

Insights

Reserve Bank of India (Commercial Banks – Capital Charge for Credit Risk – Standardized Approach) Directions, 2026



EXECUTIVE SUMMARY

The Reserve Bank of India (RBI) issued the **(Commercial Banks – Capital Charge for Credit Risk – Standardized Approach) Directions, 2026** ('Directions on Credit Risk Capital Charge') on April 27, 2026, effective April 01, 2027. In substance, these directions represent India's transposition of what the global banking industry has been calling **Basel IV**. This is not a recalibration. It is a structural rewrite of how Indian commercial banks compute risk-weighted assets (RWA) for credit risk under the Standardized Approach.

The timing is deliberate and consequential. Directions on Credit Risk Capital Charge and the RBI's Expected Credit Loss (ECL) framework, both effective April 01, 2027, are much anticipated. While ECL regulations change how banks **recognize** credit risk on the profit and loss (P&L) statement, Directions on Credit Risk Capital Charge change how they **capitalize** it on the balance sheet. They interact, and the combined implementation lift is substantial.

This piece examines Directions on Credit Risk Capital Charge as a strategic event, not a compliance exercise. It covers six themes:

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1. Context and Regulatory Intent

2. What's Changing

3. Second-Order Effects

4. Strategic & Financial Impact

5. Response Action Plan

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Supervisory Context and Intent



Strategic and Financial Implications



Overview of Changes



Implementation Roadmap



Indirect and System-Wide Effects



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CONTEXT AND REGULATORY INTENT

Why now, and what is RBI signaling through the choices it has made?

1.1

What are the Basel Regulations?

The Basel Accords are a set of international banking regulations developed by the Basel Committee on Banking Supervision (BCBS), which sits at the Bank for International Settlements (BIS) in Basel, Switzerland. The committee was formed in 1974 by central bank governors of the G10 countries after the collapse of Germany's Herstatt Bank, which exposed how cross-border banking failures could cascade through the global system.

1.2

The arc of Basel Accords

From 1988 to 2026, there have been three major iterations. Each generation of reform has built on the previous one, never replacing it.

I

Basel I - The Foundation

1988 to the early 1990s

OBJECTIVES

Introduced a common minimum 8% capital ratio and harmonized RWA

ISSUES ADDRESSED

Weak capital levels, lack of international consistency, and minimal recognition of off-balance-sheet risk

II

Basel II - Three-Pillar Framework

2004 to 2007/08

OBJECTIVES

Introduced 3 pillars, namely: Minimum capital requirements; Supervisory review; Market discipline.

ISSUES ADDRESSED

Coarse risk weights under Basel I; poor capture of credit, securitization, and off-balance-sheet risk

II.V

Basel 2.5 - Market-Risk Amendments

2009 to 2011

OBJECTIVES

Strengthened trading-book and securitization capital

ISSUES ADDRESSED

Under-capitalization for market and trading books and complex securitizations exposed in the 2008 crisis

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Basel III - Initial Post-Crisis Reforms

2010 to 2011 (TEXT)
2013 to 2020 (ROLL-OUT)

OBJECTIVES

Improve quality and quantity of capital; add buffers, leverage, and liquidity ratios.

ISSUES ADDRESSED

Inadequate CET1, excessive leverage, short-term wholesale funding, and procyclicality.



Basel III - Finalizing Reforms

Industry shorthand: 'Basel IV.'

December 2017 to CURRENT

OBJECTIVES

Restore comparability of RWAs, constrain model variability, and finish the post-crisis agenda.

ISSUES ADDRESSED

Excessive model-driven RWA dispersion, opacity of internal models, lessons from crises on systemic risk

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1.3

Where does India stand

BCBS published Basel III: Finalizing Post-Crisis Reforms in December 2017, with the original implementation scheduled for January 1, 2022. However, it was shifted to January 1, 2023, due to COVID-19 across jurisdictions, and the package carries phased commencements running through 2030. Eight years on, the global rollout is staggered but real. The European Union's Capital Requirements Regulation 3 (CRR3) took effect on January 1, 2025; the UK's Basel 3.1 is now scheduled for January 1, 2027, and the USA's Basel III endgame remains in finalization. The Reserve Bank of India issued a draft circular on October 7, 2025, and notified the Directions on the Capital Charge for Credit Risk on April 27, 2026, with a commencement date of April 1, 2027.

India is not arriving late to this reform. It is arriving in sequence. The implementation date of April 1, 2027, falls squarely within the same global cohort, part of a coordinated, if staggered, remaking of the capital adequacy architecture outlined by the BCBS in its December 2017 paper. This is not a catch-up exercise. It is India taking its place in a global transition that every major banking jurisdiction is navigating in parallel.

Implementation by RBI is layered. RBI has front-loaded pieces that align with the Indian portfolio mix.

- The Standardized approach for operational risk, Net Stable Funding Ratio (NSFR), Liquidity Coverage Ratio (LCR), and the Large Exposures Framework - these regulations are already live.
- Second cluster Credit Risk SA Directions and ECL framework is due for implementation by April 01, 2027.
- A third cluster that sits beyond the horizon, comprising:
 - Interest Rate Risk in the Banking Book (IRRBB) Fundamental Review of the Trading Book (FRTB), for which RBI has already issued guidelines in February 2023, but the implementation date has yet to be communicated.
 - Output floor, and the revised Credit Valuation Adjustment (CVA) framework remain pending.

The deferral is a sequencing choice, not a gap. The trading books of Indian banks are relatively small compared to those of advanced jurisdictions. Internal Ratings-Based approach usage is near zero, which mutes the output floor's bite, and the BCBS FRTB timeline has slipped.

BCBS reforms not yet fully implemented in India (as of May 2026)

Reform	Final BCBS standard	BCBS effective	Status	Effective / expected date
Credit Risk SA (revised)	Dec 2017	Jan 1, 2023	Implementation date notified	April 1, 2027
Expected Credit Loss (ECL)	Dec 2015 & July 2014 (IFRS 9)	IFRS 9 from Jan 1, 2018	Implementation date notified	April 1, 2027
Standardized approach for measuring counterparty credit risk	Mar 2014	Jan 1, 2017	Draft guidelines issued	TBA
Interest rate risk in the banking book	Apr 2016	Jan 1, 2018	Draft guidelines issued	TBA
Revised Minimum Capital Requirements for Market Risk	Jan 2019	Jan 1, 2023	Draft guidelines issued	TBA
Revised CVA	Jul 2020	Jan 1, 2023	Pending	Awaiting guidelines

For Indian banks, work on liquidity, operational risk, counterparty credit risk, and the securitization of standard assets is largely complete. Months leading up to April 2027 will absorb the Credit Risk SA recalibration, the ECL transition, and the SA-CCR refinements together, as they are intertwined through NPA risk weights, credit-risk-mitigation logic, and stage classification, and a build that handles them sequentially. For the trading book - FRTB, the revised CVA framework and the output floor remain the largest pending build, with no final RBI master direction yet. However, given the relatively modest size of the Indian trading book, this work can fairly take priority once banks have fully absorbed the credit risk recalibrations.

How RBI tailored regulations for India

01

Standardized Approach Only

BCBS permits both SA and Internal Ratings Based (IRB). RBI has chosen to implement only the Standardized Approach.

What it signals:

Comparability over complexity. Avoids the model-driven RWA compression that has drawn criticism of IRB globally and necessitated the EU output floor in CRR3.

02

Observed Default Rate Overlay

RW automatically steps up one bucket for all exposures rated in that category by that External Credit Rating Agency (ECRA) when the ECRA's published average one-year ODR for that rating category exceeds the reference.

What it signals:

RBI has transformed the principle of applying one notch higher RW for cases where rating understates credit risk to a rule-driven approach by ECRA's. Ratings remain the starting point, but default experience now feeds back into capital automatically.

03

Size-Based Escalation for Large Unrated Exposures

BCBS prescribes a flat 100% risk weight for all unrated corporate exposures regardless of size, sector, or aggregate exposure from the banking system. RBI prescribed 150% RW on exposures to the banking system exceeding ₹500 crore.

What it signals:

Rating coverage is not optional. A 50-pp capital cliff at ₹500 cr is large enough that banks will price in the difference, push borrowers to rate, or both.

04

Norms for Issuer Not Cooperating cases

BCBS addresses unsolicited ratings, but there is no capital treatment for an issuer that withdraws cooperation from an ECRA.

What it signals:

Addresses a specific issue in the Indian market: issuers using non-cooperation to avoid adverse ratings. The capital penalty makes non-cooperation costly not just for the issuer but also for the bank holding the exposure.

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05

SCRA Dropped

BCBS prescribes the Standardized Credit Risk Assessment Approach (SCRA) for unrated bank exposures, classifying counterparty banks into grades by qualitative criteria: Grade A (40% RW, or 30% where CET1 $\geq$ 14% and leverage $\geq$ 5%), Grade B (75% RW), and Grade C (150% RW). RBI proposed SCRA in the October 2025 Draft Directions but withdrew it in the Final Directions.

What it signals:

Predictability over risk sensitivity. RBI's view was that the qualitative grading criteria, adequacy of payment capacity, satisfaction of regulatory buffers, and going-concern audit opinions would be subjective at the bank's end and inconsistent across the system. Removing SCRA simplifies implementation and prevents grade-shopping.

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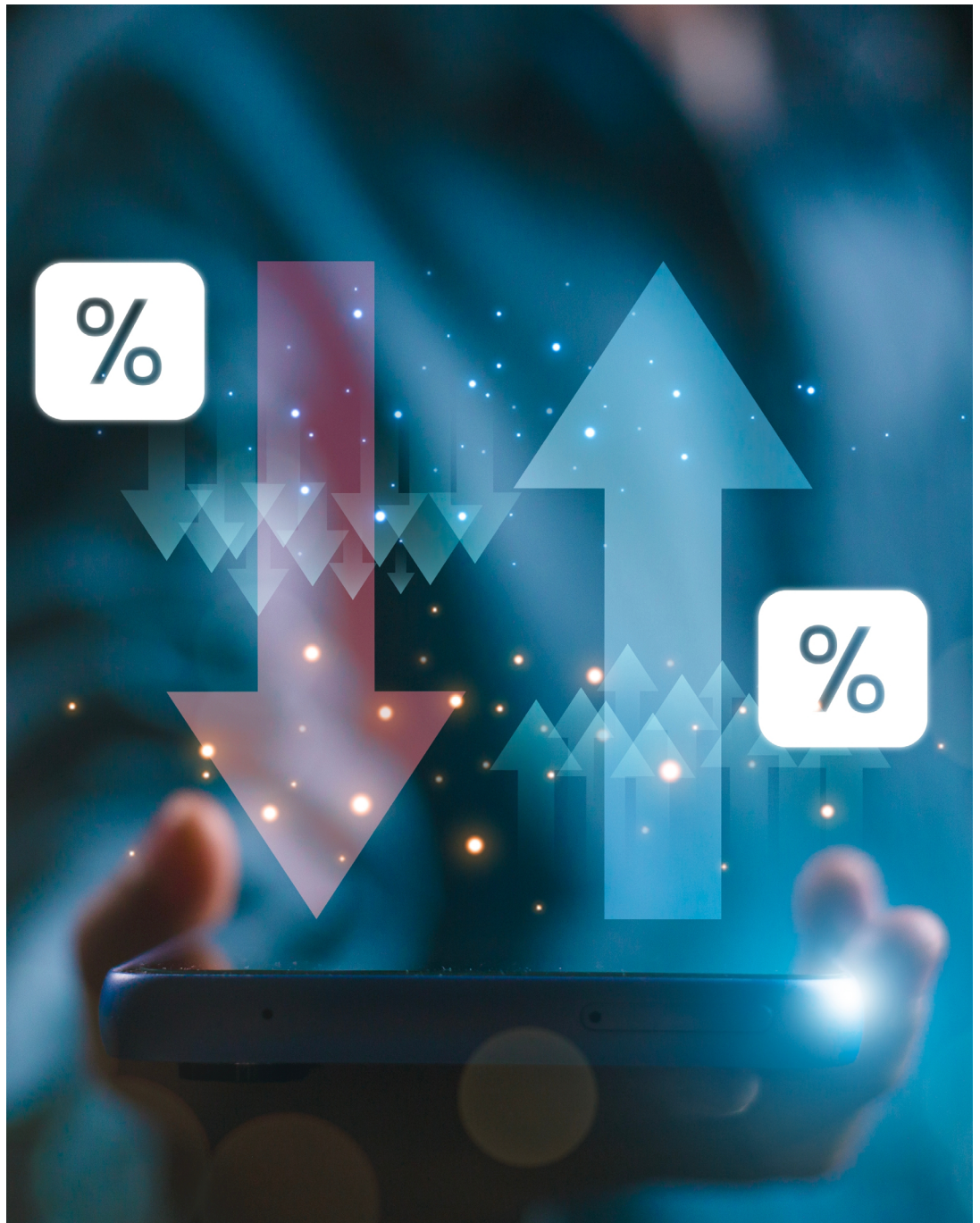
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02 WHAT'S CHANGING

Where capital is being released, where it is being tightened, and the structural changes that are neither.

Twenty significant (but not exhaustive) changes that will move capital across Indian banks. Seven release capital, five tighten it, and eight reshape how the framework operates. Direction depends entirely on portfolio composition. Portfolio having retail and rated-corporate exposure gains, whereas infra and unrated-corporate-heavy portfolios lose.

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2.1

Capital relief: risk weights coming down

Exposure	Old		New	Δ pp	What it means
Housing loan for primary residence in a Tier I city [#]	50%	→	30% ^v	-20 pp	Retail mortgage books with low-LTV primary-home origination see capital release.
AA-rated corporate (LT)	30%	→	20%	-10 pp	Top-grade corporate credit becomes more capital-efficient
BBB-rated corporate (LT)	100%	→	75%	-25 pp	Investment-grade boundary becomes meaningful
Unrated Micro, Small, and Medium Enterprises (MSMEs)	~100%	→	75% ^{&} / 85% [^]	-25 pp / -15 pp	Dedicated exposure class with lower RW compared to implicit unrated treatment
HQ Operational Project Finance	100% [*]	→	80%	-20 pp	Structurally differentiated treatment for high-quality operational projects
Standby facilities/ credit lines with maturity of over one year	~50% CCF	→	40% CCF	-10 pp	W.e.f. April 01, 2030, standby facilities and credit lines attract the same CCF irrespective of maturity
Threshold for large unrated exposure attracting 150% RW	₹100-Cr [@] / ₹200-Cr [®]	→	₹500 Cr	+₹400 Cr / +₹300 Cr	Both thresholds are subsumed under the new single trigger. Further, now a smaller universe of unrated exposures attracts 150% RW.

2.2

Capital pressure: risk weights going up

Exposure	Old		New	Δ pp	What it means
Pre-operational Project Finance	100*	→	130%	+30 pp	Green field projects will get expensive, but the transition to HQ on completion is the incentive.
Unconditionally cancellable commitments (UCCs)	0% CCF	→	5%→10% CCF	+5/10 pp	5% from April 2027, 10% from April 2030. Large undrawn books carry a capital cost
Standby facilities/ credit lines with a maturity of up to one year	20% CCF	→	30%→40% CCF	+10/20 pp	30% from April 2027, 40% from April 2030. W.e.f. April 2030, <i>standby facilities and credit lines attract single CCF, irrespective of maturity</i>
CRE-RH (ADC)	75%	→	100%	+25 pp	ADC lending faces a materially higher capital charge
Other CRE (ADC)	100%	→	150%	+50 pp	

2.3

Structural changes

Eight further changes do not appear as old vs. new risk-weight comparisons, but they reshape how the framework operates.

Active Housing Loan Count

What it does:

RW on housing loans is no longer only LTV-based; a layer of loan count has now been added. Separate RW tables for 1st and 2nd loan vs 3rd loan onward, counted across the banking system, including co-applicants.

Why it matters:

Operational change is larger than the RW change. Requires Credit Information Company (CIC)/credit bureau integration at origination, and a refresh framework for the existing book.

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ODR Overlay on Rated Exposures

What it does:

If an ECRA's published average one-year ODR for a rating category exceeds the reference range, exposures rated by that ECRA in that category step one bucket higher in RW.

Why it matters:

Ratings become a starting point, not the endpoint. ECRA's become capital-determining utilities. Banks need ODR ingestion and recalibration trigger in the RWA engine.

Specialized Lending: New Exposure Class

What it does:

Project Finance and Object Finance carved out as a distinct corporate sub-class, with three RWs based on phase and quality (130% pre-op / 100% non-HQ op / 80% HQ op) and six explicit conditions for HQ designation.

Why it matters:

Project finance, infrastructure, and asset finance books need to be reclassified. HQ designation requires ongoing covenant and cash-flow evidence. New controls and approval workflows.

Drivers of Exposures to Banks Revised

What it does:

Risk weight on bank exposures was previously determined by the counterparty's CET1 plus CCB, but is now driven solely by the bank's external rating.

Why it matters:

Capital outcome no longer tracks counterparty CRAR; it tracks counterparty rating. Interbank credit policy, limit framework, and counterparty selection all need recalibration.

Commitment definition formalized and broadened

What it does:

A unified definition of Commitment is introduced at the credit-risk-SA level. Captures (a) unconditionally cancellable arrangements and (b) arrangements cancellable only on obligor failure to meet conditions, including pre-drawdown conditions.

Why it matters:

CCF rate changes (UCC, other commitments) operate on top of this scope expansion. Banks need to re-screen the off-balance-sheet book for arrangements newly in scope, not just re-rate arrangements already in scope.

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UFCE extended to retail and residential real estate

What it does:

The RW multiplier (capped at 150%) applies to exposures to individuals whose lending currency differs from their source-of-income currency. Natural and financial hedges count only if they cover at least 90% of the loan installment.

Why it matters:

UFCE concept moves out of its traditional corporate / EBID home into the retail book. Housing loans and personal loans to NRIs and exporters now carry a UFCE-style uplift. The 90% hedge-effectiveness threshold introduces a new evidencing requirement at the borrower level.

Transactor / Revolver Carve-out for Credit Cards

What it does:

Credit card receivables are split into two buckets:

- Transactors (obligors who have repaid the balance in full within the due date for the previous 12 months) qualify for regulatory retail at 75% RW.
- Everyone else (revolvers) attracts 125% under 'other retail'. The old framework risk-weighted all credit-card receivables at 150%.

Why it matters:

Behavioral classification, not product classification. Requires a 12-month rolling repayment-in-full ledger at the customer level. Even a single 1-day DPD resets the 12-month clock. New customers default to revolver until the 12-month history accrues.

Three-Way Split between Equity, Speculative Equity, and Capital Instruments

What it does:

Equity and quasi-equity are split into three buckets: general equity exposures at 250%, speculative unlisted equity at 400%, and subordinate debt/other capital instruments at 150%.

Why it matters:

Every equity holding needs to be tagged by purpose and intent. Strategic stakes stay at 250%; the new 400% bites on VC and short-resale positions that previously sat in general equity. Debt-equity swaps arising from restructuring are explicitly carved out of 'speculative'. The 150% bucket for subordinated debt and other capital instruments is now an explicit rule, not implicit treatment.

Assumes loan amount exceeding ₹75 lakhs with a LTV ratio of 75%, which is the cap on housing loans in this bracket.

✓ Additional 5% RWA is applicable in case the loan amount exceeds ₹3 crores

& Qualifying for regulatory retail

^ Non-regulatory retail

* Assuming unrated exposure

@ Previously rated but now unrated

§ Always unrated

03 SECOND-ORDER EFFECTS

The changes that follow from the capital changes in documentation and other ratios

The changes in Directions on Credit Risk Capital Charge do not stay within the capital framework. They flow through into product pricing, credit allocation, loan documentation, counterparty relationships, and regulatory disclosure. A bank that implements the RWA changes without addressing these second-order effects will be technically compliant and operationally unprepared.

3.1

Interaction with ECL

For Stage 3/NPA assets, provision coverage directly determines the applicable risk weight. Adequate provisioning under ECL lowers capital consumption under Directions on Credit Risk Capital Charge.

Stage	Provision Coverage	ECL Effect	Directions on Credit Risk Capital Charge	Combined Capital Outcome
Stage 1 Performing	12-month ECL	Modest provisioning with minimal P&L drag. RWA base close to gross exposure.	Normal SA risk weight applies.	Capital pressure is from RW changes under Directions on Credit Risk Capital Charge, not from provisioning interaction.
Stage 2 SICR - not NPA	Lifetime ECL	Significant provisions on performing exposures showing SICR. P&L impact can be material.	Still performing and normal SA RW applies. Higher provisions reduce the net exposure base.	Temporary RWA relief (net of higher provisions) offset by P&L provisioning hit. Dual pressure on income and capital.
Stage 3 (NPA) Provision < 20%	< 20% of outstanding	Inadequate provisioning. ECL framework forces catch-up, leading to a large P&L hit.	150% RW on unsecured portion net of provisions.	Maximum stress. P&L drag from provisioning AND the highest RWA simultaneously. Banks under-provisioned today face the worst outcome.
Stage 3 (NPA) Provision 20–49%	20–49% of outstanding	Partial provisioning. Further catch-up needed for lifetime ECL on defaulted assets.	100% RW on unsecured portion net of provisions.	Moderate stress. Adequate provisioning lowers RW, but ECL may require further catch-up, extending P&L drag.
Stage 3 (NPA) Provision ≥ 50%	≥ 50% of outstanding	Well-provisioned. Lower ongoing P&L drag and ECL provisioning are largely complete.	50% RW on unsecured portion net of provisions.	Capital relief for adequately provided assets. Early, adequate ECL provisioning directly reduces capital consumption.

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3.2

Interaction with NSFR

Key question for management: Does our NSFR model reflect the portfolio mix changes that Directions on Credit Risk Capital Charge incentives will drive?

Asset / Exposure	Capital Signal	NSFR Factor	Tension / Alignment	Portfolio Management Implication
HQ Operational Project Finance	80% RW (capital relief)	85%	TENSION	- Directions on Credit Risk Capital Charge incentivize High Quality infra lending via 80% RW. - NSFR requires banks to fund long-term illiquid assets with stable funding. - Capital and funding cost pull in opposite directions for the same asset.
Pre-operational Project Finance	130% RW (pressure)	85–100%	ALIGNED (adverse)	Both capital and liquidity frameworks penalize pre-operational exposure.
Housing loan for primary residence in a Tier I city	30% RW (capital relief)	65–85%	TENSION	- Capital relief from 30% RW, but housing loans are long-term and require stable funding. - Net benefit depends on liability structure. - Retail-funded mortgage books fare better than wholesale-funded ones.



Loan documentation and covenant changes

Several of the new risk-weight benefits are conditional on meeting specific requirements at origination. The capital benefit is not automatic, and it must be earned through documentation. For existing deals, this means a structured review of current facility agreements against the new conditions before April 2027.

HQ Project Finance (80% RW)

New Requirement

6 conditions evidenced at origination and monitored throughout

Documentation / Covenant Change

- Restriction on issuing additional debt without the consent of existing creditors
- Reserve fund mechanism
- Legally enforceable rights to minimum payments if usage or demand falls below agreed levels.
- Escrow/Trust and Retention Account provisions ringfencing the cash flows
- Pari-passu charge in favor of the lender over all assets
- Step-in rights or minimum termination payments

Housing Loans

New Requirement

- Banking-system loan count
- Primary residence confirmation

Documentation / Covenant Change

- Monitor the value of the collateral at least once every three years
- Downward revaluations must be reflected in LTV immediately, while upward revaluations are allowed only every five years.
- System-wide housing loan count of applicant (including co-applicant(s).

Unrated MSME Exposure (75% / 85% RW)

New Requirement

MSMED Act classification Group turnover $\leq$ ₹500 Cr

Documentation / Covenant Change

- Udyam registration certificate
- Group-level turnover certificate
- Credit facility agreements to include RW reclassification trigger clause if aggregate exposure to the banking system crosses the ₹500 Cr threshold

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Data demands and sourcing challenges

The recalibration asks banks for attributes that their systems were not designed to capture. Eight demands drive most of the lift, and each has a back-book remediation problem and a going-forward origination problem.

Inventory of every contractual arrangement now captured as a “commitment.”

Existing book: where it bites

Many of these sit in sanction registers and credit memos rather than CBS; cancellation-trigger metadata, original maturity, and undrawn balance are not Standardized across the book.

Going forward: fix at origination

Centralized commitment register at sanction; every undrawn limit is tagged with cancellation type, condition triggers, and original maturity for CCF computation.

Refreshed property valuation under the 5-year revaluation rule

Existing book: where it bites

Point-in-time valuations across the residential and CRE book; vendor capacity

Going forward: fix at origination

Valuation cadence policy + expanded panel of approved valuers

Borrower’s source-of-income currency + hedge cover even for retail borrowers

Existing book: where it bites

Currency-of-income field not systematically captured for retail borrowers; hedge documentation is rare; reconciliation against actual income proofs is absent.

Going forward: fix at origination

Capture source-of-income currency at KYC / origination; hedge cover evidenced as a covenant with periodic re-assessment; trigger to re-rate exposure on hedge degradation.

25% ADC borrower contribution against total project cost (incl. land)

Existing book: where it bites

Not flagged on in-flight construction loans; tracking is manual

Going forward: fix at origination

Captured at sanction; drawdown monitoring against contribution tranches

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Project lifecycle phase markers and operational-phase tests

Existing book: where it bites

No phase flag in CBS; cash-flow tests run off-system

Going forward: fix at origination

Origination workflow flag + automated cash-flow monitoring trigger

Group-level exposure and turnover view

Existing book: where it bites

Counterparty-level data only; group structure constructed manually

Going forward: fix at origination

Group view captured at sanction; credit-bureau group services

Observed Default Rate (ODR) overlay tracking for ECRA-rated exposures

Existing book: where it bites

ECRA x grade default history not maintained; no overlay logic in CBS

Going forward: fix at origination

ODR data layer; periodic threshold review with rule-based RW uplift

Documented evidence of internal credit assessment alignment with the rating

Existing book: where it bites

Often implicit, rarely evidenced on file

Going forward: fix at origination

Standardized credit memo template with assessment record

Back-book remediation is finite and bounded - vendor refresh, panel expansion, file-level data extraction - but it consumes most of the implementation runway. The harder discipline is at the origin. Credit memo templates, valuation cadence policies, and monitoring triggers all need to reflect the new attributes at source, not retrospectively. Without origination discipline, every quarter of new loans deepens the same gap that banks are required to close by April 2027.

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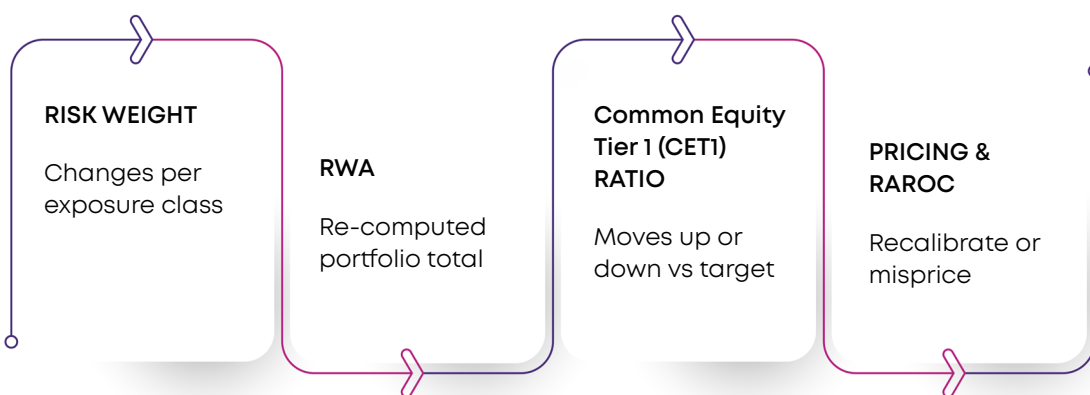
04

STRATEGIC & FINANCIAL
IMPACT

How risk weight changes flow through to pricing, Risk-Adjusted Return on Capital (RAROC), and portfolio steering, and which bank archetypes gain or lose?

Changes do not stop at risk weights; they flow through to capital ratios, then to pricing: both internal pricing through RAROC and external pricing passed through to clients. Impact differs sharply by bank archetype: there are clear winners and clear pressure points, but no bank is unaffected.

How do the changes flow through?



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Pricing & pass-through by segment

Segment	Capital Movement	RAROC	Likely Pricing Response	Pass-Through to Clients
Primary residence (1st/2nd loan, LTV ≤50%)	▼	Improves	Spread compression	Highly likely. Rate-cut competition will drive most of the capital benefit to borrowers.
AA-rated corporates (LT)	▼	Improves	Tighter spreads	Largely. Top-grade borrowers have pricing power, leading to tighter competition.
BBB-rated corporates (LT)	▼	Improves materially	Spreads adjust	Mid pass-through. Banks may retain part of the relief as compensation for the arbitrage between rated and unrated they are now exposed to.
MSME	▼	Improves	Lower lending rates	Partial. Some were passed to support credit volume, and some were retained to fund higher servicing costs and MSME lending.
HQ Operational Project Finance	▼	Improves vs unrated	Premium for HQ	Limited pass-through. 80% RW is conditional on stringent covenants. The value will be priced as a structuring premium for those who can deliver it.
Pre-operational / Greenfield Project Finance	▲	Deteriorates	Higher margins	Yes. Construction-phase pricing must reflect 130% RW. Expect base-rate spreads to widen for greenfield infrastructure.
Unconditionally cancellable commitments (UCCs)	▲	New cost on undrawn	Facility/commitment fees	Partial. Will need to introduce or raise commitment fees on undrawn limits, though competitive pressure may initially absorb part of the cost.

Impact by bank archetype

Bank Archetype	Large Retail Bank Mortgage + cards heavy	Universal Bank Mixed retail + corporate + treasury	Wholesale Bank Large corporates
Capital Impact	▼ Relief	► Mixed	▼▲ Loan-book reliefs broadly offset UCC capital uplift.
Pricing	▼ Spreads compress over time.	► Segment-dependent	▼ Spreads tighten on rated names
Portfolio Steering	► Reinforce strategy	▼▲ Active reallocation	► Rating push to clients
UCC / Off-BS Commitments	▲ Undrawn limits of Credit Cards create pressure through CCF reset	▲ Undrawn limits create pressure	▲ UCC CCF reset on undrawn corporate book
Strategic Verdict	Net beneficiary if able to successfully build a database of (a) Banking-system home loan count and (b) 12-month transactor classifier for cards. Due to the competitive nature of the retail market, capital relief to banks may be passed on to borrowers as lower lending rates, thereby compressing spreads over time.	Outcome depends on portfolio composition. Relief on rated exposures and first- and second-housing loans offsets pressure on greenfield project finance and the undrawn book.	Net capital impact is broadly mixed. Net direction depends on the relative size of the rated loan book vs the undrawn limits and project finance. Competitive pass-through tightens spreads on the rated names that gain relief.

Adverse/strong pressure

Mixed/neutral

Pressure/caution

Relief / favorable

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Strategic imperatives

For Boards engaging with management on readiness of Directions on Credit Risk Capital Charge, two strategic imperatives are most consequential. They cut across capital, pricing, and portfolio strategy.

Recalibrate every pricing model before April 2027

RAROC, FTP, and product pricing models all use risk-weighted capital. Pre-reform models will misprice systematically. Recalibration must precede go-live, not follow it.

Sub-portfolio mapping, not bank-level averages

Capital impact is highly heterogeneous across classes. Bank-level averages mask relief and pressure. Capital plans built on a sub-portfolio are the only ones that will hold.

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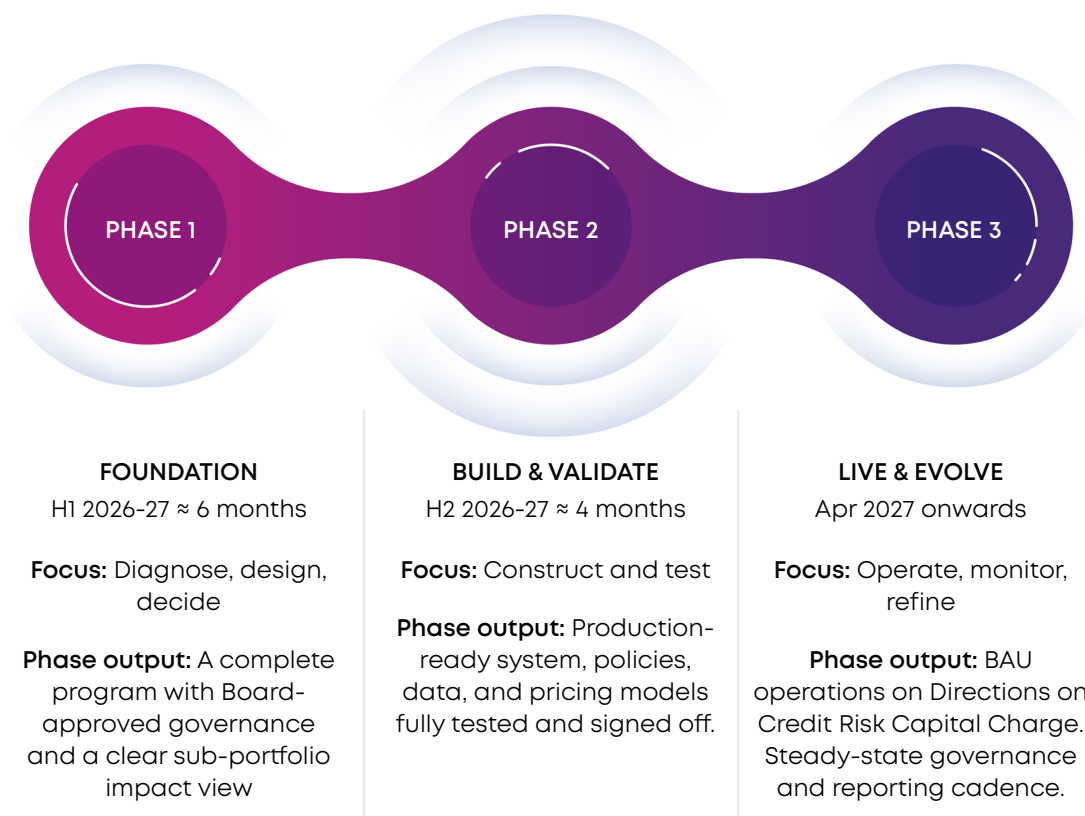
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From now to April 2027 and beyond: a phased, owner-tagged roadmap

The Directions on Credit Risk Capital Charge are effective on 1 April 2027. That leaves ten months to close gaps across policy, portfolio, data, systems, and disclosures not as separate workstreams, but as a single, phased program. The roadmap below maps actions to time and time to the owner. It is built around three phases:



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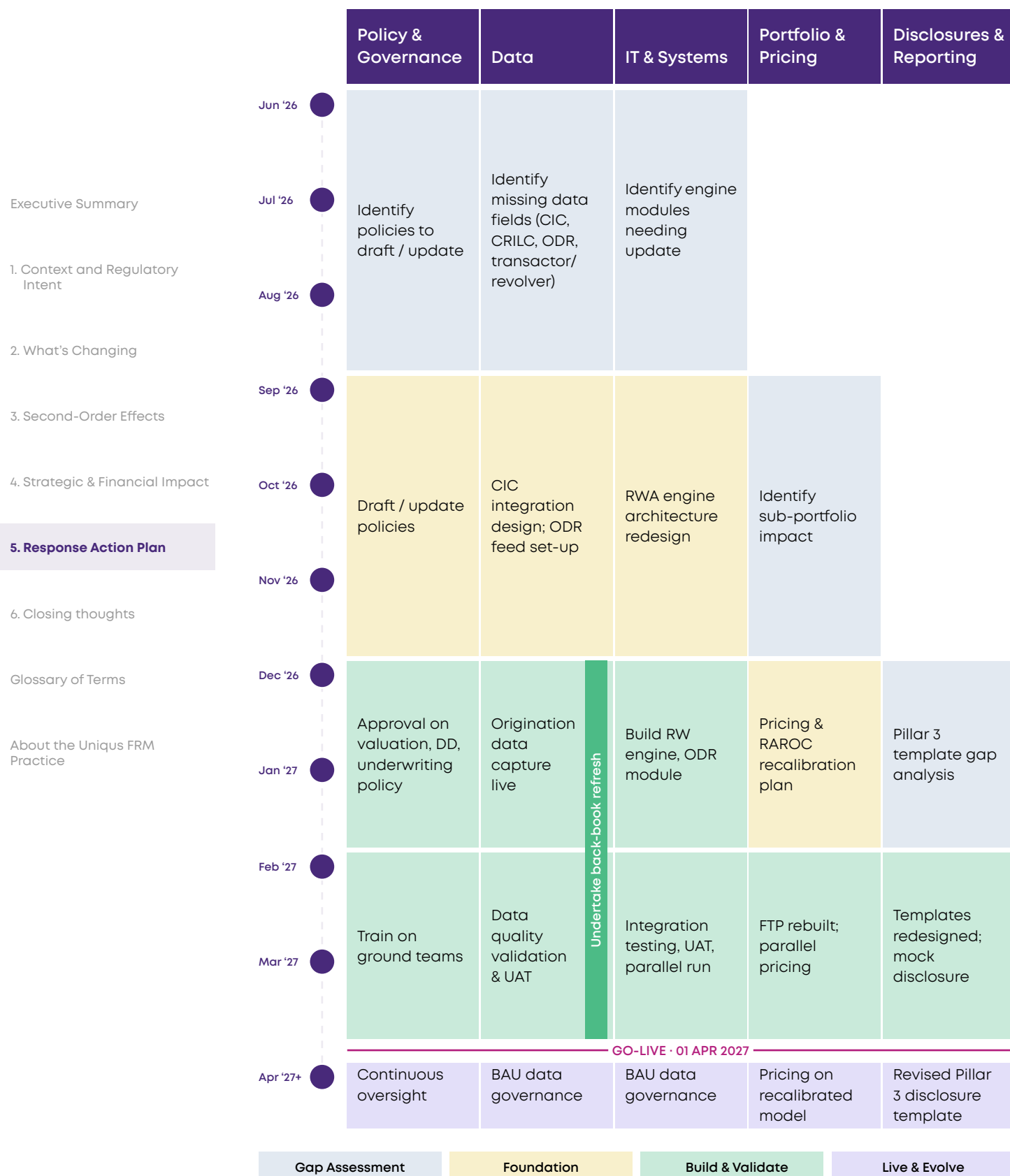
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Master roadmap

Each workstream runs continuously across the program. The cells below show the principal output of each workstream by quarter.



Critical items where slippage will cost the most

	Critical-Path Item	Risk if Slipped	Accountable Owner
	CIC integration & banking-system loan-count refresh	Without it, every housing loan RW is exposed. Build before any data dependency.	CDO: Data Governance Council CIO: Integration team
Executive Summary	RWA engine redesign & dual-run capability	All five workstreams converge on this. Slippage here cascades.	CIO: Program Office CRO: Capital Management team
1. Context and Regulatory Intent			
2. What's Changing	Pricing model recalibration ahead of go-live	Banks' pricing on old RWAs from 1 April 2027 will systematically misprice.	CFO: FTP & Pricing team CRO: Capital Management team
3. Second-Order Effects			
4. Strategic & Financial Impact	Pillar 3 template redesign with mock-run	First Pillar 3 disclosures under the new framework will be heavily scrutinized.	CFO: Regulatory Reporting CRO: RWA inputs
5. Response Action Plan			
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Glossary of Terms	Board-approved policies (Due Diligence, valuation, underwriting)	Required by circular. It will have to be demonstrated on demand. Cannot be back-fitted.	Board Risk Committee, CRO, CCO
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The regulatory context shapes what is changing; what is changing drives the strategic and financial impact; the impact creates second-order effects across every other ratio; and the response action plan is how a bank turns all of that into ten months of operational discipline.

6.1

Things to internalize

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01

Two reforms, one date

ECL and Directions on Credit Risk Capital Charge land on the same day, 1 April 2027. They are not independent workstreams; Directions on Credit Risk Capital Charge risk-weight exposures net of provisions, and Stage 3 references run through both.

02

It is a redistributive event

There is no uniform direction of capital impact across Indian banks. Retail-heavy banks are net beneficiaries. Banks with large unrated and pre-operational project finance books face headwinds.

03

Pricing is the silent risk.

Every RAROC, FTP, and product pricing model uses RWA as a denominator. Banks that go live on 1 April 2027 will still be pricing on old RWAs, systematically mispricing credit. Recalibration must precede go-live, not follow it.

04

Data now drives capital

Banking-system loan count, ECRA-published ODR, and aggregate exposure thresholds. Capital outcomes now depend on data. Data governance is now capital governance.

6.2

Cost of delay

Ten months is not a long runway. Each quarter of delay narrows the response window, and forces compromises in the following order: depth of analysis first, robustness of the build second, governance demonstrability third.

Inaction Window	Consequence	Severity
Q2 2026-27	- The foundation phase is compressed into one quarter. - Sub-portfolio impact analysis delayed. - The board has no informed view of the capital impact heading into FY27 planning.	Moderate
Q3 2026-27	- The build phase becomes a sprint. - Data and IT track will struggle to complete System Integration Testing and User Acceptance Testing by April 2027. - Pricing recalibration deferred to post-go-live.	High



Glossary of Terms

Terms used throughout this paper. Where multiple definitions exist in regulatory or industry practice, we use the convention applied in this document.

Term	Definition
ADC	Acquisition, Development, and Construction
BAU	Business As Usual
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CET1	Common Equity Tier 1
CIC	Credit Information Company
CRAR	Capital to Risk-Weighted Assets Ratio
CRE	Commercial Real Estate
CRE-RH	Commercial Real Estate - Residential Housing
CRR3	Capital Requirements Regulation 3
CVA	Credit Valuation Adjustment
EBID	Earnings Before Interest and Depreciation
ECL	Expected Credit Loss
ECRA	External Credit Rating Agency
FRTB	Fundamental Review of the Trading Book
FTP	Funds Transfer Pricing
IRB	Internal Ratings Based (approach)
IRRBB	Interest Rate Risk in the Banking Book
LCR	Liquidity Coverage Ratio
LEF	Large Exposures Framework

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Term	Definition
LTV	Loan-to-Value
MSME	Micro, Small, and Medium Enterprises
NPA	Non-Performing Asset
NSFR	Net Stable Funding Ratio
ODR	Observed Default Rate
RAROC	Risk-Adjusted Return on Capital
RBI	Reserve Bank of India
RW	Risk Weight
RWA	Risk-Weighted Assets
SA	Standardized Approach
SA-CCR	Standardized Approach for Counterparty Credit Risk
SICR	Significant Increase in Credit Risk
UCC	Unconditionally Cancellable Commitment
UFCE	Unhedged Foreign Currency Exposure

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About the Uniquis FRM Practice

The Uniquis' Financial Risk Management practice advises banks and financial institutions on credit risk, market risk, liquidity risk and regulatory reporting. Our work spans across Basel implementation, IFRS 9 / ECL, ICAAP, model risk management, RAROC, capital-allocation frameworks, FTP design and treasury analytics. Focus areas include Pillar 2 capital planning; credit risk and ECL model development and validation; regulatory transformation supported by BCBS 239-grade data lineage; ALM covering LCR/NSFR, FTP and IRRBB; and profitability and capital allocation through RAROC, Economic Profit and segment-level economics. We offer the full set of capabilities a bank needs to absorb a regulatory transition of the kind set out in the Directions on Credit Risk Capital Charge.

Areas of focus

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Credit risk and ECL

Exposure classification and risk-weight assignment under the Standardised Approach, development and validation of ECL models, joint Basel-ECL impact modelling and model risk management.



Capital adequacy and stress testing

ICAAP, Pillar 2 build, climate stress testing and scenario designing.



Regulatory transformation and data architecture

Basel transition programme management, BCBS 239-grade data lineage and controls.



Treasury, ALM and pricing

LCR & NSFR optimisation, FTP and pricing pass-through, behavioural modelling and IRRBB analytics.



Profitability and capital allocation

RAROC and Economic Profit design, FTP architecture, capital-allocation governance, comparability bridges and segment-level economics.

Engagement model

We work alongside client teams from diagnostic through to live operations - not as outside reviewers but as embedded co-builders. Our delivery typically combines a small senior team with on-the-ground execution capacity, structured against a phased roadmap with visible management deliverables on every horizon. Our methodology is grounded in regulatory practice across the GCC, India, ASEAN, the UK, and Europe.

How to engage

For Capital Charge Directions whether you need a gap assessment, implementation support, or both, the Uniquis FRM practice can help. To discuss any of the themes raised in this paper, please get in touch.

About Uniquis Consultech:

Uniquis Consultech is a global tech-enabled consulting company that specializes in Accounting & Reporting, Governance, Risk & Compliance, Sustainability & Climate, Tech Consulting, and Valuations. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST.

Uniquis has a global team of 800+ professionals led by 100+ Partners & Directors across eleven offices in the USA, the Middle East, and India. The company serves more than 300 clients, including marquee names in each of the markets it operates in.

Uniquis is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

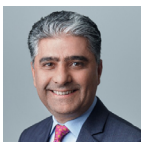
About Our Accounting & Reporting Consulting Services:

In today's dynamic business environment, organizations are continuously required to adapt to the dynamic shifts in accounting & reporting standards and regulations. Enhanced management reporting requirements and accelerated reporting timelines necessitate increased automation within the finance function. Special events, such as preparing for an IPO/capital market transaction or fulfilling the reporting requirements arising from an M&A transaction, introduce additional complexities and challenges for the finance function.

As a result, organizations need to transform their finance functions from time to time with a focus on people, processes, and technology. Our Accounting & Reporting Consulting (ARC) practice is designed to partner with the finance function through these challenges. Our teams function as an extension of your finance teams to execute your plans seamlessly.

We bring the necessary technical expertise, skills, technology, and bandwidth, enabling you to navigate your plans in real time without adding additional manpower costs within the organization.

A Team That You Can Trust To Deliver



Jamil Khatri
Co-Founder & CEO



Sandip Khetan
Co-Founder, Global Head
of Accounting & Reporting
Consulting



Sagar Lakhani
Partner, Accounting &
Reporting Consulting



Suresh Wadhwan
Partner, Accounting &
Reporting Consulting



Shyam Gupta
Associate Partner, Accounting
& Reporting Consulting

Megh Nanavati, Assistant Manager, Accounting & Reporting Consulting



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