HANDBOOK
ON
REGULATIONS AT A GLANCE

RESERVE BANK OF INDIA

DEPARTMENT OF REGULATION

FEBRUARY 2025

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PREFACE

Department of Regulation (DoR) serves as the primary regulatory authority within the Reserve Bank of India overseeing a diverse range of financial entities, including Commercial Banks, Cooperative Banks, Non-Banking Financial Companies (NBFCs), Asset Reconstruction Companies, All India Financial Institutions, and Credit Information Companies. With a dual focus on depositor protection and the promotion of a robust financial system, the Department strives to ensure the orderly development and conduct of banking operations, ultimately fostering a healthy, stable, and inclusive financial ecosystem that offers cost-effective intermediation services while upholding responsible conduct. To achieve these objectives, the Department operates through a twin-peak regulatory architecture, divided into two specialized Divisions—the Prudential Regulation Division and the Conduct and Operations Division.

As the Indian financial system has evolved, many regulatory instructions have been issued over the years. To enhance the ease of accessibility and compliance, it has become essential to institutionalize a regular, periodic review of regulatory developments and processes. This proactive approach will enable DoR to streamline its framework, ensuring it remains effective, efficient, and supportive of the financial system's continued growth and development.

With this objective, the Reserve Bank constituted the Regulations Review Authority 2.0 (RRA 2.0) in 2021 to review the regulatory prescriptions internally as well as by seeking suggestions from the RBI regulated entities and other stakeholders with a view to their simplification and ease of implementation. Based on detailed deliberation, RRA 2.0 finalized its report on June 10, 2022. One of the key recommendations of the report was to create a Regulatory Handbook, consolidating the regulations applicable to regulated entities as a quick reference guide.

Accordingly, DoR has compiled its regulatory instructions in an easily accessible handbook titled "Regulations at a Glance". The handbook provides tabular summary of all major regulations issued by the Reserve Bank and has been organized in six different chapters; namely, I—Introduction; II—Licensing of New Institutions; III— Governance and Ownership Framework; IV—Prudential Norms and Capital Regulations; V—Conduct Related Regulations; and VI—Resolution of Regulated Entities.

This handbook is designed to provide a high-level overview of the regulatory landscape, serving as a broad point of reference for general understanding. For specific compliance requirements, regulated entities are advised to consult and adhere to the respective, detailed regulations issued through Circulars/ Master Circulars/ Master Directions and as amended from time to time. Please note that this handbook will undergo updates at regular intervals to reflect changes in the regulatory environment. Users are encouraged to check for the latest version to ensure accuracy.

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RESERVE BANK OF INDIA

CHAPTER I - LEGISLATIVE FRAMEWORK

Sl. No.	Categories	Relevant Legisltaive Frameworks (indicative list only)
01.	Regulation of Banks	• Reserve Bank of India Act, 1934 • Banking Regulation Act, 1949 • The Recovery Of Debts And Bankruptcy (RDB) Act, 1993 • Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 • The Prevention of Money Laundering (PML) Act, 2002 • Companies Act, 2013
02.	Regulation of NBFCs, ARC and Credit Information Companies	• Reserve Bank of India Act, 1934 (for all NBFCs) • National Housing Bank Act (NHB Act), 1987 (for HFCs) • SARFAESI Act, 2002 (for ARCs) • The Prevention of Money Laundering (PML) Act, 2002 • Credit Information Companies (Regulation) Act, 2005 (for Credit Information Companies), • Factoring Regulation Act, 2011 (for NBFC-Factors and NBFC-ICCs licensed to undertaking factoring business)
03.	Regulation of Cooperative Banks	• Reserve Bank of India Act, 1934 • Banking Regulation Act, 1949 • Multi-State Co-operative Act, 2002 • The Prevention of Money Laundering (PML) Act, 2002 • Various State Co-operative Acts
04.	Regulation of All India Financial Institutions (AIFIs)	• Reserve Bank of India Act, 1934 • Relevant Acts for the concerned AIFIs like NABARD Act, 1981, NHB Act, 1987, NaBFID Act, 2021. • The Recovery Of Debts And Bankruptcy (RDB) Act, 1993 • SARFAESI Act, 2002 • The Prevention of Money Laundering (PML) Act, 2002

CHAPTER II - LICENSING OF NEW INSTITUTIONS

II.1 LICENSING OF BANKS

Category	Commercial Banks		Cooperative Banks	
	Universal Banks	**Small Finance Banks**	**Urban Cooperative Banks**	**Rural Cooperative Banks [State Cooperative Banks (StCBs), Central Cooperative Banks (CCBs)]**
1. Paid-up/ Net worth (or other important conditions)	₹1,000 crore	₹300 crore	₹12.5 lakh - ₹4 crore (depending upon category of centre, and population size) [*RBI has stopped accepting fresh application for granting banking license to new UCBs since 2004*]	• State Govt. declares a particular society as StCB/ CCB • RBI to ensure adequate capital/Governance structure and earning prospects • RBI grants banking license based on recommendation of NABARD and its internal analyses
2. Condition for Promoters/ Promoter groups	Fit and Proper Crieria Resident Individuals with > 10 years of experience in banking and finance at a senior level; Record of sound credentials and integrity; successful track record > 10 years.	Fit and Proper Crieria Resident Indian Citizens with > 10 years of experience in banking and finance at a senior level; Companies and Societies having successful track record > 5 years,	Focus on promoters' educational background, professional competence, means and standing, ability to mobilise requisite capital and membership	

Category	Commercial Banks		Cooperative Banks	
	Universal Banks	Small Finance Banks	Urban Cooperative Banks	Rural Cooperative Banks [State Cooperative Banks (StCBs), Central Cooperative Banks (CCBs)]
	Resident entities with > 10 years of successful track record (if total assets > ₹5000 crore then non-financial business to be ≤ 40% in terms of assets/ income) Record of sound credentials and integrity; successful track record >for at least 10 years			
3. Transition from other financial institutions	Existing NBFCs controlled by residents with >10 years of successful track record can set up	Existing NBFCs, LABs, MFIs controlled by residents with >5 years of successful track record can set up	–	–
	Listed scheduled SFBs can be converted into UBs if satisfactory track record > 5 years; Net Worth > ₹1000 crore; meeting prescribed CRAR; net profit in last 2 FY; GNPA ≤ 3% and NNPA ≤ 1%.	UCBs with NW ≥ ₹150 crore and maintaining CRAR ≥ 9% can convert; Existing Payments Banks (PBs) who have completed five years of operations	–	–

II.2 NBFC REGISTRATION

NBFC category	Defining conditions	Current Net Owned Fund
NBFC-ICC: Type I NBFC - ND	NBFC-ICC (financial assets >50% of its total assets and income from these financial assets >50% of its gross income), which does not accept/intend to accept public funds and does not have/intend to have customer interface	₹2 crore
NBFC-ICC: Type II NBFC - ND	NBFC-ICC (financial assets >50% of its total assets and income from these financial assets >50% of its gross income), which accepts/ intends to accept public funds and/or have/ intends to have customer interface in future	₹10 crore
NBFC-P2P	NBFC which carries on the business of peer-to-peer lending platform	₹2 crore
NBFC-AA	NBFC which carries on the business of account aggregator	₹2 crore
NBFC-MFI	Non-deposit taking NBFC with ≥ 75% of its total assets deployed towards micro-finance loans	₹10 crore
NBFC-FACTOR	NBFC with ≥ 50% of its total assets and ≥ 50% of its gross income derived from factoring business	₹10 crore
NBFC-HFC	NBFC with ≥ 60% of its total assets (netted off by intangible assets) in housing finance; ≥ 50% of its total assets (netted off by intangible assets) in housing finance for individuals	₹20 crore
MGC	A company which primarily transacts the business of providing mortgage guarantee (≥ 90% of business turnover; or ≥ 90% of gross income is from mortgage guarantee business)	₹100 crore
IDF-NBFC	Non-deposit taking NBFC permitted to refinance post commencement operations date (COD) infrastructure projects with ≥ 01 year of satisfactory commercial operations; finance toll operate transfer (TOT) projects as the direct lender	₹300 crore
NBFC-IFC	Non-deposit taking NBFC with ≥ 75% of its total assets deployed towards infrastructure lending	₹300 crore
ARC	A company registered with Reserve Bank for the purposes of carrying on the business of asset reconstruction and/or securitisation under the aegis of SARFAESI Act, 2002	₹300 crore
NBFC-CIC	Core Investment company ≥ ₹100 crore of total assets either individually or in aggregate along with other CICs in the Group, which raises or holds public funds; and 90% of its net assets is in the form of investment/loans in group companies, out of which 60% is in form of equity shares.	Adjusted Net Worth (ANW) should be ≥ 30% of its aggregate RWA on B/S and risk adjusted value of off-B/s items as on the date of the last audited balance sheet as at the end of FY

II.3 BRANCH LICENSING

Scheduled Commercial Banks		Cooperative banks			NBFCs
SCBs other than RRBs	RRBs	UCBs	Rural Cooperative Banks		
			StCBs	DCCBs	
Permitted to open outlets in tier-1 to 6 centers without specific approval from RBI (except for Payment Banks) with certain conditions such as opening 25% of branches in unbanked rural centres during a financial year	General permission to open outelts in tier-5 and 6 centers without specific approval; Prior approval required for opening branches in tier-1 to 4 centres	*Automatic route*: UCBs meeting Financially Sound and Well Managed (FSWM) criteria permitted for opening new branches up to 10% of the no. of branches (at the end of previous FY) in a FY, s.t. opening minimum 1 branch and a maximum 5 branches branch, in the approved area of operation *Approval route*: Board approved annual business plan (ABP) for next FY sent from FSWM UCBs to RBI-RO for approval by 15th December.	Approval from NABARD and RBI s.t. meeting certain conditions: CRAR ≥ 9%; No default in maintenance of CRR/SLR during last FY; NNPA ≤ 5%; a track record of regulatory compliance and no monetary penalty during last 2 FYs	Conditions specified for StCBs plus some additional conditions: licensed DCCB having operation ≥ 3 years; Net profit in last 2 FYs; Not under directions from RBI	*NBFCs lending against gold jewellery*: Required to seek prior approval of the Bank to open new branches if the existing number of branches exceed 1,000; no branches to be opened w/o storage and security facilities *Deposit taking NBFCs:* (i) NOF > ₹50 crore and credit rating of AA or above – allowed to open branches anywhere in India. (ii) NOF upto ₹50 crore – allowed to open branches only in the state where its registered office is situated. *Other NBFCs*: Prior approval not required

CHAPTER III - GOVERNANCE AND OWNERSHIP FRAMEWORK

III.1 GOVERNANCE FRAMEWORK

Commercial Banks	NBFCs	ARCs	Cooperatives
• The BR Act prescribes certain qualifications for Directors of the banking company • Enhanced requirements includes expertise in additional fields like IT, risk management, etc. • Roles of Chairman and CEO/ MD separated in PvSBs (2007) and PSBs excluding SBI (2014), requiring the Chairman to be part-time (non-executive) • Prior approval required from RBI for appointment / reappointment/ termination of WTDs and Part-Time Chairman • Private sector banks are required to have a minimum of two WTDs, including the MD&CEO, on their Boards • Fit and proper criteria for elected directors on Board of PSBs • Guidelines for compensation of WTDs/CEOs/MRTs and Control Function Staff for PvSBs and FBs	• The Companies Act, 2013 has provisions, inter alia, on constitution of the Board and Board committees, and qualification of directors • RBI can remove the directors of NBFCs (except government owned NBFCs) and supersede their board of directors (except the board of Government Company) • Scale-based guidelines in the areas of Committees of the Board, restrictions on Directorship, appointment of CRO, etc (details given in table below). • 'Fit and proper' criteria for directors in NBFCs, and prior approval of RBI for any change in management with >30% change in director (excluding independent directors)	• ARCs are also companies and are governed by the provisions of the Companies Act, 2013 • Besides, the SARFAESI Act requires ARCs to obtain prior approval of RBI for appointment of any director including the MD or CEO • RBI can remove chairman or any director of the ARC and appoint additional director on their board • 'Fit and proper' criteria for directors and CEO, maximum age limit and max continuous tenure of MD/CEO/WTD • Board of ARCs shall be chaired by an independent director and at least half of the directors in every board meeting shall be independent directors.	• Governed by the provisions of the respective state/central co-operative society laws • Management-related provisions of the BR Act, 1949 have also been made applicable to them since 2020 • RBI guidelines for directors of UCBs, including constitution of Audit Committee of the Board in UCBs • Criteria for appointment of majority of the directors, MD/ CEO/WTD, max continuous tenure of the directors, supersession of the board, etc. in the BR Act, 1949. • Larger UCBs to have independent CRO with no additional responsibility • NABARD's guidelines for rural cooperatives

III.2 SCALE-BASED GOVERNANCE FRAMEWORK FOR NBFC

No.	Governance regulation	NBFC-BL	NBFC-ML	NBFC-UL
1	Atleast one director should have worked in a bank/ NBFC	Applicable	Applicable	Applicable
2	Risk Management Committee at Board or Executive level	Applicable	Applicable	Applicable
3	Board approved policy for loans to directors, relative of directors and senior officers of the NBFCs	Applicable	Applicable	Applicable
4	Constitution of Audit Committee of the Board	NA	Applicable	Applicable
5	Constitution of Nomination & Remuneration Committee	NA	Applicable	Applicable
6	KMPs to not hold any office (including directorship) in any other NBFC-ML or NBFC-UL (except for directorship in a subsidiary)	NA	Applicable	Applicable
7	Restriction on independent director to hold directorships in more than 3 NBFC-ML or NBFC-UL	NA	Applicable	Applicable
8	Board approved policy on compensation to KMP and senior management	NA	Applicable	Applicable
9	Framing of internal guidelines on corporate governance and publish on website	NA	Applicable	Applicable
10	Appointment of Chief Risk Officer (CRO).	NA	Applicable to NBFCs with asset size of more than ₹5,000 Cr	
11	Qualification of Board members – specific expertise is a prerequisite depending on type of business of NBFC	NA	NA	Applicable
12	Listing & disclosures as applicable for listed company	NA	NA	Mandatory

III.3 OWNERSHIP GUIDELINES

Banking Companies	NBFCs/ HFCs	ARCs
• Prior approval of RBI is required for acquisition of major shareholding in a banking company (≥ 5% of paid-up share capital or voting rights). • Major shareholders of banks to be 'fit and proper' on a continuous basis. • The persons from FATF non-compliant jurisdictions (including those through which funds are routed) are not allowed to be major shareholders in the banking company.	• Prior approval of RBI is required for any acquisition/ transfer of ≥ 26% of the shareholding of NBFCs and ≥26 % of the paid-up equity capital of HFCs. • In case of deposit accepting/taking HFCs, the prior approval is required for acquisition of 10% or more by a foreign investor. • Further approval required for takeover or acquisition of control which may or may not lead to change of management of NBFCs/HFCs. • Investors from FATF non-compliant jurisdictions are not permitted to acquire significant influence in NBFCs/HFCs.	• Prior approval of RBI is required for - any transfer or fresh issuance of shares resulting in induction of a new sponsor - any transfer or fresh issuance of shares resulting in cessation of an existing sponsor. - an aggregate transfer of 10% or more of the total paid up share capital of the ARC by a sponsor during the period of five years commencing from the date of the CoR. • Sponsors of ARCs to be 'fit and proper' on a continuous basis. - Investors from FATF non-compliant jurisdictions are not permitted to acquire significant influence in ARCs.

CHAPTER IV - PRUDENTIAL NORMS AND CAPITAL REGULATIONS

IV.1 CAPITAL REGULATIONS PRESCRIBED BY BCBS

Basel I Framework	Basel II Framework	Basel III Framework
• Definition of regulatory capital - items qualifying as capital were divided into Tier 1 capital and Tier 2 capital; • Categorization of assets by standard risk-weight categories - all credit risk exposures were risk weighted based on their relative degree of risk; and • Stipulation of Minimum Capital Adequacy Ratios - relating capital to risk-weighted assets viz., Tier 1 Capital Ratio of 4% and Total Regulatory Capital Ratio of 8%	• Pillar 1 – stipulating minimum capital requirements which are more comprehensive in their coverage and more risk-sensitive than Basel I. In addition to credit risk and market risk, a specific charge for operational risk was included; • Pillar 2 – consisting of a Supervisory Review Process for assessing the capital adequacy of individual banks, requiring banks to hold capital for risks that are not captured under Pillar 1; and • Pillar 3 – or Market Discipline, which introduced disclosure requirements for a better understanding of a bank's risk profile and its capital position	• Revised Definition of Capital: The minimum level of Tier 1 capital was raised from 4% to 6%. A new Common Equity Tier 1 (CET1) ratio of 4.5% within the Tier 1 capital was introduced to ensure that at least three-quarters of the Tier 1 ratio is composed of capital of the highest quality (common equity and retained earnings). • Introducing a leverage ratio to contain the build-up of bank leverage. • Ensuring that capital requirements contribute to dampening economic and financial shocks, as opposed to amplifying them, through the introduction of capital buffers viz., the Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyb). • A framework for identifying the Global Systemically Important Banks (G-SIBs) and the magnitude of additional loss absorbency capital requirements (in the form of CET1 capital) applicable to these G-SIBs. The BCBS further required all member countries to have a regulatory framework to deal with Domestic Systemically Important Banks (D-SIBs)

IV.2 CAPITAL AND PRUDENTIAL REQUIREMENTS IN INDIA- MARKET AND LIQUIDITY RISK

Risk Component	Capital Estimation and/or other prudential requirements
Market Risk	• Market risk means the risk of losses in on and off-balance-sheet positions arising from movements in market prices. The market risk positions subject to capital charge requirement are: (i) The risks pertaining to interest rate related instruments and equities in the trading book; and (ii) Foreign exchange risk (including open position in precious metals) throughout the bank (both banking and trading books). • The capital requirement for market risk is the simple sum of the capital requirements arising from each of the three risk classes – namely interest rate risk, equity risk and FX risk.
Interest Risk	The capital requirement consists of two components: • "Specific risk" charge for each security, which is designed to protect against an adverse movement in the price of an individual security owing to factors related to the individual issuer. The specific risk capital charge varies based on, *inter alia*, the nature of the investment and the residual maturity. • "General market risk" charge, which is designed to capture the risk of loss arising from changes in market interest rates towards interest rate risk in the portfolio. The capital charge is the sum of four components: (a) the net short or long position in the whole trading book; (b) a small proportion of the matched positions in each time-band (the "vertical disallowance"); (c) a larger proportion of the matched positions across different time-bands (the "horizontal disallowance"), and (d) a net charge for positions in options, where appropriate.
Equity Risk	The capital requirement consists of two components: (i) "Specific risk" charge for each security, which will be 11.25 per cent or capital charge in accordance with the risk warranted by external rating (or lack of it) of the counterparty, whichever is higher and specific risk is computed on banks' gross equity positions. (ii) "General market risk" charge towards equity risk in the portfolio, which will be 9 per cent on the gross equity positions.
Forex Risk	• To determine the forex risk capital charge, banks shall first determine the net open position in each currency. The net open positions, limits or actual whichever is higher, would attract capital charge at 9 per cent.

Risk Component	Capital Estimation and/or other prudential requirements
Market Risk (NBFCs)	Not applicable
Market Risk (Standalone PDs- SPDs)	• Capital charge to be higher of (i) and (ii)- (i) Standardised Approach: Fixed income (duration method), Forex (the net open positions, limits or actual whichever is higher, would attract capital charge at 15 per cent) and equity (using Internal Model Approach). (ii) Internal risk management framework-based approach: daily VaR at 99th percentile, one-tailed confidence level; price shock equivalent to 15 days movement in prices;
Counterparty Credit Risk	• Capital computation through Current Exposure Method (CEM) => Exposure = Replacement Cost (RC) + potential furture exposure (PFE), where PFE = (notional principal amount of each of the contracts) X (relevant add-on factors according to nature and residual maturity).
Interest Rate Risk in the Banking Book (IRRBB)	• Exposure to IRRBB in terms of potential change in- (i) earnings perspective - measured through ΔNII (Net Interest Income) using Traditional Gap Analysis (TGA) method, and (ii) economic value perspective - measured through ΔMVE (Market value of Equity i.e. networth) using Duration Gap Analysis (DGA) method
Liquidity Risk	$LCR = \frac{Stock\ of\ High\ Quality\ Liquid\ Assets\ (HQLAs)}{Total\ net\ cash\ outflow\ over\ the\ next\ 30\ calendar\ days} \geq 100\%$ $NSFR = \frac{Available\ Stable\ Funding}{Required\ Stable\ Funding} \geq 100\%$ • All commercial banks in India (except RRBs, Payments Banks and Local Area Banks) are required to maintain minimum of 100 per cent Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) on an ongoing basis at both standalone and consolidated basis. • All non-deposit taking NBFCs with asset size of ₹5,000 crore and above (except CICs, Type 1 NBFCs, NOFHCs and SPDs) and all deposit taking NBFCs irrespective of their asset size are also required to maintain a minimum 100 per cent LCR.

IV.3 CREDIT RISK

IV.3.a Credit Products

IV.3.a.i Lending Against Securities

Security against which loan is granted	Limit	LTV/ Margin
Scheduled Commercial Banks (as per applicability)		
Equity shares and equity mutual funds (in dematerialized form)	₹20 lakh	LTV of 75%
Bonds and Debentures	₹20 lakh	As per bank's internal policy
Debt mutual funds	As per bank's internal policy	As per bank's internal policy
Loan for IPOs	₹10 lakh	50% margin
Loan for ESOPs	₹20 lakh	10% margin
Urban Cooperative Banks		
Shares, bonds and debentures (in dematerialized form)	₹10 lakh	LTV of 50%
Rural Cooperative Banks		
Shares, bonds and debentures	₹5 lakh	LTV of 50%
NBFCs		
Listed equity shares	No limit	LTV of 50%
Loans for subscription to IPOs	₹1 crore	As per NBFC's internal policy

Scheduled Commercial Banks (in further details)

Item/Subject	Limit
Banks' exposure to capital markets as sensitive sector exposure, imposing a flat RW	125%
Banks' total exposure to capital markets	40% of net worth
Financing NBFCs for further lending to individuals for subscribing to IPOs or purchasing shares in the secondary market	Prohibited

IV.3.a.ii Housing Finance

Entity	Amt. (₹lakh)	LTV	Risk Weight
SCBs and HFCs	Up to 30	<=80	35
		>80 but ≤90	50
	Above 30 up to 75	<=80	35
	Above 75	<=75	50
UCBs	Up to 30	<=75	50
	Above 30	<=75	75
	Other housing loans		100
RCBs	Up to 30	<=75	50
		>75	100
	Other housing loans		100
LABs and RRBs	Up to 20	90	50
	Above 20 and up to 75	80	50
	Above 75	75	75
NBFCs excluding HFCs	Other secured loans		100

Further, limits on Housing loans have been prescribed for certain categories of REs, which are as under:

Entity	Nature of Loan	Limit
UCBs	Aggregate exposure of a UCB to residential mortgages (housing loans to individuals), other than those eligible to be classified as priority sector	25% of total loans and advances
	Aggregate exposure of a UCB to real estate sector, excluding housing loans to individuals	5% of total loans and advances
	Housing Loans to individuals (loan amount per dwelling unit, subject to extant single borrower exposure limits)	₹60 lakh for Tier-1 UCBs ₹1.40 crore for Tier-2 UCBs ₹2 crore for Tier-3 UCBs ₹3 crore for Tier-4 UCBs

Entity	Nature of Loan	Limit
	Supplementary Finance – loans for alterations, additions, repairs to houses / flats	₹10 lakh in metropolitan centres and up to ₹6 lakh in other centres
StCBs/DCCBs having assessed net worth less than ₹100 crore	Housing Loans	₹50 lakh
StCBs/DCCBs having assessed net worth equal to or more than ₹100 crore	Housing Loans	₹75 lakh
All StCBs/DCCBs	Total Exposure to Housing Finance and CRE-Residential Housing	5% of total assets
All StCBs/DCCBs	Supplementary Finance – loans for alterations, additions, repairs to houses / flats	₹1 lakh

IV.3.a.iii Digital Lending

Item/Subject	Limit/Details
Default Loss Guarantee from Lending Service Provider to Regulated Entities	5% of the loan portfolio
Nature of Default Loss Guarantee	Cash or lien marked fixed Deposit or a bank guarantee from a scheduled commercial bank
Invocation of Default Loss Guarantee	Within 120 days
Period of Default Loss Guarantee cover	Not less than the longest tenor of the loan in the underlying loan portfolio being guaranteed

Prudential norms on income recognition, asset classification and provisioning shall be applicable on the underlying loans in the portfolio, irrespective of availability of DLG cover. In cases where REs act as LSPs and provide DLG cover, the RE shall deduct the amount of DLG cover from its capital.

To improve transparency and disclosure on such arrangements, REs shall ensure that LSPs disclose the number of DLG portfolios along with respective amount of DLG cover on their website.

IV.3.a.iv Regulations related to Non-Fund Based Facilities

Scheduled Commercial Banks	Urban Co-operative Banks
• Guarantees should generally not have a maturity of > 10 Yrs • Banks should generally avoid issuing non-fund based facilities to/ on behalf of customers who do not have credit facility with them • Bank Guarantee (BG)/ Letter of Credit (LCs) can be issued to clients of co-operative banks with a counter guarantee from the co-operative bank, subject to the specified conditions • The limit on unsecured exposure was removed in 2004, giving bank boards the freedom to set their own policies • Guarantees for ₹50,000 and above should be signed by two officials • Banks should be cautious when co-accepting bills, ensuring they are genuine trade bills and not accommodation bills	• The maturity period for guarantees should be kept short and should not exceed ten years • Total volume of outstanding guarantee obligations should not exceed 10% of the total owned resources of the bank comprising paid up capital, reserves and deposits • Proportion of unsecured guarantees outstanding at any time outstanding at any time may be limited to 25% of the owned funds of the bank or 25% of the total amount of guarantees, whichever is less • Primarily focus on providing financial guarantees and avoid issuing performance guarantees • Exercise caution when co-accepting bills • Avoid undue concentration of unsecured guarantee commitments to particular groups of customers and/or trades

IV.3.b Credit Risk Management

IV.3.b.i Interest Rate on Advances

Entity	Conditions
SCBs	• Banks have the freedom to offer all categories of advances on fixed or floating interest rates. However, for EMI based personal loans, Banks are mandated to offer loans on both fixed and floating rate • Fixed interest rate on loans of tenor three years and below cannot be less than the corresponding Marginal Cost of Lending Rate (MCLR) • For floating interest rate loans to other than retail and MSME borrowers, banks can offer loans with reference to either an internally calculated reference rate MCLR or external reference rates published by the Financial Benchmarks India Pvt Ltd (FBIL) • MCLR: Banks are required to calculate their cost of funds as a marginal cost that includes certain components viz., marginal cost of funds, negative carry-on account of CRR, operating cost and tenor premium. The periodicity of reset shall be one year or lower. The exact periodicity of reset shall form part of the terms of the loan contract • Banks are required to extend floating rate loans to Retail and MSME borrowers with reference to external benchmark lending rates only. The external benchmarks that may be considered for loans are - Reserve Bank of India policy Repo Rate or Government of India 3-Months and 6-Months Treasury Bill yields published by FBIL or any other benchmark market interest rate published by FBIL. The periodicity of reset of interest shall be atleast once in three months. • Banks can, at their discretion, extend EBLR loans to other than mandated sector as well
RRBs	• The interest rates charged by RRBs have been deregulated in 1994 wherein it was advised to abolish minimum lending rate for credit limits of over ₹ 2 lakh
NBFCs	• The interest rates charged by NBFCs have been deregulated wherein the Board shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged.

IV.3.b.ii Loans and Advances

Statutory Restrictions on SCBs

Sl. No	Item/Subject	Limit/Permissibility
1	Advances against bank's own shares	Prohibited as per BR Act
2	Advances to bank's Directors	Restricted as per BR Act
3	Banks holding shares in any company, whether as pledgee, mortgagee or absolute owner (as % of the paid-up share capital of that company or its own paid-up share capital and reserves, whichever is less)	< 30%
4	Employment of any person whose remuneration or part of whose remuneration takes the form of commission or a share in the profits of the company	Prohibited as per BR Act
5	Banks to maintain minimum level of their assets in India at the close of business on the last Friday of every quarter	≥ 75% of Demand and Time Liabilities in India (DTL)

Regulatory limits on UCBs:

Sr. No.	Area	Limits for UCBs
1	Prudential exposure limits (Single or Group borrower/ parties)	15% of Tier-I capital (Single borrower) 25% of Tier-I capital (Group borrower)
2	Aggregate exposure of a UCB to residential mortgages (housing loans to individuals), other than those eligible to be classified as priority sector	25% of total loans and advances
	Aggregate exposure of a UCB to real estate sector, excluding housing loans to individuals	5% of total loans and advances

Sr. No.	Area	Limits for UCBs
3	Housing Loans to individuals (loan amount per dwelling unit, subject to extant single borrower exposure limits)	₹60 lakh for Tier-1 UCBs ₹1.40 crore for Tier-2 UCBs ₹2 crore for Tier-3 UCBs ₹3 crore for Tier-4 UCBs (Housing loans may be repayable within a maximum period of 20 years, including moratorium or repayment holiday.)
4	Housing Finance – Loans to individual borrower for repairs/ additions/ alterations	₹10 lakh in metropolitan centres (those centres with population of 10 lakh and above); and, ₹6 lakh in other centres
5	Deposit with other banks (Gross)	20% of its total deposits
6	Deposit with other banks (Single bank)	5% of its total deposits
7	Unsecured loans and advances – bank level	10% of its total assets (For UCBs having CRAR ≥ 9%, Gross NPAs ≤ 7%; Extra limit upto 15% of total assets for loans sanctioned for productive purposes (upto ₹10,000); For UCBs with a large PSL portfolio (not less than 90%), CRAR ≥ 9%, Gross NPAs≤ 7; Limit upto 35% of total assets for priority sector loans upto ₹40,000)
8	Unsecured loans and advances – Individual borrower	Limits ranging from ₹25,000 to ₹5 lakh, depending on the size of Demand and Time Liabilities (DTL) and compliance with CRAR
9	Lending against shares/debentures (Aggregate limit)	20% of the Tier-I capital as on March 31st of previous financial year
10	Lending against shares/ debentures	₹5 lakh if the security is in physical form ₹10 lakh if the security is in demat form (A margin of 50% should be maintained on all such advances. Advances against units of mutual funds can be extended only to individuals as in the case of advances against the security of shares, debentures and bonds)
11	Small Value Loans (limit for 50% of aggregate loans and advances) (Limit will be 40% by March 31, 2025 and 50% by March 31, 2026)	₹25 lakh or 0.4% of Tier I capital, whichever is higher, subject to a ceiling of ₹3 crore per borrower. Subject to prudential exposure limits (Boards of UCBs, however, shall periodically review the portfolio behaviour and quality under different loan-size categories and where necessary, may consider fixing lower ceilings.)

Sr. No.	Area	Limits for UCBs
12	Gold Loan – Bullet Repayment	₹2 lakh (₹4 lakh for PSL compliant UCBs) Subject to following conditions: (i) UCBs should maintain a LTV ratio of 75% on the outstanding amount of loan including the interest on an ongoing basis, failing which the loan will be treated as Non-Performing Asset (NPA). (ii) The period of the loan shall not exceed 12 months from the date of sanction.
13	Loans to nominal members (for short / temporary period and for purchase of consumer durables)	₹0.50 lakh for UCBs with deposits upto ₹50 crore ₹1 lakh for other UCBs
14	Overall PSL targets	75% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-balance Sheet Exposure (CEOBSE) by March 31, 2026
15	PSL sub-target for weaker section	Higher of 12% of ANBC or CEOBSE by March 31, 2026
16	PSL sub-target for micro enterprises	Higher of 7.5% of ANBC or CEOBSE

IV.3.b.iii Gold Loans

Sl. No	Item/Subject	Limit/Permissibility
1	LTV Condition	Regulatory stipulation: 75% For SCBs, LTV is applicable only on non-agricultural loans. For StCBs, CCBs and RRBs, LTV is applicable only on loans extended for the purpose of medical expenses and meeting unforeseen liabilities. For NBFCs and UCBs, LTV is applicable on all loans extended by the RE.
2	Other condition	Co-operative banks and RRBs are not permitted to extend bullet repayment loans against eligible gold collateral of > ₹2 Lakh to a single customer. For UCBs that have met their PSL obligations, the limit is enhanced to ₹4 Lakh

IV.3.c Income Recognition, Asset Classification[1] and Provisioning Norms[2]

IV.3.c.i IRACP norms

Special Mention Accounts (SMA) Sub-categories	**Loans other than revolving facilities:** **Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between**	**For revolving facilities:** **Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:**
SMA-0	Up to 30 days	NA
SMA-1	More than 30 days and up to 60 days	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	More than 60 days and up to 90 days
NPA	> 90 days • In the case of Farm Credit extended to agricultural activities, loan granted for short duration crops will be treated as NPAs, if the instalment of principal or interest thereon remains overdue for two crop seasons. • A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.	• The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or • The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period inclusive of the day for which the day-end process is being run

[1] In case of NBFCs where the NPA/SMA criteria is not aligned to 90 days overdues norm, the references to 90 days for NPA and SMA classification may be read as per the applicable norms and also subject to the provisions of the Master Direction DoR.FIN.REC.No.45/03.10.119/2023-24 dated October 19, 2023 on 'Scale Based Regulation (SBR).

[2] For Ind AS implementing NBFCs/ HFCs, the IRACP norms are relevant for ascertaining the adequacy of provisioning since provisioning as per IRACP norms is the prudential floor.

IV.3.c.ii Asset Classification

Categories in NPA	SCBs/AIFIs	UCBs	StCBS/CCBs	RRBs	NBFCs	HFCs
Sub Standard Assets	An asset which has remained NPA for a period less than or equal to 12 months	An asset which has remained NPA for a period less than or equal to 12 months	An asset which has remained overdue for a period not exceeding 3 years	An asset classified as NPA for a period not exceeding one year.	An asset which has remained NPA for a period less than or equal to 12 months NBFC-BL- NPA for a period not exceeding 18 months	An asset which has remained NPA for a period less than or equal to 12 months
Doubtful Asset	An asset which has remained in the substandard category for a period of 12 months.	An asset which has remained NPA for more than 12 months.	An asset which has remained overdue for a period exceeding 3 years	An asset which has remained in the sub-standard category for 12 months	An asset which remains a sub-standard asset for a period exceeding 12 months. NBFC-BL- which remains a sub-standard asset for a period exceeding 18 months	An asset which has remained in the substandard category for a period exceeding 12 months.
Loss Assets	Identification of loss by bank, or internal/external auditor, or RBI	Identification of loss by Bank, or internal/external auditor, or RBI, or Cooperation Dept.	Identification of loss by Bank, or internal/external auditor, or RBI, or NABARD		Identification of loss by NBFC, or internal/external auditor, or RBI	Identification of loss by HFC, or internal/external auditor, or RBI, or NHB

Categories in NPA	SCBs/AIFIs	UCBs	StCBS/CCBs	RRBs	NBFCs	HFCs
	Asset not written off wholly Asset is considered uncollectible and its continuance as a bankable asset is not warranted but may have some salvage and recovery value	Asset not written off wholly Asset is considered uncollectible and its continuance as a bankable asset is not warranted but may have some salvage and recovery value	Asset not written off wholly Asset is considered uncollectible and its continuance as a bankable asset is not warranted but may have some salvage and recovery value		Asset not written-off wholly Non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower	Asset not written off wholly Asset is adversely affected by a potential threat of non-recoverability or due to any fraudulent act or omission on the part of the borrower

IV.3.c.iii Standard Asset Provisioning Rates

	SCBs & AIFIs	UCBs[3]	NBFC (UL) & HFCs	RRBs	RCBs	NBFCs
Farm Credit	0.25%	0.25%	NA	0.25%	0.25%	0.40% (ML) 0.25% (BL)
Individual housing loans	0.25%	0.40%	0.25%	0.40%	0.40%	
Small and Micro Enterprises	0.25%	0.25%	0.25%[4]	0.25%	0.25%	
Commercial Real Estate (CRE)	1.00%	1.00%	1.00%	1.00%	1.00%	
CRE- Residential Housing (RH)	0.75%	0.75%	0.75%	0.40%	0.40%	
Housing loans at teaser rates	2.00%	0.40%	2.00%	0.40%	0.40%	
All others	0.40%	0.40%	0.40%	0.40%	0.40%	

[3] The erstwhile Tier I UCBs, which are currently maintaining standard asset provision of 0.25% on 'all other loans and advances not included above' are permitted to achieve the provisioning requirement of 0.40% on such advances in a staggered manner by March 31, 2025.

[4] Not applicable for HFCs

IV.3.c.iv Specific loan loss provisioning

For sub-standard assets	For doubtful assets	For Loss Assets
• For SCBs and AIFIs, provisioning for sub-standard assets shall be on the basis of security coverage i.e., secured advances shall be provided at 15% and un-secured advances at 25%. • For HFCs, a general provision of 15% shall be made. • For all other REs, it shall be at 10% irrespective of security availability.	• For SCBs, AIFIs and HFCs, provisioning for doubtful assets shall be 25%/40%/100% for the secured portion, based on ageing profile. • For NBFCs it shall be 20%/30%/50% for the secured portion, based on ageing profile. • For other REs it shall be 20%/30%/100% respectively for the secured portion, based on ageing profile. For unsecured portion, it shall be 100%	100%

Provisioning (for NBFC-MFIs)

Asset Classification	Provisioning
Standard Asset	NBFC-BL: 0.25% of outstanding NBFC-ML: 0.40% of outstanding
Non-performing Assets	The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of: (a) 1% of the outstanding loan portfolio, or (b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100 percent of the aggregate loan instalments which are overdue for 180 days or more.

IV.3.c.v Provisions on Project Accounts as long as these are classified as standard assets

Entity	Particulars	Provisioning requirement
Commercial Banks	If the revised Date of Commencement of Commercial Operations (DCCO) is within two years/one year from the original DCCO prescribed at the time of financial closure for infrastructure and non-infrastructure projects (including commerical real estate projects) respectively	0.40%
	If the DCCO is extended: i) Beyond two years and upto four years or three years from the original DCCO, as the case may be, for infrastructure projects depending upon the reasons for such delay; ii) Beyond one year and upto two years from the original DCCO, for non-infrastructure projects (including real estate projects)	5.00% – From the date of such restructuring till the revised DCCO or 2 years from the date of restructuring, whichever is later
UCBs	Project Loans for Infrastructure Sector i) Until two years from the original DCCO ii) During the third and the fourth years after the original DCCO	i) 0.40% ii) 1.00%
	Project Loans for Non-Infrastructure Sector i) Until the first six months from the original DCCO ii) During the next six months	i) 0.40% ii) 1.00%
NBFCs	If the revised DCCO is within two years from the original DCCO prescribed at the time of financial closure	0.25%
	If the DCCO is extended beyond two years and upto four years or three years from the original DCCO, as the case may be, depending upon the reasons for such delay	Project loans restructured with effect from January 24, 2014: 5.00% - From the date of such restructuring till the revised DCCO or 2 years from the- date of restructuring, whichever is later.

IV.3.d Resolution of Stressed Assets

IV.3.d.i Guidelines

Restructuring Guidelines applicable to different REs				
SCBs, SCBs (excluding RRBs), AIFIs, SFBs, non-deposit taking NBFCs of asset size of ₹500 crore and above and all NBFC-D	**UCBs**	**Non-deposit taking NBFCs with asset size less than ₹500 crore**	**HFCs**	**LABs, RRBs**
Prudential Framework on Resolution of Stressed Assets dated June 07, 2019 Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs) dated March 17, 2016 (for MSME borrowers whose aggregate exposure with all commercial banks is ₹25 crore or less)	Prudential Guidelines on Restructuring of Advances by UCBs dated March 6, 2009	Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023	Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021	Debt Restructuring Mechanism for Small and Medium Enterprises (SMEs) dated September 08, 2005

IV.3.d.ii Prudential Framework on Resolution of Stressed Assets

Item/Subject	Details
Applicability	SCBs (excluding RRBs), All India Financial Institutions (AIFIs) and non-deposit taking NBFCs of asset size of ₹500 crore and above and all Deposit-taking NBFCs
Other important features	• Trigger of Review Period: Lenders to complete prima facie review of borrower account within 30 days of default • If RP is not implemented within 180 days from the end of the Review Period, then additional provisions of 20% for borrowers with aggregate exposure to the banking system is >=₹1500 cr. If the resolution plan is not successfully implemented within 365 days from occurrence of default, additional 15% provision shall be made, making the total provisioning to be at 35% • Borrowers with aggregate exposure of ≥₹100 Cr, resolution plans involving restructuring/change in ownership shall mandatorily require one independent credit evaluation (ICE) rating of RP4 or higher from a CRA for residual debt; two such ICE ratings if exposure ≥₹500 Cr • Asset classification of borrower accounts to be downgraded to NPA upon restructuring • Monitoring period: longer of period for repayment of ≥10% of dues as part of RP, or 1 year from the beginning of first repayment • Review period: Triggered if unsatisfactory performance during the monitoring period • Specified period: period from the date of implementation of RP up to the date by which at least 20% of outstanding principal and interest sanctioned as per plan of RP. Fresh RP required in case of default during the specified period. In such a case, additional provision of 15% required • If borrower exits specified period, any new default will be treated as new credit event • Compromise settlement where repayment period >3 months shall be treated as restructuring

IV.3.e Credit Risk Transfer and Distribution

IV.3.e.i Securitisation of Standard Assets

Item/Subject	Limit/Criteria (for SCBs, AIFIs, SFBs and NBFCs)
Applicability	SCBs, AIFIs, and NBFCs including HFCs; (RRBs and Cooperative banks are not permitted for securitisation under MD-SSA; SFBs also need to follow their operating guidelines)
Assets not eligible for securitisation:	a. Re-securitisation exposures; b. Structures in which short term instruments such as commercial paper, which are periodically rolled over, are issued against long term assets held by a Special Purpose Entity (SPE) c. Synthetic securitisation; d. Securitisation with the following assets as underlying: i) revolving credit facilities as underlying ii) Restructured loans and advances which are in the specified period; iii) Exposures to other lending institutions; iv) Refinance exposures of AIFIs; v) Loans with bullet payments of both principal and interest as underlying; and, vi) Loans with residual maturity of less than 365 days
Minimum Retention Requirement (MRR) for underlying loans of maturity – 24 months or less; MRR for 24 months and more and loans with bullet repayments	5% of the book value of the loans being securitised 10% of the book value of the loans being securitised
Limit on total exposure of an originator to the securitisation exposures belonging to a securitisation structure or scheme	20%
Requirements for Simple Transparent and Comparable (STC) criteria	Homogenous, non-default, sufficient information history on asset performance and payment details, consistency in underwriting, transparent enforcement rights

Capital Treatment

	Long Term		Short Term	
	STC	Non-STC	STC	Non-STC
Applicable Risk Weight (Actual weight will be dependent upon maturity, seniority, and tranche thickness)	10% - 1250% (Senior tranche) 15% - 1250% (Non-senior tranche) [based on rating and tranche maturity]	15% - 1250% [based on rating and tranche maturity]	10% - 1250% [based on rating]	15% - 1250% [based on rating]

IV.3.e.ii Transfer of Loan Exposures

Sl. No	Item/Subject	Limit/Criteria
A	**Non-Default Loans**	
1	Permitted modes	Assignment, novation or loan participation
2	Permitted transferors/transferees	SCBs (including SFBs[5], excluding RRBs), AIFIs, NBFCs including HFCs
3	Minimum Holding Period (MHP) requirements - for loans with original maturity less than two years; for loans with original maturity more than two years	 3 months 6 months
4	Minimum retention Requirement Where the acquiring lender performs due diligence at the individual loan level for less than one third of the portfolio	10% of economic interest in the transferred loans

[5] Subject to the conditions specified in the Operating Guidelines

Sl. No	Item/Subject	Limit/Criteria
B	**Stressed Loans**[6]	
1	Permitted mode	Through assignment or novation Loan Participation not permitted
2	Permitted transferors	SCBs, Primary (Urban) Co-operative Banks/State Co-operative Banks/ Central Co-operative Banks, SFBs[7], NBFCs including HFCs, and AIFIs
3	Permitted transferees - General permission - Under a resolution plan implemented under the Prudential Framework dated June 7, 2019	SCBs (excluding RRBs), AIFIs, SFBs, NBFCs (incl HFCs), ARCs Apart from the above, a company, as defined in sub-section (20) of Section 2 of the Companies Act, 2013 other than a financial service provider as defined in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Code, 2016. *[Other class of entities permitted to hold loan exposures under the regulations issued by a financial sector regulator may be added, based on a framework put in place by the financial regulator concerned for this purpose, in consultation with the Reserve Bank.]*
4	Cooling period in respect of: - Fresh exposure by the transferor to the borrower - Fresh exposure by any RBI-regulated entity to the acquirer for the purpose of deploying in the borrower, except for working capital facilities (which are not in the nature of term loans) to the borrower whose loan is transferred	- 1 year, if transferee is RBI-regulated entity - 3 years, if transferee is non-RBI regulated entity - 3 years
5	Mandatory Swiss Challenge	If the aggregate exposure (including investment exposure) of lenders to the borrower/s whose loan is being transferred is ₹100 crore or more

[6] RRBs and Cooperative Banks are permitted as only transferor(s) of stressed loans

[7] Subject to the conditions specified in the Operating Guidelines

Sl. No	Item/Subject	Limit/Criteria
6	Minimum Holding Period (in case of loans acquired from other entities) for lenders to hold the exposures on their books, before transferring	6 months
C	**Transfer of stressed asset to ARCs**	
1	Periodic Valuation of Security Receipts (SRs) by transferors, in respect of assets transferred by them If the investment by the transferor in SRs issued against loans transferred by it is more than 10% of all SRs issued against the transferred asset	Lower of (A): - Redemption value of SRs arrived based on the NAV declared by the ARC - NBV of the transferred stressed loan at the time of transfer. Lower of (B): - A above - face value of the SRs reduced by the notional provisioning rate applicable if the loans had continued on the books of the transferor.

IV.3.f Concentration Risk Management

IV.3.f.i Exposure/Concentration Norms- SCBs

Items	Limits
Large Exposure Framework (LEF) norms for SCBs	
Single counterparty	20% of Tier 1 capital (extendable to 25% with Board approval)
Group of connected counterparties	25% of Tier 1 capital
Single counterparty (Exposure to Bank)	25% of Tier 1 capital (15% for G-SIB exposure to G-SIB) (20% for non G-SIB exposure to G-SIB)
Single counterparty (Exposure to NBFC)	20% of Tier 1 (gold loan NBFC - 7.5% of capital funds)

Items	Limits
Capital Market Exposures	40% of net worth
Sectoral exposures, including real estate	To be decided by the bank's Board
Consumer credit, including unsecured loans	To be decided by the bank's Board
Exposure norms for SFBs	
Single counterparty	10% of capital funds
Group of connected counterparties	15% of capital funds
Other exposure norms	At least 50% of the loan portfolio should constitute loans and advances of up to ₹25 lakh
Intragroup exposures for SCBs	
Single exposure	
Non-financial companies and unregulated financial services companies	5% of Paid-up capital and reserves
Regulated financial services companies	10% of Paid-up capital and reserves
Aggregate exposure	
All non-financial companies and unregulated financial services companies taken together	10% of Paid-up capital and reserves
All group companies taken together	20% of Paid-up capital and reserves
Country Risk Exposure limits for SCBs	
Limits on exposure to any country	Regulatory capital (Tier 1 and 2) , except in the case of insignificant risk category
Inter Bank Liabilities (Commercial Banks excluding RRBs)	
Limit	• Shall not exceed 200 % of its net worth as on 31st March of the previous year • 300 % of net worth for banks whose CRAR is at least 11.25 % as on 31st March of the previous year

Items	**Limits**
Inclusions	Only fund based limits within India
Exclusions	IBL outside India TREPS borrowing, refinance from NABARD, SIDBI
Inter Bank Liabilities (UCBs)	
Inter-UCB Deposits	The total inter-UCB deposits accepted by a UCB shall not exceed 10% of its total deposits as on 31st March of the previous financial year subject to specified conditions.

IV.3.f.ii Exposure/Concentration Norms- NBFCs

LEF for NBFC- Upper Layer (UL) (other than IFC)	**Limits**
Single	20% of Tier 1 capital (+5% Board discretion, +5% for infrastructure - Ceiling 25% of tier 1 capital)
Group	25% of Tier 1 capital (+10% for infrastructure)
LEF for NBFC-UL (IFC)	
Single	25% of Tier 1 capital (+5% Board discretion)
Group	35% of Tier 1 capital
Concentration norms for NBFC-Middle Layer (ML) (other than IFC)	
Single	25% of Tier 1 capital (+5% infrastructure)
Group	40% of Tier 1 capital (+10% for infrastructure)
Concentration norms for NBFC-ML (IFC)	
Single	30% of Tier 1 capital
Group	50% of Tier 1 capital
NBFC- Base Layer (BL)	As per NBFC's Board approved policy.

IV.4 OPERATIONAL RISK CAPITAL REQUIREMENTS FOR SCBs

<table>
<tr><td>Current approach</td><td><u>Basic Indicator Approach as per Master Circular – Basel III Capital Regulations, 2024</u>
• Operational risk capital (ORC) = fixed percentage (denoted as alpha (α) which is presently 15%) of positive annual gross income (GI) averaged over the previous three years
• RWA = ORC * 12.5</td></tr>
<tr><td>Proposed Approach
(Implementation date to be communicated later)</td><td><u>Master Direction (MD) on Minimum Capital Requirements for Operational Risk- Standardised Approach</u>
<table>
<tr><th>Bucket Category</th><th>ORC Calculation</th></tr>
<tr><td>Bucket 1 banks
Buckets 2 & 3 banks (with < 5 years of high-quality loss data)</td><td>ORC = BIC</td></tr>
<tr><td>Buckets 2 & 3 banks (with 5>= years of high-quality loss data)</td><td>ORC = BIC x ILM</td></tr>
<tr><td>RWA</td><td>= ORC *12.5</td></tr>
</table>
Details regarding Buckets, BIC and ILM are given below in separate table</td></tr>
</table>

Component	Description	Formula
Estimation of BIC and ILM		
Business Indicator (BI)	A financial-statement-based proxy for operational risk comprising (i) interest, lease, and dividend component (ILDC), (ii) service component (SC), and financial component (FC).	BI = ILDC + SC + FC ➢ $ILDC = Min\left[\overline{Abs\ (Interest\ Income - Interest\ Expense)}; 2.25\% \times \overline{Interest\ Earning\ Assets}\right] + \overline{Dividend\ Income}$ ➢ $SC = Max\left[\overline{Other\ Operating\ Income}; \overline{Other\ Operating\ Expense}\right] + Max\left[\overline{Fee\ Income}; \overline{Fee\ Expense}\right]$ ➢ $FC = \overline{Abs\ (Net\ P\&L\ Trading\ Book)} + \overline{Abs\ (Net\ P\&L\ Banking\ Book)}$
Business Indicator Component (BIC)	Calculated by multiplying BI by specific coefficients (αi) based on BI size.	BIC = BI x αi

<table>
<tr><th>Component</th><th>Description</th><th>Formula</th></tr>
<tr><th colspan="3">Estimation of BIC and ILM</th></tr>
<tr><td></td><td></td><td>The value of marginal co-efficient is based on the bucket category of the banks.

<table>
<tr><th>Bucket</th><th>BI Range (₹ Crore)</th><th>BI Marginal Coefficients (αi)</th></tr>
<tr><td>Bucket 1</td><td>≤ 8000</td><td>12%</td></tr>
<tr><td>Bucket 2</td><td>8000 < BI ≤ 240000</td><td>15%</td></tr>
<tr><td>Bucket 3</td><td>> 240000</td><td>18%</td></tr>
</table></td></tr>
<tr><td>Internal Loss Multiplier (ILM)</td><td>A scaling factor reflecting historical losses, used to adjust operational risk capital.</td><td>$$ILM = ln\left\{\exp(1) - 1 + \left[\frac{LC}{BIC}\right]^{0.8}\right\}$$
Loss Component (LC) is equal to 15 times average annual operational risk losses based on high-quality operational risk annual loss data for 10 years. However, banks that do not have 10 years of high-quality loss data but have five years and above of high-quality loss data shall make use of such available high-quality loss data to calculate the LC.</td></tr>
</table>

IV.5 OPERATIONAL RISK MANAGEMENT AND RESILIENCE: KEY PRINCIPLES

PILLAR-1 [Prepare and Protect]	PILLAR-2 [Build Resilience]	PILLAR-3 [Learn and Adapt]
Principle 1: Establishing a strong risk management culture. **Principle 2:** Implementing and maintaining an Operational Risk Management Framework (ORMF) and operational resilience approach, integrated into overall risk management processes.	**Principle 10:** Mapping of the internal and external interconnections and interdependencies for critical operations. **Principle 11:** Management of third dependencies (including intra-group) for delivery of critical operations.	**Principle 15:** Transparent and appropriate disclosures on operational risk management approach and operational risk exposure. **Principle 16:** Conduct of lessons learned exercise after a disruption to enhance capability to adapt and respond in future.

PILLAR-1 [Prepare and Protect]	PILLAR-2 [Build Resilience]	PILLAR-3 [Learn and Adapt]
Principle 3: Approval and periodic review of ORMF by the Board. **Principle 4:** Approval and periodic review of risk appetite, tolerance statement, criteria for identification of critical operations and impact tolerances for them. **Principle 5:** Implementation of policies by Senior management by establishing robust governance structure with segregation of responsibilities. **Principle 6:** Identification, assessment and management of the operational risk in all material products, activities, processes and systems. **Principle 7:** Comprehensive, appropriately resourced and adequately articulated change management process. **Principle 8:** Monitoring of operational risk profiles and exposures and establishing reporting mechanisms . **Principle 9:** Implementation of strong control environment, internal controls and risk mitigation strategies.	**Principle 12:** Implementation and testing of business continuity plans. **Principle 13:** Development and implementation of incident response and recovery plans. **Principle 14:** Robust Information and Communication Technology (ICT) risk management programs which are tested regularly.	**Principle 17:** Establishing effective feedback systems for continuous learning and improvement.

IV.6 GUIDELINES ON MANAGING RISKS AND CODE OF CONDUCT IN OUTSOURCING OF FINANCIAL SERVICES

Underlying principle	• Outsourcing of any activity by an RE neither diminishes its ability to fulfil its obligations to customers and RBI nor impedes effective supervision by RBI. • The ultimate responsibility for the outsourced activity vests with the outsourcing RE.
Activities that should not be outsourced	• Core management functions including Internal Audit, Compliance function and decision-making functions like determining compliance with KYC norms for opening deposit accounts, according sanction for loans (including retail loans) and management of investment portfolio.

IV.6.a Roles and responsibilities of the Board and Senior Management

Board	Senior Management
• Approve a risk and materiality evaluation framework and policies for outsourcing. • Set approval authorities based on risk and materiality of service. • Review outsourcing strategies regularly.	• Assess risks and materiality of outsourcing using Board-approved framework. • Develop and enforce outsourcing policies and procedures and periodically review policy effectiveness. • Inform the Board about material outsourcing risks. • Ensure that tested contingency plans are put in place.

IV.6.b Other important considerations

Evaluation and due diligence of Service Provider	Outsourcing Agreement	Confidentiality and Security	Business Continuity and Contingency Planning
• REs should consider qualitative and quantitative, financial, operational and reputational factors including compatibility with RE's systems, performance and customer service standards. • Due diligence should include all the aspects including but not limited to evaluation of experience, financial soundness, reputation and culture, compliance, complaints including potential litigations, security, internal controls, auditing and monitoring and external factors like political, economic, social and legal environment.	• The outsourcing contract should be clear and enforceable, covering key aspects, including but not limited to service standards and access to relevant records, monitoring and termination provisions, data confidentiality audit rights for the RE, right of RBI to access documents and conduct inspections of service provider, preservation of documents and data by the service provider in accordance with the legal/regulatory provisions, etc.	• REs should ensure that service provider safeguards customer information, with access granted only on a "need-to-know" basis, security breaches are disclosed by service provider to the RE and the same are reported to the Bank immediately and enough safeguards are implemented by service provider to prevent comingling of documents and data of RE and other entities. • While REs may share premises, certain services, back-offices, hardware and software applications, etc., with group entities or may outsource financial services to a group entity, REs should maintain arm's length relationship in such dealings and ensure clear identification of the entity and appropriate disclosure on the nature of such arrangements to all customers in all communications.	• REs must ensure that service providers establish and test a robust business continuity plan and documents and data of the RE are isolated by service provider for easy retrieval and transfer back to RE in emergencies. • REs should retain controls to implement appropriate measures including options to transferring the service to alternative service providers or back to in-house infrastructure.

IV.6.c Monitoring, Control and Audit

Monitoring Mechanism	Strategy to be implemented by REs
Central Record of Agreements	Maintain centralized records of all material outsourcing arrangements and ensure that half yearly reviews are placed before the Board.
Regular Audits and Review	(a) Internal and External auditors to assess the adequacy of the risk management practices for overseeing and managing the outsourcing arrangement. (b) Banks to undertake annual assessments of provider's financial stability, operational condition, and compliance and highlight areas of concern.
Termination Announcement	Publicize terminations of agreement with service providers to prevent continued customer interactions and inform IBA (for banks) with reasons for termination.

IV.7 LEVERAGE RATIO REQUIREMENTS APPLICABLE TO REs

Regulated Entity	Leverage Ratio Definition	Leverage Ratio Requirement
SCBs (excluding SFBs, PBs, and RRBs)	Tier 1 capital divided by Exposure Measure	The minimum Leverage Ratio shall be 4% for D-SIBs and 3.5% for other banks.
AIFIs	Tier 1 capital divided by Exposure Measure	The minimum Leverage Ratio shall be 4%.
SFBs	Tier 1 capital divided by Total Exposure	The minimum Leverage Ratio shall be 4.5%.
PBs	Net worth (paid-up capital and reserves) divided by outside liabilities	The minimum Leverage Ratio shall be 3%.
NBFC-BL	Total Outside Liabilities divided by Owned Fund	The Leverage Ratio should not exceed 7.
NBFC-AA	Outside Liabilities (excluding borrowings/ loans from the group entities) divided by Owned Funds	The Leverage Ratio should not exceed 7.
NBFC-P2P	Total Outside Liabilities divided by Owned Funds	The Leverage ratio should not exceed 2.
NBFC-CIC	Outside Liabilities divided by Adjusted Net Worth	The Leverage ratio should not exceed 2.5.

IV.8 CAPITAL ADEQUACY AND PROVISIONING REQUIREMENTS FOR RBI REGULATED ENTITIES

IV.8.a Banks and All-India Financial Institutions (AIFIs)

No.	Regulated Entity	Applicable Basel Framework	Minimum requirements (%)			CCB and CCyB
			CET1	Tier 1	CRAR	
1	Scheduled Commercial Banks (SCBs) excluding SFBs, PBs, LABs, RRBs	Basel III	5.5[8]	7	9	CCB - 2.5 % CCyB – Not Activated
2	Small Finance Banks (SFBs)	Basel II norms generally applicable	6	7.5	15	NA
3	Payments Banks (PBs)	Basel II norms generally applicable	6	7.5	15	NA
4	Local Area Banks (LABs)	Basel I	-	4.5	9	NA
5	Regional Rural Banks (RRBs)	Basel I	5.5	7	9	NA
6	Urban Coperative Banks					
	6.1 UCBs: Tier 2 to Tier 4	Basel I	-	6	12	NA
	6.2 UCBs: Tier 1 UCBs		-	4.5	9	
7	Rural Co-operative Banks (RCBs)	Basel I	-	4.5	9	
8	All India Financial Institutions (AIFIs)	Basel III	5.5	7	9	NA

[8] Domestic Systemically Important Banks (D-SIBs) are also required to meet additional Common Equity Tier 1 (CET1) as applicable.

IV.8.b NBFCs

No.	Regulated Entity	Minimum requirements (%)		
		CET1	Tier 1	CRAR
1	NBFC-BL[9]	No risk-based capital requirement except as specified at 5.2 and 5.6 below; (Leverage Ratio of 7 times)		
2	NBFC-ML	-	10	15
3	NBFC-UL	9	10	15
4	NBFC-TL	Shall be subject to higher capital charge which will be communicated separately upon classification.		
5	**NBFC categories by activity**			
	5.1 Housing Finance Company	-	10	15
	5.2 Micro Finance Institutions	-	7.5	15
	5.3 Mortgage Guarantee Companies	-	6	10
	5.4 Standalone Primary Dealer	-	7.5	15
	5.5 Core Investment Company	Modified risk-based capital requirement (CICs must maintain Adjusted Net Worth (ANW) of at least 30% of RWAs.)		
	5.6 NBFCs engaged in lending against gold	-	12	15
	5.7 Peer to Peer Lending Platform (P2P) and Account Aggregator (AA)	No risk-based capital requirement		

[9] Regulatory structure of NBFCs under scale-based regulation is defined in section-I of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

IV.8.c Risk weight related regulations covering all forms of risk

Sl. No	Item/Subject	Risk Weights (RWs)
Capital charge for credit risk for Scheduled Commercial Banks (SCBs)		
General Framework - For SCBs (except RRBs), the Standardized Approach for credit risk under Basel framework has been prescribed by the Reserve Bank with certain modifications to align with domestic conditions. Under the Standardised Approach, the rating assigned by the eligible external credit rating agencies (ECRAs) largely support the measure of credit risk. Concurrently, RWs for certain exposures do not depend on ratings provided by ECRAs, but on some other criteria or as prescribed by the Reserve Bank from time to time considering macroprudential risks. The Reserve Bank has identified certain ECRAs that meet the eligibility criteria for providing credit ratings to banks' exposure/counterparties and has prescribed risk weights (RWs) corresponding to such ratings.		
1	Domestic sovereign exposures (direct claims)	0%
2	Exposures to foreign sovereigns	0% to 150% (depending on their external credit ratings)
3	Claims on domestic bank • Other than investment in equity and capital instruments of scheduled banks • Investment in equity and capital instruments issued by scheduled banks (that are outside the scope of regulatory consolidation)	 20% to 625% (based on their CET1 and CCB levels) 125% to full deduction (based on their CET1 and CCB levels)
4	Claims on banks in foreign jurisdiction - based on the external ratings assigned by international rating agencies.	20% to 150%
5	Claims on Corporate/ NBFCs/ Primary Dealers/ Public Sector entities For NBFCs exposure that attracts RW of less than 100% as per the external rating	20% to 150% (based on their ratings) Additional RW of 25% shall be applied over and above the RW indicated by external rating. The requirement for additional RW shall cease to exist from April 01, 2025.
6	Claims on Commercial Real Estate (CRE)	100%

Sl. No	Item/Subject	Risk Weights (RWs)
7	Claims on Commercial Real Estate-Residential Housing (CRE-RH)	75%
8	Retail loans: • Loans to small businesses included under regulatory retail • Consumer credit, including personal loans but excluding housing loans, education loans, vehicle loans, loans secured by gold and gold jewellery, and microfinance loans • Credit Cards • Individual housing loans • Other Consumer credit exposure	 75% 125% 150% 35%/50% (based on loan amount and LTV) 100%
9	Past-due loans - based on the specific provisions and collateral.	50 to 150%
Capital charge for credit risk for NBFCs		
10	Domestic sovereign exposures (direct exposures)	0%
11	Exposures guaranteed by sovereign • Central Government guaranteed claims • State Government guaranteed claims • State Government guaranteed claims (which have remained in default for a period of more than 90 days	 0% 20% 100%
12	Cash and bank balances including fixed deposits and certificates of deposits with banks	0%
13	Bonds of public sector banks	20%
14	Loans and advances fully secured against deposits held and loans to staff	0%
15	All assets covering PPP and post commercial operations date infrastructure projects in existence over a year of commercial operation	50%

Sl. No	Item/Subject	Risk Weights (RWs)
16	Credit card exposures Consumer credit exposures categorised as retail loans, excluding housing loans, educational loans, vehicle loans, loans against gold jewellery and microfinance/SHG loans	125%
17	Other exposures (except credit card and certain retail loans)	100%
18	For Housing Finance Companies (HFCs), risk weight on residential mortgages secured by property are based on the LTV ratio and loan amount. • Individual housing loans – based on the LTV ratio and loan amount • CRE • CRE-RH	35% or 50% 100% 75%
Capital charge for credit risk for UCBs/ StCBs /DCCBs /LABs/RRBs		
19	• Loans guaranteed by central/state governments. • Loans guaranteed by state governments which has become NPA	0% 100%
20	Loans to PSUs	100%
21	Cash / balances with RBI and Loan against term deposits / Life policies / NSCs and KVPs	0%
22	Balances in co-operative banks and other banks	20%
23	• Individual housing loans - risk weight on residential mortgages depend on LTV • CRE[10] • CRE-RH	50% to 100% (for LABs – 50% to 75%) 100% 75%

[10] StCBs/ DCCBs are not allowed to lend to CRE Sector, except for CRE-RH. Risk weights mentioned here for CRE and CRE-RH does not apply to RRBs.

Sl. No	Item/Subject	Risk Weights (RWs)
24	Retail loans and advances	
	• Consumer credit including personal loan for UCB/ DCCB/ StCB	125%
	• Credit card and consumer credit including personal loans, but excluding housing loans, education loans, vehicle loans, loans secured by gold and gold jewellery, and microfinance loans – LAB/ RRBs (excluding credit card)	125%
	• Loans up to ₹1 lakh against gold and silver ornaments	50%
	• Loans extended against primary / collateral security of shares / debentures	
	o UCB	127.50%
	o StCB/ DCCB/RRBs	125%
	o LAB (capital market exposure)	125%
	• All other loans and advances including educational loan are generally risk weighted at-	100%
For all Regulated Entities (REs)		
25	Off-balance sheet exposures across REs are converted to credit-equivalent amounts using specified Credit Conversion Factors (CCFs) given for REs. These credit-equivalent amounts are then assigned RWs based on the counterparty or type of exposure (whichever is higher) as discussed above, ensuring a consistent risk assessment.	Based on RW assigned as per counterparty or type of exposure (whichever is higher)

IV.9 STATUTORY AND REGULATORY LIMITS ON DEPOSITS FOR DEPOSIT TAKING NBFCs (INCLUDING HFCs)

No.	Statutory and regulatory restrictions of deposits
1	Deposit taking NBFCs shall maintain liquid assets of 15% of public deposit outstanding as at the close of business on last working day of second preceding quarter
2	Deposit taking NBFCs shall have minimum credit rating of 'BBB–' issued by any of the SEBI registered credit rating agency
3	Deposit taking NBFCs are prohibited from accepting demand deposits

No.	Statutory and regulatory restrictions of deposits
4	Deposit taking NBFCs complying with minimum NOF and all prudential norms can accept deposits up to the limit of 1.5 times of its NOF
5	Deposit taking NBFCs shall accept deposits which are repayable after 12 months but not later than 60 months
6	Deposit taking NBFCs shall not pay interest exceeding 12.5% and such interest may be paid or compounded at rests which shall not be shorter than monthly rests
7	Minimum lock-in period of deposits of deposit-taking NBFCs shall be 3 months

The regulatory limits applicable to various layers of NBFCs are as under:

No.	Statutory and regulatory restrictions	NBFC-BL	NBFC-ML	NBFC-UL
1	NBFCs shall not make investments in any scheme of AIFs which has downstream investments (excluding investments in equity) either directly or indirectly in their debtor company.	Applicable	Applicable	Applicable
2	NBFCs shall not lend against their own shares and debentures	Applicable	Applicable	Applicable
3	Lending against listed shares by NBFCs with asset size of ₹100 cr & above: (a) LTV of 50% to be maintained at all times. Any shortfall in LTV due to movement of prices to be made good in 7 working days; (b) In case of lending for investment in capital market, only Group 1 securities (as notified by Exchanges following the methodology laid down by SEB) shall be accepted as collateral for loans above ₹5 lakh.	Applicable	Applicable	Applicable
4	LTV of 75% for lending against collateral of gold jewellery shall be maintained throughout the tenure of the loan	Applicable	Applicable	Applicable
5	NBFCs shall not grant any advance against bullion/ primary gold and gold coins; and shall not grant any advance for purchase of gold in any form, including units of ETFs and gold mutual fund	Applicable	Applicable	Applicable
6	NBFCs shall not be partners in partnership firms or LLPs	Applicable	Applicable	Applicable

IV.10 PRUDENTIAL NORMS ON DIVIDEND DECLARATION

IV.10.a General Framework for Dividend Declaration

No.	Category	Norms
1	Capital Adequacy	RE's ability to meet the regulatory capital requirements
2	Profitability	For commercial banks (excluding RRBs) and NBFCs, maxmimum dividend payable is capped as specified percentage of profit after tax for the reference year.
3	Asset Quality	REs maintaining NNPAs up to threshold as below can declare dividends: • UCBs: NNPA < 5% • SCBs: NNPA < 7% • NBFCs: NNPA < 6% (in each of the last 3 years, including as at the close of the financial year for which dividend is proposed to be declared)
4	Compliance with Other Regulatory Norms (NA for NBFCs)	Bank must meet other regulatory requirements e.g. CRR, SLR.
5	Board Oversight	REs to consider following aspects while deciding on the proposal to declare dividend: • the interim dividend paid, • the Annual Financial Inspection findings of the Reserve Bank with regard • to divergence in identification of NPAs, shortfall in provisioning, etc., • the auditors' qualifications pertaining to the statement of accounts • the minimum regulatory capital requirements, and • the entity's long term growth plans

IV.10.b Payout Ratios for Commercial Banks (excluding RRBs)

Category	CRAR	Net NPA Ratio (In current year)			
		Zero	More than zero but less than 3%	From 3 % to less than 5%	From 5% to less than 7 %
		Range of Dividend Payout Ratio			
A	11% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	10% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
C	9% or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
D	9% or more in the current year	Up to 10		Up to 5	NIL

IV.10.c Payout Ratio for NBFCs

Sl. No.	Type of NBFC	Maximum Dividend Payout Ratio (%)
1.	NBFCs that do not accept public funds and do not have any customer interface	No ceiling specified
2.	Core Investment Company	60
3.	Standalone Primary Dealers	60
4.	Other NBFCs	50

IV.11 NORMS ON DISCLOSURE

Sl. No.	Category	Banks	NBFCs *(further details in para IV.12 below)*
1.	Financial Statements formats	As per third schedule of BR Act, 1949	As per Companies Act, 2013
2.	Capital Adequacy	CAR, CET-1, Tier-1, Tier-2	CAR including breakdown of Tier-1 and Tier-2 capital
3.	NPAs and Provisioning	NPA classification into Sub-standard, Doubtful, and Loss; Movement of NPA; Loan restructuring and its impact, etc.	NPA classification (e.g., standard, sub-standard, doubtful, and loss assets) and their associated provisions; For Ind AS implementing NBFCs, ECL would be applicable with IRACP being the prudential floor. NBFCs under Ind AS follow expected credit loss approach under Ind AS 109.
4.	Risk Management disclosures	Risk management framework; the effectiveness of risk management strategies; qualitative and quantitative disclosures on risk exposures in derivatives	Approach to managing various risks and effectiveness of risk management strategies; qualitative and quantitative disclosures on risk exposures in derivatives
5.	Asset Liability Management	ALM framework including the maturity profile of assets/ liabilities; LCR, NSFR	ALM framework, detailing the maturity profile of assets and liabilities and compliance with liquidity norms like LCR (as applicable).
6.	Investments	Composition of investment portfolio along with details of movement in provisions held towards depreciation; sale and transfers to/from HTM category/ Permanent category	Composition of investment portfolio along with details of movement in provisions held towards depreciation
7.	Remuneration	Quantitative and qualitative disclosures on remuneration of WTDs/ CEOs/ Material Risk Takers	All pecuniary relationship or transactions of the non-executive directors vis-à-vis the NBFC

Sl. No.	Category	Banks	NBFCs *(further details in para IV.12 below)*
8.	Exposure to Sensitive Sectors and Concentration of NPAs	Exposure to sectors like real estate sector, capital market, factoring exposures, intra-group exposures, concentration of exposures and NPAs	Exposure to specific sectors such as real estate or capital market, intra group exposures, unhedged foreign currency exposures
9.	Other disclosures	Disclosures on securitisation, transfer to Depositor Education and Awareness Fund, penalties imposed, provisions and contingencies, complaints etc.	• Related party transactions • Non-financial disclosures including the structure of the board, committees, internal controls, compliance with various RBI guidelines • Breach of covenants, complaints, penalties imposed, provisions and contingencies, divergence in asset classification and provisioning
10.	Acocunting Norms	Companies (Accounting Standards) Rules, 2021, guidelines prescribed by the Reserve Bank and market practices	Non-Banking Financial Companies (NBFCs) covered by Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015: • Companies (Indian Accounting Standards) Rules, 2015 • Other NBFCs: Companies (Accounting Standards) Rules, 2021, guidelines prescribed by the Reserve Bank and market practices

IV.12 DISCLOSURE NORMS FOR DIFFERENT NBFCs

Sl. No.	Disclosure norms	NBFC-BL	NBFC-ML	NBFC-UL
1	Exposure to: (a) Real estate sector (b) Capital market (c) Sectoral exposure (d) Intra-group exposure (e) Unhedged foreign currency exposure	Applicable	Applicable	Applicable
2	Related party disclosure	Applicable	Applicable	Applicable
3	Disclosure on complaints: (a) Summary information on complaints (b) Top 5 grounds of complaint	Applicable	Applicable	Applicable
4	Capital (a) CRAR (b) Tier 1 Capital (c) Tier 2 Capital (d) Subordinated debt raised as Tier 2 Capital (e) Perpetual Debt Instruments issued	NA	Applicable	Applicable
5	Investments (a) Value of investments (b) Movement of provisions held towards depreciation on investments	NA	Applicable	Applicable

Sl. No.	Disclosure norms	NBFC-BL	NBFC-ML	NBFC-UL
6	Derivatives: (a) Forward Rate Agreement/ Interest Rate Swap (b) Exchange traded Interest Rate Derivatives (c) Disclosure on risk exposure in derivatives (i) Qualitative disclosures (ii) Quantitative disclosures	NA	Applicable	Applicable
7	Asset Liability Management showing maturity pattern of specified items of assets and liabilities	NA	Applicable	Applicable
8	Exposure to: (a) Financing of parent company products (b) Breaching of Single borrower/ Group borrower limits (c) Unsecured advances	NA	Applicable	Applicable
9	Corporate Governance – Non-listed NBFCs shall endeavour to make full disclosure in accordance with SEBI (LODR) Regulations, but at a minimum disclose (a) Details of composition of Board (b) Committees of the Board and their composition (c) Details of General Body Meetings (d) Management Discussion and Analysis Report (e) Details of non-compliance with Companies Act (f) Details of penalties and strictures	NA	Applicable	Applicable
10	Breach of covenants of loan availed or debt securities issued	NA	Applicable	Applicable

Sl. No.	Disclosure norms	NBFC-BL	NBFC-ML	NBFC-UL
11	Divergence in Asset Classification and Provisioning – to be disclosed if: (a) additional provisioning requirements assessed by RBI exceeds 5% of reported profits before tax and impairment loss on financial instruments; or (b) Additional gross NPAs identified by RBI exceeds 5% of reported gross NPAs;	NA	Applicable	Applicable
12	Miscellaneous (a) Policy on dealing with Related Party Transactions (b) Ratings assigned and migration of ratings (c) Remuneration of Directors – All pecuniary transactions of non-executive directors vis-à-vis the NBFC shall be disclosed (d) Impact of prior period items on current year's profit (e) Postponement of revenue recognition pending resolution of significant uncertainties. (f) Reasons for not consolidation of financial statements as per applicable accounting standards	NA	Applicable	Applicable
13	Additional Disclosures: (a) Provisions and Contingencies (b) Draw down from Reserves (c) Concentration of deposits (for deposit taking NBFCs – top 20 depositors), Advances (top 20 borrowers), Exposures (top 20 borrowers) and NPAs (top 4 NPA accounts) (d) Movement of NPAs (e) Overseas Assets (for those NBFCs with JV and subsidiaries abroad) (f) Off-balance sheet SPVs sponsored	NA	Applicable	Applicable
14	Disclosure requirements as per SEBI (LODR) Regulations (NBFC-UL shall be listed within 3 years of identification as NBFC-UL)	NA	NA	Applicable

IV.13 OVERVIEW OF THE FRAMEWORK FOR ACCEPTANCE OF GREEN DEPOSITS

<table>
<tr><td>Objective</td><td>• To foster the green finance ecosystem and to encourage REs to offer green deposits to customers, protect interest of depositors, aid customers to achieve their sustainability agenda, address greenwashing concerns and help augment the flow of credit to green activities/projects.</td></tr>
<tr><td>Applicability</td><td>• All SCBss including SFBs (excluding RRBs, LABs and PBs) and Deposit taking NBFCs (including Housing Finance Companies that have been granted a Certificate of Registration with permission to accept public deposits).</td></tr>
<tr><td>Use of Proceeds</td><td>The framework prescribes the usage of proceeds of green deposits to following activities:
i. Renewable energy
ii. Energy efficiency
iii. Clean transportation
iv. Climate change adaptation
v. Sustainable water and waste management
vi. Pollution prevention and control
vii. Green buildings
viii. Sustainable management of living natural resources and land use, and
ix. Terrestrial and aquatic biodiversity conservation.</td></tr>
<tr><td>Third-Party Verification / Assurance and Impact Assessment</td><td>The framework requires Third-Party Verification/Assurance and Impact Assessment of the green deposits raised and green activities/ projects financed by the REs.
• The allocation of funds raised through green deposits shall be subject to an independent Third-Party Verification/ Assurance carried out on an annual basis.
• The REs, with the assistance of external firms, shall mandatorily annually assess (FY 24-25 onwards) the beneficial environmental impact of the funds lent for green activities/ projects i.e., an Impact Assessment Report. The report, for example, would include estimates of how much GHG emissions were avoided due to the funded activity/ project.</td></tr>
<tr><td>Reporting and Disclosures</td><td>The framework requires following reporting and disclosures norms:
• A review report shall be placed by the RE before its Board of Directors within three months of the end of the financial year covering, inter-alia, the following:
a) Amount raised under green deposits during the previous financial year
b) List of activities/ projects which have been funded along with a brief description of the projects and the amounts allocated to the eligible activities/ projects
c) a copy of the Third-Party Verification/ Assurance Report and the Impact Assessment Report.
• REs shall make appropriate disclosures in their Annual Financial Statements.</td></tr>
</table>

CHAPTER V - CONDUCT RELATED REGULATIONS

V.1 INTEREST RATE FRAMEWORK FOR NBFCs

V.1.a Pricing and Charges

Interest rate pricing on loans	• The interest rates charged by NBFCs are deregulated • Board of each NBFCs shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium • Approach for gradation of risk and rationale for charging rate of interest to be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter
Charges	• NBFCs are operationally independent to decide on charges as per the policies adopted by their Boards, subject to compliance with the Fair Practices Code. • All the terms and conditions of loans (including charges) need to be transparently disclosed to the borrower in the vernacular language or a language understood by the borrower so that a meaningful comparison and informed decision can be made • For retail and MSME term loans, key facts of a loan agreement shall be disclosed through a Key Facts Statement (KFS) in standardised format

V.1.b Deposit related pricing aspects- NBFCs

Deposit Rates of NBFCs	• Deposit taking NBFCs are operationally independent to decide on the rate of interest on deposits. • However, it is prescribed that the rate of interest shall not exceed 12.5%. • Interest may be paid or compounded at rests which shall not be shorter than monthly rests • Principally, RBI is confining deposit-taking only to Banks; in last two decades, no new license has been given to NBFC-D.

Prepayment rules for NBFCs	
Upto 3 months	• Premature withdrawal not allowed. However, it is allowed only in case of death. No interest[11].
After 3 months but < 6 months	• No interest
After 6 months but before the date of maturity	• The interest payable shall be 2% lower than the interest rate applicable to a public deposit for the period for which the public deposit has run, or if no rate has been specified for that period, then 3% lower than the minimum rate at which public deposits are accepted by the non-banking financial company[12].

V.2 INTEREST RATE FRAMEWORK AND PRICING OF DEPOSITS FOR SCBs AND COOPERATIVE BANKS

Overarching Principle	• Rates offered by REs must remain uniform across all its branches and for all the customers. • REs cannot discriminate between one deposit from another deposit of similar amount, which is accepted on same date at any of its offices. • Interest rates cannot be subject to negotiation between depositors and the REs. • REs shall have to disclose the schedule of interest rates on deposits in advance; • Interest rates on deposits shall be reasonable, consistent, transparent, and available for supervisory review • Interest rates offered by REs on NRE/ NRO deposits cannot be higher than those offered on comparable domestic rupee term deposits

[11] In case of HFCs, premature withdrawal is allowed within the lock-in period and interest is payable at contracted rate.

[12] In case of HFCs, the corresponding prepayment rates are 1% and 2% respectively.

V.2.a Deregulation of Deposit Rates of SCBs and Cooperative Banks

Type of REs	Domestic Deposits		Non-resident Deposits {excluding FCNR(B)}	
	Savings	Term	Savings	Term
Scheduled Commercial Banks	October 25, 2011	October 22, 1997	December 16, 2011	December 16, 2011
Co-operative Banks	November 25, 2011	October 22, 1997	December 28, 2011	December 28, 2011

V.2.b Present Limit on Bulk deposits

Type of banks	Limit in Rupees (₹)
Scheduled commercial banks (excluding RRBs)	Three crore and above
Scheduled UCBs (Tier 3 and 4), RRBs and LABs	One crore and above
Remaining co-operative banks	Fifteen lakh and above

V.2.c Interest rates and Charges on Deposits

Interest Rate on Term Deposits	It may vary on account of one or more of the following: • Tenor of the deposits (Min tenor = 7 days; For NRE term deposits, min tenor = 1 year) • Size of the deposits: Differential rate on bulk deposits • Non-availability of premature withdrawal option (such premature withdrawal option should be there for deposits < ₹1Cr)
Interest Rate on Savings Deposits	• The interest rates on savings account were deregulated after considerable time as compared to term deposits • REs are required to calculate interest rates on a daily product basis with a uniform rate for balances up to Rupees one lakh • Above ₹1 lakh, REs can offer differential rates for any end-of-day savings balance

Additional Interest Rate on Deposits	REs have the discretion to pay higher interest rates on: • Term deposits for resident Indian senior citizens • Conditionally on deposits of its staff and their exclusive associations (additional 1% p.a.) • Not available to NRE and NRO accounts of senior citizens and bank's own staff
Interest on overdue domestic Deposits	• Unpaid and unclaimed deposits shall attract lower of rate of interest applicable to savings account or the contracted rate of interest on the matured term deposit
Penalty on premature withdrawal	• REs to formulate a comprehensive Board approved policy on penalties for premature withdrawal of term deposit and depositor should be informed at the time of acceptance of deposits; otherwise REs cannot charge penalty. • In case of premature withdrawal, the interest rate payable shall be at the rate applicable to the amount and period for which the deposit has remained with the RE instead of contracted rate • If withdrawal of term deposits is done before the completion of minimum tenor specified in the MD, no interest is required to be paid in such cases • In respect of NRE term deposits, no penalty shall be levied on premature withdrawal if it is converted into Resident Foreign Currency (RFC) Account

V.3 FOREIGN CURRENCY DEPOSITS

Interest rates	• Floating rate deposits: Interest within the ceiling of swap rates for respective currency/ maturity • Fixed rate deposits: Interest within the ceiling of Overnight Alternative Reference Rate (OARR) for the respective currency/ maturity • Banks advised to use OARR for the respective currency/Swap rates quoted by FBIL as the reference for arriving at the interest rates on FCNR(B) deposits. • Interest rates on term deposits under the FCNR (B) scheme shall vary only based on prescribed tenor and size of deposits

Penalty on Premature Withdrawal	• REs advised to disclose the components of penalty on premature withdrawal at the time of acceptance of FCNR(B) deposits • Banks shall, at their discretion, levy penalty to recover the swap cost in the case of premature withdrawal of FCNR(B) deposits • No penalties in the case of premature conversion of balances held in FCNR(B) deposits into RFC Accounts by Non-Resident Indians on their return to India
Payment of interest to NRIs on return to India	• Banks can allow FCNR(B) deposits of persons of Indian nationality/ origin, who return to India for permanent settlement, to continue till maturity at the contracted rate of interest subject to conditions

V.4 GUIDELINES ON FAIR PRACTICES CODE FOR LENDERS

V.4.a Pre-sanction appraisal

Applications for loans and their processing	• Banks (SCBs excluding RRBs) have been advised to make loan application form comprehensive • Full disclosure of all fee/charges, refundable part, pre-payment charges and options, penalty for delayed payment, process for switching fixed to floating • NBFCs including HFCs also advised to make all critical information easily accessible
Acknowledgement for loan applications	• REs to devise a system of giving acknowledgement for receipt of all loan applications • NBFCs including HFCs advised to provide a time frame of case disposal also
Loan appraisal and timelines for credit decisions	• Proper assessment of credit application by borrowers; margin and security stipulation should not be used as a substitute for due diligence • Complete appraisal of proposals in a time bound manner • Banks to make suitable disclosures on the timelines for conveying credit decisions through their websites, notice boards, product literature, etc. • HFCs have been advised that normally all particulars required for processing the loan application shall be collected by the HFC at the time of application

Communication regarding rejection of loan application	• Reason for rejection of loans, irrespective of any threshold limits, should be communicated to the applicant within stipulated time by Banks and HFCs
Communication of terms and conditions to the borrower	• Credit limit along with the terms and conditions to be communicated; borrower's acceptance of these terms (after negotiation) given with his full knowledge to be kept on record by Banks, NBFCs and HFCs • Language adopted by NBFCs and HFCs should be vernacular language or a language as understood by the borrower; penalties charged for late repayment in bold in the loan agreement
Furnishing a copy of the loan agreement to the borrower	• Banks, NBFCs, and HFCs should invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/ disbursement of loans • The loan agreement should clearly stipulate credit facilities that are solely at the discretion of lenders • It may be specifically stated that the lender does not have an obligation to meet further requirements of the borrowers on account of growth in business etc. without proper review of credit limits

V.4.b Disbursement and Post-disbursement supervision

Disbursement of loans	• Banks and HFCs should ensure timely disbursement of loans sanctioned in conformity with the disbursement schedule/ terms and conditions
Changes in terms and conditions	• Banks, NBFCs, and HFCs to give notice of any change in the terms and conditions including interest rates, service charges, etc. Such changes to be effected prospectively. • HFCs have been advised that if such change is to the disadvantage of the customer, he/ she may within 60 days and without notice close his/ her account or switch it without having to pay any extra charges or interest
Post disbursement supervision	• Post disbursement supervision by Banks, particularly in respect of loans up to Rupees two lakh, should be constructive with a view to taking care of any 'lender-related' genuine difficulty that the borrower may face

	• NBFCs and HFCs have been advised that decision to recall/ accelerate payment or performance under the agreement shall be in consonance with the loan agreement
Release of securities	• Banks, NBFCs and HFCs have been advised that lenders should release all securities on receiving payment of loan or realisation of loan subject to any legitimate right or lien for any other claim they may have against borrowers in which case borrower must be duly informed.
Recovery of loans	• Lenders should not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. • Staff should also be adequately trained to deal with the customers in an appropriate manner

V.4.c Other Instructions

Transfer of borrowal accounts	• The consent or objection of the lender, if any, should be conveyed within 21 days from the date of receipt of request from borrower or the transferee
Interference in the affairs of the borrowers	• Lenders should refrain from interference in the affairs of the borrowers except for what is provided in the T&C of the loan sanction documents
Non-discrimination	• Lenders must not discriminate on grounds of sex, caste and religion in the matter of lending (not applicable for formulating scheme for weaker section)
Responsibilty of Board	• Board of Directors shall lay down the appropriate grievance redressal mechanism within the organization • All disputes arising out of the decisions of lending institution's functionaries should be heard and disposed of at least at the next higher level • Periodic review of the compliance of the FPC and the functioning of the grievances redressal mechanism at various levels of management
Key Facts Statement (KFS)/ Most Important Terms and Conditions (MITC)	• REs to provide a KFS, as per a standardized format (all critical information including cost), to all prospective borrowers in case of all retail and MSME term loan products • HFCs have been advised to additionally obtain a document containing the other most important terms and conditions (MITC) of such loan

Language and mode of communicating Fair Practices Code	• NBFCs and HFCs have been advised that FPC shall preferably be in the vernacular language or a language as understood by the borrower
Excessive interest charged by NBFCs including HFCs	• NBFCs including HFCs have been advised to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges • HFCs to put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers • Board of NBFCs shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances • The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers • HFCs have been advised that instalments collected from borrowers should clearly indicate the bifurcation between interest and principal
Levy of foreclosure charges/ pre-payment penalties	• Lenders shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s) • HFCs not to charge pre-payment levy or penalty on pre-closure of housing loans if (i) loan is on floating interest rate basis and pre-closed from any source; (ii) loan is on fixed rate and it is pre-closed by borrower out of its own source

V.5 RECENT INSTRUCTIONS

Penal charges in loan accounts	• REs to formulate a Board approved policy on penal charges and transparently disclose the quantum and reason for penal charges to the borrowers • Penalty for non-compliance of material terms of loan contract by the borrower shall be in the form of 'penal charges' and shall not be levied in the form of 'penal interest'- no capitalising (further interest) on charges

Reset of floating interest rate on EMI based personal loans	• Proper conduct framework for provision of adequate headroom at origination for absorbing the impact of rising interest rates; feasible options of switching to fixed rate loans and foreclosure of loans; transparent disclosure of various charges incidental to the exercise of these options; and proper communication of key information to the borrowers.
Release of movable / immovable property documents	• REs to release all the original movable/ immovable property documents including removal of charges registered with any registry within 30 days after full repayment/ settlement of the loan account • Compensation to the borrower at the rate of ₹5,000/- per day for delay in return of documents by REs (in case of loss/damage, another 30 days, i.e. total 60 days time)
Digital Lending	For REs engaged in Digital Lending, certain requirements are mandated under Guidelines on Digital Lending dated September 02, 2022, inter-alia, including: • Disclosure of all-inclusive cost of loan as Annual Percentage Rate (APR) to the borrower. • Any fees, charges, etc., payable to Lending Serive Providers (LSPs) in the credit intermediation process shall be paid directly by the Regulated Entity (RE) and not by the borrower. • Need based data collection with clear audit trails. • Data collection only with prior & explicit consent of the borrower. • Borrower's discretion to accept or deny consent for use of specific data. • Digital Lending Apps (DLAs)/ LSPs to have a clear Privacy Policy. • LSPs/DLAs not to store personal information of borrowers, except for some basic minimum information. • Data to be stored in servers located in India only. • Details of recovery agent to be disclosed upfront at the time of sanction and at the time of passing of loan to recovery agent • Periodic review by RE of conduct of their LSPs • RE to impart necessary guidance to LSPs acting as recovery agent and ensure they comply with outsourcing guidelines.

V.6 KEY ELEMENTS OF KYC POLICY

Customer Acceptance Policy	• REs to frame such policy but it should not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged. • If REs are reasonably sure that due diligence may tip-off a customer who might be involved in money laundering or terrorist financing, they should not initiate CDD process but file STR with FIU-IND.
Risk Management	• Risk categorization of customers into low, medium and high risk, based on laid-down broad principles; the categorisation and reason thereof to be kept confidential from customer. • Risk assessment to use FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Banks Association (IBA), and other agencies.
Customer Identification Procedure (CIP)	• To be carried out if (i) starting an account-based relationship; (ii) international transaction with non-account holder, (iii) any transaction ≥ ₹ 50,000 with walk-in customer; and (iv) if there is a reason to believe that customer is structuring transactions, etc. • REs may rely on CDD process done by a third party for the purpose of CIP for account opening subject to certain conditions. • In case of individuals- o RE shall obtain (i) Officially Valid Document including Aadhaar (with conditions), (ii) PAN or Form-60, and (iii) documents regarding nature of business and financial status of the customer o 'Non-face-to-face'(NF2F) mode accounts can be opened with Aadhaar OTP based e-KYC Authentication s.t. conditions. o NF2F mode accounts can also be opened using CKYC identifier/ equivalent e-documents/ documents through Digilocker and such customers shall be categorised as high risk. o Video-CIP (V-CIP) is to be treated on par with face-to-face CIP. o As an alternative, banks shall open a 'Small Account' - aggregate of all credits ≤₹1L (yearly); balance ≤₹50K; deposit-withdrawal≤₹10K (monthly). Can remain operational for 12 months extendable by another 12 months subject to conditions.

	• CDD for a sole proprietary firm shall include CDD of the proprietor and two documents for proof of business/ activity in the name of the firm. If single document for business/activity is obtained, contact point verification is to be carried out and existence of firm to be verified. • CDD for a legal entity(LE) shall involve identification of beneficial owner(s) and their CDD, apart from LE's CDD.
Monitoring of Transactions/ On-going Due Diligence	• Monitoring to be aligned with risk category of the customer, which shall be reviewed periodically (at least every six months). • Periodic updation of KYC- At least once in, 2 years for high-risk, 8 years for medium-risk, and 10 years for low risk customer.
Other aspects- *Enhanced and Simplified Due Diligence Procedure*	• Enhanced Due Diligence for – (i) NF2F customer onboarding; (ii) politically exposed persons; (iii) client accounts opened by professional intermediaries; and Simplified Due Diligence for SHGs, etc.
Other aspects- *Record Management*	• Maintain all necessary records of transaction for at least 5 years from the date of transaction; identification records for at least 5 years after business relationship is ended. • In case of non-profit organisations, the details of such customers should be registered on the DARPAN Portal of NITI Aayog.
Other aspects- *Requirements of FIU-IND*	• REs shall not have any account in the name of individuals/entities appearing in the UNSC sanction list and lists circulated by Govt. under UAPA and WMD Act.
Other aspeccts- *Obligations under international agreements*	• REs shall not have any account in the name of individuals/entities appearing in the sanction list circulated by UNSC. • As regards jurisdictions that do not or insufficiently apply the FATF recommendations, REs have to take note of FATF public statements and apply enhanced due diligence measures. • REs shall take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA, 1967 and any amendments to the same.

Other aspects- *Secrecy Obligations and Sharing of Information*	• REs to maintain secrecy regarding the customer information as the same will be treated as confidential; Disclosure of information only in certain exceptional cases.
Other aspects- *CDD and sharing KYC information with CKYCR*	• KYC records to be uploaded onto CKYCR by REs within 10 days of commencement of an account-based relationship with the customer. • Once KYC Identifier is generated by CKYCR, REs ensure that the same is communicated to the individual/LE, as the case may be. • Updated information from any customer shall be uploaded within seven days or within such period as may be notified by the Central Government onto CKYCR. CKYCR then will inform all REs dealing with that customer with update.
Other aspects- *Operation of Bank Accounts & Money Mules*	• 'Money Mules' are used to launder the proceeds of fraud schemes by gaining illegal access to deposit accounts by recruiting 3rd party. • REs to undertake diligence measures and meticulous monitoring to identify Mule accounts take appropriate action, including filing STR with FIU-IND.
Other aspects- *Unique Customer Identification Code (UCIC)*	• REs are required to allot a UCIC while entering into new relationships with individual customers as also the existing individual customers. • The REs shall, at their option, not issue UCIC to all walk-in/ occasional customers provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC. • The RE shall apply CDD process at the UCIC level.

CHAPTER VI - RESOLUTION OF REGULATED ENTITIES

VI.1 MERGERS AND AMALGAMATIONS

Amalgamation of banking companies and co-operative banks	Amalgamation of NBFCs
• Governed by the provisions of the BR Act, 1949 • RBI has discretionary power, under section 44A, to approve voluntary amalgamation of two banking companies • The draft scheme of amalgamation must be approved by the shareholders of each banking company by a resolution passed by 2/3rd of shareholder by value, and then submitted to RBI • MD -Amalgamation of Private Sector Banks dated April 21, 2016 giving the details of the statutory provisions, regulatory criteria and the procedure for submission of application • Pursuant to the notification of the Banking Regulation (amendment) Act 2020, the powers to sanction the amalgamation scheme of co-operative banks now rests with the RBI under Section 44A read with Section 56 of the BR Act. • MD- Amalgamation of UCBs, dated March 23, 2021 • UCB amalagamtion application considered when amalgamating bank on its own assurance or with the financial support from the State Government extended upfront as part of the process of merger, assures to protect the deposits of all the depositors of the amalgamated bank; Amalgamating UCB also incentivised. • Guidelines on amalgamation of DCCBs with StCB under the provisions of Section 44A and Section 56 of BR Act was issued on May 24, 2021	• Governed by sections 232 to 234 of the Companies Act, 2013 • NCLT has the power to approve the amalgamation of NBFCs • NBFCs are required to take prior approval from RBI for change in control/ ownership/ management as well as for merger/ amalgamation. • NBFC being amalgamated with Banking company: After approval of both the entities, the application is forwarded to RBI for NOC before being submitted in Tribunal for approval • NBFC being amalgamated with another NBFC: Prior written approval of RBI; if there is change in shareholding pattern of paid-up equity capital of the acquiring NBFC by 26% or more, prior written approval of RBI is required • NBFC being merged with non-regulated entity (NRE): NBFC to require prior approval from RBI; If NRE meets PBC after merger then it must seek approval of RBI and register with RBI • NRE being merged with NBFC: Prior approval of RBI if (i) merger would result change in shareholding pattern of 26% or more of the paid-up equity capital of the NBFC; or (ii) any change in the management of the NBFC which would result in change in more than 30% of the directors, excluding independent directors

VI.2 RESOLUTION

Resolution of banking companies & co-operative banks	Resolution of NBFCs
• RBI to apply to the Central Government for compulsory amalgamation/ reconstruction of a banking company (Sec 45 of BR Act)/co-operative bank (Sec 45 read with Sec 56 of BR Act) • After the amendment to Section 45(4) of the B.R. Act, in the year 2020, the decision for amalgamation can be made during the period of moratorium or at any other time • As per Section 45(6) of the BR Act, the draft Scheme on reconstruction/ compulsory amalgamation, is placed on RBI website for comments/ objections from the stakeholders • The draft scheme is then sent to Government of India for approval and is notified by Government of India • RBI is empowered under provisions of Section 10B to remove any person who has been elected to be Chairman of the Board of Directors or the Managing Director of a banking company • RBI has the powers under Section 36ACA of the BR Act for Supersession of the Board of Directors of banking companies and under Section 36AAA read with Section 56 of the BR Act for supersession of Board of Directors of co-operative banks • RBI also has the power to issue directions under Section 35A to secure the proper management of any banking company, and to require the banking company / co-operative bank to make changes to management by the RBI u/s 36(1)(d)(v) of BR Act • Under Section 36AE of the Act, Central Government has the power to acquire undertakings of banking companies in some cases • RBI may cancel the licence of a banking company/co-operative banks under the provisions of Section 22(4) of the BR Act. Banks may appeal to central government within 30-days. • After cancellation of license of banking company, HC appoints a liquidator to wind up the bank; RCS appoints liquidator for uni-state cooperative, and central registrar for multi-state cooperative bank.	• Section 45MBA of the RBI, Act, 1934 empowers the RBI with a range of tools for resolution of NBFCs including the power to frame schemes of Amalgamation, Reconstruction, or Splitting it. • RBI may also reduce the pay and allowances of CEOs, MDs, Chairmen or any senior management officers of the NBFC, cancel the shares held by them or their relatives in the NBFC, or sell the assets of the NBFC. • Under provisions of Section 45-IA (6) RBI can cancel the Certificate of Registration (COR) issued to NBFC. • Under Section 45MC of the RBI Act, RBI may file an application for winding up of NBFC under the Companies Act, 2013. • In case, any NBFC intends to surrender the COR voluntarily, it is required to make any application to RBI in terms of press-release on "Voluntary Surrender of CoR by NBFCs (including HFCs) for cancellation". • In terms of the IBC 2016 read with Financial Service Provider Rules 2019, RBI also has the option to initiate Corporate Insolvency Resolution Process against NBFCs with asset size of ₹500 crore or more with default of ₹1 crore or more. • The resolution powers over NBFCs are contained under Chapter IIIB of RBI Act. The relevant provisions are: 45-ID – Power to remove directors from office; 45-IE – Supersession of Board of directors of NBFCs (other than Govt NBFC); 45MB – Power of Bank to prohibit acceptance of deposit and alienation of assets (applicable in case of deposit taking NBFCs); 45MBA – Resolution of NBFCs; 45MC – Power of Bank to file winding up petition.