Large Exposure Framework guidelines of RBI

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In news– Amidst concern about the exposures of Indian banks to a business conglomerate, the RBI Governor has said that the large exposure framework of RBI is fully complied with by all the banks.

What did RBI say?

- As the regulator and supervisor, the RBI maintains a constant vigil on the banking sector and on individual banks with a view to maintain financial stability.
- The RBI has a Central Repository of Information on Large Credits (CRILC) database system where the banks report their exposure of ₹5 crore and above which is used for monitoring purposes.
- As per the RBI's current assessment, the banking sector remains resilient and stable.
- Various parameters relating to capital adequacy, asset quality, liquidity, provision coverage and profitability are healthy.
- Banks are also in compliance with the Large Exposure Framework (LEF) guidelines issued by the RBI.

About large exposure framework(LEF) guidelines-

- In January 1991, the Basel Committee on Banking Supervision (BCBS) issued supervisory guidance on large exposures, viz., Measuring and Controlling Large Credit Exposures.
- In order to foster a convergence among widely divergent national regulations on dealing with large exposures, the BCBS issued the Standards on 'Supervisory framework for measuring and controlling large exposures' in April 2014.
- The Reserve Bank has decided to suitably adopt these

standards for banks in India and, accordingly, the instructions on banks' Large Exposures (LE) .

- Banks must apply LEF at the same level as the risk-based capital requirements are applied, that is, a bank shall comply with the LEF norms at two levels: (a) consolidated (Group1) level and (b) Solo2 level.
- Under the LEF, a bank's exposure to all its counterparties and groups of connected counterparties with some exemptions.