

## **Statement on the feedback received for draft Amendment Circulars**

**Subject: Large Exposures Framework (Amendment Circular), 2025 and Guidelines on Management of Intra-group Transactions and Exposures (Amendment Circular) 2025**

### **1. Para 3(A)(i) of the Large Exposures Framework (Amendment Circular), 2025, and Para 3(i) of the Guidelines on Management of Intra-group Transactions and Exposures (Amendment Circular) 2025**

The amendments proposed that the exposures of a Foreign Bank operating in India as branch ("FBB") towards its HO, as also towards the branches and subsidiaries of its HO, shall be under the Large Exposures Framework (LEF), while exposures to other distinct legal entities of the Group shall be under the Intragroup Transactions and Exposures (ITE).

**Feedback:** Diverse comments were received from the stakeholders, suggesting different treatment for such exposures – treating all group exposures of a FBB, including exposure to head office, only under LEF; treating all such exposures only under ITE; while some suggesting treating HO exposures under LEF and exposure to legally distinct group entities under ITE.

**RBI Comments: Partially accepted.** Reserve Bank carefully examined the above comments in the backdrop of transactions of FBBs with their various group entities under different scenarios of exposure norms and concluded that the nature of exposure of FBB to subsidiaries of the HO is similar to its exposure to other legally distinct group entities. Accordingly, it has been decided to treat an FBB's exposures only towards its HO and the branches of its HO (i.e. within the same legal entity) under the LEF, while exposures to other distinct legal entities of the Group, including those towards the subsidiaries of the immediate HO, shall be under the ITE.

### **2. Para 3(A)(ii) of the Large Exposures Framework (Amendment Circular), 2025**

The amendment proposed that exposures of an FBB arising from transactions with its HO, or any of the HO's branches, that may be cleared through a central counterparty (CCP) or otherwise, must always be calculated on a gross basis.

**Feedback:** Comments from stakeholders suggested that such transactions of an FBB through a CCP should be computed on a 'net basis'.

**RBI Comments: Not Accepted.** In the absence of explicit legal ring-fencing between a FBB and its HO, it has been decided to retain the draft proposal and reckon such exposures only on gross basis.

### **3. Other comments**

Certain comments and suggestions were also received on other aspects not covered in the draft amendment circulars, such as requests for exempting derivative exposures of a FBB to its HO from the LEF; and exempting short term exposures upto one year from LEF. These have not been considered as these are outside the scope of the draft amendments.