



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/DOR/2025-26/320

DOR.AUT.REC.No.239/24-01-041/2025-26

November 28, 2025

**Reserve Bank of India (All India Financial Institutions – Undertaking of
Financial Services) Directions, 2025**

Table of Contents

Chapter I – Preliminary	2
A. Short Title and Commencement	2
B. Applicability	2
C. Definitions	2
Chapter II – General Guidelines	5
A. Prudential Regulation for Investments.....	5
B. Procedure for Application	8
Chapter III – Financial Services.....	9
A. Relationship with subsidiaries	9
B. Operations of subsidiaries and branches in foreign jurisdictions and in International Financial Services Centers (IFSCs).....	10
Chapter IV – Repeal and Other Provisions.....	12
A. Repeal and saving.....	12
B. Application of other laws not barred	12
C. Interpretations	12
Annex I.....	14
Annex II.....	15



In exercise of the powers conferred by Section 45L of the Reserve Bank of India Act, 1934, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Directions hereinafter specified.

Chapter I – Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (All India Financial Institutions – Undertaking of Financial Services) Directions, 2025.
2. These Directions shall come into force with immediate effect.

Provided that, the provisions contained in paragraphs 11 to 17 shall come into effect from January 1, 2026, or from an earlier date as may be decided by an All India Financial Institutions as per its internal policy.

B. Applicability

3. These Directions shall be applicable to All-India Financial Institutions (hereinafter collectively referred to as 'AIFIs' and individually as 'an AFI') viz. Export Import Bank of India ('EXIM Bank'), National Bank for Agriculture and Rural Development ('NABARD'), Small Industries Development Bank of India ('SIDBI'), National Housing Bank ('NHB') and National Bank for Financing Infrastructure and Development ('NaBFID').

C. Definitions

4. In these directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
 - (1) '**Debtor company**' means any company to which the regulated entity (RE) currently has or previously had a loan or investment exposure (excluding equity instruments) anytime during the preceding twelve months;
 - (2) '**Equity instrument**' means equity shares, compulsorily convertible preference shares (CCPS) and compulsorily convertible debentures (CCD);
 - (3) '**Capital funds**' means the total regulatory capital of an AFI, fulfilling the criteria defined in the [Reserve Bank of India \(All India Financial Institutions](#)



– Prudential Norms on Capital Adequacy) Directions, 2025, as per the last audited balance sheet;

- (4) '**Control**' shall have the same meaning as assigned to it under clause (27) of Section 2 of the Companies Act, 2013 as amended from time to time;
- (5) '**Financial services company**' means a company engaged in the 'business of financial services'.

Explanation: The 'business of financial services' shall include –

- (i) the financial businesses enumerated in the respective Statutory Acts of the AIFIs.
- (ii) the forms of business enumerated in clauses (a), (c), (d), (e) of sub-section (1) of section 6 of the Banking Regulation Act, 1949 and notified under clause (o) of sub-section (1) of section 6 of the Banking Regulation Act, 1949;
- (iii) the forms of business enumerated in clause (c) and clause (f) of Section 45 I of Reserve Bank of India Act, 1934;
- (iv) business of credit information as provided under the Credit Information Companies (Regulation) Act, 2005;
- (v) operation of a payment system as defined under the Payment and Settlement Systems Act, 2007;
- (vi) operation of a stock exchange, commodity exchange, derivatives exchange or other exchange of similar nature;
- (vii) operation of a depository as provided under the Depositories Act, 1996;
- (viii) business of an asset reconstruction company as provided under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- (ix) business of a merchant banker, portfolio manager, stock broker, sub-broker, share transfer agent, trustee of trust deeds, registrar to an issue, merchant banker, underwriter, debenture trustee, investment adviser and such other intermediary as provided in the Securities and Exchange Board of India Act, 1992 and the regulations made thereunder;



- (x) business of a credit rating agency as defined in the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999;
 - (xi) business of a collective investment scheme as defined under the Securities and Exchange Board of India Act, 1992;
 - (xii) business of managing a pension fund;
 - (xiii) business of an authorised person as defined under the Foreign Exchange Management Act, 1999; and
 - (xiv) such other business as may be specified by RBI from time to time.
- (6) **‘Non-Financial Services Company’** means a company engaged in businesses other than those specified in clause (5) above; and
- (7) **‘Subsidiary’** shall have the same meaning as assigned under the extant Accounting Standards.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or any statutory modification or re-enactment thereto, or Glossary of Terms published by RBI or as used in commercial parlance, as the case may be.



Chapter II – General Guidelines

6. The following instructions shall be read with the extant prudential norms on Exposures for the AIFIs.

A. Prudential Regulation for Investments

7. AIFIs shall formulate policies, with the approval of their Board, covering the following aspects of investments in financial entities to the extent these are not covered under the cross-holding limits prescribed under the Large Exposure Norms, under [Reserve Bank of India \(All India Financial Institutions - Concentration Risk Management\) Directions, 2025](#).

A.1 Limits on investments

8. AIFIs shall adhere to the following limits in terms of percentage of the paid-up capital and reserves of the AIFI as per the last audited balance sheet or a subsequent balance sheet, whichever is lower,
- (1) Investment in equity of a single financial services entity which is not an affiliate of the AIFI;
 - (2) Aggregate investment in equity of all financial services entities which are not affiliates of the AIFI;
 - (3) Aggregate investment in equity of all financial services entities including the affiliates of the AIFI;
 - (4) The aggregate of equity investment in factoring subsidiaries and factoring companies;
 - (5) Investment in equity of a single deposit taking NBFC; and
 - (6) Equity / Units of an Alternative Investment Fund (AIF) (other than Category III AIF) subject to the same being permitted under the statutory provisions contained in the respective AIFI's Act.

A.2 Requirement for regulatory approval

9. No AIFI shall, without the prior approval of the RBI, make:
- (1) Investment in a subsidiary and a financial services company that is not a subsidiary.
- Provided that*, such prior approval shall not be necessary in the following circumstances:



- (i) The investment is in a company engaged in financial services;
- (ii) The AIFI has minimum prescribed capital and has also made a net profit in the immediate preceding financial year;
- (iii) The shareholding of the AIFI including the proposed investment is less than 10 percent of the investee company's paid up capital; and
- (iv) The aggregate shareholding of the AIFI along with shareholdings, if any, by its subsidiaries or joint ventures or other entities directly or indirectly controlled is less than 20 percent of the investee company's paid up capital.

Explanation: Prior approval of the RBI shall not be required if the investments in the financial services companies are held under the "Held for Trading" category as stipulated in the [Reserve Bank of India \(All India Financial Institutions - Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025](#), as updated from time to time.

- (2) Investment in a non-financial services company in excess of 10 percent of such investee company's paid up share capital;
- (3) Investment of more than 10 percent of the paid-up capital/ unit capital in a Category I / Category II Alternative Investment Fund (AIF).

Provided that, no AIFI shall make an investment in a Category III AIF. Investment by an AIFI's subsidiary in a Category III AIF shall be restricted to the regulatory minima prescribed by SEBI.

Note: AIFIs shall ascertain the risks arising on account of equity investments in Alternative Investment Funds done directly or through their subsidiaries, within the Internal Capital Adequacy Assessment Process (ICAAP) framework and determine the additional capital required which will be subject to supervisory examination as part of Supervisory Review and Evaluation Process.

10. AIFIs shall strictly adhere to the limits, both at an individual and aggregate level, on investments in subsidiaries, financial and non-financial entities prescribed under [Reserve Bank of India \(All India Financial Institutions – Prudential Norms on Capital Adequacy\) Directions, 2025](#) read with [Reserve Bank of India \(All India Financial Institutions - Concentration Risk Management\) Directions, 2025](#).



A.3 Investments in Alternative Investment Funds (AIFs)

A.3.1 General Requirements

11. An AIFI's investment policy shall have suitable provisions governing its investments in an AIF Scheme, compliant with extant law and regulations.

A.3.2 Limits on Investments and Provisioning

12. An AIFI shall not individually contribute more than 10 percent of the corpus of an AIF Scheme.
13. The aggregate contribution by all Regulated Entities (REs) in any AIF Scheme shall not be more than 20 percent of the corpus of that scheme.

In this context, 'RE' shall mean:

- (1) Commercial Banks (including Small Finance Banks, Local Area Banks);
 - (2) Regional Rural Banks;
 - (3) Urban Co-operative Banks;
 - (4) State Co-operative Banks / Central Co-operative Banks);
 - (5) All-India Financial Institutions; and
 - (6) Non-Banking Financial Companies (including Housing Finance Companies)
14. Where an AIFI contributes more than five percent of the corpus of an AIF Scheme that has downstream investment (excluding equity instruments) in a debtor company of the AIFI, the AIFI shall be required to make 100 percent provision to the extent of its proportionate investment in the debtor company through the AIF Scheme, subject to a cap equivalent to AIFI's direct loan and / or investment exposure to the said debtor company.
 15. Notwithstanding the provisions of paragraph 14 above, where an AIFI's contribution is in the form of subordinated units, it shall deduct the entire investment from its capital funds – proportionately from both Tier-1 and Tier-2 capital (wherever applicable).

A.3.3 Exemptions

16. Any outstanding investment or commitment made by an AIFI with the prior approval of the RBI as on July 29, 2025, under the extant provisions of these Directions, are excluded from the scope of paragraphs 12 and 13 above.



17. The RBI may, in consultation with the Government of India, by way of a notification, exempt certain AIFs ([Annex-I](#)) from the scope of the provisions of the circulars contained in [Annex-II](#) and these Directions on AIF, except for paragraph 11 above.
18. As stated in paragraph 2, the provisions of paragraphs from 11 to 17 above shall come into force with effect from January 1, 2026, or from an earlier date as decided by an AIFI in line with its internal policy (referred to as the 'effective date' for the provisions of paragraphs 11 to 17 above). Until such commencement, AIFIs shall continue to be guided by the provisions of the circulars contained in [Annex II](#). These circulars shall stand repealed from the effective date of these Directions on AIF. Any new commitment by an AIFI towards contribution to an AIF scheme, made after the effective date, shall be governed by these Directions on AIF.
19. Notwithstanding the above provisions:
 - (1) Outstanding investment by an AIFI, as on July 29, 2025, in an AIF Scheme in which it has fully honoured its commitment, shall be governed by the provisions mentioned in [Annex II](#); and
 - (2) In respect of any investment made by an AIFI in an AIF Scheme in terms of an existing commitment as on July 29, 2025, or in terms of a new commitment entered into before the effective date, the AIFI shall follow, in toto, either the provisions of [Annex II](#) or these Directions.

B. Procedure for Application

20. An AIFI desirous of making an investment or undertaking any business that requires prior approval / no-objection of RBI shall submit an application through *PRAVAAH* Portal (<https://pravaah.rbi.org.in>) to the Department of Regulation (DoR), Central Office, RBI.



Chapter III – Financial Services

A. Relationship with subsidiaries

21. A parent / sponsor AIFI shall maintain an 'arm's length' relationship with the subsidiary sponsored by it and evolve the following supervisory strategies:

- (1) The Board of the parent / sponsor AIFI shall review the working of subsidiaries at periodical intervals.
- (2) The parent / sponsor AIFI shall undertake inspection/audit of the books of accounts of the subsidiaries at periodical intervals.
- (3) The subsidiary shall not set up another subsidiary or promote a new company which is not a subsidiary thereof, or undertake any new business without prior approval of the RBI.

Explanation: 'New Business' shall not mean expansion into the same line of business that is already permitted/approved to be undertaken.

- (4) The subsidiary shall not make any portfolio investment in another existing company with an intention of acquiring controlling interest, without prior approval of the RBI. This shall not apply to the investments made by a Category I and II AIF set up by a subsidiary.
- (5) A subsidiary shall not have any on-line access to customers' accounts maintained with the AIFI. The information between an AIFI and its subsidiary may be shared subject to maintaining arm's length relationship.
- (6) The AIFI shall not grant any unsecured advances to the subsidiary without prior approval of the RBI.
- (7) Transactions between an AIFI and its subsidiary shall be at arm's length. No preferential treatment shall be given to the subsidiary vis-à-vis a counterparty with similar risk characteristics.



B. Operations of subsidiaries and branches in foreign jurisdictions and in International Financial Services Centers (IFSCs)

22. An AIFI, including those operating in International Financial Services Centers (IFSCs) in India such as Gujarat International Finance Tec City (GIFT City), shall comply with the following directions regarding dealing in financial derivative products by its foreign branches / subsidiaries.

B.1 Dealing in financial derivative products

23. The foreign branches / foreign subsidiaries, if any, of AIFIs can deal in financial derivative products, including structured financial derivative products, which are not available or are not permitted by the RBI in the domestic market without prior approval of RBI, subject to compliance with conditions specified in paragraph 25 below and those prescribed by the host regulator.
24. Further, the branches / subsidiaries, if any, of AIFIs operating in IFSCs including those operating out of GIFT City may also deal in financial derivative products, including structured financial derivative products, which are not available or are not permitted by the RBI in the domestic market subject to compliance with all applicable laws / regulations and conditions stipulated in paragraph 25 below and those prescribed by the host regulator.

B.2. Conditions for dealing in financial derivative products

25. While allowing branches / subsidiaries in foreign jurisdictions as well as in IFSCs to deal in such products, the parent AIFI shall ensure that:
- (1) dealing in such products is done with the prior approval from their Board and, if required, the appropriate authority in the concerned jurisdictions;
 - (2) they have adequate knowledge, understanding, and risk management capability for handling such products;
 - (3) they act as market makers for products only if they have the ability to price / value such products and the pricing of such products is demonstrable at all times;
 - (4) their exposure and mark-to-market (MTM) on these products are appropriately captured and reported in the returns furnished to the RBI. They shall provide information about dealing in such financial products as



may be specified by the RBI in the manner and format and within the time frame as prescribed by the RBI;

- (5) they do not deal in products linked to Indian Rupee unless specifically permitted by RBI;
- (6) they do not accept structured deposits from any Indian resident; and
- (7) they adhere to the suitability and appropriateness policies as mandated by the RBI and the host regulators, as applicable.

B.3 Compliance with prudential norms

- 26. The financial products dealt with by the foreign branches and subsidiaries as well as IFSCs shall attract the prudential norms such as capital adequacy, exposure norms (including Large Exposure Framework), periodical valuation, and all other applicable norms. AIFI shall adhere to more stringent among the host and home regulations in respect of prudential norms.
- 27. In case the current norms of the RBI do not specify prudential treatment of any financial product, the AIFI shall seek specific guidance from RBI.

B.4 Activities subject to Indian laws

- 28. The activities of branches / subsidiaries in foreign jurisdictions and IFSCs shall be subject to the laws in India, unless specifically exempted by law.



Chapter IV – Repeal and Other Provisions

A. Repeal and saving

29. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to undertaking of financial services as applicable to All India Financial Institutions stand repealed as communicated vide [circular DOR.RRC.REC.302/33-01-010/2025-26](#) dated November 28, 2025. The directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
30. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:
- (1) any right, obligation or liability acquired, accrued, or incurred thereunder;
 - (2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
 - (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

31. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

32. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary



clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(Manoranjan Padhy)
Chief General Manager



Annex I

List of exempted AIFs under Para 17

1. SWAMIH (Special Window for Affordable and Mid-Income Housing) Investment Fund-I



Annex II

Directions on Investments in Alternative Investment Funds (AIFs)
(as contained in circulars dated December 19, 2023 and March 27, 2024 which
otherwise stand repealed as on the effective date in terms of Para 18 of these
Directions)
(refer paragraphs 17, 18 and 19 of these Directions)

1. In order to address concerns relating to possible evergreening through this route, it is advised as under:

- (1) An AIFI shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in a debtor company of the AIFI.

Note: Downstream investments shall exclude investments in equity shares of the debtor company of the AIFI, but shall include all other investments, including investment in hybrid instruments.

Explanation: The debtor company of the AIFI, for this purpose, shall mean any company to which the AIFI currently has or previously had a loan or investment exposure anytime during the preceding 12 months.

- (2) If an AIF scheme, in which an AIFI is already an investor, makes a downstream investment in any such debtor company, then the AIFI shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. If the AIFI has already invested into such schemes having downstream investment in their debtor companies as on date i.e., December 19, 2023, the 30-day period for liquidation shall be counted from December 19, 2023. The AIFI shall forthwith arrange to advise the AIFs suitably in the matter.

- (3) In case an AIFI is not able to liquidate their investments within the above-prescribed time limit, it shall make 100 percent provision on such investments.

Note: Provisioning shall be required only to the extent of investment by the AIFI in the AIF scheme which is further invested by the AIF in the debtor company, and not on the entire investment of the AIFI in the AIF scheme.



2. In addition, investment by an AIFI in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction from the AIFI's capital funds. Herein,

- (1) the proposed deduction from capital shall take place equally from both Tier-1 and Tier-2 capital.
- (2) reference to investment in subordinated units of AIF Scheme includes all forms of subordinated exposures, including investment in the nature of sponsor units.

Note: Paragraph 2 shall only be applicable in cases where the AIF does not have any downstream investment in a debtor company of the AIFI. If the AIFI has investment in subordinated units of an AIF scheme, which also has downstream exposure to the debtor company, then the AIFI shall be required to comply with paragraph 1 of this Annex.

Explanation: 'Priority distribution model' shall have the same meaning as specified in the SEBI circular SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022.

3. Investments by an AIFI in AIFs through intermediaries such as fund of funds or mutual funds are not included in the scope of these instructions contained in this Annex.