

DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR

Circular No: 4606 /VI(A) 35/15 Audit-2

Date: 21/7/16

To

The Chief Executive Officers,
All Urban Cooperative Banks of the State,/
Utkal Cooperative Banking Society Ltd.

Sub: Revised norms for audit classification of Urban Cooperative Banks.

Sir,

As you are aware, significant developments have taken place in the overall banking environment, including structural, Financial, operational and regulatory changes in respect of Urban Cooperative Banks during the recent period. Keeping these changes in view, it has been decided to adopt the revised audit rating norms and one important feature of such rating norms is to adopt a new module based on the broad parameters of CAMELS for Urban Cooperative Banks.

In view of decision in the 28th State Level TAFCUB meeting held on 28.04.2016, a new module of audit classification of Urban Cooperative Banks effective from the financial year 2015-16 is hereby prescribed (copy enclosed).

The key factors (parameters under CAMELSC) and weightage assigned to each of them is as under:-

Sl No.	Key Factors (Parameters under CAMELSC)	Weightage assigned (%)
1	Capital Adequacy	15
2	Asset Quality	15
3	Management	10
4	Earnings	10
5	Liquidity	15
6	System and Control	20
7	Compliance	15
	Total	100

Each key factor is assigned on aggregate mark of 100 and is divided into sub-factors/sub-parameters with different marks depending upon their importance in the rating exercise. The marks obtained for each key factor (out of 100) will be multiplied by the respective weightage assigned to the key factor, for arriving at the composite rating of 100 marks.

Further, Composite Rating will be awarded on the basis of the total weighted average marks out of 100 and the serious adverse features observed in the financial position & methods of operation

of the bank, if any. Composite Rating will be awarded on a four score scale (A, B, C & D) and will generally denote the financial position and soundness of the bank as indicated below:-

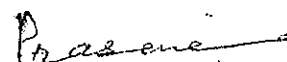
Composite Audit Classification.

Sl No.	Total marks obtained/ weighted marks	Class awarded.
1	75 and above	A
2	60 to below 75	B
3	45 to below 60	C
4	Below 45	D

You are therefore requested to adopt these new norms for audit classification of Urban Cooperative Banks henceforth.

Earlier instruction given on the score vide letter No-9653(16)/Audit-2/Dtd-04.12.2009 is hereby superseded.

Yours faithfully

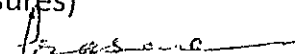

21.7.2016

Auditor General
Cooperative Societies
Odisha

Date : 21/7/16

Memo No: 4607

Copy submitted to the Principal Secretary to Govt., Cooperation Department, Odisha, Bhubaneswar for kind information and necessary action. (with enclosures)

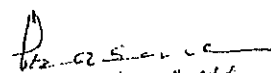

21.7.2016

Auditor General
Cooperative Societies
Odisha

Date : 21/7/16

Memo No: 4608

Copy submitted to the RCS, Odisha, Bhubaneswar for kind information and necessary action. (with enclosures)

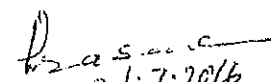

21.7.2016

Auditor General
Cooperative Societies
Odisha

Date : 21/7/16

Memo No: 4609

Copy to all the Asst. AGCS of Circles/C.E.O., Urban Bank Federation, Bhubaneswar for information and necessary action. (with enclosures)


21.7.2016

Auditor General
Cooperative Societies
Odisha

Memo No: 4610Date: 21/7/16

Copy to all the DRCS of divisions for information and necessary action.
(with enclosures)

P. S. S. S.
21.7.2016

Auditor General
Cooperative Societies

Odisha

Date: 21/7/16Memo No: 4611

Copy to the General Manager, DCBS, RBI, Bhubaneswar for information and necessary action. (with enclosures)

P. S. S. S.
21.7.2016

Auditor General
Cooperative Societies
Odisha

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10 Spare copies.

Effective from the Financial Year (2015-16)

Sl No.	Parameters	Marking Scales		Marks Obtained		Remarks
		Sub-items	Main-items	Sub-items	Main-items	
1	Capital Adequacy :					
(i)	Net worth as % to total Assets		25			
	5% and above	25				
	4% & above but less than 5%	18				
	2% and above but less than 4%	11				
	Net worth positive but % to total asset is less than 2%	4				
	Negative net worth	0				
(ii)	Capital to Risk Weighted Assets (CRAR)		30			
	9% and above	30				
	Below 9%	0				
(iii)	Capital Augmentation by (increase of capital)		20			
	(a) Entire capital augmentation through members / Profit / Others(Specify)	20				
	(b) Upto 80% of capital augmentation through member share, profit and upto 20% by other means like Revaluation / sale of assets & State Govt. Support.	15				
	(c) Upto 50% of capital augmentation through member share, profit and remaining 50% by other means like Revaluation / sale of assets & State Govt. Support.	10				
	(d) Upto 30% of capital augmentation through member share, profit and remaining 70% by other means like Revaluation / sale of assets & State Govt. Support.	5				
	(e) Capital augmentation more than 70% through State Govt. Assistance	0				
(iv)	Quality of Capital – Ratio of Tier – I capital to Tier - II		10			
	150% and above	10				Tier – II capital before applying restrictions (of Tier-II not to exceed 100% of Tier-I)
	125% and above but less than 150%	7				
	Above 100% but less than 125%	4				
	Less than 100% (i.e. Tier – I capital is less than Tier – II capital)	1				

						stipulated to be considered
(v)	Growth rate of capital fund vis-à-vis growth rate of Risk Weighted Assets during the period covered by present audit.		15			
	Growth rate of capital fund is greater than that of RWA	15				
	Growth rate of capital fund is equal to that of RWA	10				
	Growth rate of capital fund is less than that of RWA	8				
	No growth or negative growth in capital fund but there is growth in capital fund but there is growth in RWA	0				
	Total		100			

2	Asset Quality :					
(i)	Percentage of Gross NPA to total loans and advances		25			
	Below 10%	25				
	Above 10%	0				
(ii)	Composition / aging of Gross NPAs (Ratio of Substandard NPAs to Total NPAs)		10			
	(a) above 90%	9				
	(b) above 80% upto 90%	8				
	(c) above 70% upto 80%	7				
	(d) above 60% upto 70%	6				
	(e) above 50 % upto 60%	5				
	(f) above 40% upto 50%	4				
	(g) above 30% upto 40%	3				
	(h) above 20% upto 30%	2				
	(i) upto 20%	0				
(iii)	NPA Movement incremental NPAs (ratio of growth in NPA / growth in loan outstanding)		10			
	Growth in NPA is negative (i.e. NPAs decreased in absolute amount)	10				
	% growth in NPA is less than % growth in Loan outstanding	5				
	% growth in NPA is higher than % growth in Loan outstanding	0				
(iv)	Recovery against total NPA (impaired credit) as on the date of previous audit.		10			Recovery should be actual

	Recovery of above 15% to 20%	5				by restruct- uring
	Recovery upto 5%	2				
	No recovery	0				
(v)	Percentage of Non-Performing Investments to Total Assets		10			Non-Performing Investment (NPI) as defined by RBI.
	No non-performing investments	10				
	Upto 2%	8				
	Above 2% & upto 5%	5				
	Above 5% & upto 8%	2				
	Above 8%	0				

(vi)	Policy and Implementation		15			Separate marks for each parameter
	Existence of COM approved Loan Policy	3				
	Existence of COM approved Investment Policy	3				
	Quality of appraisal and review mechanism	4				
	Quality of Management of Investment portfolio	5				
(vii)	Extent of provisioning done vis-à-vis provisioning required for assets (and un-provided for liabilities)		20			
	Fully provided	20				
	90% & above but less than 100%	16				
	85% & above but less than 90%	12				
	80% & above but less than 85%	8				
	75% & above but less than 80%	4				
	Total		100			
3	Management :					
(i)	Committee of Management and various committees of the COM.		10			In case of, Administrator appointed by State Govt. all the committees should exist / be function – ing.
	Elected COM compliant to Fit & Proper criteria and 5 Committees (i.e. ALCO, Loan committee, Investment Committee, Risk Management Committee & Fraud Prevention and Monitoring Committee) are in place and functioning as per Act/ Bye-law / provisions of regulatory instructions	10				

	Elected COM compliant to Fit & Proper criteria and at least four of the 5	8				
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	Committees (i.e. ALCO, Loan committee, Investment Committee, Risk management Committee and Fraud prevention and Monitoring Committee) are in place and functioning as per Act / Bye-law / provisions of regulatory instructions					
	Elected COM compliant to Fit & Proper criteria and at least three of the 5 Committees (i.e. ALCO, Loan committee, Investment Committee, Risk management Committee and Fraud prevention and Monitoring Committee) are in place and functioning as per Act / Bye-law / provisions of regulatory instructions	5				
	Elected COM compliant to Fit & Proper criteria. But at least 2 of the Committees (out of ALCO, Loan committee, Investment Committee, Risk management Committee and Fraud prevention and Monitoring Committee) are functioning	3				
(ii)	Functioning of COM.					
(a)	Meetings of the Members of the COM.		10			
	No. of meetings held as per bye-law / act provisions / stipulation.	10				
	At least 75% of the stipulated meetings were held.	8				
	At least 50% of the stipulated meetings were held.	5				
	Less than 50% of the stipulated Board meetings held intermittently / irregularly.	3				
(b)	Agenda and Discussions in the Meetings of COM.		10			
	Calendar of agenda items as indicated by RBI/Govt. followed. Discussions on all agenda items were held in every COM meeting.	10				
	Discussions on most of the agenda items, form out of the calendar of agenda items indicated by RBI/Govt. were held in every COM Meeting convened.	8				
	Discussions on atleast important agenda items like NPA, Profitability, Fraud etc., were held in every COM meeting convened.	5				
	No calendar agenda followed at all but	3				

(c)	Effectiveness of Management/COM		20			Parameters (i) policy on loans invest- ment, KYC / AML etc. (ii) monitor- ing / review of NPAs, fraud, business growth & regulatory compliance, (iii) Effective functions of all commit-ees including Risk Manage-ment Commit -tee & Fraud Monito- ring Commit-tee
	Performance under all these parameters is good	20				
	Performance under at least two of these three parameters is good	15				
	Performance under at least one these three parameters is good	10				
	Partial performance under these parameters	5				

(iii)	Chief Executive Officer		10			Separate marks for each parameter
	(a) Educational/ professional qualifications and experience, of CEO-relevant / useful for working of cooperative bank	2				
	(b) Conformity with Fit & Proper Criteria	2				
	(c) Leadership, administrative and timely decision making, innovativeness, etc., of the CEO and other Senior Officers.	2				
	(d) Quality, depth and timeliness in putting up various review notes to COM as per the prescribed calendar of reviews as per OCS Act.	2				
	(e) Effectiveness in implementation of policies of the COM and overseeing compliance with regulatory requirements/ as per OCS Act./ internal policies, etc.	2				
(iv)	Effectiveness of CEO		10			Parameters (i) improve-ment in business levels, (ii) reduction in NPA levels, (iii) profit earning, (iv) compliance with various statutory provisions and regulatory provisions.
	(a) Performance under all these parameters is good	10				
	(b) Performance under at least three of these four parameters is good	8				
	(c) Performance under at least two of these four parameters is good	5				
	(d) Performance under at least one	3				

	parameter is good					
	(e) Partial performance / compliance on these parameters. Reviews etc., on various important parameters not placed before Board for necessary directions on corrective steps.	1				
(v)	Second line of Management (Department Heads with subordinates, key officials and career path planning)		10			
	Well groomed team with succession planning/long-term career planning. Existence of alternate arrangement.	10				
	Officer manning/heading each department with at least 2 subordinates with adequate knowledge of work	8				

	Potential officers with some/little grooming. Half hearted succession planning but has officer heading each department with at least one subordinate with adequate knowledge of work	5				
	Potential officers without grooming and without succession / career planning. No subordinate with adequate knowledge for each department	3				
(vi)	Organizational set-up and job description		10			
	Well defined set up. Duties/tasks determined and monitored	10				
	Well defined set up but differentiation in duties not adhered to strictly	8				
	Set up exists but departmentalization is inadequate, job description adhoc.	5				
	Basic job differentiation done but People are assigned jobs from time to time on adhoc basis.	3				
(vii)	Human Resources related policies		10			
	Training needs scientifically assessed and the required training imparted. Well defined and comprehensive training policy and plan existed. Well defined recruitment, transfer etc. policy existed and implemented without violations of OCS Act. Rotation of staff effected.	10				
	Training need assessment made but training requirements were not fully met. HR related policies (Recruitment, Transfer etc.) existed but violations of OCS Act. observed in implementation.	8				

	unsatisfactory and training provided on adhoc basis. HR related policies (Recruitment, Transfer etc.) formulated but not being followed. Adhoc rotation of staff.	5				
	No training need assessment, training to staff was inadequate and adhoc. HR related policies were absent. Recruitment was being made on adhoc basis. Negligible rotation of staff.	2				
	Total		100			

4	Earnings :					
(i)	Operating Profit for the year		20			Operating Profit for the year = (interest income on loans & advances & investments + other operating income – interest expenses on deposits and borrowing + staff cost + other operating cost like rent, postage, stationery etc)
	If operating profit is equal to or more than the provisions required to be made.	20				
	If operating profit cover only 75% or above upto 99%, of the provisions required to be made.	16				
	If operating profit cover only 50% or above upto 74% of the provisions required to be made.	12				
	If operating profit cover only upto 49% or less of the provisions required to be made.	8				
	If Operating Loss	0				
(ii)	Net Profit for the year (As per P & L Account of the Bank)		20			
	Net profit more than the short provisions (including unprovided liabilities) assessed by audit and also adequate to contribute to reserves as per the bye-laws and for declaring dividend	20				
	Net profit more than the short provisions (including unprovided liabilities) assessed by audit and also adequate to contribute to reserves as per the bye-laws but not sufficient to declare dividend.	15				
	Net profit not adequate to cover short provisions (including unprovided liabilities) assessed by audit.	7				
	No Net Profit (i.e. Net Loss)	0				

	When reversal provision is more than the Net Profit no marks shall be awarded on the above points.	0				
(iii)	Percentage of Non-earning Assets to Total Assets		10			
	(a) Upto 10%	10				
	(b) 10% and above upto 15%	8				
	(c) 15% and above upto 20%	5				
	(d) 20% and above upto 25%	2				
	(e) Above 25%	0				
(iv)	Yield on Loans and Advances		5			Total interest received from Loan portfolio * 100 / Average Loan outstand - ing
	i) Above 10%	5				
	ii) Above 8% upto 10%	4				
	iii) Above 6% upto 8%	3				
	iv) Above 5% upto 6%	2				
	v) less than 5%	1				
(v)	Yield on Investments		5			Total dividend / interest received from investment * 100 / Average invest - ment
	i) Above 9%	5				
	ii) Above 8% upto 9%	4				
	iii) Above 7% upto 8%	3				
	iv) Above 6% upto 7%	2				
	v) less than 6%	1				
(vi)	Return on Assets		5			Net Profit as per audit, divided by average Working Fund x 100
	Above 1 %	5				
	Above 0.80% and upto 1%	4				
	Above 0.50% and upto 0.80%	3				
	Above 0.20% and upto 0.50%	2				
	Above 0 & upto 0.20%	1				
(vii)	Deposits		5			
	Percentage of CASA deposits to total deposits					
	Above 40%	5				
	Above 30% and upto 40%	3				
	Less than 30%	2				
viii)	Cost of Deposits		5			Total interest paid on deposits * 100 / average deposits
	i) Upto 6%	5				
	ii) above 6% - upto 7%	4				
	iii) above 7% upto 8%	3				
	iv) above 8% upto 10%	2				
	v) above 10%	1				

	1.5% and below	5				* 100 / working fund)
	above 1.5% upto 2%	4				
	above 2% upto 3%	3				
	above 3%	2				
(x)	Return on Equity		10			Net Profit as per IO, divided by Equity (i.e. Net Worth) x 100
	Above 20%	10				
	Above 15% and upto 20%	8				
	Above 5% and upto 15%	5				
	Above 0 & upto 5%	2				
(xi)	Operating Profit as % to Average Total Assets		10			Operating Profit divided by Average Total Assets x 100
	Above 2%	10				
	Above 1.5% and upto 2%	8				
	Above 0.5% and upto 1.5%	5				
	Above 0 & upto 0.5%	2				
	Total		100			
5	Liquidity :					
(i)	Maintenance of CRR / SLR		25			
	No violation of CRR/SLR	25				
	No CRR violation but violated SLR not more than 2 occasions	20				
	No CRR violation but violated SLR on more than 2 occasions	15				
	No SLR Violation but CRR violation on not more than 2 occasions	10				
	No SLR Violation but CRR violation on more than 2 occasions	5				
	Both CRR & SLR violated	0				
(ii)	Timely repayment of borrowings		20			
	No default	20				
	Defaulted but later paid within one month	15				
	Defaulted but later paid within three months	10				
	Defaulted but later paid within six months	5				
	If default is not regularized within six months	0				
(iii)	Functioning of ALCO/ALM					
	A- ALCO formed / in place, meeting regularly, policy with prudential limits fixed for mismatches is in place. Bank making use of ALCO for product		10			

	pricing.					
	all above parameters in place / being followed	10				
	Atleast two of the above parameters complied	8				
	Atleast one of the above parameters complied	5				
	No ALCO, no ALM, not meeting regularly	0				
	B- whether time bucketing for liabilities and Assets is correct (Give marks if "yes")		5			
	C- No. of occasions when prudential limits for mismatches under structural liquidity statements were breached		10			No marks if Structured Liquidity Statement, Interest Rate Sensitivity Statements not prepared
	Not breached	10				
	Breached upto 2 occasions in a year	8				
	Breached only on 3 occasions in a year	5				
	Breached on more than 3 occasions in a year	2				
(iv)	Deposit mobilization (growth over previous year)		10			
	Growth above 15%	10				
	Growth above 10% & upto 15%	8				
	Growth above 5% & upto 10%	5				
	Growth upto 5%	2				
	No growth or decrease	0				
(v)	Source of Deposits -ratio of individual deposits to Institutional Deposits		10			
	above 200%	10				
	above 150% upto 200%	8				
	above 100% upto 150%	5				
	Below 100%	2				
(vi)	Deposit Insurance		10			
	All assessable deposits properly assessed and all insurance premium paid in time and returns submitted	10				
	All assessable deposits properly assessed and all insurance premium paid with minor delay	8				

	Defects in working out the assessable deposits, but paid premium without delay	5				
	Defects in working out the assessable deposits and also delay in payment premium but delay in respect of one half year only	2				
	Total		100			
6	System & Controls :					
(i)	Internal Inspection, Internal Audit and Concurrent Audit, IS Audit		15			

	... and is in place and implemented effectively				
	Any three of the above four systems are in place	11			
	Any two of the above four systems are in place	7			
	Any one of the above four systems in place	3			
(ii)	Audit Committee of the Board (ACB)		5		
	ACB formed and functioning effectively	5			
	ACB formed but meetings not held periodically and not effective	3			
	No ACB – No Marks	0			
(iii)	Loans and advances		15		
	Well defined policy, followed all guidelines, diversification of loans, pre-sanction appraisal, post sanction follow-up done and terms & conditions stipulated in sanction letters are followed, documentation is proper.	15			
	Followed guidelines and loan policy, pre-sanction appraisal done, sanction is in order, sanction letter issued, etc., documentation satisfactory, but no post sanction follow-up.	12			
	Pre-sanction appraisal and Sanction is in order. But proper sanction letter with Terms and conditions not issued no post sanction follow-up.	9			
	No-pre-sanction appraisal and post sanction follow-up. Over concentration of certain activities. Loans becoming NPAs. Various other deficiencies.	6			

(iv)	Exposure Norms(Loans & Advances)		5		
	No violation of exposure norms	5			
	Violation of Exposure norms	0			
(v)	Accounting Procedure		15		
	Accounts and financial statements finalized within three months from the date of balance sheet	15			
	Accounts and financial statements finalized within four months from the date of balance sheet	10			
	Accounts and financial statements finalized within six months from the date of balance sheet.	5			
	Accounts not finalized within six months from the date of balance sheet	0			
(vi)	House Keeping		10		
	Reconciliation of inter bank account / Branch Adjustment account/ subsidiary accounts done.	10			

	No reconciliation of above.	0				
(vii)	Risk Management System		15			
	Risk Management Committee and Fraud Risk Group formed and functioning satisfactorily. Bank has taken adequate steps to identify, measure and monitor various risks.	15				
	Risk Management Committee formed, but meetings not held regularly. The bank has taken adequate steps to identify and monitor various risks.	10				
	Risk management Committee not formed, but the bank has taken measures to identify & monitor various risks	5				
	No Risk management Systems and Committee in bank. No steps taken to identify, measure and monitor risks	0				
viii)	Core Banking Solutions		10			All branches are on CBS - rating based on the important parameters like (i) Reconciliation with sponsor / supporting bank in respect of RTGS / NEFT, IMPS, card technology etc., (ii) preparation of Trial balance, balance sheet through CBS, (iii) Robust IT Policy in place and being implemented, (iv) Posting of IT related staff, (v) mechanism in place to know / monitor that branches are working on CBS (vi) Migration Audit is complete etc.

	All the parameters indicated are in place / performance there under is good	10				
	At least four of the parameters indicated are in place / performance there under is good	8				
	At least three of the parameters indicated are in place / performance there under is good	5				
	At least two of the parameters indicated are in place / performance there under is good	2				
(ix)	Frauds (preventive measures including advance warning systems, etc.,)		10			Software driven system wherein Bank will be able to monitor and look for sign of / likelihood of perpetration of fraud - is treated as Advance Warning system
	Preventive measures including advance warning system in place. No new fraud in the bank occurred during the inspection period.	10				
	Preventive measures in place, but fraud occurred during inspection period for which police case, disciplinary action against erring staff, recovery of amount involved	8				

	Preventive measures in place but were weak. Fraud occurred during inspection period, besides old outstanding frauds. Corrective steps initiated but not adequate / effective. Recovery against amount of frauds negligible.	5				
	Major frauds occurred / detected during the	2				Major fraud are founds
X	Grievance Redressal Measures.		5			
	Grievance Redressal Mechanism in place of but not very effective pending for less than one month	5				
	Grievance Redressal Mechanism in place of but not very effective. Grievances / Complaints pending for more than one month	4				
	No Grievance Redressal Mechanism in place complaints are pending for more than three months.	3				
	No Grievance Redressal Mechanism in place complaints are pending for more than Six months.	2				
	No Grievance Redressal Mechanism in place complaints are pending for more than nine months.	1				
	No Grievance Redressal Mechanism in place complaints are pending for more than one year.	0				
	Total		100			
7	Compliance					
(i)	Compliance on Statutory Audit Report		20			(Current years audit report)
	(a) Quality of compliance	10				
	Audit report issued without qualifying remarks	10				
	Audit report issued with qualifying remarks	5				
	(b) Auction taken on Audit observations	10				
	Reviewed by the Management and passed necessary order for rectifications and compliance submitted was satisfactory	10				
	Reviewed by the Management but necessary steps for rectifications initiated and Compliance report submitted was not satisfactory.	5				
	Not reviewed by the Management, compliance not submitted or submitted but not satisfactory.	0				
(ii)	Compliance on Statutory Inspection Report		25			
	All major observations of RBI/Govt. inspection report, complied with.	25				

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	More than 75% of major observations of RBI/Govt. inspection report, complied with	20				
	50% to 75% of major observations of RBI/Govt. inspection report, complied with	10				
	Less than 50% observations complied	5				

(iii)	Compliance on Exposure norms		15			Separate marks would be awarded to each sub - parameter
	(a) Timely submission of returns with accuracy and consistency.	10				
	(b) Inconsistency or otherwise in returns vis-à-vis actual.	5				
(iv)	Compliance with AML - CFT guidelines.		15			Separate marks would be awarded to each sub - parameter
	(a) Policy put in place with the approval of COM, Principal officer appointed, operational guidelines issued to Branches.	5				
	(b) Online CTR, STR returns submitted	5				
	(c) STR evaluation system / software in place & action on STR taken.	5				
(v)	Submission of statutory returns including OSS return.		15			
	(a) Timeliness in submission of returns prescribed under BR Act and RBI Act (Including on-line submission) With accuracy and consistency in compilation of returns	15				
	(b) For violation	0				
(vi)	Compliance Function and appointment of compliance Officer		10			
	Compliance Officer is appointed and performing Compliance Function as per the policy of the Bank.	10				
	Compliance Officer is appointed but not performing Compliance Function as per the policy of the Bank.	5				
	No Compliance Officer appointed	0				
	Total		100			

Additional parameters.

SI No	Broad parameter	Financial, operational and compliance weaknesses	supervisory Rating may be restricted to
1	Capital Adequacy (C)	If the bank is not complying with Section 11(1) of the B R Act, 1949 (AACS)/Section 42(6) (a) (i) of RBI Act, 1934.	Would be rated "D" irrespective of rating marks obtained.
2	Asset Quality(A)	The bank with gross NPAs above 25% and Net NPAs above 10%	Would not be rated beyond "B" (even if it has obtained 75 or above rating marks)
3	Management (M)	Serious Governance/ Management issues like (i) both, Board and CEO are not found effective-with adequate substantiation by auditor and accepted by RBI/Govt. (ii) If some recommendations (like removal of COM/ CEO and restrictions on some of their actions) have been made/are being made to RBI against the COM /CEO	Would not be rated beyond "B" (even if it has obtained 75 or above rating marks)
4	Liquidity(L)	In case the bank is having high liquidity risk/ liquidity problem (and observed instances of return clearing / debarred from clearing house/ other banks not accepting cheques issued on this bank, not honouring depositors claims etc.	Would not be rated beyond "C" (even if it has obtained 60 or above rating marks)
5	Compliance	If the bank is not complying with Section 22(3) (b) of the B R Act, 1949(AACS)/Section 42(6) (a) (ii) of RBI Act, 1934.	It would not be rated as "A" , (even if it has obtained 75 or above rating marks).

Key Factors (Parameters under CAMELSC)

SI No.	Key Factor	weightage assigned to key factor	Marks awarded under each key factor out of 100	Weighted average of marks Col-3X Col-4/100
	2	3	4	5
1	Capital Adequacy	15		
2	Asset Quality	15		
3	Management	10		
4	Earnings	10		
5	Liquidity	15		
6	System & Control	20		
7	Compliance	15		
	Total	100		

Auditor