Reserve Bank Of India (Commercial Banks – Prudential Norms On Capital Adequacy) Tenth Amendment Directions, 2026

RBI issued the Commercial Banks – Prudential Norms on Capital Adequacy Tenth Amendment Directions, 2026 on June 24, 2026. The amendment revises the methodology for calculation of Net Open Position (NOP) and capital charge for foreign exchange (forex) risk, aligning the framework with international standards and ensuring consistent implementation across commercial banks. The amended provisions shall come into effect from April 1, 2027.

The amendment comprehensively substitutes Paragraph 199 of the Prudential Norms on Capital Adequacy Directions, 2025 and introduces a revised framework for measuring and maintaining capital against foreign exchange risk.

Key Changes:

- Banks must compute Net Open Position (NOP) and maintain capital charge for forex risk at both standalone and consolidated levels.
- Capital adequacy for forex risk must be maintained at the close of each business day.
- Certain positions, such as regulatory capital deductions, NPAs, and specified structural foreign currency investments are excluded from NOP subject to prescribed conditions.
- Banks are permitted to exclude eligible structural foreign exchange positions (e.g., overseas subsidiaries, branches, IFSC Banking Units) to protect capital adequacy from exchange rate fluctuations.
- The amendment introduces a standardised methodology for calculating NOP and prescribes a capital charge of 9% on the overall Net Open Position. (capital charge for forex risk is extra capital (a safety cushion) to absorb possible losses due to exchange rate changes)
- Detailed guidance, eligibility conditions and illustrative examples have been incorporated to ensure consistent implementation.

The amendment aims to align India's forex risk management framework with global regulatory standards (Basel principles) and establish a uniform methodology for measuring foreign exchange risk across commercial banks. It also recognizes that certain long-term structural foreign currency exposures are strategic in nature and should not attract unnecessary market risk capital. Similar amendments are introduced for Small Finance Banks, Regional Rural Banks, Rural Co-operative Banks, Urban Co-operative Banks, All India Financial Institutions and Local Area Banks.

Kindly refer to the link for the further details: **Amendment**