



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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Reserve Bank of India (Commercial Banks – Forthcoming Instructions) Second Amendment Directions, 2026

Please refer to Chapter IV of the [Reserve Bank of India \(Commercial Banks – Forthcoming Instructions\) Directions, 2025 dated November 28, 2025](#) (hereinafter referred to as ‘the Directions’), on Minimum Capital Requirements for Operational Risk.

2. On a review, and in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and all other laws enabling the Reserve Bank of India (hereinafter called the Reserve Bank) in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Commercial Banks – Forthcoming Instructions) Second Amendment Directions, 2026.

(ii) Chapter IV of the [Reserve Bank of India \(Commercial Banks – Forthcoming Instructions\) Directions, 2025](#), on Minimum Capital Requirements for Operational Risk, along with amendments set out at Para 4 below, shall come into effect from **April 1, 2027**.

4. The Amendment Directions modify the Directions as under:

(i) Paragraph 29 shall be substituted by the following, namely:

“The description for each of these constituents of the BI (i.e., ILDC, SC, and FC) **along with the schedules of the prescribed financial statements format is provided** in Table VIII. ~~An indicative mapping of BI items with schedules and line items of the prescribed financial statements format shall be given in due course.~~

Explanation: The mapping provided is indicative and where the measurement, classification or presentation of an item under the '[Reserve Bank of India \(Commercial Banks - Financial Statements: Presentation and Disclosures\) Directions, 2025](#)' differs from that prescribed under these Directions, the banks shall ensure that items used for computation of ORC are in accordance with these Directions and consistent with the 'description' and 'sub-items' prescribed in Table VIII under Paragraph 29 of these Directions."

(ii) Table 8 under Paragraph 29 shall be modified as under:

Table 8

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
Interest, lease and dividend Component (ILDC)	Interest income	Interest income from all financial assets and other interest income (includes ~~interest~~ rental income from ~~financial and~~ operating leases and profits from leased assets)	(i) Interest income from loans and advances, assets available for sale, assets held to maturity, trading assets, and financial leases; ~~and operating leases.~~ (ii) Interest income from hedge accounting derivatives. (iii) Other interest income. (iv) Profits from leased assets.	Schedule 13, 14

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
			<i>[added]</i> (v) Rental income from operating leases.	
	Interest expenses	Interest expenses from all financial liabilities and other interest expenses (includes interest expense from financial and operating leases rental expenses, losses, depreciation and impairment of and losses from, operating leased assets and losses from	(i) Interest expenses from deposits, debt securities issued, ~~financial leases,~~ and operating leases. (ii) Interest expenses from hedge accounting derivatives. (iii) Other interest expenses; (iv) Losses from leased assets. (v) Depreciation Rental expenses, depreciation and impairment of operating leased assets.	Schedule 15, 16

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
		leased assets)		
	Interest earning assets (Balance Sheet item)	Total gross outstanding loans and advances, interest bearing securities including government securities, and leased assets (i.e., all outstanding credit obligations in the balance sheet, including credit obligations on non-accrued status. e.g., non-performing assets shall be included in interest earning assets) measured at the end of each financial year. <i>[added]</i> Explanation: The interest rate derivative assets that, depending on the accounting treatment, affect a bank's interest income (as included in the interest, leases and dividend component of the business indicator) shall be included in interest earning assets. These derivative assets shall be captured at their fair value (not their notional value). The fair value used shall be positive, and a negative fair value should not be subtracted.		Schedule 6, 7, 8, 9, 11
	Dividend income	Dividend income from investments in stocks and funds not consolidated in		Schedule 13, 14

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
		the bank's financial statements, including dividend income from non-consolidated subsidiaries, associates, and joint ventures.		
Services Component (SC)	Fee and commission income	Income received from providing advice and services. Includes income received by the bank as an outsourcer of financial services.	Fee and commission income from: (i) Securities (issuance, origination, reception, transmission, execution of orders on behalf of customers); (ii) Clearing and settlement; Asset Management; Custody; (iii) Fiduciary transactions; (iv) Payment services; (v) Structured finance; (vi) Servicing of securitisations; (vii) Loan commitments and guarantees given; and	Schedule 14

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
			(viii) foreign transactions.	
	Fee and commission expenses	Expenses paid for receiving advice and services. Includes outsourcing fees paid by the bank for the supply of financial services, but not outsourcing fees paid for the supply of non-financial services (e.g. logistical, IT, human resources)	Fee and commission expenses from: (i) Clearing and settlement; Custody; (ii) Servicing of securitisations; (iii) Loan commitments and guarantees received; and (iv) Foreign transactions.	Schedule 16
	Other operating income	Income from ordinary banking operations not included	(i) ~~Rental income from investment properties.~~	Schedule 14

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
		in other BI items but of similar nature (income from operating leases shall be excluded)	(ii) Gains from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.	
	Other operating expenses	Expenses and losses from ordinary banking operations not included in other BI items but of similar nature and from operational loss events (expenses from operating leases shall be excluded)	(i) Losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations. (ii) Losses incurred as a consequence of operational loss events (e.g., fines, penalties, settlements, replacement cost of damaged assets, etc.), which have not been provisioned / reserved for in previous years.	(i) Schedule 15,16 (ii) Items under “Provisions and Contingencies”

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
			(iii) Expenses related to establishing provisions / reserves for operational loss events.	
Financial Component (FC)	Net profit (loss) on the trading book	(i) Net profit / loss on trading assets and trading liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets and liabilities). (ii) Net profit / loss from hedge accounting. (iii) Net profit / loss from exchange differences.		Schedule 14 Bifurcation shall be done as per bank's trading book and banking book, as given in ' Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Directions, 2025 ' as amended from time to time.
	Net profit (loss) on the banking book	(i) Net profit / loss on financial assets and liabilities measured at fair value through profit and loss. (ii) Realised gains / losses on financial assets and liabilities not measured at fair value through profit and loss (loans and advances, assets available for sale, assets held to maturity, financial liabilities measured at amortised cost).		

BI constituents	P&L or balance sheet items	Description	Typical sub-items	<i>[added]</i> Indicative Mapping to specific schedules in the Balance Sheet and / or P&L Account
		(iii) Net profit / loss from hedge accounting. (iv) Net profit / loss from exchange differences.		

(iii) Paragraph 31 shall be substituted by the following, namely:

“A bank’s internal operational risk loss experience affects the calculation of ORC through the ILM. The ILM shall be calculated as given below,

$$ILM = \ln \left\{ \exp(1) - 1 + \left[\frac{LC}{BIC} \right]^{0.8} \right\}$$

Where the Loss Component (LC) is equal to 15 times average annual operational risk losses (**net of recoveries**) as mentioned in paragraph 32.”

(iv) Paragraph 32 shall be substituted by the following, namely:

“The calculation of average losses in the LC shall be based on 10 years of high-quality operational risk annual loss data. However, **when a bank first becomes subject to calculation of ILM** ~~a bank that~~ **and it** does not have 10 years of high-quality loss data, but ~~have~~ **has** five years and above of high-quality loss data, **it** shall make use of such available high-quality loss data of five years and above to calculate the LC.”

(v) After Paragraph 39(2)(ii)(b)(ii), the following shall be inserted, namely:

“*Explanation:* In a case where a bank’s asset is damaged or destroyed and without prejudice of additional indirect losses, the losses related to the asset value and the costs of repair or replacement depend on how the bank proceeds in addressing that damage or destruction.

(a) In cases where an asset of the bank is damaged or destroyed and the bank does not replace or repair it, the operational loss amount corresponds to the

reduction in the book value of the asset plus any residual clean-up or disposal costs.

- (b) In cases where an asset of the bank is damaged or destroyed and the bank decides to replace it or repair it fully, then the operational loss amount is the cost of replacing or repairing the asset plus any residual clean-up or disposal costs.
- (c) In cases where an asset of the bank is damaged and the bank decides to repair it partially (i.e., the asset has less book value after repair than prior to the operational loss event), then the operational loss amount is the cost of repairing the asset plus the loss of book value of the asset after the repair relative to its pre-operational loss event book value plus any residual clean-up or disposal costs.”

(Sunil T S Nair)

Chief General Manager