

Draft Reserve Bank of India (Investment in AIF) Directions, 2025

DRAFT FOR COMMENTS

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Reserve Bank of India (Investment in AIF) Directions, 2025

The Reserve Bank had issued the [circular no.DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023](#) and [DOR.STR.REC.85/21.04.048/2023-24, dated March 27, 2024](#) (“**existing circulars**”), prescribing the regulatory guidelines in respect of the investment by the regulated entities (REs) in Alternative Investment Funds (AIFs). The above guidelines have been reviewed, *inter alia* taking into account the regulations issued by the Securities and Exchange Board of India (SEBI) relating to specific due diligence of investors and investments of AIFs.

Accordingly, in exercise of powers conferred under Sections 21 and 35A of the Banking Regulation Act, 1949 read with Section 56 of the Banking Regulation Act, 1949; Chapter IIIB of the Reserve Bank of India Act, 1934 and Sections 30A, 32 and 33 of the National Housing Bank Act, 1987 the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues these Directions hereinafter specified.

2. Short title and commencement

- a) These Directions shall be called the Reserve Bank of India (Investment in AIF) Directions, 2025.
- b) These Directions shall come into force from the date of final issue (**‘effective date’**), substituting the existing circulars.

Provided that, all outstanding investments as on the effective date, or subsequent drawdowns out of commitments made prior to the effective date, shall continue to be guided by the provisions of the existing circulars.

3. Applicability

These Directions shall be applicable to investments by the following REs in units of AIF Schemes:

- i. Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks)
- ii. Primary (Urban) Co-operative Banks/State Co-operative Banks/ Central Co-operative Banks
- iii. All-India Financial Institutions
- iv. Non-Banking Financial Companies (including Housing Finance Companies)

4. Definitions

For the purpose of these Directions, following definitions apply:

- i. **‘Debtor company’** of the RE shall imply any company to which the RE currently has or previously had a loan or investment exposure (excluding equity instruments) anytime during the preceding 12 months.
- ii. **‘Equity instrument’** shall refer to equity shares, compulsorily convertible preference shares (CCPS) and compulsorily convertible debentures (CCD).

5. General Requirements

All REs shall put in place suitable provisions as part of their investment policy to ensure that investments in an AIF Scheme comply, in letter and spirit, with the extant regulatory norms. In particular, such investments shall be subject to the test of evergreening.

6. Limits on Investments and Provisioning

- a) No RE shall individually contribute more than 10 per cent of the corpus of an AIF Scheme.
- b) Collective contribution by all REs in any AIF Scheme shall not be more than 15 per cent of the corpus of that scheme.
- c) If an RE contributes more than five per cent of the corpus of an AIF Scheme, which also has downstream investment (excluding equity instruments) in a debtor company of the RE, then the RE shall be required to make 100 per cent provision to the extent of its proportionate investment in the debtor company through the AIF Scheme.
- d) Notwithstanding paragraph 6(c), if the RE’s contribution is in the form of subordinated units under the Priority Distribution Model (PDM), it shall deduct the entire investment from its capital funds – equally from both Tier-1 and Tier-2 capital (wherever applicable).

7. Exemptions

The Reserve Bank may, in consultation with the Government of India, exempt certain AIFs from the applicability of paragraph 6 of these Directions. Such exempted AIFs shall be enlisted in the [Annex](#) to these Directions, as updated from time to time.

List of AIFs under “Exemption Category”

To be finalised, in consultation with the Government of India, before the issuance of final circular.