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RESERVE BANK OF INDIA

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November 28, 2025

Reserve Bank of India (All India Financial Institutions – Credit Risk Management)
Directions, 2025 (Updated as on April 01, 2026)

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Introduction

All India Financial Institutions (AIFIs), in the course of financial intermediation, are exposed to various financial and non-financial risks, of which credit risk is the one of the most significant risks. If not managed effectively, credit risk may have ramifications for a range of other risk categories too. As credit exposures of AIFIs encompass varied sectors, borrower types and products with their own idiosyncratic complexities as well as systemic implications due to interconnectedness among themselves, credit risk management of AIFIs involve a range of prudential tools, including statutory and regulatory restrictions / prohibitions on certain activities. Recognising this, the Reserve Bank has, from time to time, issued guidelines to strengthen credit risk management practices.

Accordingly, 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 (hereinafter called the Reserve Bank) in this regard, Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby issues these 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 – Credit Risk Management) Directions, 2025.
2. These Directions shall come into effect immediately upon issuance.

B. Applicability

3. These Directions shall be applicable to All India Financial Institutions ((hereinafter collectively referred to as 'AIFIs' and individually as an 'AIFI') 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. (1) In these Directions, unless the context otherwise requires,
- (i) 'Bank Guarantee' shall mean financial and performance guarantees issued by banks on behalf of their clients. A financial guarantee assures payment of money in the event of non-fulfilment of contractual obligations by the client. A performance guarantee provides assurance of compensation if there is delayed or inadequate performance on a contract. A deferred payment guarantee assures payment of instalments due to a supplier of goods.
 - (ii) 'Bills Purchased and Discounted' shall mean negotiable instruments that give the holder the right to receive stated fixed sums on demand or at a fixed or determinable future time. When a bank negotiates a bill payable on demand (sight bill) and provides funds to the holder, at a fee/ interest, the facility is referred to as bill purchase. When a bank negotiates bill payable after a usance i.e., at a fixed or determinable future time (usance bill) and provides funds to the holder, at a discount, the facility is referred to as bill discounting. Bills purchased and discounted can be Inland Bills and Foreign Bills. Inland Bills are Bills of Exchange drawn in India and paid in India to a person in India.
 - ¹[(iia) Committee on lending to related parties' shall mean a committee established by the Board of the AIFI specifically to deal with lending to related parties. AIFIs may also identify any existing Committee, other than the Audit Committee, for this purpose.
 - (iib) 'Contract or arrangement' shall have the same meaning as specified in Section 188(1)(a) to (g) of the Companies Act, 2013.
 - (iic) 'Control' shall have the same meaning as assigned to it under Section 2(27) of the Companies Act, 2013.

¹Inserted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026](#).



(iid) 'Director of an AIFI' or 'any other entity' shall mean a director appointed / elected to the Board of the entity and would include a nominee director and an independent director.

(iie) 'Entity' in the context of a 'related party' shall mean a 'person' other than an individual and a Hindu Undivided Family.

(iif) 'Key Managerial Personnel (KMP)' of a AIFI shall have the same meaning as defined in Section 2(51) of the Companies Act, 2013.

(iig) 'Lending' in the context of a 'related party' shall mean extending funded or/ and non-fund-based credit facilities to related parties. While investments in debt instruments of related parties shall be covered for this purpose, equity investments shall be excluded.]

(iii) 'Letter of Credit (LC)' shall mean any arrangement how so ever named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation. An LC confirmed by a bank based and operating in another country is payable by the confirming bank.

²[(iia) 'Person' shall have the same meaning as assigned to it under Section 3(23) of Part I of Insolvency and Bankruptcy Code (IBC), 2016.

(iib) 'Personal Loan' shall have the same meaning as defined under [Banking Statistics \(Harmonised Definitions\)](#)

(iic) 'Promoter' shall have the same meaning as assigned to it under Section 2(69) of the Companies Act, 2013.

(iid) 'Reciprocally Related Person' means an individual who is either (i) a director (excluding independent director / Nominee director appointed by the Government or

²Inserted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026.](#)



RBI or a statutory body) of another commercial bank, or an AIFI, or a scheduled cooperative bank, or a subsidiary of a commercial bank; or (ii) a trustee of a mutual fund or an alternate investment fund established by any of the aforesaid regulated entities; or (iii) a relative of such a director or a trustee.

(iii) Related Party' with respect to an AIFI shall mean a related person, a reciprocally related person, or any of the following entities:

- (a) where a related person or a reciprocally related person is a partner, manager, KMP, director or a promoter; or
- (b) where a related person or a reciprocally related person is a shareholder with more than ten per cent of paid-up equity share capital; or
- (c) where a related person or a reciprocally related person is having control, whether singly or jointly with another person; or
- (d) where a related person or a reciprocally related person controls more than twenty per cent of voting rights on account of ownership or through a voting agreement or through any other arrangement; or
- (e) where a related person or a reciprocally related person has the power to nominate a director to its Board; or
- (f) which is accustomed to act on the advice, direction, or instruction of a related person or a reciprocally related person; or
- (g) where a related person or a reciprocally related person is a guarantor or a surety; or
- (h) where a related person or a reciprocally related person is a trustee or an author or a beneficiary and where the entity is in the form of a private trust.
- (i) which is related to the related person or a reciprocally related person as a subsidiary or a parent company or a holding company or an associate or a joint venture.

Provided that, nothing in sub-clause (e) above shall apply in cases where the authority to nominate a director arises exclusively from a lending or financing arrangement.



Provided further that, nothing in sub-clause (f) above shall apply to the advice, directions or instructions given in a professional capacity.

Provided further that, Government of India / State Government-owned or controlled entities shall not be treated as related parties to a AIFI just by virtue of the fact that the Government has the common ownership or control of such entities.

(iiif) 'Related Person' with respect to an AIFI shall mean a person, and the relatives of such a person, where the person:

- (a) is either a promoter, or a director, or a KMP of the AIFI; or
- (b) owns more than five per cent of paid-up equity share capital of the AIFI or can, either singly or jointly, exercise more than five per cent of the voting rights of the AIFI on account of either ownership or voting agreement or through shareholders' agreement or through any other arrangement; or
- (c) can, through an agreement with the AIFI, nominate a director to its Board; or
- (d) is either singly or jointly, in control of the AIFI;]

(iv) ³['Relative' with regard to a natural person shall have the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules framed therein.]

⁴[(iva) 'Specified employees' mean all employees of an AIFI who are positioned up to two levels below the Board and any employee designated as such as per the AIFI's policy.]

(v) ⁵['Substantial interest' shall have the same meaning as assigned to it in Section 5(ne) of the Banking Regulation Act, 1949.]

(2) 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

³Substituted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026](#).

⁴ Inserted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026](#).

⁵Substituted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026](#).



India Act, 1934 and rules / regulations made thereunder, or any statutory modification or re-enactment thereto or in other relevant regulations issued by the Reserve Bank, or Glossary of Terms published by Reserve Bank or as used in commercial parlance, as the case may be.



Chapter II - Board Approved Policies

5. ⁶[An AIFI shall put in place a comprehensive Board approved policy on Credit Risk Management. The policy shall, inter-alia, cover aspects related to lending to related parties, legal entity identifier (LEI), filing of security interest, and restrictions on revolving credit facilities. The afore-mentioned specific aspects and other areas of concern which need to be addressed in such policies are also detailed in the relevant paragraphs of these Directions.]

⁶Substituted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026](#).



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Chapter III - [Deleted]

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⁷Deleted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026](#).



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Chapter IIIA - Regulatory Restrictions

A. Advances against AIFI's Own Shares

17A. An AIFI cannot grant any loans and advances on the security of its own shares.

B. Advances to AIFI's Directors

17B. In order to obviate the possibility of conflict of interest in the lending operations of the AIFIs, an AIFI shall not:

(1) enter into any commitment for granting any loan or advance to or on behalf of:

- (i) any of its directors, or
- (ii) any firm in which any of its directors is interested as Partner, Manager, Employee or Guarantor, or
- (iii) any company (not being a subsidiary of the AIFI or a company registered under Section 8 of the Companies Act, 2013 or a Government Company) of which, or the subsidiary or the holding company of which, any of the Directors of the AIFI is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or
- (iv) any individual in respect of whom any of its directors is a partner or a guarantor.

17C. Provisions of paragraph 17B above would not apply in the following cases:

(1) Credit facilities granted or commitment made by an AIFI to a company where a director of the AIFI has substantial interest, if the advance was granted, or commitment was made, prior to the appointment of the said director on the Board of the AIFI.

Provided that, till the director relinquishes the directorship of either the AIFI or the company, the AIFI shall not further renew such a facility on or after its contracted maturity

⁸Inserted with effect from April 01, 2026 vide [Reserve Bank of India \(All India Financial Institutions – Credit Risk Management\) – Amendment Directions, 2026 dated January 05, 2026](#).



or renewal date; enhance the limit; or change any of the terms of the facility before its maturity.

(2) Advances to a public trust, where a trustee is also a director of the lending AIFI.

(3) Loans and advances to a director against government securities, life insurance policies or fixed deposit, where loan-to-value is not in excess of 100 per cent of the realisable value of such securities or in adherence to specifically prescribed LTV ratio and valuation norms for loans against such a primary security by relevant Directions of the RBI, if any.

(4) Such personal loans and advances to a director, other than loans for investment in financial assets, as permitted to an employee in terms of the approved policy, or that form part of the approved compensation/remuneration package of the director, where applicable. The interest rate charged on all such loans shall not be lower than the rate charged to the employees.

(5) Non-Fund Based (NFB) facility on behalf of a director or his / her related party, provided that all such facilities shall be fully secured by cash collateral of equivalent or higher value.

Provided that cash collateral would not be mandatory in exposures arising on account of derivative transactions.

C. Restrictions on Lending to Related Parties

C.1 General Principles

17D. This Section sets out general principles and procedures to be followed for prudent risk management of loan to related parties, wherever allowed.

17E. The Board shall have the overall responsibility of ensuring that suitable mechanisms are put in place for implementation of the policy on lending to related parties by the AIFI.

17F. The credit policy (hereinafter called the policy) of an AIFI, as required in terms of the extant directions, shall contain specific provisions relating to 'lending to related parties' in accordance with the provisions of these Directions. The policy shall



prescribe, *inter alia*, additional safeguards to address the risks emanating from lending to related parties.

17G. The policy shall also have specific provisions for lending to 'specified employees' of the AIFI and their relatives.

17H. Further, the policy shall as a part of the whistleblowing mechanism, encourage employees to communicate confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical, or questionable loans to related parties; and eliminate quid pro quo arrangements, if any.

17I. The policy shall specify aggregate limits for loans towards related parties. Within this aggregate limit, there shall be sub-limits for loans to a single related party and a group of related parties. These limits shall be within the extant prudential exposure limits prescribed by the Reserve Bank.

C.2 Materiality Threshold

17J. Loans to related parties, which are not prohibited in terms of this Chapter of these Directions, or which have been exempted from prescribed prohibitions in these Directions, except (i) credit facilities fully secured by cash or liquid securities and in accordance to prescribed LTV and valuation norms for such securities and (ii) Interbank loans, shall be subject to a materiality threshold as per the credit policy, which shall not be higher than the following ceilings:

Asset Size (in ₹ crore)	Materiality Threshold Ceilings
> 10,00,000	₹25 crore
≥ 1,00,000 to up to 10,00,000	₹10 crore
Less than 100,000	₹5 crore

Asset size based on the last audited balance sheet.
For loans, materiality threshold shall apply at individual transaction level.

17K. Materiality thresholds may vary for different categories of loan to related parties and borrowers as per the AIFI's policy.

17L. All loans above the prescribed materiality threshold shall be sanctioned either by the Board or the 'Committee on Lending to Related Parties' of the AIFI. As regards



loans below the materiality threshold, the same can be sanctioned by appropriate authority in terms of powers delegated to them.

C.3 Recusal of Interested Parties

17M. Directors, KMP, or 'specified employees' shall recuse themselves from deliberations and decision on loan proposals, or contracts and arrangements, involving themselves or their related parties. Such recusal shall also extend to deliberations and decisions relating to any subsequent material changes to the terms of such loans, including one-time settlements, write-offs, waivers, enforcement of security, implementation of resolution plans, etc.

D. Monitoring of Loans to Related Parties

17N. An AIFI shall put in place a suitable mechanism for maintaining and periodically updating the list of all the related persons, and the related parties thereof, as well as the loans sanctioned by the AIFI to such related persons and related parties.

17O. Credit facilities sanctioned to 'specified employees' and their relatives shall be reported to the Board on an annual basis.

17P. Periodic reviews shall be conducted at quarterly or shorter intervals by internal auditors to check, inter alia, whether guidelines and procedures in relation to loans to related parties are being adhered to or not.

17Q. Any deviation from the policy relating to lending to related parties and reasons therefor shall be reported to the Audit Committee of the Board.

17R. Any product, entity or structure formed with the objective of circumventing these Directions through various means, such as reciprocal lending or quid pro quo arrangements, and identified as such by the auditors of the AIFI or by the supervisory authority and investigating agencies shall always be treated as lending to related party.

E. Enforcement Actions

17S. Any non-compliance with and circumvention of these Directions shall result in supervisory and enforcement actions as deemed appropriate by the Reserve



Bank. These actions may include imposition of monetary penalty, requirement of full provisioning, directions to conduct staff accountability exercises, forensic audits, and restrictions or any other supervisory and enforcement actions as deemed fit.]



Chapter IV - Legal Entity Identifier (LEI) for Borrowers

18. The Legal Entity Identifier (LEI) code is conceived as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. LEI is a 20 -digit unique code to identify parties to financial transactions worldwide.
19. It is advised that AIFIs shall ensure that non-individual borrowers with aggregate exposure of ₹5 crore and above from banks (Scheduled Commercial Banks (excluding Regional Rural Banks), Local Area Banks, Small Finance Banks, and Primary (Urban) Co-operative Banks) and Financial Institutions (All India Financial Institutions and NBFCs (including HFCs)) obtain LEI codes.
- Explanation:* 'Exposure' for this purpose shall include all fund based and non-fund based (credit as well as investment) exposure of banks / FIs to the borrower. Aggregate sanctioned limit or outstanding balance, whichever is higher, shall be reckoned for the purpose. Lenders shall ascertain the position of aggregate exposure based on information available either with them, or Central Repository of Information on Large Credits (CRILC) database or declaration obtained from the borrower.
20. Borrowers who fail to obtain LEI codes from an authorised Local Operating Unit (LOU) shall not be sanctioned any new exposure nor shall they be granted renewal / enhancement of any existing exposure. However, Departments / Agencies of Central and State Governments (not Public Sector Undertakings registered under Companies Act or established as Corporation under the relevant statute) shall be exempted from this provision.
- Explanation:* A government agency is an administrative set up of the government, responsible for certain area/s of activity, e.g., ISRO, BIS, DGCA, etc..
- An AIFI shall encourage large borrowers to obtain LEI for their parent entity as well as all subsidiaries and associates.*
21. Entities can obtain LEI from any of the Local Operating Units (LOUs) accredited by



the Global Legal Entity Identifier Foundation (GLEIF) – the entity tasked to support the implementation and use of LEI. In India, LEI code may be obtained from Legal Entity Identifier India Ltd (LEIL), a subsidiary of the Clearing Corporation of India Limited (CCIL), which has been recognised by the Reserve Bank as issuer of LEI under the Payment and Settlement Systems Act, 2007 and is accredited by the GLEIF as the Local Operating Unit (LOU) in India for issuance and management of LEI.

22. The rules, procedure and documentation requirements maybe ascertained from [LEIL](#).
23. After obtaining LEI code, an AIFI shall also ensure that borrowers renew the codes as per GLEIF guidelines.



Chapter V - Filing of Security Interest relating to Immovable (other than equitable mortgage), Movable, and Intangible Assets in CERSAI

24. The Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), a Government Company licensed under section 8 of the Companies Act 2013 has been incorporated for the purpose of operating and maintaining the Central Registry under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).
25. It is to be noted that initially transactions relating to securitization and reconstruction of financial assets and those relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions, as defined under the SARFAESI Act, are to be registered in the Central Registry. The records maintained by the Central Registry shall be available for search by any lender or any other person desirous of dealing with the property. Availability of such records would prevent frauds involving multiple lending against the security of same property as well as fraudulent sale of property without disclosing the security interest over such property. It may be noted that under the provisions of Section 23 of the SARFAESI Act, every transaction of security interest is required to be filed with the Registry.
26. The Government of India has issued a Gazette Notification dated January 22, 2016 for filing of the following types of security interest on the CERSAI portal:
- (1) Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage other than mortgage by deposit of title deeds.
 - (2) Particulars of creation, modification or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.
 - (3) Particulars of creation, modification or satisfaction of security interest in intangible assets, being know how, patent, copyright, trademark, licence, franchise or any other business or commercial right of similar nature.
 - (4) Particulars of creation, modification or satisfaction of security interest in any 'under construction' residential or commercial or a part thereof by an agreement or



instrument other than mortgage.

27. An AIFI is advised to file the charges relating to all current transactions with CERSAI on an ongoing basis.



Chapter VI - Working Capital Finance and Revolving Facility

A. Working Capital Finance

28. An AIFI shall not be permitted to extend working capital finance, unless specifically permitted by the Reserve Bank.

Provided that the AIFI shall be permitted to extend working capital when banks are not in a position to meet the credit requirements of the counterparty concerned on account of temporary liquidity constraints.

Provided further that in case of a counterparty whose working capital is financed under multiple banking arrangement (MBAs), the AIFI shall obtain an auditor's certificate indicating the extent of funds already borrowed, before considering the request for further working capital finance.

B. Revolving Underwriting Facility

29. An AIFI shall not be permitted to extend revolving underwriting facility to Short Term Floating Rate Notes / Bonds or Debentures issued by companies.



Chapter VII - Repeal and other provisions

A. Repeal and saving

30. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Credit Risk Management as applicable to All India Financial Institutions stands repealed, as communicated *vide* [circular DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025](#). The Directions, instructions and guidelines already repealed shall continue to remain repealed.
31. 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

32. 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

33. 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.

(Vaibhav Chaturvedi)
Chief General Manager