



भारतीय रिजर्व बैंक
RESERVE BANK OF INDIA

RBI/2024-25/63

DoR.FIN.REC.35/03.10.124/2024-25

August 16, 2024

All Non-Banking Financial Company – Peer to Peer Lending Platforms

Dear Sir/ Madam,

Review of Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017

Please refer to the [Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform \(Reserve Bank\) Directions, 2017](#) (the Directions).

2. The Directions envisaged the Non-Banking Financial Company – Peer to Peer Lending Platform (NBFC-P2P Lending Platform) to act as an intermediary providing online marketplace / platform to the participants involved in peer to peer lending. Accordingly, the Directions had laid down clear guidelines regarding various aspects of functioning of NBFC-P2P Lending Platforms. However, it has been observed that some of these platforms have adopted certain practices which are violative of the said Directions. Such practices include, among others, violation of the prescribed funds transfer mechanism, promoting peer to peer lending as an investment product with features like tenure linked assured minimum returns, providing liquidity options and at times acting like deposit takers and lenders instead of being a platform. Such violations, when observed, have been dealt with bilaterally by the Reserve Bank of India for remediation.

3. In view of the above, it has been decided to elaborate and clarify certain provisions with some modifications for proper implementation of the Directions. The amended provisions of the Directions are enclosed in the [Annex](#) to this circular.

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हिन्दी आसान है, इसका प्रयोग बढ़ाइए।

4. The amended provisions contained in this circular except item I(f)(ii) of the enclosed Annex shall come into effect immediately. Item I(f)(ii) of the Annex shall be effective from ninety days of the date of this circular.

5. The [Master Direction – Non-Banking Financial Company – Peer to Peer Lending Platform \(Reserve Bank\) Directions, 2017](#) stands modified accordingly.

Yours faithfully,

(J.P. Sharma)
Chief General Manager

I. Amendment to the existing provisions of the Master Direction (MD)

| S.No. | Para of MD | Existing Provision | Amended Provision |
|-------|------------|--|--|
| a. | 6(1)(iv) | An NBFC-P2P shall not provide or arrange any credit enhancement or credit guarantee. | An NBFC-P2P shall not provide or arrange any credit enhancement or credit guarantee. NBFC-P2P shall not assume any credit risk, either directly or indirectly, arising out of transactions carried out on its platform. In other words, entire loss of principal or interest or both, if any, in respect of funds lent by lenders to borrowers on the platform shall be borne by the lenders and adequate disclosures to this effect shall be made to lenders as part of fair practices code specified in para 12 of the MD. |
| b. | 6(1)(vii) | An NBFC-P2P shall not cross sell any product except for loan specific insurance products. | An NBFC-P2P shall not cross sell any product except for loan specific insurance products. It may be noted that NBFC-P2P shall not cross sell any insurance product also which is in the nature of credit enhancement or credit guarantee. |
| c. | 7(2) | The aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of Rs.50,00,000/- provided that such investments of the lenders on P2P platforms are consistent with their net-worth. The lender investing more than Rs.10,00,000 across P2P platforms shall produce a certificate to P2P platforms from a practicing Chartered Accountant certifying minimum net-worth of Rs.50,00,000. | The aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of Rs.50,00,000 provided that the amount lent by the lenders on P2P platforms is consistent with their net-worth. In case, the amount lent by a lender is more than Rs.10,00,000 across P2P platforms, the lender shall produce a certificate to P2P platforms from a practicing Chartered Accountant certifying minimum net-worth of Rs.50,00,000. |
| d. | 8(1)(iii) | NBFC-P2P shall have a Board approved policy in place - Setting out the rules for | NBFC-P2P shall have a Board approved policy in place - Setting out the rules for matching/ |

| S.No. | Para of MD | Existing Provision | Amended Provision |
|-------|------------|--|---|
| | | matching lenders with borrowers in an equitable and non-discriminatory manner. | mapping lenders with borrowers in an equitable and non-discriminatory manner. |
| e. | 8(3) | No loan shall be disbursed unless the individual lender/s have approved the individual recipient/s of the loan and all concerned participants have signed the loan contract. | No loan shall be disbursed unless the lenders and the borrowers have been matched/ mapped as per the board approved policy framed in terms of paragraph 8(1)(iii), the individual lender(s) have approved the individual recipient(s) of the loan and all concerned participants have signed the loan contract. |
| f. | 9 | Fund transfer between the participants on the Peer to Peer Lending Platform shall be through escrow account mechanisms which will be operated by a bank promoted trustee. At least two escrow accounts, one for funds received from lenders and pending disbursement, and the other for collections from borrowers, shall be maintained. All fund transfers shall be through and from bank accounts and cash transaction is strictly prohibited. The mechanism as described in the Annex-I may be adopted by the NBFC-P2P. | (i) Fund transfer between the participants on the Peer to Peer Lending Platform shall be through escrow account mechanisms which will be operated by a bank promoted trustee. At least two escrow accounts, one for funds received from lenders and pending disbursement (i.e., Lenders' escrow Account), and the other for collections from borrowers (i.e., Borrowers' escrow Account), shall be maintained. Under this prescribed funds transfer mechanism, funds from the lenders' bank accounts shall only be transferred to the Lenders' Escrow Account and shall only be disbursed to the specific borrower's bank account after ensuring compliance to the paragraph 8(3) of these Directions. The borrower shall transfer the amount towards repayment of loan from his bank account to the Borrowers' Escrow Account, from where the funds shall only be transferred to the respective lender's bank account. Funds from 'Lenders' Escrow Account' shall not be used for repayment of loans and funds from 'Borrowers' Escrow Account' shall not be |

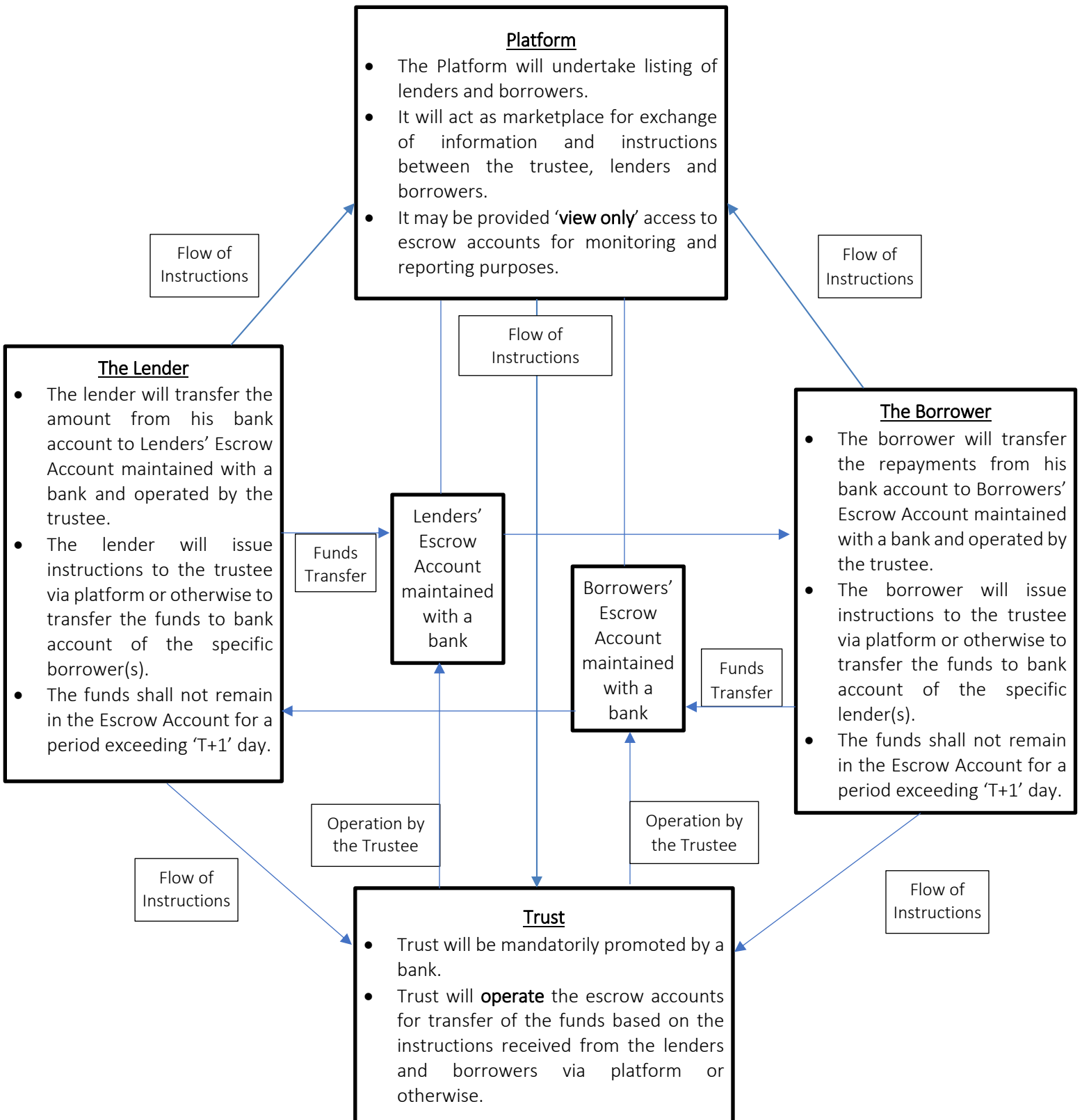
| S.No. | Para of MD | Existing Provision | Amended Provision |
|-------|---------------|--|---|
| | | | <p>used for disbursement of loans. All fund transfers shall be through and from bank accounts and cash transaction is strictly prohibited. The pictorial depiction of the Funds Transfer Mechanism as described in the Annex-I shall be adopted by the NBFC-P2P.</p> <p>(ii) The funds transferred into the Lenders' Escrow Account and Borrowers' Escrow Account shall not remain in these Escrow Accounts for a period exceeding 'T+1' day, where 'T' is the date on which the funds are received in these Escrow Accounts.</p> |
| g. | 11(1)(i)(a) | <p>An NBFC-P2P shall be required to disclose the following:</p> <p>(i) to the lender</p> <p>(a) details about the borrower/s including personal identity, required amount, interest rate sought and credit score as arrived by the NBFC-P2P.</p> | <p>An NBFC-P2P shall be required to disclose the following:</p> <p>(i) to the lender</p> <p>(a) details about the borrower(s) including personal identity with his/ her consent (which should be kept on record), required amount, interest rate sought and credit score as arrived by the NBFC-P2P.</p> |
| h. | 11(1)(iii)(d) | <p>An NBFC-P2P shall be required to disclose the following:</p> <p>(iii) publicly disclose on its website:</p> <p>(d) portfolio performance including share of non-performing assets on a monthly basis and segregation by age; and</p> | <p>An NBFC-P2P shall be required to disclose the following:</p> <p>(iii) publicly disclose on its website:</p> <p>(d) portfolio performance including share of non-performing assets (NPAs) on a monthly basis and segregation by age. It may be noted that such disclosures shall also include all losses borne by the lenders on principal or interest or both; and</p> |
| i. | 12(2) | <p>NBFC-P2P shall be required to obtain explicit declaration from the lender stating that he/she has understood all the risks</p> | <p>NBFC-P2P shall be required to obtain explicit declaration from the lender stating that he/she has understood all the risks associated with the</p> |

| S.No. | Para of MD | Existing Provision | Amended Provision |
|-------|--------------|---|---|
| | | <p>associated with the lending transactions and that P2P platform does not assure return of principal/payment of interest. The declaration shall also state that there exists a likelihood of loss of entire principal in case of default by a borrower. The platform shall not provide any assurance for the recovery of loans. Further, the platform shall display a caveat that "Reserve Bank of India does not accept any responsibility for the correctness of any of the statements or representations made or opinions expressed by the NBFC-P2P, and does not provide any assurance for repayment of the loans lent on it".</p> | <p>lending transactions and that P2P platform does not assure return of principal/payment of interest. The declaration shall also state that there exists a likelihood of loss of entire principal in case of default by a borrower. The P2P platform shall not provide any assurance or guarantee for the recovery of loans. Further, the P2P platform shall not promote peer to peer lending as an investment product with features like tenure linked assured minimum returns, liquidity options, etc.</p> |
| j. | Annex VI - 2 | <p>NBFCs which choose to outsource financial services shall, however, not outsource core management functions including Internal Audit, Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms for opening deposit accounts, according sanction for loans (including retail loans) and management of investment portfolio. However, for NBFCs in a group/conglomerate, these functions may be outsourced within the group subject to compliance with instructions in Para 6. Further, while internal audit function itself is a management process, the internal auditors can be on contract.</p> | <p>NBFC-P2Ps which choose to outsource any of their functions shall, however, not outsource core management functions including Internal Audit, Strategic and Compliance functions, pricing of services/ fees to be charged to borrowers/ lenders and decision-making functions such as determining compliance with KYC norms. However, for NBFC-P2Ps in a group/conglomerate, these functions may be outsourced within the group subject to compliance with instructions in Para 6. Further, while internal audit function itself is a management process, the internal auditors can be on contract.</p> |

II . New provisions added in the MD

- (i) Para 6(1)(xi) - An NBFC-P2P shall not deploy lenders' funds in any manner other than as specified in these Directions.
- (ii) Para 6(1)(xii) – NBFC-P2P shall not utilize funds of a lender for replacement of any other lender(s).
- (iii) Para 8(4) - The pricing policy shall be objective and NBFC-P2P shall disclose the fees liable to be charged, ab initio, i.e., at the time of lending itself. The fees shall be a fixed amount or a fixed proportion of the principal amount involved in the lending transaction. The fees shall not be dependent upon the repayment by the borrower(s).
- (iv) Para 8(5) - The practice of matching/ mapping the participants within a closed user group, whether sourced through an outsourced agency or otherwise, is not permitted. Examples of 'closed user group' include borrowers/lenders sourced through an affiliate/service provider to the NBFC-P2P.
- (v) Para 11(4) - NBFC-P2P shall explicitly and prominently mention its name (as mentioned in the Certificate of Registration) along with its brand name, if any, in all its touch points/ customer interfaces including promotional material and any communication with stakeholders/ participants.
- (vi) Para 12(6) - The platform shall display a caveat prominently on its website, mobile/web applications including any other promotional material used by it that "It is an NBFC-P2P lending platform registered with the Reserve Bank. However, Reserve Bank does not accept any responsibility for the correctness of any of the statements or representations made or opinions expressed by the NBFC-P2P and does not provide any assurance for repayment of the loans lent on it".

Funds Transfer Mechanism



'T' is the date on which the funds are received in the respective Escrow Accounts.