



International Financial Services Centres Authority

F.No.110/IFSCA/Banking Regulation/2020-21/5

December 11, 2020

To,

All Banking Units

Dear Sir/Madam,

IFSC (Banking) Regulations, 2020 – Prudential regulatory requirements

1. Banking units (BUs) may please refer to Chapter III (Prudential Regulatory Requirements) of the International Financial Services Centres Authority (Banking) Regulations, 2020 (the Regulations) and the circular on IFSC (Banking) Regulation, 2020 – Directions for implementation dated December 4, 2020 issued by the Authority.
2. BUs shall maintain Liquidity Coverage Ratio (LCR) on stand-alone basis as per the following timeline :

Till March 31,2021	90 per cent
April 1,2021 onwards	100 per cent

3. Net stable funding ratio (NSFR) shall not be applicable for the operations of BUs for the present.
4. The BUs may approach the Authority for seeking permission to maintain the LCR and/or NSFR at the parent bank level. The submission by the BU in this regard shall clearly provide the justification behind such request, including the proposed strategy of the BU to manage liquidity risk if such permission is given by the Authority.
5. Leverage ratio (LR) for BUs may be maintained by the parent bank and at the level specified by the home regulator and subject to the regulations applicable to the parent bank. BUs shall submit a quarterly certificate to this effect to the Authority signed by an authorised official of its parent bank.

6. Exposure ceiling at 5% of the Tier 1 capital of the parent bank in case of a single borrower and 10% of the Tier 1 capital of the parent bank in case of a borrower group shall be applicable to BUs.
7. BUs shall not be required to maintain Statutory Liquidity Ratio (SLR) or Cash Reserve Ratio (CRR).
8. BUs shall be required to maintain a Retail Deposit Reserve Ratio (RDRR) on daily basis at 3% of the deposits raised from Qualified Individuals, Qualified Resident Individuals and persons resident in India, being individuals¹, outstanding as on the end of the previous working day. The RDRR may be maintained in any freely convertible foreign currency and in the form of balance the Nostro account of the BU or as holdings of sovereign debt securities (including T-bills) rated investment grade or above by at least two rating agencies of international standing.
9. This circular shall come into effect from January 1, 2021.
10. BUs are directed to ensure compliance to the directions this circular.

Yours faithfully

(Supriyo Bhattacharjee)
General Manager
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¹ Inserted vide circular no. F.No.110/IFSCA/Banking Regulation/2020-21/13 dated February 19, 2021