



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

RBI has issued the Sixth Amendment Directions, 2026 to amend the Commercial Banks – Prudential Norms on Capital Adequacy Directions, 2025. The amendment deletes sub-paragraph 21(i)(b), thereby removing Investment Fluctuation Reserve (IFR) from the list of items eligible for inclusion in Tier 2 Capital. This amendment harmonizes Indian regulations with Basel III, specifically aligning with capital charge for market risk. By doing away with unnecessary IFR buffers where market risk is already covered by capital, the RBI aligns directly with international risk-weighted capital adequacy standards. The amendment will be effective from May 18, 2026.

This amendment aligns the capital adequacy framework with the revised investment portfolio regulations by excluding Investment Fluctuation Reserve (IFR) from Tier 2 Capital.

Area	Earlier Norms	Current Norms
Eligibility of Investment Fluctuation Reserve (IFR)	IFR was specifically included under paragraph 21(i)(b) as an eligible component of Tier 2 Capital.	IFR has been deleted from the list of eligible Tier 2 Capital components and can no longer be reckoned for capital adequacy purposes.

The amendment is a regulatory harmonization measure aimed at ensuring consistency between capital adequacy norms and the revised investment portfolio framework. While the amendment does not impact accounting treatment or net worth, banks maintaining significant IFR balances may witness a reduction in Tier 2 Capital and should accordingly reassess their capital adequacy ratios & related disclosures.

Kindly refer the link for the further details - [Reserve Bank of India \(Commercial Banks – Prudential Norms on Capital Adequacy\) Sixth Amendment Directions, 2026](#)