(1) fixed-rate and floating-rate debt securities and instruments that behave like them, including non-convertible preference shares and convertible securities which are traded like debt securities;

(2) derivative products as set out in paragraph 51; and

(3) positions in any interest rate-related instrument that is sold / lent or posted as collateral under a Repo-style transaction as provided in paragraph 164 of the Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Directions, 2025.

42. A bank shall calculate its market risk capital requirement for interest rate risk as follows:

(1) Identify the instruments in its trading book which have interest rate risk as per paragraph 41 above.

(2) Separate trading book instruments in each currency.

(3) For each currency:

(i) calculate the net position of instruments after offsetting as set out in paragraphs 55 and 56.

(ii) include net positions from sub-para (i) above in the calculation of specific risk capital requirement, as per paragraphs 43 to 45, after applying offsets as set out in paragraph 46.

(iii) include net positions from sub-para (i) above in the calculation of its general market risk capital requirement, as per paragraphs 47 to 50.

(4) Aggregate all specific risk and general market risk capital requirements for each currency.

B.1 Specific risk

43. A bank shall calculate the specific risk capital requirements, both for net long or net short position in each trading book instrument, as detailed in Table 1 below:

Table 1: Specific Risk Capital Requirement		
Sl.no.	**Nature of debt securities / issuer**	**Guidelines on specific risk charge for interest rate risk**
1	Central and State Governments	1. The specific risk charge shall be as below: i. Central and State Government securities and securities

<table>
<tr><th colspan="3">Table 1: Specific Risk Capital Requirement</th></tr>
<tr><th>Sl.no.</th><th>Nature of debt securities / issuer</th><th>Guidelines on specific risk charge for interest rate risk</th></tr>
<tr><td></td><td></td><td>guaranteed by Central Government: 0 per cent
ii. Securities guaranteed by State Government
<table>
<tr><th>Residual maturity</th><th>Capital charge (%)</th></tr>
<tr><td>6 months or less</td><td>0.25</td></tr>
<tr><td>More than 6 months and up to and including 24 months</td><td>1.00</td></tr>
<tr><td>More than 24 months</td><td>1.60</td></tr>
</table></td></tr>
<tr><td>2</td><td>Foreign Central Governments</td><td>1. The specific risk charge shall be as per the table below.
<table>
<tr><th colspan="2">External rating</th><th rowspan="2">Capital charge (%)</th></tr>
<tr><th>S&P/ Fitch</th><th>Moody’s</th></tr>
<tr><td>AAA to AA</td><td>Aaa to Aa3</td><td>0</td></tr>
<tr><td>A to BBB</td><td>A1 to Baa3</td><td><table>
<tr><th>Residual maturity</th><th>Capital charge (%)</th></tr>
<tr><td>6 months or less</td><td>0.25</td></tr>
<tr><td>More than 6 months and up to and including 24 months</td><td>1.00</td></tr>
<tr><td>More than 24 months</td><td>1.60</td></tr>
</table></td></tr>
<tr><td>BB to B</td><td>Ba1 to B3</td><td>8</td></tr>
<tr><td>Below B</td><td>Below B3</td><td>12</td></tr>
<tr><td>Unrated</td><td>Unrated</td><td>8</td></tr>
</table>
Provided that, if a foreign jurisdiction has exercised its national discretion to allow its banks to apply specific risk capital charge for their domestic currency exposures to their sovereign lower than what is recorded as per the external rating in the above Table, provided that such exposures are funded in the same currency, an Indian bank can also use the same risk charge for similar exposures in those jurisdictions. However, in case a Host Supervisor requires a more conservative treatment to such claims in the books of the Indian bank, the bank shall adopt the requirements prescribed by the Host Country supervisors for computing capital adequacy.</td></tr>
</table>

<table>
<tr><th colspan="3">Table 1: Specific Risk Capital Requirement</th></tr>
<tr><th>Sl.no.</th><th>Nature of debt securities / issuer</th><th>Guidelines on specific risk charge for interest rate risk</th></tr>
<tr><td></td><td></td><td>2. In the above table, the modifiers “+” or “-” have been subsumed within the main rating category.</td></tr>
<tr><td>3</td><td>Qualifying category</td><td>1. The specific risk charge shall be as per the table below:
<table>
<tr><th>Residual maturity</th><th>Capital charge (%)</th></tr>
<tr><td>6 months or less</td><td>0.25</td></tr>
<tr><td>More than 6 months and up to and including 24 months</td><td>1.00</td></tr>
<tr><td>More than 24 months</td><td>1.60</td></tr>
</table>
2. The following securities / issuers shall be included under the ‘Qualifying’ category.
(i) Securities issued by Public Sector Entities (PSEs) and Multilateral Development Banks (MDBs)
(ii) Securities issued by other issuers (i.e., other than securities specifically mentioned in other categories) which are rated Investment Grade (IG) by at least two Eligible Credit Rating Agencies (ECRA).
3. For this purpose, Investment Grade rating means a rating of BBB (Baa3 for Moody’s) or higher.
4. The modifiers “+” or “-” have been subsumed within the main rating category.
5. A bank may refer to paragraph 24 of the Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026 for the list of approved ECRA.</td></tr>
<tr><td>4</td><td>Non-equity capital instruments of financial entities</td><td>1. Non-equity capital instruments issued by banks and other financial entities, irrespective of the external credit rating, shall attract specific risk charge of 12 per cent.
2. This treatment shall not apply to investments in non-equity capital instruments which are required to be:
(a) deducted from the regulatory capital of the investment bank; or
(b) risk weighted at 250 per cent as per paragraph 28(8) of the Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy)</td></tr>
</table>

Table 1: Specific Risk Capital Requirement		
Sl.no.	**Nature of debt securities / issuer**	**Guidelines on specific risk charge for interest rate risk**
		Directions, 2025.
5	Others	1. The specific risk charge shall be as per the table below: <table><tr><th>External rating</th><th>Capital charge (%)</th></tr><tr><td>BB</td><td>8</td></tr><tr><td>Below BB</td><td>12</td></tr><tr><td>Unrated</td><td>8</td></tr></table>2. A bank may also refer to paragraphs 4 and 5 at Sl.no.3 of this table.

44. Treatment of Debt Mutual Funds / Exchange Traded Funds (ETF)

A bank shall calculate the capital requirement of Debt Mutual Funds / ETF held in the trading book as under:

(1) Investments in open-ended debt mutual funds / ETFs which invest not less than 90 per cent of their Assets Under Management (AUM) in debt instruments and for which,

 (i) full constituent debt details and average modified duration are available, at least as at the end of each month; and

 (ii) Net Asset Value (NAV) is available on daily basis,

shall attract specific risk capital charge as per Table 1 above.

Equity investments or units in funds including REITs, InvITs and AIFs, and securitised debt shall not be considered as eligible debt instruments.

(2) In case of debt mutual funds / ETFs which contain a mix of debt instruments and fulfilling all the criteria in sub-paragraph (1) above, the specific risk capital charge shall be computed based on the debt instrument attracting the highest specific risk capital charge in the fund.

(3) The following investments of debt mutual funds / ETFs shall be subject to specific risk capital charge of 9 per cent:

 (i) Contributions by debt mutual funds to Corporate Debt Market Development Fund (CDMDF) in terms of SEBI Regulations.