

CO.DICG.IOD.No.S1803/04-01-046/2025-2026

February 06, 2026

All Insured Banks

Dear Sir/Madam,

Implementation of Risk Based Premium (RBP) Framework

As you are aware, the Deposit Insurance and Credit Guarantee Corporation (DICGC) has been operating the deposit insurance scheme in India since 1962 as per the provisions of DICGC Act, 1961. Since inception, DICGC has levied a flat rate premium to fund the scheme. At present, banks are charged a premium of 12 paise per ₹100 of assessable deposits (AD) per annum (paid on half-yearly basis), vide DICGC circular DICGC.RPIC.No. 2676/02.01.003/2019-20 dated February 5, 2020. While the flat rate premium system is simple to understand and administer, it does not differentiate banks which manage the risks better.

2. Based on a comprehensive review, DICGC has, with the approval of the Reserve Bank, decided to implement a Risk Based Premium (RBP) Framework with effect from April 1, 2026, in terms of the provision under Section 15(1) of the DICGC Act, 1961 which provides for differential premium rates for different categories of insured banks. The RBP Framework incentivises sound risk management by banks and facilitates better managed banks to pay a lower premium than the Card Rate of 12 paise per ₹100 of AD per annum.

Risk Based Rating Methodology

3. The RBP Framework includes a two-tier Risk Based Rating Methodology, Risk Categorisation of banks and Risk based premium, Effective Premium Rate, Rating Override Policy, Disclosure Policy and Review Policy. The Tier 1 Model will be applicable to Scheduled Commercial Banks (SCBs) other than Regional Rural Banks (RRBs). Risk rating will employ a combination of 'Risk Based' Supervisory ratings of

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हिंदी आसान है, इसका प्रयोग बढ़ाइए।



Reserve Bank, quantitative assessment and potential loss to Deposit Insurance Fund (DIF) from failure of insured banks, for the purpose of rating. For small foreign banks that are subject to Small Bank Variant Model (variant of the Risk Based Supervision Main model), and Small Finance Banks (SFBs), weightage of supervisory ratings will be shifted to quantitative assessment.

4. Tier 2 Model will be applicable to RRBs, Rural Cooperative Banks [State Cooperative Banks (StCBs), District Central Cooperative Banks (DCCBs)], and Urban Cooperative Banks (UCBs). Tier 2 Model employs a combination of quantitative assessment and potential loss to the DIF from failure of such banks, for the purpose of rating.

5. Local Area Bank (LABs) and Payments Banks (PBs) will continue to pay the card rate (i.e., 12 paise per ₹100 of AD per annum) as there are data point limitations to bring them into a Risk Based Pricing model.

6. Quantitative Assessment for Tier 1 and 2 model banks will be based on objective financial parameters viz., solvency ratios (e.g. capital adequacy and quality of its composition), asset quality ratios, liquidity, profitability indicators, and other parameters. Corporate Governance parameters such as presence of Key Management Personnel/Board of Management/Professional Directors as mandated by regulators will be an important non-financial criterion (other parameter) under Tier 2 model in addition to financial parameters.

7. Latest available audited financial year-end data and supervisory rating will be used for arriving at the risk category of banks. To illustrate, the banks are required to pay premium in advance for 1st half-year (HY) of FY 2026-27 (April-September 2026) by May 31, 2026, based on AD as on last day of March 2026. For arriving at the premium for the 1st HY of FY 2026-27, risk categorisation will be done based on the latest available audited financial year-end data and supervisory ratings. For instance, if supervisory rating is not available for March 2025, available rating as of March 2024 will be used. Similarly, for 2nd HY of FY2026-27 (October 2026-March 2027), if the FY

- end data /supervisory rating for March 2026 is not available, the data /rating as of March 2025 will be used.

Rating categorisation and Risk Based Premium

8. Based on the risk assessment score obtained using the internal rating methodology of the Corporation, each bank will be categorised into four groups, namely A, B, C and D as shown in Table below with banks in category A having the lowest risk category. The Risk Based Premium card rate for category A, B, C and D will be 8 paise, 10 paise, 11 paise and 12 paise per ₹100 of AD, respectively.

Table: Rating Categorisation and Premium Rates

Rating Category	A	B	C	D
Current Premium card rate	12	12	12	12
New Premium card rate	8	10	11	12
Discount over card rate	33.33%	16.67%	8.33%	0%

Note: Premium rates are in paise per ₹100 of AD per annum.

Effective rate of premium

9. The RBP framework will also provide benefits of vintage (signifying longer contribution to DICGC's Deposit Insurance Fund without any major stress events or claim payouts from DICGC). Vintage incentive will be provided to the banks in Tier 1 model in the form of 1% incentive for each completed year, subject to a maximum discount of 25% for banks with 25 years or longer in existence, subject to the banks having no record of restructuring/major distress^a.

10. For Tier 2 banks, vintage benefit will be provided to RRBs, Rural co-operative banks (StCBs, DCCBs) and Tier-4 UCBs (as per RBI's four-tier classification of UCBs, i.e., deposits > ₹ 10,000 crore), such that these banks get an incentive of 25%, if the banks have completed 25 years of satisfactory conduct without any event of restructuring/major distress.

^a includes - Imposition of Moratorium, Board Supersession by RBI, Appointment of Administrator by the RBI, Restriction on withdrawal of deposits by RBI (e.g. All-inclusive Directions under Sec 35A of BR Act 1949), Scheme of Reconstruction by RBI under the BR Act, 1949.



11. In the event of restructuring or major distress, the vintage incentive will be calculated from the date of such restructuring or major distress. End-date of previous financial year will be considered for computing vintage incentive. To illustrate *while arriving at premium for 1st HY of FY 27 and 2nd HY of FY 27, completed years as on March 31, 2026 will be considered for vintage incentive.*

12. The effective rate of premium will be a function of the risk rating model and vintage incentive. The effective rate of premium will be calculated as under:

$$\text{Effective Rate} = \text{Card Rate}^b * (1 - \text{Risk_model_incentive}) * (1 - \text{Vintage_incentive})$$

13. All UCBs under the Supervisory Action Framework (SAF)/ Prompt Corrective Action (PCA) of RBI will continue to pay the card rate of 12 paise and will be considered for RBP from the financial year following the year in which the bank exits SAF/PCA.

Rating Override Policy

14. While the rating as arrived by DICGC as indicated above will determine the risk-based premium, this will be without prejudice to DICGC's right to override the rating as per its Board approved policy in case any adverse information/development is brought to its notice by the banking supervisor and/ or as per DICGC's assessment that may be considered material in nature. In such cases, concerned bank will be required to pay such premium as assessed by DICGC from the next HY, until it returns to normalcy in the assessment of DICGC.

Disclosure Policy

15. The extant policy of disclosure of DICGC premium amount paid in the 'Notes to Account', as currently mandated by RBI in terms of Master Direction on Financial Statements - Presentation and Disclosures will be discontinued, for which RBI will issue a separate circular. Banks shall be required to disclose in their annual reports that *'deposit insurance premium as applicable was paid to DICGC within the*

^b Present Card Rate of 12 paise per ₹100 of AD per annum



prescribed timelines'. In case bank has not paid as per the required timeline, same shall also be disclosed.

16. The DICGC will communicate risk rating category to the MD/CEO of the insured bank in strict confidence. Premium to be paid based on the 'effective premium rate' shall be made available to the bank in DICGC 'New Integrated Application System ('Samyak') at the start of the payment cycle.

17. The risk category shall not be disclosed by the banks under any circumstance and shall not be used to solicit any business, failing which DICGC/RBI/NABARD, shall take penal action as deemed appropriate.

18. Insured banks will be required to make timely payment of the premium as per timelines prescribed under Section 19(1) the DICGC Regulations, 1961, i.e., after the commencement of the half year, but in any event, not later than last day of the second month of that half year, in the 'Samyak' Portal of DICGC, for which separate instructions will follow.

Review Policy

19. The RBP framework will be reviewed at least once in three years.

20. The revised premium for the insured banks will be effective from **April 1, 2026**.

Yours sincerely,

(Anup Kumar)

Chief General Manager

