

**Draft Reserve Bank of India (All India Financial Institutions – Credit Facilities)  
Directions, 2025**

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**Reserve Bank of India (All India Financial Institutions – Credit Facilities)  
Directions, 2025**

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## **Preamble**

Reserve Bank of India (Reserve Bank) is statutorily mandated to operate the credit system of the country to its advantage. In pursuit of this mandate, the Reserve Bank encourages innovation in the financial systems, credit products and delivery mechanisms while ensuring orderly growth, financial stability and the protection of depositors' and borrowers' interest. With the progressive deregulation of bank credit, prudential norms primarily serve as regulatory safeguards. These norms, issued from time to time, provide guidance to regulated entities (REs) on the design and delivery of credit-related products and services. These Directions consolidate the instructions issued to All India Financial Institutions viz. Export-Import Bank of India (EXIM Bank), National Bank for Agriculture and Rural Development (NABARD), National Housing Bank (NHB) Small Industries Development Bank of India (SIDBI), and National Bank for Financing Infrastructure and Development (NaBFID) on credit facilities.

Accordingly, in exercise of powers conferred by Section 45L of the Reserve Bank of India Act, 1934, the Reserve Bank being satisfied that it is necessary and expedient in the public interest to do so, 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 Facilities) Directions, 2025.
2. These directions shall come into effect immediately upon its issuance, unless indicated otherwise.

### **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) For the purpose of these Directions, following definitions shall apply:
- (i) Actual DCCO: Refers to the date on which the project is put to commercial use and completion certificate / provisional completion certificate / occupancy certificate (in case of CRE and CRE-RH projects) or its equivalent is issued to the concessionaire / project developer / promoter.
  - (ii) Annual Percentage Rate (APR): APR as defined under ~~Reserve Bank of India (All India Financial Institutions – Responsible Business Conduct) Directions, 2025.~~
  - (iii) Appointed Date: Refers to the date, as defined in the concession agreement entered into between the concessionaire and the concession granting authority, on which the concession agreement comes into force in accordance with the terms outlined therein (applicable only in the case of infrastructure projects under Public Private Partnership (PPP) model).
  - (iv) “Beneficiary” means the party in whose favour the NFB facility is issued by a RE.
  - (v) “Co-acceptance of bills” means an undertaking to make payment to the drawer of the bill (seller/ exporter) on due date if the buyer/ importer fails to make the payment on that date.
  - (vi) Credit Event: In the context of project finance exposures, shall be deemed to have been triggered on the occurrence of any of the following:
    - (1) Default with any lender;
    - (2) Any lender(s) determines a need for extension of the original / extended Date of Commencement of Commercial Operations (DCCO), as the case may be, of the project;
    - (3) Expiry of original / extended DCCO, as the case may be;
    - (4) Any lender(s) determines a need for infusion of additional debt;
    - (5) The project is faced with financial difficulty as determined under the Prudential Framework.
- Explanation:* A lender to whom the Reserve Bank of India (All India Financial Institutions – Resolution of Stressed Assets) Directions, 2025 is not applicable shall also be guided by the same principles for the purpose of determining financial difficulty.

- (vii) Default Loss Guarantee (DLG): A contractual arrangement, called by whatever name, between the bank and another entity, under which the latter guarantees to compensate the bank, for the loss due to default up to a certain percentage of the loan portfolio of the bank, specified upfront. Any other implicit guarantee of similar nature, linked to the performance of the loan portfolio of the bank and specified upfront, shall also be covered under the definition of DLG.
- (viii) Digital Lending: A remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.
- (ix) Digital Lending Apps / Platforms (DLAs): Mobile and / or web-based applications, on a standalone basis or as a part of suite of functions of an application with user interface that facilitate digital lending services. DLAs shall include applications of the bank as well as those operated by Lending Service Provider (LSP) engaged by bank for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the Reserve Bank.
- (x) Date of Financial Closure: Refers to the date on which the capital structure of the project, including equity, debt, grant (only in the case of infrastructure PPP projects) (if any), accounting for minimum 90% of total project cost, becomes legally binding on all stakeholders.
- Explanation:* In the case of CRE-RH projects, lenders may reckon contingent sales receivables (if any) as part of promoters' contribution to the project.
- (xi) Default: Refers to non-payment of debt (as defined in Insolvency and Bankruptcy Code (IBC), 2016) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor.
- (xii) Extended DCCO: If the original DCCO is revised, then the revised DCCO shall be termed as the Extended DCCO.
- (xiii) "Guarantee" means a contract to perform the promise, or discharge the liability, of a third person in the contingent case of his non-performance or default, in terms of The Indian Contract Act, 1872.
- (xiv) "Guarantor" refers to the party which issues the guarantee.

- (xv) “Infrastructure Sector” – shall include the sub-sectors included in the Harmonised Master List of Infrastructure sub-sectors issued by the Department of Economic Affairs, Ministry of Finance, Government of India, as updated from time to time.
- (xvi) Interest During Construction (IDC): Refers to the interest accrued on debt provided by a lender and capitalised during the construction phase of the project.
- (xvii) Lending Service Provider (LSP): An agent of the bank (including another bank) who carries out one or more of bank’s digital lending functions, or part thereof, in customer acquisition, services incidental to underwriting and pricing, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of the bank in conformity with extant outsourcing guidelines issued by the Reserve Bank.
- Provided that*, while entities offering only Payment Aggregator (PA) services in terms of the extant instructions issued by the Reserve Bank shall remain out of the ambit of these Directions, any PA also performing the role of an LSP shall comply with Chapter III of these Directions.
- (xviii) Obligor: Refers to a party against whose obligations, financial or otherwise, a NFB facility has been issued. In the case of guarantees, the obligor may also be termed as ‘principal debtor’, as defined under the Indian Contract Act, 1872.
- (xix) Original Date of Commencement of Commercial Operations (Original DCCO): Refers to the date, as envisaged at the time of financial closure, by which the project is expected to be put to commercial use and completion certificate / provisional completion certificate, or its equivalent, is expected to be issued to the concessionaire / project developer / promoter.
- Provided that*, in the case of CRE and CRE-RH projects, original DCCO shall be the date on which Occupancy Certificate, or its equivalent, is expected to be obtained from the competent authority.
- (xx) Project: Refers to ventures undertaken through capital expenditure (involving current and future outlay of funds) for creation / expansion / upgradation of tangible assets and / or facilities in the expectation of stream of cash flow benefits extending far into the future. Projects usually have the

characteristics of a long gestation period, irreversibility and substantial capital outlays.

(xxi) Project Finance: Refers to the method of funding a project in which the revenues to be generated by the funded project serve as the primary security for the loan, and also as a source of repayment. Project finance may take the form of financing the construction of a new capital installation (greenfield) or financing an improvement / enhancement in the existing installation (brownfield). For the purpose of these Directions, an exposure shall qualify as a project finance exposure only if the following conditions are satisfied:

(1) The pre-dominant source of repayment as envisaged at the time of financial closure (i.e., at least 51%) must be from cash flows arising from the project which is being financed.

(2) All the lenders have a common agreement with the debtor.

*Explanation:* A common agreement may have different loan terms (except original / extended / actual DCCO as specified in paragraph 14 of this Master Direction) for each of the lender provided the same has been agreed upon by the debtor and all the Lender(s) to the project.

(xxii) Restructuring: Shall have the same meaning as given in Reserve Bank of India (All India Financial Institutions – Resolution of Stressed Assets) Directions, 2025.

(xxiii) Resolution Plan (RP): shall means the same as defined under Reserve Bank of India (All India Financial Institutions – Resolution of Stressed Assets) Directions, 2025.

(xxiv) Secured portion of an NFB facility: Refers to the portion of the facility covered by realisable value of tangible security/ collateral estimated on a realistic basis.

2) All other expressions unless defined herein shall have the same meanings as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or as used in commercial parlance, as the case may be.

## **Chapter II – Board Approved Policies**

### **A. Role of Board**

5. AIFIs shall put in place Board approved policies covering, inter alia, the areas specified below. The specific aspects to be addressed in these policies are detailed in the relevant paragraphs of this Directions.
  - (1) Digital Lending including Default Loss Guarantee (DLG)
  - (2) Project Finance
  - (3) Non-Fund Based Credit Facilities
  - (4) Finance to NBFCs
  - (5) Bridge Loans / Interim Finance
  - (6) Lending to Infrastructure Investment Trusts (InvITs)



## **Chapter III - Digital Lending**

### **A. General Requirements for AIFI-LSP Arrangements**

#### **6. Due diligence requirements with respect to LSPs**

- (1) Digital lending by a AIFI involving a LSP, shall be carried out under a contractual agreement between the AIFI and the LSP, which clearly defines the respective roles, rights, and obligations of each party thereto.
- (2) The AIFI shall conduct enhanced due diligence before they enter into an agreement with a LSP for digital lending, taking into account LSP's technical capabilities, robustness of data privacy policies and storage systems, fairness in conduct with borrowers, past records of conduct and ability to comply with all applicable regulations and statutes.
- (3) The AIFI shall carry out periodic review of the conduct of the LSP vis-à-vis the terms of the contractual agreement and shall take appropriate action in the event of any deviation therefrom.
- (4) The AIFI shall lay down, as part of its policy, suitable monitoring mechanisms for the loan portfolios originated with the support of LSPs.
- (5) The RE shall impart necessary guidance to LSP acting as a recovery agent, to discharge their duties responsibly and ensure that LSP complies with the applicable instructions on Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents' Reserve Bank of India (All India Financial Institutions– Responsible Business Conduct) Directions, 2025, and other relevant instructions as issued from time to time.
- (6) The AIFI shall continue to conform to the extant guidelines on outsourcing in directions Reserve Bank of India (All India Financial Institutions – Managing Risks in Outsourcing) Directions, 2025 and shall ensure that the LSPs engaged by them and the DLAs (either of the AIFI or of the LSPs engaged by the AIFI) comply with these Directions.
- (7) As an overarching principle, any outsourcing agreement entered into by the AIFI with an LSP shall in no manner dilute or absolve the AIFI of its obligations under any statutory or regulatory provision, and the AIFI shall remain fully responsible and liable for all acts and omissions of the LSP.

#### **7. AIFI -LSP arrangements involving multiple lenders**

In cases where a LSP has agreements with multiple lenders for digital lending, each lender shall ensure the following:

- (1) LSP shall provide a digital view of all the loan offers matching the borrower's request on the DLA which meets the requirement of the borrower. The name of the unmatched lenders shall also be disclosed in the digital view.
- (2) While the LSP may adopt any mechanism to match the request of borrowers with the lender (s) to offer a loan, it shall follow a consistent approach for similarly placed borrowers and products. The mechanism adopted by the LSP and any subsequent changes to this mechanism shall be properly documented.
- (3) The digital view of loan offers from matching lenders shall include the name (s) of the lender (s) extending the loan offer, amount and tenor of loan, APR, monthly repayment obligation and penal charges (if applicable), in a way which enables the borrower to make a fair comparison between various offers. A link to the KFS shall also be provided in respect of each of the lender.
- (4) The content displayed by the LSP shall be unbiased, objective and shall not directly/ indirectly promote or push a product of a particular lender, including the use of dark patterns/deceptive patterns designed to mislead borrowers into choosing a particular loan offer. However, ranking of loan offers based on a publicly pre-disclosed metric for such ranking shall not be construed as promoting a particular product.

Note: Dark patterns shall have the same meaning as defined under section 2(e) of the 'Guidelines for Prevention and Regulation of Dark Patterns, 2023' dated November 30, 2023, issued by Central Consumer Protection Authority, and as amended from time to time.

- (5) The instructions contained in this paragraph (paragraph 8) would come into effect from November 1, 2025.

## **B. Conduct and Customer Protection Requirements**

### **8. Assessing the borrower's creditworthiness**

- (1) AIFI shall obtain the necessary information relating to economic profile of the borrower with a view to assessing the borrower's creditworthiness before extending

any loan, including, at a minimum, age, occupation and income details. The same shall be kept on record for audit purposes.

(2) AIFI shall ensure that there is no automatic increase in credit limit unless an explicit request is received, evaluated and kept on record from the borrower for such increase.

## **9. Disclosures to borrowers**

(1) AIFI shall provide a Key Fact Statement (KFS), as per instructions contained in Reserve Bank of India (All India Financial Institutions– Responsible Business Conduct) Directions, 2025.

(2) As regards penal charges, AIFI shall be guided by Reserve Bank of India (All India Financial Institutions– Responsible Business Conduct) Directions, 2025.

(3) AIFI shall ensure that digitally signed documents (on the letter head of the AIFI) viz., KFS, summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the AIFI / LSP with respect to storage and usage of borrowers' data, etc. shall automatically flow to the borrower on the registered and verified email/ SMS upon execution of the loan contract/ transactions.

Note: Digitally signed documents shall be in compliance with the provisions of the Information Technology Act, 2000, as amended from time to time.

(4) AIFI shall maintain a website of their own in public domain, which shall be kept up to date, *inter-alia*, with the following details at a prominent single place on the website for ease of accessibility:

- (i) Details of all of its digital lending products and its DLAs;
- (ii) Details of LSPs and the DLAs of the LSPs along with the details of the activities for which they have been engaged for;
- (iii) Particulars of AIFI's customer care and internal grievance redressal mechanism;
- (iv) Link to RBI's Complaint Management System (CMS) and Sachet Portal;

- (v) Privacy policies and other details as required under extant guidelines of the Reserve Bank.

AIFI shall ensure that DLAs / LSPs have links to the above website of the AIFI.

5) In case of a loan default, when a recovery agent is assigned for recovery or there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for recovery shall be communicated to the borrower through email/ SMS before the recovery agent contacts the borrower for recovery.

## **10. Loan disbursal, servicing and repayment**

(1) Disbursement of loan by the AIFI shall always be made into the bank account of the borrower except for disbursements covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), flow of money between lenders for co-lending transactions and disbursements for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary. AIFI shall ensure that in no case, disbursement is made to a third-party account, including the accounts of LSP, except as provided for in this Chapter on 'Digital Lending'.

Provided that advances against salary, where the loan is disbursed directly to the bank account of the borrower, but the repayment is from the corporate employer, can be allowed subject to the condition that the loan is repaid by the corporate employer by deducting the amount from the borrower's salary. However, it must be ensured that LSPs do not have any control over the flow of funds directly or indirectly in such transactions and that repayment is directly from the bank account of the employer to the AIFI.

Note: Co-lending arrangements shall be governed by the Reserve Bank of India (All India Financial Institutions – Transfer and Distribution of Credit Risk) Directions, 2025, as amended from time to time, subject to the condition that no third party other than the lenders in a co-lending transaction shall have direct or indirect control over the flow of funds at any point of time.

(2) AIFI shall ensure that all loan servicing, repayment, etc. is executed by the borrower directly in the AIFI's bank account without any pass-through account/ pool account of any third party, including the accounts of LSP.

- (3) The flow of funds between the bank accounts of the borrower and the AIFI shall not be controlled either directly or indirectly by a third-party, including the LSP.
- (4) AIFI shall ensure that any fees, charges, reimbursements, etc. payable to LSP are paid directly by the AIFI and are not charged to or collected from the borrowers separately by LSP.
- (5) In case of delinquent loans, AIFI may deploy physical interface to recover loans in cash, wherever necessary. In order to afford operational flexibility to AIFI, such transactions are exempted from the requirement of direct repayment of loan in the AIFI's bank account. However, any recovery by cash shall be duly reflected in full in the borrower's account on the same day and AIFI shall ensure that any fees, charges, etc., payable to LSPs for such recovery are paid directly by the AIFI and are not charged by LSP to the borrower either directly or indirectly from the recovery proceeds.

#### **11. Cooling-off period**

- (1) The borrower shall be given an explicit option to exit a digital loan by paying the principal and the proportionate APR without any penalty during an initial "cooling-off period". The cooling off period shall be determined by the Board of the AIFI as laid down in their credit policy, subject to the period so determined not being less than one day. For borrower continuing with the loan even after cooling-off period, pre-payment shall continue to be allowed as per Reserve Bank of India (All India Financial Institutions – Responsible Business Conduct) Directions, 2025.
- (2) AIFI may retain a reasonable one-time processing fee, if the customer exits the loan during the cooling-off period. This, if applicable, shall be disclosed to the customer upfront in KFS.

#### **12. Grievance redressal**

- (1) The AIFI, and the LSP which has an interface with the borrower, shall designate nodal grievance redressal officers to deal with digital lending related complaints/ issues raised by the borrower.

(2) Contact details of the nodal grievance redressal officers shall be prominently displayed on the websites of the AIFI, its LSP and on the DLA, as well as in the KFS provided to the borrower.

(3) The facility of lodging complaint shall also be made available on the DLA and on the website as stated above. It is reiterated that responsibility of grievance redressal shall continue to remain with the AIFI.

(4) If any complaint lodged by the borrower against the AIFI or the LSP engaged by the AIFI is rejected wholly or partly by the AIFI, or the borrower is not satisfied with the reply; or the borrower has not received any reply within 30 days of receipt of complaint by the AIFI, the said borrower can lodge a complaint over the Complaint Management System (CMS - <https://cms.rbi.org.in/>) portal or send a physical complaint to “Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector -17, Central Vista, Chandigarh - 160017” as per the grievance redressal mechanism prescribed by the Reserve Bank. This information shall be suitably conveyed to the borrower.

### **C. Technology and Data Requirement**

#### **13. Collection, usage and sharing of data with third parties**

(1) AIFI shall ensure that any collection of data by their DLA and DLA of their LSP is need-based and with prior and explicit consent of the borrower having audit trail. In any case, AIFI shall also ensure that DLA of AIFI/LSP desist from accessing mobile phone resources like file and media, contact list, call logs, telephony functions, etc. A one-time access can be taken for camera, microphone, location or any other facility necessary for the purpose of on-boarding/ KYC requirements only, with the explicit consent of the borrower.

(2) The borrower shall be provided with an option to give or deny consent for use of specific data, restrict disclosure to third parties, data retention, revoke consent already granted to collect personal data and if required, make the AIFI/LSP delete/forget the data.

(3) The purpose of obtaining borrowers' consent needs to be disclosed at each stage of interface with the borrowers.

(4) Explicit consent of the borrower shall be taken before sharing personal information with any third party, except for cases where such sharing is required as per statutory or regulatory requirement.

#### **14. Storage of data**

(1) AIFI shall ensure that LSP engaged by them do not store personal information of borrower except some basic minimal data (viz., name, address, contact details of the customer, etc.) that may be required to carry out their operations or service within the scope of the AIFI-LSP agreement. Responsibility regarding data privacy and security of the customer's personal information on an ongoing basis shall be that of the AIFI.

(2) AIFI shall ensure that clear policy guidelines regarding the storage of customer data including the type of data that can be stored, the length of time for which data can be stored, restrictions on the use of data, data destruction protocol, standards for handling security breach, etc., are put in place and also disclosed by the AIFI and the LSP engaged by the RE prominently on their website and DLA at all times.

(3) AIFI shall ensure that no biometric data is stored/ collected by the AIFI and LSP, unless allowed under extant statutory guidelines.

(4) AIFI shall ensure that all data is stored only in servers located within India, while ensuring compliance with statutory obligations/ regulatory instructions. Further, in case the data is processed outside India, the same shall be deleted from servers outside India and brought back to India within 24 hours of processing.

#### **15. Comprehensive privacy policy**

(1) AIFI and LSPs engaged by AIFI shall have a comprehensive privacy policy compliant with applicable laws, associated regulations and RBI guidelines which shall be made available publicly on the website of AIFI and LSP, as the case may be.

(2) Details of third parties (where applicable) allowed to collect personal information through the DLA shall also be disclosed in the privacy policy.

#### **16. Technology standards**

(1) AIFI shall ensure that they and the LSPs engaged by them comply with various technology standards/ requirements on cybersecurity stipulated by RBI and other

relevant agencies, or as may be specified from time to time, for undertaking digital lending.

#### **D. Reporting of Credit Information and DLAs**

##### **17. Reporting to Credit Information Companies (CICs)**

(1) As per the provisions of the Credit Information Companies (CIC) (Regulation) Act, 2005; CIC Rules, 2006; CIC Regulations, 2006 and related guidelines issued by RBI from time to time, RE shall ensure that any lending done through their DLAs and/ or DLAs of LSPs is reported by them to CICs irrespective of its nature/ tenor.

(2) Extension of structured digital lending products by RE and/or LSPs engaged by RE over a merchant platform involving short term, unsecured/ secured credits or deferred payments, need to be reported to CICs by the AIFI. AIFI shall ensure that LSPs, if any, associated with such deferred payment credit products shall abide by the extant outsourcing guidelines issued by the Reserve Bank and be guided by these Directions.

##### **18. Reporting of DLAs to RBI**

(1) AIFI shall report all DLAs deployed/ joined by them, whether their own or those of the LSPs, either exclusively or as a platform participant, on the Centralised Information Management System (CIMS) portal of RBI in the requisite format as given in the Annex-I to these Directions.

(2) AIFI shall update the aforesaid list as and when additional DLA (s) are deployed or the engagement with the existing DLA (s) ceases to exist by filing the updated data in the CIMS portal.

(3) The Chief Compliance Officer of the AIFI or any other official designated by the Board of the AIFI for the purpose shall certify that the data on DLAs submitted by them on the CIMS portal is correct and the DLAs are compliant with all the extant regulatory instructions, including the provisions of this Chapter, as updated from time to time.

(4) Without prejudice to the generality of the above, the Chief Compliance Officer/ other official designated by the Board of the AIFI shall certify the following aspects:



- (i) DLAs have link to AIFI's website where further information about the loan products, the lender, the LSP, particulars of customer care, link to Sachet Portal, privacy policies, etc. can be accessed by the borrower.
  - (ii) DLAs (in case owned by LSP), have appointed a suitable nodal grievance redressal officer to deal with digital lending related complaints/ issues raised by the borrower, details of which are prominently available on the respective DLA.
  - (iii) Data collection and storage by DLAs is in compliance with paragraph 13 and 14 of these Directions and other statutory and regulatory requirements, as applicable from time to time.
  - (iv) The DLA's particulars submitted by the AIFI are also suitably disclosed on the AIFI's website as required under paragraph 9(4) of these Directions.
- (5) AIFI shall ensure the correctness and timeliness of information regarding DLAs, as the data, as submitted by the AIFI on CIMS, shall be published on the website of RBI in an automated manner and RBI shall not verify/ validate the data submitted on CIMS. All issues and grievances of customers concerning DLAs shall be addressed and dealt with by the AIFI directly.
- (6) AIFI shall ensure that the inclusion of any third party DLAs deployed by them as part of above reporting, shall not be construed by the DLAs or any associated entity as conferring any form of registration, authorization, or endorsement by the Reserve Bank. AIFI shall also ensure that such inclusion is not misrepresented in any marketing, promotional, or other materials issued by or on behalf of the DLAs.

#### **E. Loss sharing arrangement in case of default**

##### **19. Eligibility as DLG provider**

- (1) AIFI may enter into DLG arrangements only with an LSP/ other lender engaged as an LSP. Further, the LSP providing DLG shall be incorporated as a company under the Companies Act, 2013.

##### **20. Due diligence and other requirements with respect to DLG provider**

- (1) AIFI, including a AIFI acting as DLG provider, shall lay down, as part of its policy, the eligibility criteria for DLG provider, nature and extent of DLG cover,

process of monitoring and reviewing the DLG arrangement, and the details of the fees, if any, payable to/ received by the DLG provider, as the case may be, before entering into any DLG arrangement.

(2) AIFI shall ensure that any DLG arrangement does not act as a substitute for credit appraisal requirements and robust credit underwriting standards need to be put in place irrespective of the DLG cover.

(3) Every time a AIFI enters into or renews a DLG arrangement, it shall obtain adequate information to satisfy itself that the entity extending DLG would be able to honour it. Such information shall, at a minimum, include a declaration from the DLG provider, certified by the statutory auditor of the DLG provider, on the aggregate DLG amount outstanding, the number of lenders and the respective number of portfolios against which DLG has been provided. The declaration shall also contain past default rates on similar portfolios.

(4) It is clarified that the due-diligence requirements specified herein are in addition to the general requirements applicable to AIFI -LSP arrangements as set out in paragraph 7 of these Directions.

## **21. Restrictions on entering into DLG arrangements**

(1) AIFI shall not enter into DLG arrangements for revolving credit facilities offered through digital lending channel.

(2) AIFI shall not enter into DLG arrangements on the loans which are covered by the credit guarantee schemes administered by trust funds as specified under Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Directions, 2025, as amended from time to time.

## **22. Structure of DLG arrangements**

(1) DLG arrangements shall be backed by an explicit and legally enforceable contract between the AIFI and the DLG provider. Such contract, among other things, shall contain the following details:

- (i) Extent of DLG cover;
- (ii) Form in which DLG cover is to be maintained with the AIFI;
- (iii) Timeline for DLG invocation;

- (iv) Disclosure requirements as under paragraph 28 of these Directions.

## 23. Forms of DLG

- (1) AIFI shall accept DLG only in one or more of the following forms:
- (i) Cash deposited with the AIFI;
  - (ii) Fixed Deposit maintained with a Scheduled Commercial Bank with a lien marked in favour of the AIFI;
  - (iii) Bank Guarantee in favour of the AIFI.

## 24. Cap on DLG

- (1) AIFI shall ensure that the total amount of DLG cover on any outstanding portfolio which is specified upfront shall not exceed five per cent of the total amount disbursed out of that loan portfolio at any given time. In case of implicit guarantee arrangements, the DLG Provider shall not bear performance risk of more than the equivalent amount of five per cent of the underlying loan portfolio.
- (2) The portfolio over which DLG can be offered shall consist of identifiable and measurable loan assets which have been sanctioned (the 'DLG set'). This portfolio shall remain fixed for the purpose of DLG cover and is not meant to be dynamic.
- (3) Illustrative examples on cap on DLG:

### Illustration 1

Assume that as on April 1, 2024 the AIFI earmarks a portfolio of ₹40 crore (out of the total **sanctioned** loans) under a DLG arrangement (DLG set). This portfolio shall remain "frozen" for the purpose of the specific DLG arrangement - meaning that no loan assets can be added or removed from it, except through loan repayment/ write-off. The AIFI can have such multiple DLG sets.

The ceiling for DLG cover on such portfolio shall be fixed at ₹2 crore (5% of ₹40 crore), which shall get activated proportionately as and when the loans are **disbursed**.

### Illustration 2

Assume that out of the above DLG set, loans amounting to ₹10 crore are disbursed immediately. Then as on April 1, 2024, the DLG cover available for the portfolio shall be ₹0.5 crore (5% of disbursed).

Subsequently, if loans of ₹10 crore are further disbursed on April 15, 2024, the DLG cover shall proportionately increase to ₹1 crore effective April 15, 2024.

(Refer table below also for summary of each case)

**Case 1:** As on June 30, 2024, loans worth ₹5 crore mature without any default. In this case, the outstanding portfolio in the books of the RE would be ₹15 crore and the DLG cover shall remain at ₹1 crore.

**Case 2:** Subsequently, there is a default of ₹2 crore during Q2-2024 and consequently the AIFI invokes the entire DLG of ₹1 crore (assuming that till date zero principal/interest have been received towards these loans). In this case, as of Sept 30, 2024 the outstanding portfolio in the books of the AIFI shall be ₹15 crore (₹20 crore original portfolio less ₹5 crore loans matured without default) but no headroom for DLG will be available as the maximum permissible DLG cover of ₹1 crore (5% of disbursed) has been exhausted.

**Case 3:** Going further, let's assume that recovery worth ₹1 crore is made by the AIFI during October 2024 on the defaulted loans of ₹2 crore. In such a case, the amount of the outstanding portfolio in the books of the RE as on October 31, 2024 shall come down to ₹14 crore (₹20 crore original portfolio less ₹5 crore loans matured without any default less ₹1 crore loans which were in default and recovered). However, the recovery amount of ₹1 crore cannot be added to reinstate the DLG cover.

(figures in ₹ crore)							
Period	Disbursed	Loans maturing without default	Default Amount	DLG Invoked	Recovery/Written-off	Outstanding Portfolio	Available DLG Cover
Initial Position	10	-	-	-	-	10	0.5

Further disbursement	10	-	-	-	-	20	1
Case 1	20	5	-	-	-	15	1
Case 2	20	5	2	1	-	15	0
Case 3	20	5	2	1	1	14	0

## 25. Recognition of NPA

(1) Recognition of individual loan assets in the portfolio as Non-Performing Asset (NPA) and consequent provisioning shall be the responsibility of the AIFI as per the extant asset classification and provisioning norms irrespective of any DLG cover available at the portfolio level.

(2) The amount of DLG invoked shall not be set off against the underlying individual loans, i.e. the liability of the borrowers in respect of the underlying loan shall remain unaffected.

(3) Recovery by the AIFI, if any, from the loans on which DLG has been invoked and realised, can be shared with the DLG provider in terms of the contractual arrangement.

(4) DLG amount once invoked by the AIFI shall not be reinstated, including through loan recovery.

## 26. Treatment of DLG for regulatory capital

(1) Capital computation, i.e., computation of exposure and application of Credit Risk Mitigation benefits on individual loan assets in the portfolio shall continue to be governed by Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Directions, 2025.

(2) In case, DLG provider is an AIFI, it shall deduct full amount of the DLG which is outstanding from its capital.

## 27. Invocation and tenor of DLG

(1) AIFI shall invoke DLG within a maximum overdue period of 120 days, unless the loan dues are made good by the borrower before that.

(2) The period for which the DLG agreement remains in force shall not be less than the longest tenor of the loan in the underlying loan portfolio.

## **28. Disclosure requirements**

(1) AIFI shall put in place a mechanism to ensure that LSPs with whom they have a DLG arrangement shall publish on their website the total number of portfolios and the respective amount of each portfolio on which DLG has been offered. The name of the lender(s) may or may not be disclosed as part of disclosure under this provision.

(2) Disclosure under para (i) above shall be made on a monthly basis, with the disclosure for any given month to be provided no later than seven (7) working days following the conclusion of that month.

## **29. Exceptions**

Guarantees covered under the following schemes/ entities shall not be covered within the definition of DLG:

(1) Guarantee schemes of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC).

(2) Credit guarantee provided by Bank for International Settlements (BIS), International Monetary Fund (IMF) as well as Multilateral Development Banks as referred in Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Directions, 2025.

## **F. General Provisions**

30. DLG arrangements entered between AIFI and LSP conforming to the instructions laid down in this Chapter shall neither be treated as “synthetic securitisation”, nor attract the provisions of ‘loan participation’ as defined under Reserve Bank of India (All India Financial Institutions– Transfer and Distribution of Credit Risk) Directions, 2025.



## **Chapter IV - Project Finance**

31. The Directions contained in this chapter provide a harmonised framework for financing of projects in infrastructure and non-infrastructure (including commercial real estate & commercial real estate - residential housing) sectors by banks.
32. The Directions of this chapter shall come into force with effect from October 01, 2025 (the 'Effective Date' for this Chapter).
33. The Directions in this chapter shall not apply to projects where financial closure has been achieved as on the effective date. Such projects shall continue to be guided by the existing prudential guidelines on project finance, which otherwise shall be treated as repealed. However, any resolution of a fresh credit event and / or change in material terms and conditions in the loan contract in such projects, subsequent to the effective date, shall be as per the guidelines contained in this chapter.

### **A. Phases of Projects**

34. For the purpose of application of prudential guidelines contained in this chapter, Projects shall be broadly divided into three phases namely:
  - (1) Design phase – This is the first phase which starts with the genesis of the project and includes, *inter-alia*, designing, planning, obtaining all applicable clearances / approvals till its financial closure.
  - (2) Construction phase – This is the second phase which begins after the financial closure and ends on the day before the actual DCCO.
  - (3) Operational Phase – This is the last phase which starts with commencement of commercial operation by the project on the day of the actual DCCO and ends with full repayment of the project finance exposure.

### **B. Prudential Conditions Related to Sanction**

35. The credit policies of a AIFI shall incorporate suitable clauses for sanction of project finance exposures, taking into account inter alia the provisions under the Directions in this chapter.



36. For all projects financed by the AIFI, it shall be ensured that:
- (1) Financial closure has been achieved and original DCCO is clearly spelt out and documented prior to disbursement of funds.
  - (2) The project specific disbursement schedule vis-à-vis stage of completion of the project is included in the loan agreement.
  - (3) The post DCCO repayment schedule has been realistically designed to factor in the initial cash flows.

*Provided that*, the original or revised repayment tenor, including the moratorium period, if any, shall not exceed 85% of the economic life of a project.

37. For a given project, original / extended / actual DCCO, as the case may be, shall be same across all lenders to the project.
38. In under-construction projects where the aggregate exposure of the lenders is up to ₹1,500 crores, no individual AIFI shall have an exposure which is less than 10% of the aggregate exposure. For projects where aggregate exposure of all lenders is more than ₹1,500 crores, the exposure floor for an individual AIFI shall be 5% or ₹150 crores, whichever is higher.

*Provided that*, the above minimum exposure requirements shall not apply post-actual DCCO and AIFI may freely acquire from or sell exposures to other lenders, in compliance with guidelines contained in the Reserve Bank of India (All India Financial Institutions – Transfer and Distribution of Credit Risk) Directions, 2025 as updated from time to time. Prior to actual DCCO, lenders may acquire from or sell exposures to other lenders under a syndication arrangement (as Reserve Bank of India (All India Financial Institutions – Transfer and Distribution of Credit Risk) Directions, 2025), provided the share of individual AIFI is in adherence to the above limits.

39. AIFI shall ensure that all applicable approvals / clearances for implementing / constructing the project are obtained before financial closure. An indicative list of such pre-requisite approvals / clearances includes environmental clearance, legal clearance, regulatory clearances, etc., as applicable to the project.

40. Approvals / clearances which are contingent upon achievement of certain milestones in terms of project completion shall be deemed to be applicable only when such milestones are achieved. For example, consent to operate a boiler can only be applied for after the construction of a boiler. Hence, the same shall not be treated as an applicable mandatory pre-requisite at the time of financial closure.

### **C. Prudential Conditions Related to Disbursement and Monitoring**

41. The AIFI shall ensure availability of sufficient land / right of way for all projects before disbursement of funds, subject to the following minimum requirements:
- (1) For infrastructure projects under PPP model – 50%
  - (2) For all other projects (non-PPP infrastructure, and non-infrastructure including CRE & CRE-RH) – 75%
  - (3) For transmission line projects – as decided by the AIFI
42. In case of infrastructure projects under PPP model, disbursement of funds shall begin only after declaration of the Appointed Date or its equivalent, for the project. However, in cases where non-fund based credit facilities may be mandated by the concession granting authority as a pre-requisite for declaration of appointed date, the bank may sanction such credit facilities, in adherence with the instructions on non-fund based facilities as prescribed in Chapter V of this Direction.
43. Further, in respect of the exposures mentioned at paragraph 42 above, the original DCCO documented in the financial closure document shall be modified to reflect any change in the 'Appointed Date' by the Concession granting authority prior to disbursement of funds by way of a supplementary agreement between a lender and the debtor subject to reassessment of project viability and obtention of sanction from appropriate authorities. A Techno-Economic Viability (TEV) study shall be required for this purpose for all projects where the aggregate exposure of all lenders is ₹100 crores or more.
44. AIFI shall ensure that disbursal is proportionate to the stages of completion of the project as also to the progress in equity infusion and other sources of finance, agreed as part of financial closure and receipt of remaining applicable

clearances. The lender's Independent Engineer (LIE) / Architect shall certify the stages of completion of the project. A project finance account may be classified as NPA during any time before actual DCCO as per record of recovery, in terms of Reserve Bank of India (All India Financial Institutions – Income Recognition, Asset Classification and Provisioning) Directions, 2025.

#### **D. Other Provisions**

45. Creation and Maintenance of Database - Project specific data, in electronic and easily accessible format, shall be captured and maintained by the AIFI on an ongoing basis. A list of the relevant parameters which shall form part of project finance database, at a minimum, is given below.

<b>No</b>	<b>Parameters for Project Finance Database</b>
1	<b>Debtor Profile</b> Name of the Project/SPV, PAN, LEI, Name(s) of the Sponsor, Shareholding details, Banking Arrangement, Sector, Sub-Sector.
2	<b>Original Project Profile</b> Nature of Project, External Credit Rating, Economic Life, Date of Financial Closure, original Date of Commencement of Commercial Operations, Total project cost excluding IDC, IDC, Capital Structure, D/E, DSCR, Repayment Tenor, Repayment Start Date, Repayment Frequency.
3	<b>Change in DCCO</b> Date of Change, reason for change, extended DCCO, revised project debt, revised project total cost, increase in cost, cost overrun, % of total increase financed by equity, % of total increase financed by debt, revised D/E, revised DSCR, revised repayment tenor, revised repayment start date, revised repayment frequency, revised external credit rating.
4	<b>Credit event other than deferment of original/extended DCCO</b> Date of Change, reason, total increase in project cost, % of project cost financed through equity, % of project cost financed through debt, revised D/E, revised DSCR, revised repayment tenor, revised repayment start date, revised repayment frequency, revised external credit rating.
5	<b>Current Specification of the Project</b> Asset classification, original/ extended DCCO, economic life, external rating, total outstanding, provision held, current project cost excluding IDC, IDC, current capital structure, D/E, DSCR, repayment tenor, repayment frequency.

46. AIFI shall update any change in parameters of a project finance exposure at the earliest, but not later than 15 days from such change. The necessary system in this regard shall be put in place within 3 months of the effective date.
47. AIFI shall make appropriate disclosures in their financial statements, under 'Notes to Accounts', as specified in Reserve Bank of India (All India Financial Institutions – Financial Statements: Presentation and Disclosures) Directions, 2025.

## **Chapter V - Non-Fund Based (NFB) Credit Facilities**

48. Background: Non-fund based (NFB) facilities like guarantees, letters of credit, co-acceptances etc. facilitate effective credit intermediation and smooth business transactions. In order to harmonize and consolidate guidelines covering these facilities and to broaden the funding sources for infrastructure financing, the Reserve Bank had issued the following guidelines on non-fund based credit facilities.
49. The Directions in this Chapter shall not apply to the derivative exposures of the bank, other than the general conditions as laid down in this chapter.
50. The Directions in this Chapter shall come into force from April 1, 2026, or from any earlier date as decided by the bank as per its internal policy (the “effective date” for this Chapter). Extension of any new NFB facility and renewal of an existing NFB facility after the effective date, shall be governed in terms of these Directions. All existing NFB facilities extended / renewed till the effective date shall continue to be governed by the guidelines as applicable before the issuance of these Directions.

### **A. General Conditions**

51. The credit policy of the AIFI shall incorporate suitable provisions for issue of NFB facilities, inter alia, covering aspects relating to type of NFB facilities, limits granted, credit appraisal, security requirement, fraud prevention, overall monitoring mechanism including post-sanction monitoring, delegation matrix, audit and internal controls, compliance to uniform standards issued by standard setting bodies and other safeguards.
52. The AIFI shall issue a NFB facility only on behalf of a customer having funded credit facility from the AIFI.

*Provided that* this clause shall not be applicable in respect of:

- (1) Derivative contracts entered into by the bank with counterparty.
- (2) Partial Credit enhancement facility, as permitted under this chapter.
- (3) NFB facilities issued based on the counter guarantee of another RE, as

permitted under this chapter.

- (4) NFB facilities on behalf of an obligor who has not availed any fund based facility from any RE in India.
- (5) NFB facilities extended by the bank against No Objection Certificate issued by the RE / REs which has / have provided fund based facility to the obligor.
- (6) NFB facilities which are fully secured by eligible financial collateral.

*Explanation:* The eligible financial collateral specified herein shall be as defined under Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Directions, 2025 as updated from time to time

- 53. The AIFI shall not issue a NFB facility to any entity assuring redemption / repayment of funds raised by any entity via deposits, issuance of bonds, or in any other form, unless specifically permitted under any regulatory guidelines / directions issued by the Reserve Bank.
- 54. Once a NFB facility devolves and is converted into a fund based facility, then the prudential norms shall be as applicable to fund based facilities.

## **B. Guarantees**

- 55. In general, a guarantee (or a counter-guarantee) issued by the AIFI (guarantor) shall be irrevocable (i.e., there shall be no clause in the contract that would allow the guarantor to unilaterally cancel the same), unconditional (i.e. there shall be no clause in the contract that could prevent the bank from being obliged to pay out in a timely manner in the event that the original counterparty fails to meet its obligation), incontrovertible and shall contain a clear mechanism for honouring the same without demur as and when invoked.
- 56. The AIFI shall put in place suitable internal aggregate / individual ceilings for issuance of guarantees in general and unsecured guarantees in particular.
- 57. The provisions of the internal policy relating to guarantees shall, inter alia, address aspects related to invocation and settlement mechanism, claim period, tenor, fee / commission / applicable charges, timelines for release of security, renewal, fraud prevention measures etc.

58. The AIFI shall honour the guarantee issued by it as and when invoked in accordance with the terms and conditions of the guarantee deed unless there is court order restraining the same

### **B.1 Usage of electronic-Guarantee**

59. Wherever the bank issues an electronic Guarantee, it shall frame a standard operating procedure (SOP) aimed at minimization of manual intervention; meeting system integration requirements; ensuring technological compatibility between the bank's interface and the electronic Guarantee platforms, audit and internal controls etc. The SOP shall, inter alia, consider the aspects mentioned from paragraph 60 to paragraph 76.

### **B.2 Policy and SOP for issuance of Electronic Guarantees**

60. The bank shall have suitable enabling provisions in its credit policy which shall, inter alia, envisage the adoption of electronic Guarantees, the risk controls to be put in place, delegation of authority, the monitoring process, etc.
61. The bank shall put in place appropriate SOPs for user reference, detailing all the steps to be followed during the entire electronic Guarantee lifecycle. Electronic Guarantees shall not be issued without ensuring that the underlying transaction has been duly reflected in the Core Banking System (CBS)/ Trade Finance System (TFS).

### **B.3 Integration of the systems with regard to issuance of Electronic Guarantees**

62. The bank shall have a strong control environment covering the policies, processes and systems; sound internal controls; and appropriate risk mitigation strategies for all operations pertaining to electronic Guarantees.
63. The bank shall ensure that all features relating to the entire lifecycle events of electronic Guarantees such as issuance, amendment, invocation, cancellation etc. shall be available on the its platform through suitable integration with the electronic Guarantee service provider.

64. The CBS / TFS shall be integrated with the APIs and other related messaging platforms offered by the electronic Guarantee service provider, in Straight Through Processing (STP) mode, without any manual intervention.

#### **B.4 User Roles for issuance of Electronic Guarantees**

65. The bank shall have an efficient system of 'Maker, Checker and Authorizer' for issuance and monitoring of electronic Guarantees, while ensuring strict access control and an effective segregation of the role and accountability.
66. No role involved in electronic Guarantee issuance lifecycle shall violate principle of segregation of duties, four / six eye principle and no employee shall be allocated roles / privileges across systems, applications that are conflicting in nature or in violation of four/ six eye principle.
67. The system access shall be provided only to specified users, and access through generic user IDs shall not be permitted. User review shall be continuous, at defined periodicity and identifiable at any point of time with respective rights and privileges. The user privileges shall be decided on "need to know/ need to do" basis.

#### **B.5 Control Measures for issuance of Electronic Guarantees**

68. The bank shall have in place a system of periodical review and reconciliation of all the electronic Guarantees issued / modified / cancelled, during the specified period.
69. The issuance of electronic Guarantees shall be mandatorily covered within the scope of concurrent audit and RBIA of the bank.

#### **B.6 Other aspects pertaining to issuance of Electronic Guarantees**

70. The robustness of the electronic Guarantee systems shall be part of the Vulnerability Assessment / Penetration Testing (VA / PT), Information Systems Audit.



71. Dependence on the vendors for day-to-day transactions shall be avoided. Access to production systems shall be provided to vendors only in a controlled environment, and audit trail shall be maintained.
72. Security Incident and Event Management (SIEM) tool shall be integrated with the concerned servers and consoles / PCs connected to electronic Guarantee related critical systems directly in its VLAN to generate automatic alerts.
73. The bank shall integrate electronic Guarantee systems with Privileged User Management Systems / Identity and Access Management systems. The logs of the same shall be monitored through Security Operation Centre (SOC) setup.
74. Business Continuity Measures and contingency plans for system failures, shall be put in place by the bank.

#### **B.7 Guarantee favouring another RE and Timely Payment of Invoked Guarantee**

75. The AIFI shall, in general, not provide a guarantee favouring another RE to enable it to provide any fund based credit facility to an obligor.

*Provided* that this clause shall not be applicable in case of credit facilities extended against guarantees pertaining to trade related transactions.

76. However, the AIFI may provide a guarantee favouring another RE for a NFB facility extended by the latter. Such guarantee issued by the AIFI shall be treated as an exposure on the obligor on whose behalf the guarantee has been issued by it, for all purposes including for the calculation of capital adequacy. The exposure of the RE extending credit facility against a guarantee shall be treated as a claim / exposure on the AIFI which is providing the counter guarantee.

#### **C. Co-acceptances**

77. Only genuine trade bills shall be co-accepted, and it shall be ensured that the goods covered by bills co-accepted are actually received in the stock accounts of the borrowers.

78. Proper records of the bills co-accepted for each customer shall be maintained, so that the commitments for each customer and the total commitments at a branch can be readily ascertained, and these shall be part of internal audit.
79. The AIFI shall not co-accept bills drawn by another RE or where the buyer / seller has received funding for the underlying trade transaction from any RE.

#### **D. Requirements for Other Specific Guarantees**

##### **D.1 Guarantee and related business involving overseas current or capital account transaction**

80. The AIFIs permitted as Authorized Dealer (AD) may extend NFB facilities as permitted under the extant regulations / Directions issued under Foreign Exchange Management Act, 1999, for bonafide current or capital account transaction, including guarantees in respect of debt or other liability incurred by an exporter on account of exports from India.
81. AD banks are also permitted to issue guarantee to or on behalf of a foreign entity, or any of its step-down subsidiary in which an Indian entity has acquired control through the foreign entity, which is backed by a counter-guarantee or collateral by the Indian entity or its group company.

*Provided* that such guarantees shall not be issued by AIFIs, including overseas branches / subsidiaries of AIFIs, for the purpose of raising loans / advances of any kind by the foreign entity except in connection with the ordinary course of business overseas. Further while extending such guarantees, AIFIs shall ensure effective monitoring of the end use of such facilities and its conformity with the business needs of such entities.

#### **E. Partial Credit Enhancement – Salient Features**

82. AIFIs may provide Partial Credit Enhancement (PCE) to bonds issued by corporates / special purpose vehicles (SPVs) for funding all types of projects and to bonds issued by Non-deposit taking NBFCs with asset size of ₹1,000 crore and above registered with RBI (including HFCs). PCE may also be provided to bonds issued by Municipal Corporations.

83. The objective behind allowing AIFIs to extend PCE is to enhance the credit rating of the bonds issued so as to enable corporates to access the funds from the bond market on better terms. The guidelines in this regard are as below:
84. The credit policy of the AIFI shall incorporate suitable provisions for issue of PCE, covering issues such as quantum of PCE, underwriting standards, assessment of risk, pricing, setting limits, etc.
85. PCE shall be a subordinated facility provided in the form of an irrevocable contingent line of credit which will be drawn in case of shortfall in cash flows for servicing the bonds and thereby may improve the credit rating of the bond issue. The contingent facility may, at the discretion of the PCE providing bank, be made available as a revolving facility.
86. A clear agreement documenting all aspects of this arrangement shall be signed between the promoter (bond issuer), the PCE providing AIFI, the bondholders (through the Trustee) and all other lenders to the project. The agreement to this effect shall be in the nature of a legally binding contract. The documentation for the facility shall clearly define the circumstances under which the facility would be drawn upon.
87. The PCE exposure limit by a single AIFI shall be 50 per cent of the bond issue size. The aggregate exposure limit of all REs towards the PCE for a given bond issue has also been capped at 50 per cent of the bond issue size.
88. The PCE facility shall be provided at the time of the bond issue and shall be irrevocable. PCE cannot be provided by way of guarantee.
89. As the purpose of PCE by AIFIs is to enable wide investor participation in the corporate bond market, AIFIs shall not invest in corporate bonds which are credit enhanced by other REs. They may, however, provide other need based credit facilities (funded and / or non-funded) to the corporate / SPV.
90. AIFIs may offer PCE only in respect of bonds whose pre-enhanced rating are not lower than “BBB” minus as issued by accredited External Credit Assessment Institutions (ECAI).

91. To be eligible for PCE, corporate bonds shall be rated by a minimum of two ECAI at all times.
92. The rating reports, both initial and subsequent, shall disclose both standalone credit rating (i.e., rating without taking into account the effect of PCE) as well as the enhanced credit rating (taking into account the effect of PCE).
93. So long as the exposure of the AIFI to a project loan is classified as standard and the borrower is not in any financial distress (Reserve Bank of India (All India Financial Institutions – Resolution of Stressed Assets) Directions, 2025 for indicative list of signs of financial difficulty), providing a commercially priced PCE to enhance the rating of a bond issue, whose proceeds replace, in whole or in part, the bank's project loan, would not amount to restructuring.
94. The PCE shall be available only for servicing the bond and not for any other purpose (such as funding acquisition of additional assets by the corporate, meeting part of the project cost or meeting recurring expenses of the corporate or servicing other lenders / creditors to the project etc.), irrespective of the seniority of claims of other creditors in relation to the bond holders.
95. In case the PCE facility is partly drawn and interest accrues on the same, the unpaid accrued interest shall be excluded from the calculation of the remaining amount available for drawing.

#### **E.1 Balance Sheet treatment, capital requirements, exposure and asset classification norms for exposures arising on account of providing PCE**

96. PCE facilities to the extent drawn shall be treated as an on-balance sheet advance in the balance sheet. Undrawn facilities would be an off-balance sheet item and reported under 'Contingent Liability – Others'.
97. The capital required to be maintained by the AIFI providing PCE for a given bond issue shall be based on the PCE amount and the applicable risk weight for the AIFI corresponding to the pre- enhanced rating of the bond.

*To illustrate, assume that the total bond size is ₹100 and pre-enhanced rating of the bond is BBB. In this scenario, the applicable risk weight at the pre-enhanced rating of BBB is 100%.*

The capital requirement (assuming CRAR of 9%) for varying amount of PCE, would, therefore be:

<b>PCE Amount (₹)</b>	<b>Capital Requirement for PCE provider (₹)</b>
20	1.8 (20*100%*9%)
30	2.7 (30*100%*9%)
40	3.6 (40*100%*9%)
50	4.5 (50*100%*9%)

98. For the purpose of capital computation in the books of PCE provider, lower of the two pre-enhanced credit ratings shall be reckoned.

99. It is possible that the credit rating of the bond changes during the lifetime of the bond, necessitating a change in the capital requirement. Therefore, the rating of the bond shall be monitored regularly, and capital requirement adjusted in the following manner:

(1) In case of change in the pre-enhanced rating of the bond, the capital required shall be recalculated based on the risk weight applicable to revised pre-enhanced rating, subject to a floor, i.e., the capital requirement on the PCE at the time of issuance of the PCE enhanced bonds.

(2) As long as the bond outstanding amount exceeds the aggregate PCE (drawn and contingent non-funded) offered, the capital held shall not be less than the amount required to be held at the time of issuance of the PCE enhanced bond. However, once the bond outstanding has amortised below the aggregate PCE amount, the capital can be computed taking into account the outstanding bond amount.

100. In situations where the pre-enhanced rating of the bond slips below investment grade (BBB minus), full capital to the extent of PCE provided shall be maintained. In all circumstances, the capital computed for PCE as mentioned above and required to be maintained by the PCE provider, shall be capped by the total amount of PCE provided.

101. In a waterfall mechanism, Credit Enhancement (CE) gets drawn only in a contingent situation of cash flow shortfall for servicing a debt / bond etc., and not in the normal course of business. Hence, such an event is indicative of financial distress of the project. Keeping this aspect in view, a drawn tranche of the contingent PCE facility shall be required to be repaid within 30 days from the date of its drawal (due date). The facility shall be treated as NPA if it remains outstanding for 90 days or more from the due date and provided for as per the usual asset classification and provisioning norms. In that event, the AIFIs' other facilities to the borrower shall also be classified as NPA as per extant guidelines.

102. The PCE providing AIFI shall observe the following exposure limits:

(1) PCE exposure by a AIFI to a single counterparty or group of counterparties shall be within the overall regulatory exposure limits applicable to the AIFI.

(2) The aggregate PCE exposure of a AIFI shall not exceed 20 per cent of its Tier 1 capital.

## **E.2 Additional conditions for providing PCE to bonds of NBFCs and HFCs**

103. The tenor of the bond issued by NBFCs / HFCs for which PCE is provided shall not be less than three years.

104. The proceeds from the bonds backed by PCE from AIFIs shall only be utilized for refinancing the existing debt of the NBFCs / HFCs. The AIFI shall introduce appropriate mechanisms to monitor and ensure that the end-use condition is met.

105. The exposure of a AIFI by way of PCEs to bonds issued by each such NBFC / HFC shall be restricted to one percent of capital funds of the AIFI within the extant single / group borrower exposure limits.

## **E.3 Other Aspects of PCE**

106. The effect of the PCE on the bond rating shall be disclosed in the bond offer document i.e., the rating of the bond without and with the PCE shall be disclosed.

107. AIFI shall ensure that the project assets, created out of the bond issue for which PCE has been provided by them, and the cash flows from the project are ring fenced through an escrow account mechanism administered under a bond trustee arrangement. The manner in which security interest in the project assets would be shared by the lenders to the project, bond holders and AIFIs' providing the PCE and the manner in which the project cash flows would be shared for servicing loans, if any, and the bonds and PCE, shall be decided and agreed upon before the issue of bonds and shall be properly documented.
108. The project shall have a robust and viable financial structure even before the credit enhancement is taken into account. Nevertheless, while providing PCE, RE shall exercise necessary due diligence and credit appraisal, including making their own internal credit analysis/ rating.
109. AIFI shall honour the full PCE commitment irrespective of the asset classification of the concerned borrower's credit facilities.
110. All extant regulatory prescriptions for credit and investment exposures by AIFI, unless specified otherwise in this Direction, shall continue to apply.

#### **F. Exclusions and Other Aspects**

111. For disclosure of the details of NFB credit facilities, the bank shall be guided by Reserve Bank of India (All India Financial Institutions– Financial Statements: Presentation and Disclosures) Directions, 2025.
112. The Directions in Chapter V have been issued without prejudice to Directions under Foreign Exchange Management Act (FEMA), 1999; Foreign Exchange Management (Guarantees) Regulations, 2000, notified vide Notification No. FEMA 8/2000-RB dated May 03, 2000; as amended from time to time.
113. Notwithstanding clause 112 above, AIFI shall comply with all the related regulatory norms including exposure norms issued by RBI as amended from time to time

## **Chapter VI – Other Instructions on Credit Facilities**

### **A. Restrictions on Finance to NBFCs**

114. An AIFI shall not provide finance to NBFCs for the following activities:

- (1) Bills discounted / rediscounted by NBFCs except those arising from sale of commercial vehicles including light commercial vehicles subject to normal lending safeguards.
- (2) Investments made by NBFCs in shares, debentures, etc., of a current nature (i.e., stock-in-trade).
- (3) Investments of NBFCs in and advances to subsidiaries, group companies or other entities.
- (4) Investments of NBFCs in, and inter-corporate loans / deposits to / in other companies.
- (5) Bridge loans in any form to any category of NBFCs (including RNBCs).

### **B. Restrictions on Infrastructure Financing**

#### **B.1 Criteria for Financing**

115. 'Infrastructure lending' means a credit facility extended by a bank to a borrower for exposure in the infrastructure sub-sectors as notified in the Harmonised Master List (HML) of Infrastructure Sub-sectors issued vide Gazette Notifications of the Department of Economic Affairs, Ministry of Finance, Government of India, as updated from time to time.

116. The AIFI shall finance technically feasible, financially viable and bankable projects undertaken by both public sector and private sector undertakings subject to the following conditions:

- 1) The amount sanctioned shall be within the overall ceiling of the single and group exposure norms prescribed by the Reserve Bank.
- 2) The AIFI shall have the requisite expertise for appraising technical feasibility, financial viability and bankability of projects, with particular reference to the risk analysis and sensitivity analysis.



- 3) In respect of projects undertaken by public sector units, term loans shall be sanctioned only for corporate entities (i.e. public sector undertakings registered under Companies Act or a Corporation established under the relevant statute). Further, such term loans shall not be in lieu of or to substitute budgetary resources envisaged for the project. The term loan could supplement the budgetary resources if such supplementing was contemplated in the project design.
- 4) While such public sector units may include Special Purpose Vehicles (SPVs) registered under the Companies Act set up for financing infrastructure projects, it shall be ensured by the bank that these loans / investments are not used for financing the budget of the State Governments.
- 5) Whether such financing is done by way of extending loans or investing in bonds, the AIFI shall undertake due diligence on the viability and bankability of such projects to ensure that revenue stream from the project is sufficient to take care of the debt servicing obligations and that the repayment / servicing of debt is not out of budgetary resources.
- 6) In the case of financing SPVs, banks and financial institutions shall ensure that the funding proposals are for specific monitorable projects.
- 7) The bank may also lend to SPVs in the private sector, registered under the Companies Act for directly undertaking infrastructure projects which are financially viable and not for acting as mere financial intermediaries. The AIFI shall ensure that the bankruptcy or financial difficulties of the parent / sponsor shall not affect the financial health of the SPV.

## **B.2 Types of Financing**

117. In order to meet financial requirements of infrastructure projects, the AIFI shall extend credit facility by way of working capital finance, term loan, project loan, subscription to bonds and debentures / preference shares / equity shares acquired as a part of the project finance package which is treated as "deemed advance" and any other form of funded or non-funded facility.

### **B.2.1 Take-out Financing**

118. The AIFI shall be guided by the Reserve Bank of India (All India Financial Institutions – Transfer and Distribution of Credit Risk) Directions, 2025 for instruction related to take- out financing.

### **B.2.2 Financing promoter's equity**

119. The promoters' contribution towards the company's equity capital shall come from their own resources and the AIFI shall generally avoid granting advances for the acquisition of shares in other companies. However, in view of the importance attached to the infrastructure sector, under certain circumstances, an exception to this policy may be made. The AIFI may consider financing the acquisition of the promoters' shares in an existing company, engaged in implementing or operating an infrastructure project in India, subject to the following conditions:

- 1) The finance by AIFI shall be only for acquisition of shares of existing companies providing infrastructure facilities. Further, acquisition of such shares shall be in respect of companies where the existing foreign promoters (and / or domestic joint promoters) voluntarily propose to disinvest their majority shares in compliance with SEBI guidelines, where applicable.
- 2) The companies to which loans are extended shall, inter alia, have a satisfactory net worth.
- 3) The company financed and the promoters / directors of such companies shall not be a defaulter to banks or financial institutions.
- 4) In order to ensure that the borrower has a substantial stake in the infrastructure company, finance by the AIFI shall be restricted to 50% of the finance required for acquiring the promoter's stake in the company being acquired.
- 5) Finance extended shall be against the security of the assets of the borrowing company or the assets of the company acquired and not against the shares of that company or the company being acquired. The shares of the borrower company / company being acquired may be accepted as additional security and not as primary security. The security charged to the banks shall be marketable.
- 6) The AIFI shall ensure maintenance of stipulated margins at all times.

- 7) The tenor of the loans shall not be longer than seven years. However, the Boards of AIFI may make an exception in specific cases, where necessary, for financial viability of the project.
- 8) This financing shall be subject to compliance with the statutory requirements under Section 19(2) of the Banking Regulation Act, 1949.
- 9) The AIFI financing acquisition of equity shares by promoters shall be within the regulatory ceiling of 40 per cent of their net worth as on March 31 of the previous year for the aggregate exposure of the banks to the capital markets in all forms (both fund based and non- fund based).
- 10) The proposal for AIFI finance shall have the approval of the Board.

### **C. Appraisal**

120. In respect of financing of infrastructure projects undertaken by Government owned entities, the AIFI shall undertake due diligence on the viability of the projects. The AIFI shall ensure that the individual components of financing and returns on the project are well defined and assessed. State Government guarantees shall not be taken as a substitute for satisfactory credit appraisal and such appraisal requirements shall not be diluted on the basis of any reported arrangement with the Reserve Bank or any bank for regular standing instructions / periodic payment instructions for servicing the loans / bonds.
121. Infrastructure projects are often financed through Special Purpose Vehicles. Financing of these projects shall, therefore, call for distinct appraisal methodology on the part of lending agencies. Identification of various project risks, evaluation of risk mitigation through appraisal of project contracts and evaluation of creditworthiness of the contracting entities and their abilities to fulfil contractual obligations shall be an integral part of the appraisal exercise. In this connection, the bank shall consider constituting appropriate screening committees / special cells for appraisal of credit proposals and monitoring the progress / performance of the projects. Often, the size of the funding requirement would necessitate joint financing by banks or financial institutions or financing by more than one bank under consortium or syndication arrangements. In such cases, the participating AIFI shall, for the purpose of their

own assessment, refer to the appraisal report prepared by the lead bank or financial institutions or have the project appraised jointly.

#### **D. Prudential requirements**

122. **For prudential credit exposure limits, the bank shall be guided by Reserve Bank of India (All India Financial Institutions – Concentration Risk Management) Directions, 2025**

123. For assignment of risk weight for capital adequacy purposes, the bank shall be guided by the Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Directions, 2025.

##### **D.1 Asset-Liability Management**

124. The long-term financing of infrastructure projects may lead to asset – liability mismatches, particularly when such financing is not in conformity with the maturity profile of a bank's liabilities. The AIFI shall, therefore, exercise due caution on their asset-liability position to ensure that they do not run into liquidity mismatches on account of lending to such projects.

##### **D.2 Administrative arrangements**

125. Timely and adequate availability of credit is the pre-requisite for successful implementation of infrastructure projects. The AIFI shall, therefore, clearly delineate the procedure for approval of loan proposals and institute a suitable monitoring mechanism for reviewing applications pending beyond the specified period. Multiplicity of appraisals by every institution involved in financing, leading to delays, has to be avoided and the bank shall be prepared to broadly accept technical parameters laid down by leading public financial institutions. Also, setting up a mechanism for an ongoing monitoring of the project implementation will ensure that the credit disbursed is utilised for the purpose for which it was sanctioned.

## **E. Other permissible exposures**

### **E.1 Bridge Loans / Interim Finance**

126. AIFIs are permitted to grant bridge loan / interim finance to companies other than NBFCs for the following purposes:

(1) against expected equity flows/issues subject to a Board-approved policy in this regard.

*Provided* that the AIFI shall not grant any advance against rights issues irrespective of the source of repayment of such advance.

(2) for commencing work on projects pending completion of formalities only against their own commitment and not against loan commitment of any other financial institution/bank.

*Provided* that this shall not be applicable in cases where the other lending institution faces temporary liquidity constraints on account of restrictions prescribed by the RBI.

127. These restrictions shall also be applicable to the subsidiaries of an AIFI.

### **E.2 Lending to Infrastructure Investment Trusts (InvITs)**

128. AIFIs are permitted to lend to InvITs subject to putting in place a Board-approved policy on exposures to InvITs which shall inter alia cover the appraisal mechanism, sanctioning conditions, internal limits, monitoring mechanism, etc.

(1) *Provided* that the AIFI shall undertake assessment of all critical parameters including sufficiency of cash flows at InvIT level to ensure timely debt servicing.

(2) *Provided* further that the overall leverage of the InvITs and the underlying SPVs put together shall be within the permissible leverage as per the Board-approved policy of the AIFI.

(3) *Provided* further that as InvITs are trusts, the AIFI shall keep in mind the legal provisions in respect of these entities especially those regarding enforcement of security.

129. AIFIs shall lend to only those InvITs where none of the underlying SPVs, which have existing loans, is facing 'financial difficulty' as defined in the Reserve Bank of India (All India Financial Institutions– Resolution of Stressed Assets) Directions, 2025.
130. The AIFI shall monitor performance of the underlying SPVs on an ongoing basis as ability of the InvITs to meet their debt obligation will largely depend on the performance of these SPVs.
131. The Audit Committee of the Board of the AIFI shall review the compliance to the above conditions on a half yearly basis.

#### **F. Interest Rate on Export Credit**

132. AIFIs shall determine interest rate on export credit as per the policy approved by their Board, subject to the extant regulatory provisions.

#### **G. Other Instructions**

133. AIFI shall not be permitted to provide loans against the term deposits accepted, unless specifically permitted by the Reserve Bank.
134. No loans shall be sanctioned by AIFIs against their CDs, unless specifically permitted by the Reserve Bank

## **Chapter VII - Repeal and other provisions**

### **A. Repeal and saving**

135. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to credit facilities for All India Financial Institutions, stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions and guidelines already repealed shall continue to remain repealed.
136. 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.

### **B. Application of other laws not barred**

137. 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**

138. 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.

## Annex I

### Data to be submitted on the CIMS portal

S I. N o .	Nam e of th e D L A	Name of the owner of DLA (Self- owned/ name of LSP in case DLA is of LSP)	Availabl e on (Websit e/ Name of app store)	Link to DLA <sup>#</sup>	Name of Grievanc e Redressa l Officer	Email id of Grieva nce Redre ssal Officer	Telepho ne number of Grievan ce Redres sal Officer	Mobile number of Grievance Redressal Officer	Website of RE

*\*Each DLA to be reported as a separate line item. In case any DLA is available on multiple app stores, each entry is required to be reported separately with specific links to the DLA on the app store*

*# In case DLA is a website, provide link to the website, or in case DLA is an app hosted on one of the app-stores, provide the link of the DLA on the app-store*



