



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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May 12, 2016

RBI releases Discussion Paper on Framework for enhancing Credit Supply for Large Borrowers through Market Mechanism

The Reserve Bank of India today placed on its website the [Discussion Paper \(DP\)](#) on Framework for enhancing Credit Supply for Large Borrowers through Market Mechanism. Absence of an overarching ceiling on total bank borrowing by a corporate entity from the banking system has resulted in banks collectively having very high exposures to some of the large corporates in India. The proposed Framework is proposed with a view to mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate.

The proposed Framework will come into effect from the financial year 2017-18 and will be applicable to all banks in India as well as branches of Indian banks abroad. Under the proposed Framework, borrowings of the 'Specified Borrowers' having a certain aggregate sanctioned fund-based credit limit (ASCL) from the banking system beyond the Normally Permitted Lending Limit (NPLL), will invite additional risk weight and higher standard asset provision.

Background

In March 2015, the Reserve Bank had issued a Discussion Paper titled "[Large Exposures Framework and Enhancing Credit Supply through Market Mechanism](#)", which, among other aspects invited comments from stakeholders on ways to encourage large corporates with borrowings from the banking system above a cut-off level to tap the market for their working capital and term loan needs. Based on the comments received from the stakeholders and after examining several options for enhancing credit supply through market mechanism, it was felt necessary, as announced in the [Monetary Policy Statement on April 5, 2016](#), to issue a separate Discussion Paper on the subject, for public comments, before finalising regulatory instructions in the matter.

Comments on the Discussion Paper may be forwarded to the Principal Chief General Manager, Department of Banking Regulation, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Mumbai-400001 or Please [click here](#) to send email latest by May 30, 2016.

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