कार्पोरेशन बैंक (सार्वजनिक क्षेत्र का अग्रणी बैंक) **प्रधान कार्यालय, डा पे सं. 88** **मंगलूर - 575 001**	**e-CIRCULAR**	**Corporation Bank** **(A Premier Public Sector Bank)** **Head Office, PB No.88,** **Mangalore – 575 001**
Credit Division **[Credit Policy & Planning Section]** **Email : CPMS@corpbank.co.in**		
HO Circular No. 286/2013	**Index No. 11.00/17/2013**	**30-May-2013**

TO ALL THE BRANCHES / OFFICES

Subject : PRUDENTIAL EXPOSURE LIMITS FOR THE FINANCIAL YEAR 2013-14

HIGHLIGHTS

The Prudential Exposure Ceiling for the Financial Year 2013-14 in relation to Capital Fund of the Bank as at 31.03.2013

1. As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, exposure limits have been fixed by the Bank based on the following guidelines/ norms on the subject issued by the RBI, to Single Borrower and Group of Borrowers.

1.1 The exposure limits should be fixed in relation to Bank's Capital Funds, as defined under capital adequacy standards [Tier-I and Tier-II]. The Capital Fund should be as per the published accounts as on 31st March of previous year.

1.2 The exposure limit should not exceed 15% of capital funds in the case of Single Borrower including Public Sector Undertakings and 40% in the case of Group of Borrowers. However, in respect of oil companies which have been issued with Oil Bonds [which do not have SLR status] by Govt.of India, the exposure ceiling shall be 25% of capital funds for single borrower.

1.3 In the case of single borrower and Group of Borrowers, exposure limit can be exceeded by 5% and 10%, respectively, i.e., upto 20% and 50% of capital funds, respectively for Single Borrower and Group of Borrowers, provided the additional exposure is on account of extension of credit to infrastructure project viz., power, telecommunication, roads & ports and others.

1.4 The Infusion of capital under Tier I and Tier II, either through domestic or overseas issue, after the published Balance Sheet date shall also be taken into account for determining the exposure ceilings. However, other accretion to capital funds by way of quarterly profits etc. shall not be reckoned for determining the exposure ceiling.

1.5 RBI has permitted banks [with the approval of the Board] to consider enhancement of exposure to a borrower upto a further 5% of capital funds [i.e. 20% of capital funds for single borrower and 45% of capital funds for group borrowers] subject to the borrower consenting to the bank making appropriate disclosure in their annual report.

2.0 Prudential Exposure Limits for the FY 2013-14

In relation to Capital Fund of the Bank as at 31.03.2013, the prudential exposure ceiling for the financial year 2013-14 is furnished hereunder:

(Rs. in crore)

Type of Borrower / s	Prudential Ceiling
A. SINGLE BORROWER	
1 Other than infrastructure sector projects	2274 (15.0%)
2 Including Infrastructure Projects	3033 (20.0%)
B. GROUP OF BORROWERS	
1. Other than infrastructure sector projects	6066 (40.0%)
2. Including Infrastructure Projects	7583 (50.0%)

In respect of three PSU oil companies viz., BPCL, HPCL and IOCL, the individual exposure ceiling is proposed to be fixed at Rs. 3791 crore (25%).

3.0 Whilst on the subject, Branches/ Offices are advised to note the following guidelines issued by RBI for reference and compliance.

3.1 Exposure shall include credit exposure [funded and non-funded credit limits] and investment exposure [underwriting and similar commitments].

3.1.1 Credit exposure comprises of the following elements:

a. all types of funded and non-funded credit limits

b. facilities extended by way of equipment leasing, hire purchase finance and factoring services.

3.1.2 Investments comprise the following elements:

a. Investment exposure comprises the following elements
   i. Investments in Shares and debentures of companies
   ii. Investment in PSU bonds
   iii. Investments in Commercial Papers [CPs]

b. Banks / Fis investments in debentures / bonds/ security receipts / pass through certificates [PTCs] issued by an SC / RC as compensation consequent upon sale of financial assets will constitute exposure on the SC / RC.

c. The investment made by the banks in bonds and debentures of corporates which are guaranteed by a PFI [as per list given in Ann -1] will be treated as an exposure by the Bank on the PFI and not on the corporate.

d. Guarantees issued by the PFI to the bonds of corporates will be treated as on exposure by the PFI to the corporates to the extent of 50 percent, being a non fund facility, whereas the exposure of the Bank on the PFI guaranteeing the corporate bond will be 100 percent. The PFI before guaranteeing the bonds / debentures should, however, take into account the overall exposure of the guaranteed unit to the financial system.

3.1.3 The sanctioned limits or outstanding, whichever is higher, both under fund based and non-fund based credit limits, shall be reckoned for arriving at exposure limit. However, in the case of fully drawn term loans, where there is no scope for re drawal of any portion of the sanctioned limit, Bank shall reckon the outstanding as the exposure

3.1.4 Measurement of Credit Exposure of Derivative Products

For the purpose of exposure norms, Bank shall compute their credit exposures, arising on account of the interest rate & foreign exchange derivative transactions and gold, using the 'Current Exposure Method", as detailed below, While computing the credit exposure Bank may exclude 'sold options' provided the entire premium / fee or any other form of income is received / realised.

Bilateral netting of Mark to Market [MTM] values arising on account of such derivative contracts shall not be permitted. Accordingly, Bank should count their gross positive MTM value of such contracts for the purposes of capital adequacy as well as for exposure norms.

Current Exposure Method

i. The credit equivalent amount of a market related off-balance sheet transaction calculated using the current exposure method is the sum of current credit exposure and potential future credit exposure of these contracts. While computing the credit exposure, Bank shall exclude 'sold options', provided the entire premium / fee or any other form of income is received / realised.

ii. Current credit exposure is defined as the sum of the positive mark to market value of these contracts. The Current exposure method requires periodical calculation of the current credit exposure by marking these contracts to market, thus capturing the current credit exposure.

iii. Potential future credit exposure is determined by multiplying the notional principal amount of each of these contracts irrespective of whether the contract has a zero, positive or negative mark to market value by the relevant add-on factor indicated below according to the nature and residual maturity of the instrument.

CCF for market related off balance sheet items		
Residual Maturity	**Credit conversion factors**	
	Interest Rate contracts	**Exchange Rate Contracts & Gold**
One year or less	0.50%	2.00%
Over one year to five years	1.00%	10.00%
Over five years	3.00%	15.00%

iv. For contracts with multiple exchanges of principal, the add on factors are to be multiplied by the number of remaining payments in the contract.

v. For contracts that are structured to settle outstanding exposure following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date. However, in the case of interest rate contracts which have residual maturities of more than one year and meet the foregoing criteria, the CCF or "add-on factor" applicable shall be subject to a floor of 1.00%.

vi. No potential future credit exposure shall be based on effective rather than apparent notional amounts. In the event that the stated notional amount is leveraged or enhanced by the structure of the transaction, Bank shall use the effective notional amount when determining potential future exposure. For example, a stated notional amount of USD 1 million with payments based on an internal rate of two times the BPLR would have an effective notional amount of USD 2 million.

3.2 Group Concept

a. For the purpose of identification of "Group" accounts, the relevant information shall be ascertained from the application, data furnished by the borrower to the Bank. The "commonality of management" and "effective control on management" shall be the basis for determining the group.[Refer Chapter No. 3 Para No.3.2.4 of Group Credit Policy]

b. In the case of a split in the group and if the split is formalised, the splinter groups will be regarded as separate groups. If banks have doubts about the bonafides of the split, a reference should be made to RBI for its final view in the matter to preclude the possibility of a split being engineered in order to prevent coverage under the Group Approach.

3.3 Exemption from Exposure Ceilings

3.3.1 Rehabilitation of Sick / Weak Industrial units

The ceilings on single / group exposure limits are not applicable to existing / additional credit facilities [including funding of interest and irregularities] granted to weak / sick industrial units under rehabilitation packages.

3.3.2 Food Credit

Borrowers, to whom limits are allocated directly by the Reserve Bank for food credit, will be exempt from the ceiling.

3.3.3 Guarantee by the Government of India

The ceilings on single / group exposure limit would not be applicable where principal and interest are fully guaranteed by the Government of India.

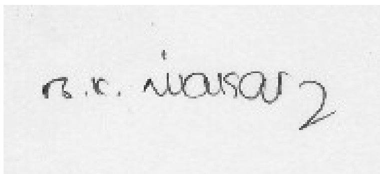
3.3.4 Loans against own term deposits

Loans and advances [both funded and non-funded facilities] granted against the security of a Bank's own term deposits may not be reckoned for computing the exposure to the extent that the Bank has a specific lien on such deposits.

3.3.5 Exposure on NABARD

The ceiling on single / group borrower exposure limit will not be applicable to exposure assumed by Banks on NABARD. The individual Bank are free to determine the size of the exposure to NABARD as per the policy framed by their respective Board of Directors. However, banks may note that there is no exemption from the prohibitions relating to investments in unrated non-SLR securities prescribed in terms of the Master Circular on Prudential Norms for classification, Valuation and operations of investment Portfolio by banks, as amended from time to time.

4.0 All our branches and other offices are advised to note the above for guidance and strict adherence.



[**B.K.DIVAKARA**]
GENERAL MANAGER

Note : Hindi version of the Circular follows.

Annexure -1

List of All India Financial Institutions
[Counter Party Exposure – list of Institutions Guaranteeing Bonds of Corporates]

1. Industrial Finance Corporation of India Ltd
2. Industrial Investment Bank of India Ltd
3. Tourism Finance Corporation of India Ltd
4. Risk Capital and Technology Finance Corporation Ltd
5. Technology Development and Information Company of India Ltd
6. Power Finance Corporation Ltd
7. National Housing Bank
8. Small Industrial Development Bank of India
9. Rural Electrification Corporation Ltd
10. Indian Railways Finance Corporation Ltd
11. National Bank for Agriculture and Rural Development
12. Export Import Bank of India
13. Infrastructure Development Finance Company Ltd
14. Housing and Urban Development Corporations Ltd
15. Indian Renewable Energy Development Agency Ltd.