencies and for foreign currencies not separately specified, in column 5, as well as the entry for the rupee balancing item if it is negative.

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This aggregate net short open foreign exchange position should be included in the calculation of the risk asset ratio weighted at 100%. An adjustment should be made to the aggregate net short position to take account of items which have already been deducted from a bank's capital base.

14. Collateralised or Guaranteed Claims

Where claims on a counterparty are collateralised by cash or covered by a right of set-off, or are guaranteed by, or are secured against securities issued or guaranteed by, counterparties recognised under the capital adequacy framework as shown below, the risk weight appropriate for the collateral or the recognised guarantor should be applied.

	Risk weight
(i) Claims collateralised by cash deposits placed with the lending bank or by a legal right of set-off on credit balances and meeting the conditions set out in the Guidance Notes;	0%
(ii) Claims guaranteed by Government of Mauritius;	0%
(iii) Claims guaranteed by Group A central governments and central banks;	0%
(iv) Claims guaranteed by Group B central governments and central banks, where the claims being guaranteed are denominated and funded in the national currency common to the guarantor and borrower;	0%
(v) Claims collateralised by securities issued or guaranteed by Government of Mauritius, Treasury Bills and Bank of Mauritius Bills and Bonds;	0%

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Risk

		weight
(vi)	Claims collateralised by fixed interest securities with a residual maturity of one year or less, and floating rate and index linked securities of any maturity, issued or guaranteed by central governments and central banks of Group A countries;	10%
(vii)	Claims collateralised by fixed interest securities with a residual maturity of one year or less, and floating rate and index linked securities of any maturity, issued or guaranteed by central governments and central banks of Group B countries, where denominated in local currency and funded by liabilities in the same currency;	10%
(viii)	Claims collateralised by fixed interest securities with a residual maturity of over one year issued or guaranteed by central governments and central banks of Group A countries ;	20%
(ix)	Claims collateralised by fixed interest securities with a residual maturity of over one year issued or guaranteed by central governments and central banks of Group B countries, where denominated in local currency and funded by liabilities in the same currency;	20%
(x)	Claims guaranteed by or collateralised by securities issued by Multilateral Development Banks;	20%
(xi)	Claims guaranteed or accepted or endorsed by banks licensed under the Banking Act 1988;	20%
(xii)	Claims guaranteed or accepted or endorsed by banks incorporated in Group A countries;	20%
(xiii)	Claims guaranteed or accepted or endorsed by banks incorporated in Group B countries (excluding those licensed under the Banking Act 1988) with a residual maturity of one year or less.	20%

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The lower weightings will apply pro-rata to the percentage which the guarantee or the market value of the collateral bears to the outstanding amount of the claim. For example, in the case of loans partially guaranteed or collateralised by recognised guarantors or collateral, only that part of the loan which is fully covered or collateralised will qualify for lower weights. The remainder of the claim should be weighted according to the underlying counterparty. Claims guaranteed by other offices of the reporting bank should not be regarded as collateralised claims.

(a) Cash Collateral

To qualify as cash collateral:

(i) The cash deposit must be held with the reporting bank.

(ii) The borrower and the office of the reporting bank where the cash deposit is held must be domiciled in the same country.

(iii) The cash deposit is held by the reporting bank for the account of the borrower on express terms such that the deposit may not be withdrawn for the duration of the exposure and the reporting bank may apply the cash deposit to discharge the exposure if and to the extent that it is not discharged by the borrower in accordance with the terms of the loan, etc., agreement with the borrower.

(iv) The reporting bank should have a right of set-off over the cash deposit which is legally enforceable in a liquidation of the debtor.

In the case of an exposure partially collateralised by cash deposit only that part of the exposure which is fully collateralised will qualify for 0% weight.

(b) Set-off

Debit balances may only be offset against credit balances where all of the following criteria are met.

(i) There is formal agreement with the customer(s) to do so, or where a legal right of set-off exists. Such arrangements should, to the best of the reporting bank's knowledge, be enforceable in a liquidation of the customer(s).

(ii) The debit and credit balances must relate to the same customer(s).

(iii) Both the debit and credit balances must be denominated in the same currency.

(iv) The debit and credit balances must have identical maturities.

(v) The customer(s) and the office(s) of the reporting bank in whose books the debit and credit balances appear must all be domiciled in the same country.

(c) Guarantees

Only claims that have been explicitly, irrevocably and unconditionally guaranteed by the counterparties listed above will qualify for lower weights; such guarantees should be legally enforceable. Where a claim is partially guaranteed only that part of the claim which is fully guaranteed will be weighted according to the lower risk weight of the guarantor.

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15. Reporting

Banks should submit to the Bank of Mauritius a return on a quarterly basis in the prescribed format as per Annexure III. However, in order to establish the position of each bank, the first return should be as at 31st December 1993. In the case of banks incorporated in Mauritius, the return should be submitted in respect of their head office and branches in Mauritius and abroad, if any. The return should be signed by two authorised officials of the bank and should be submitted to the Bank of Mauritius not later than 15 days after the close of the quarter to which it relates.

BANK OF MAURITIUS

NOVEMBER 1993

ANNEXURE II

External Auditor's Report on Interim Profits

The Board of Directors (in the case of banks incorporated in Mauritius)
The Chief Executive Officer (in the case of banks incorporated abroad)

[Name of bank]

Dear Sir(s),

In accordance with your letter of instruction dated [ ], we have reviewed the current year's interim profits of [name of bank] for the period [ ] as per the details attached. Our review, which did not constitute an audit, has been carried out having regard to the scope of the work the Bank of Mauritius expects external auditors to do in verifying the current year's interim profits as outlined in the Guidance Notes on risk weighted capital adequacy ratio set out in Annexure I to the Bank's letter of 15th November 1993.

2. On the basis of the results of our review,

(a) the interim profits as per details attached have been calculated on the basis of the accounting policies adopted by the bank in preparing its latest statutory accounts for the year to ....;

(b) the interim profits amounting to Rs ...... as so reported are reasonably stated.

Yours faithfully,

Chartered Accountants

Current year's profit and loss based on management accounts for the period ______________ to ____________ 19

		(Rs'000)
1.	Interest income received and receivable (including on investments)	
2.	Interest expense paid and payable	( )
3.	**Net interest income (1 - 2)**	
4.	Profit (loss) on foreign exchange transactions	
5.	Realised profit (loss)from sale of fixed assets	
6.	Fees and commissions	
7.	Other operating income (loss)	
8.	**Gross operating income (3 to 7 inclusive)**	
9.	Staff costs	( )
10.	Premises and equipment	( )
11.	Other operating expenses	( )
12.	**Net operating income (loss) (8 - 9 - 10 - 11)**	
13.	Exceptional items	
14.	Bad debts recovered	
15.	Bad debts written off	( )
16.	Provision for bad debts	( )
17.	Provision for taxation	( )
18.	Provision for dividend	( )
19.	**Current year's profit (loss)**	

Quarterly Capital Adequacy Return
as at ....

PART A

Capital Base, Weighted Risk Assets and Risk Asset Ratio

I. Capital Base

(Amount Rs'000)

A. Tier 1: Core Capital

(i) Paid up capital or assigned capital

(ii) Share premium

(iii) Statutory reserve

(iv) Surplus arising from sale of fixed assets[1]

(v) General reserve

(vi) Other disclosed free reserves, including undistributed balance in profit and loss account, created by appropriations of retained earnings (Please specify)

(vii) Current year's interim retained profits subject to certification by the bank's external auditors

Less: (i) Accumulated losses

(ii) Current year's interim losses

(iii) Fully paid bonus shares issued by capitalising property revaluation reserves[2]

(iv) Goodwill[3]

(v) Other intangible assets (Please specify)

Tier 1 capital

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(1) Report only surplus on sale of fixed assets and held in a separate. Do not report reserves arising from revaluation of tangible fixed assets: such reserves should be shown under item B(ii) below.

(2) To be included in Tier 2 capital.

(3) To the extent that it is carried in the balance sheet.

B. <u>Tier 2: Supplementary Capital</u>

(i) Undisclosed reserves (inner reserves) created by appropriations of retained earnings which, for purposes of the bank's published annual accounts, are included in its other current liabilities

(ii) Reserves arising from revaluation of tangible fixed assets [(1)]

(iii) General provisions/general loan loss reserves against unidentified losses [(2)]

(iv) Subordinated debt[(3)]

(v) Fully paid bonus shares issued by capitalising property revaluation reserves

Tier 2 capital

(1) Only 75 per cent of the amount of these reserves, explicitly reported in the balance sheet or by way of notes to the audited accounts, is to be included in Tier 2 capital.

(2) They must not be ascribed to a particular asset or group of assets and must be freely available to meet or absorb any losses which are identified after the reporting date. In other words, provisions held against possible losses but where these losses have not as yet been identified (that is, unencumbered provisions) only should be included, subject to an amount not exceeding 1.25 per cent of total weighted risk assets.

Provisions earmarked or held specifically against lower valuations of particular assets or classes of assets should not be included.

(3) Subordinated debt as approved by the Bank of Mauritius only should be included, subject to a maximum of 50 per cent of Tier 1 core capital.

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C. <u>Total Capital</u>

Tier 1: Core capital

Tier 2: Supplementary capital[(1)]

Total (gross) capital

Deduct:

(i) Investments in subsidiaries and associates in Mauritius or overseas

(ii) Lending of a capital nature including subordinated loan capital to subsidiary and associate banks in Mauraitius or overseas[(2)]

(iii) Holdings of other banks' capital instruments in Mauritius or overseas[(2)]

Total (net) capital

(1) Tier 2 supplementary capital should not exceed a maximum of 100 per cent of Tier 1 core capital.

(2) This is based on the principle that, in assessing capital adequacy, any investment made in the capital of another bank whether in Mauritius or overseas, should be deducted from the holder's capital base, to ensure that the same capital is not used by more than one institution to support its operations.

Holdings of capital instruments of PTA Trade and Development Bank and African Export Import Bank (Afreximbank) and such other institutions, as may be approved by the Bank of Mauritius, may be excluded. Particulars of the investments excluded should be given by way of a footnote.

II. <u>Weighted Risk Assets</u>

(a) Weighted amount of on-balance sheet assets (to tally with Part B)

(b) Weighted amount of off-balance sheet exposures (to tally with Part C)

(c) Weighted amount of foreign exchange rate and interest rate related contracts (to tally with Part D)

(D) Aggregate net short open foreign exchange position (to tally with Part E)

Total weighted risk assets (a+b+c+d)

III. <u>Risk Asset Ratio</u>* **%**

*** Divide total (net) capital by total weighted risk assets and multiply the result by 100**

PART B
Risk Weighted On-balance Sheet Assets

	Amount x (Rs'000)	Risk weight % =	Weighted amount (Rs'000)
I. Cash, balances with Bank of Mauritius, holdings of Government of Mauritius and Bank of Mauritius securities and claims guaranteed or collateralised by such securities			
1. Cash in hand		0	0
2. Foreign notes and coin		0	0
3. Balances with the Bank of Mauritius		0	0
4. Balances with foreign central banks and monetary authorities		0	0
5. Claims collateralised by cash deposits placed with the lending bank or by a legal right of set-off on credit balances and meeting the conditions set out in the Guidance Notes.		0	0
6. Claims on or guaranteed by Government of Mauritius		0	0

C/F

Notes:

(1) The risk weighting of 0% will apply only to that portion of a claim which is covered by a cash deposit or a legal right of set-off on credit balances. For example, if a loan is partly secured by a cash deposit, only the secured part of the loan can be weighted at 0%.

(2) Only claims which have been explicitly, irrevocably and unconditionally guaranteed should be included; such guarantees should be legally enforceable. Where a claim is partially guaranteed, only the part of the claim which is fully guaranteed should be reported in the 0% weight.

(3) If the value of the securities held as collateral covers less than the book value of the claim, only that part of the claim which is fully covered should be reported in the 0% weight. Securities held as collateral should be marked to market.

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	Amount x (Rs'000)	Risk weight % =	Weighted amount (Rs'000)
B/F			
7. Holdings of securities issued or guaranteed by Government of Mauritius, Treasury Bills and Bank of Mauritius Bills		0	0
8. Claims collateralised by securities issued or guaranteed by Government of Mauritius, Treasury Bills and Bank of Mauritius Bills and Bonds		0	0
II. <u>Claims on central governments and central banks</u>			
1. Claims on central governments and central banks of Group A countries		0	0
2. Claims guaranteed by Group A central governments and central banks		0	0
3. Claims on Group B central governments and central banks denominated in local currency and funded in that currency[(1)]		0	0
4. Claims guaranteed by Group B central governments and central banks, where the claims being guaranteed			

are denominated and funded in the national currency common to the guarantor and borrower [(1)]	0	0

C/F

(1) The amount of any claims in a particular local currency included in this item should not exceed the amount of the bank's liabilities denominated in the same currency. Any *"excess"* claims should be included in item II 9 or 10 below.

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	Amount x (Rs'000)	Risk weight % =	Weighted amount (Rs'000)
B/F			
5. Holdings of fixed interest securities with a residual maturity of one year or less, and floating rate and index linked securities of any maturity, issued or guaranteed by central governments and central banks of Group A countries, and claims fully collateralised		10	
6. Holdings of fixed interest securities with a residual maturity of one year or less, and floating rate and index linked securities of any maturity, issued or guaranteed by central governments and central banks of Group B countries, and claims fully collateralised by such securities, where denominated in local currency and funded by liabilities in the same currency [(1)]		10	
7. Holdings of fixed interest securities with a residual maturity of over one year issued or guaranteed by central governments and			

central banks of Group A countries, and claims fully collateralised by such securities	________	20	__________

C/F

(1) The amount of any claims in a particular local currency included in this item should not exceed the amount of the bank's liabilities denominated in the same currency. Any *"excess"* claims should be included in item II 9 or 10 below.

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	Amount x (Rs'000)	Risk = weight %	Weighted amount (Rs'000)
B/F			
8. Holdings of fixed interest securities with a residual maturity of over one year issued or guaranteed by central governments and central banks of Group B countries, and claims fully collateralised by such securities, where denominated in local currency and funded by liabilities in the same currency [(1)]		20	
9. Claims on central governments and central banks of Group B countries which are not denominated in local currency and funded by liabilities in the same currency		100	
10. Claims guaranteed by central governments and central banks of Group B countries which are not denominated and funded in the national currency common to the guarantor and borrower		100	

III. <u>Cash items in the process of</u>

collection (2) 20

C/F

(1) **The amount of any claims in a particular local currency included in this item should not exceed the amount of the bank's liabilities denominated in the same currency. Any *"excess"* claims should be included in item II 9 or 10 below.**

(2) **Report the total amount of cheques, drafts and other items drawn on other banks that are in the process of collection and are payable immediately upon presentation, including cheques credited to customers' accounts but held overnight. Import bills & export bills held by the bank that are in the process of collection should not be included under this item, but should be weighted according to the counterparty of the claim. Export bills negotiated under other banks' letters of credit should be reported as claims on the letters of credit issuing banks.**

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	Amount x (Rs'000)	Risk weight %	=	Weighted amount (Rs'000)
B/F				
IV. <u>Claims on banks</u> (1)				
1. Claims on banks licensed under the Banking Act 1988		20		
2. Claims guaranteed or accepted or endorsed by banks licensed under the Banking Act 1988		20		
3. Claims on, or claims guaranteed by or collateralised by securities issued by, Multilateral Development Banks		20		
4. Claims on, or claims guaranteed or accepted or endorsed by, banks incorporated in Group A countries		20		
5. Claims on, or claims guaranteed or accepted or endorsed by, banks incorporated in Group B countries (excluding those licensed under the Banking Act1988) with a residual maturity of one year or less		20		
6. Claims on, or claims guaranteed or accepted or endorsed by, banks incorporated in Group B countries (excluding those licensed				

under the Banking Act 1988) with a residual maturity of over one year	________	100	_________

C/F

(1) **For the purpose of this return, banks refer to institutions which in the countries in which they are incorporated are regarded by the appropriate supervisory authorities as banks. The definition of banks relates to where those banks are incorporated rather than the place at which business is transacted. For example, if a placement is made with a branch of a bank incorporated in a Group B country located in a Group A country, it is to be classified as a claim on a bank incorporated in Group B country.**

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		Amount x (Rs'000)	Risk = weight %	Weighted amount (Rs'000)
	B/F			
V.	**<u>Residential Mortgages</u>** Loans to individuals fully secured by first priority fixed charge on residential property that is (or is to be) occupied by the borrower		50	
VI.	**<u>Claims on non-bank private sector</u>**			
	1. Loans, overdrafts and other advances, including bills purchased and discounted		100	
	2. Credit card debtors		100	
VII.	**<u>Investments in corporate shares and Securities</u>** [1]		100	
VIII.	**<u>Other assets</u>**			
	1. Premises, real estate, furniture, fixtures, equipment, vehicles and other fixed assets including capital works in progress		100	
	2. All other assets not elsewhere specified		100	
	Total			

(1) Other than those deducted from total capital

PART C

Risk Weighted Off-balance Sheet Exposures [(1)]

Nature of item	Nominal Principal Amount	x	Credit Conversion Factor	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
	(Rs'000)		**%**		**(Rs'000)**		**%**		**(Rs'000)**
							Total		

(1) **Excluding foreign exchange rate and interest rate related contracts, which should be reported in Part D.**

PART D

Foreign Exchange Rate and Interest Rate Related Contracts

I. Original Exposure Method

(a) Foreign exchange rate contracts with an original maturity of one year or less

Nominal Principal Amount	x	Credit Conversion Factor [1]	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**%**		**(Rs'000)**		**%**		**(Rs'000)**

Sub -total ________

(b) Foreign exchange rate contracts with an original maturity of over one year

Nominal Principal Amount	x	Credit Conversion Factor [1]	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**%**		**(Rs'000)**		**%**		**(Rs'000)**

Sub -total ________

(1) Credit conversion factor for foreign exchange rate contracts with an original maturity of one year or less is 2 per cent. Apply an additional factor of 3 per cent for each additional year of original maturity. For example, for contracts with an original maturity of over one year but not exceeding two years, the factor applicable is 5 per cent, that is 2 per cent plus 3 per cent.

(c) Interest rate contracts with an original maturity of one year or less

Nominal Principal Amount	x	Credit Conversion Factor [1]	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**%**		**(Rs'000)**		**%**		**(Rs'000)**

Sub -total ________

(c) Interest rate contracts with an original maturity of over one year

Nominal Principal Amount	x	Credit Conversion Factor [1]	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**%**		**(Rs'000)**		**%**		**(Rs'000)**

Sub -total ________

Total Weighted Amount of Foreign Exchange Rate and Interest Rate Contracts:

(1) Credit conversion factor for interest rate contracts with an original maturity of one year or less is 0.5 per cent. Apply the factor of 1 per cent for contracts with an original maturity of over one year but not exceeding two years. For contracts with an original maturity of over 2 years, the additional factor of 1 per cent should be added for each additional year of maturity. For example, for a contact with an original maturity of three years, the factor applicable is 2 per cent, that is 1 per cent plus 1 per cent.

II. Replacement Cost Method (or Current Exposure Method)

(a) Foreign exchange rate contracts with a residual maturity of one year or less

Replacement Cost (or Current Exposure)	+	Potential Exposure (Nominal Principal Amount x "Add-on" Factor) (1)	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**(Rs'000)**		**(Rs'000)**		**%**		**(Rs'000)**
						Sub -total		

(b) Foreign exchange rate contracts with a residual maturity of over one year

Replacement Cost (or Current Exposure)	+	Potential Exposure (Nominal Principal Amount x "Add-on" Factor) (2)	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**(Rs'000)**		**(Rs'000)**		**%**		**(Rs'000)**
						Sub -total		

(1) Apply the factor of 1 per cent to foreign exchange rate contracts with a residual maturity of one year or less.

(2) Apply the factor of 5 per cent to foreign exchange rate contracts with a residual maturity of over one year.

(c) Interest rate contracts with a residual maturity of one year or less

Replacement Cost (or Current Exposure)	+	Potential Exposure (Nominal Principal Amount x "Add-on" Factor) (1)	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**(Rs'000)**		**(Rs'000)**		**%**		**(Rs'000)**
						Sub -total		

(d) Interest rate contracts with a residual maturity of over one year

Replacement Cost (or Current Exposure)	+	Potential Exposure (Nominal Principal Amount x "Add-on" Factor) (2)	=	Credit Equivalent Amount	x	Risk Weight	=	Weighted Amount
(Rs'000)		**(Rs'000)**		**(Rs'000)**		**%**		**(Rs'000)**
						Sub -total		

Total Weighted Amount of Foreign Exchange Rate and Interest Rate Contracts :

(1) **Apply the factor of 0 per cent to interest rate contracts with a residual maturity of one year or less.**

(2) **Apply the factor of 0.5 per cent to interest rate contracts with a residual maturity of over one year.**

PART E

Foreign Currency Exposure as on ....

(Rs 000' s)

Currency	**Gross spot claims**	**Gross spot liabilities**	**Net spot claims (liabilities) (=column 1 minus column 2)**	**Net forward purchases (sales)**	**Net overall long (short) position (=column 3 plus column 4)**
Pounds sterling					
US dollars					
French francs-					
Deutschemarks					
Japanese yen					
(1)					
Foreign currencies not separately specified above					
				Sub-total	
				Rupee balancing item	
				Total	ZERO

(1) Enter here details for other individual foreign currencies with net spot claims or liabilities equivalent to Rs 1 million or more. Business in foreign currencies with smaller balances should be short aggregated and reported in the row "Foreign currencies not separately specified".