



EC No. 118 / DoS - 08 / 2024  
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18 June 2024

The Managing Director, All State Cooperative Banks  
The Managing Director/ Chief Executive Officer,  
All District Central Cooperative Banks

Madam/Dear Sir,

### **Differentiated approach for selection of banks under Enhanced CAMELSC (E-CAMELSC) based supervisory approach**

In response to the evolving landscape of risk profiling in the banking industry, establishing a robust supervisory framework for monitoring the risk levels in banks' operations is of paramount importance. Consequently, recognizing the need to strengthen NABARD's role in banking supervision in line with leading practices and with a specific focus on adopting a forward-looking risk assessment of the banks' activities to the financial system, it was felt necessary to shift to Risk Based Supervision (RBS).

2. It was decided that an interim approach of 'E-CAMELSC' will be adopted before fully migrating to RBS and accordingly E-CAMELSC based supervisory approach has been rolled out with effect from 01 April 2023 for a set of identified banks based on differentiated approach. The Enhanced CAMELSC Model leverages the existing reporting framework by incorporating the additional risk and control factors for SEs, alongwith the introduction of substantial additional Quantitative and Qualitative parameters.

3. In this connection, we invite a reference to circular no. EC. 105/DoS-27/2023 dated 02 June 2023 wherein comprehensive guidance note on E-CAMELSC based supervisory approach has been issued to Rural Co-operative Banks (RCBs) with a view to providing the banks an insight into various parameters under E-CAMELSC approach and their relevance from risk management perspective. Banks were requested to take up necessary steps for migration to E-CAMELSC, i.e. identification of required data points, putting in place adequate systems/ processes / information systems to enable compilation of quantitative and qualitative data and make available the same to Inspecting Officers when they visit the bank for inspection.

4. The financial year 2023-24 marked as the first year of adoption of the E-CAMELSC based supervisory approach and 194 banks were inspected based on E-CAMELSC approach w.r.t. their financial position as on 31 March 2023. Based on learnings from first year of implementation of E-CAMELSC approach, it has been

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**National Bank for Agriculture and Rural Development**

पर्यवेक्षण विभाग

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observed that risk management systems in small banks are at a very nascent stage and hence the identification of the risks in a bank based on the assessment of the risk management systems is not largely feasible at such banks. Further, the capabilities to develop risk management system is also currently very limited in small sized banks.

5. Therefore, it has been decided to revisit the differentiated approach for selection of non-scheduled StCBs and DCCBs under E-CAMELSC to ensure effective implementation of the revised supervisory approach.

6. The differentiated approach for statutory inspection under E-CAMELSC based supervisory approach will be as under:

- i. All Scheduled State Co-operative Banks (Sch. StCBs)
- ii. Non-scheduled State Co-operative Banks (Non-Sch. StCBs) and District Central Co-operative Banks (DCCBs) in phased manner based on their '*business size*'.

7. Adoption of E-CAMELSC based supervisory approach to Non-Sch. StCBs and DCCBs will be as follows:

<b>Implementation w.e.f.</b>	<b>Applicable to</b>
01 April 2024	Banks having business size more than Rs. 3,000 crores as on 31 March 2024
01 April 2025	Banks having business size more than Rs. 2,000 crores as on 31 March 2025
01 April 2026	All Rural Cooperative Banks

8. The threshold referred to above shall be reckoned as per audited balance sheet as on reference date of statutory inspection. The banks will continue to remain under this approach irrespective of any changes in its financial position in subsequent year/s.

9. Please acknowledge the receipt of this circular to our Regional Office in your State/ UT.

Yours faithfully

Sd/-  
(Sudhir Kumar Roy)  
Chief General Manager

### Main Document

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1.0	2023-24	New policy	Board of Supervision

### References

Sr. No.	Reference	Reference No.
1	Enhanced CAMELSC Supervisory Approach – Guidance Notes	Circular no. 105 / DOS-27/ 2023, Ref. no. NB.DoS.HO.POL./ 633 /J-1/2023-24 dated 02 June 2023