



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

RBI/DOR/2025-26/179

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November 28, 2025

**Reserve Bank of India (Small Finance Banks – Undertaking of Financial Services) Directions, 2025 (Updated as on December 05, 2025)**

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In exercise of the powers conferred by Section 35 A of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Directions hereinafter specified.

## Chapter I – Preliminary

### A. Short Title and Commencement

1. These Directions shall be called the [Reserve Bank of India \(Small Finance Banks – Undertaking of Financial Services\) Directions, 2025](#).
2. These Directions shall come into force with immediate effect.  
Provided that, the provisions contained in paragraphs 23 to 29 shall come into effect from January 1, 2026, or from an earlier date as may be decided by a Small Finance Bank as per its internal policy.

### B. Applicability

3. These Directions shall be applicable to Small Finance Banks (hereinafter collectively referred to as 'banks' and individually as 'a bank').

### C. Definitions

4. In these directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
  - (1) **<sup>1</sup>Agency Business:** means an arrangement under which a bank acts as an agent of a third-party product or service provider (TPPSP), without risk participation, to facilitate the sale of the latter's financial products or services (e.g., insurance, mutual fund, pension fund, etc.) to its own customers. Under agency business arrangement, the bank shall enter into an agreement with a TPPSP for sale of only regulated financial products or services. The activities covered under agency business arrangements may inter-alia include marketing, sales, promotion, initial

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<sup>1</sup> Amended w.e.f December 05, 2025 vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#).



point of contact for redressal of grievance and other after-sale services related to the product or service.

- (1A) **'Assignee'** shall have the same meaning as defined in the Factoring Regulation Act, 2011;
- (2) **'Assignor'** shall have the same meaning as defined in the Factoring Regulation Act, 2011;
- (3) **'Associate'** shall have the same meaning as defined in terms of the Accounting Standards of the Institute of Chartered Accounts of India;
- (4) **'Debtor'** shall have the same meaning as defined in the Factoring Regulation Act, 2011;
- (5) **'Debtor company'** means any company to which the regulated entity (RE) currently has or previously had a loan or investment exposure (excluding equity instruments) anytime during the preceding twelve months;
- (6) **'Equity instrument'** means equity shares, compulsorily convertible preference shares (CCPS) and compulsorily convertible debentures (CCD);
- (7) **'Factoring'** shall have the same meaning as defined in the Factoring Regulation Act, 2011;
- (8) **'Financial Services Company'** means a company engaged in the 'business of financial services'.

Explanation: The 'business of financial services' shall include –

- (i) the forms of business enumerated in clauses (a), (c), (d), (e) of sub-Section (1) of Section 6 of the Banking Regulation Act, 1949 and notified under clause (o) of sub-Section (1) of Section 6 of the Banking Regulation Act, 1949;
- (ii) the forms of business enumerated in clause (c) and clause (f) of Section 45 I of Reserve Bank of India Act, 1934;
- (iii) business of credit information as provided under the Credit Information Companies (Regulation) Act, 2005;



- (iv) operation of a payment system as defined under the Payment and Settlement Systems Act, 2007;
  - (v) operation of a stock exchange, commodity exchange, derivatives exchange or other exchange of similar nature;
  - (vi) operation of a depository as provided under the Depositories Act, 1996;
  - (vii) business of an Asset Reconstruction company as provided under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
  - (viii) business of a merchant banker, portfolio manager, stock broker, sub-broker, share transfer agent, trustee of trust deeds, registrar to an issue, merchant banker, underwriter, debenture trustee, investment adviser and such other intermediary as provided in the Securities and Exchange Board of India Act, 1992 and the regulations made thereunder;
  - (ix) business of a credit rating agency as defined in the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999;
  - (x) business of a collective investment scheme as defined under the Securities and Exchange Board of India Act, 1992;
  - (xi) business of managing a pension fund;
  - (xii) business of an authorised person as defined under the Foreign Exchange Management Act, 1999; and
  - (xiii) such other business as may be specified by Reserve Bank from time to time.
- (9) **‘Government Securities’** shall have the same meaning as defined in the Government Securities Act, 2006;
- (10) **‘Hire Purchase’** shall have the same meaning as defined in the Hire Purchase Act, 1972;
- (11) **‘Joint Venture’** shall have same meaning as defined in terms of the Accounting Standards of the Institute of Chartered Accountants of India;
- (12) **‘Mutual Fund’** shall have the same meaning as defined in SEBI (Mutual Funds) Regulations, 1996;



- (13) **‘Non-Financial Services Company’** means a company engaged in businesses other than those specified in clause (8) above; and
- (14) **<sup>2</sup>Referral Services:** means an arrangement under which a bank may refer its customers to a TPPSP by making available information about the financial products or services offered by the TPPSP.

Note: Under referral arrangement, the bank shall neither be involved in any of the processes relating to the third-party products or services (TPPS) nor the name or brand of the bank shall feature in any of the product/service documents. No processes relating to TPPS shall either be integrated with the bank’s platform/carried out within the premises of the bank (unless specifically permitted) or be accessible in the form of a micro-site or micro-application, except for an access link to redirect the customer to the TPPSP.

5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or any statutory modification or re-enactment thereto, or Glossary of Terms published by RBI or as used in commercial parlance, as the case may be.

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<sup>2</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#)



## Chapter II – Role of the Board

6. The Board of a bank shall be responsible for approval of policies and risk governance in respect of various activities undertaken by the bank.

### A. Board Approved Policies

7. A bank shall put in place Board-approved policies for,
  - (1) insurance distribution to, inter alia, ensure customer suitability, appropriateness, a clear grievance redressal framework and compensation policy to address service-related issues effectively as;
  - (2) governing the corporate agency business of insurance companies undertaken departmentally by the bank. The policy shall, at a minimum, cover the model of insurance distribution to be adopted, customer suitability and appropriateness, and the framework for grievance redressal,
  - (3) specifying the risk control measures and prudential norms for exposure limits applicable to each trading member, factoring in parameters such as net worth, business turnover, and other relevant risk indicators (in case the bank intends to function as a Professional Clearing Member in the commodity derivatives segment of SEBI-recognised exchanges); and
  - (4) governing the bank's exposure to trading members, ensuring consistency with the overall risk appetite and regulatory requirements (in case the bank intends to function as a Professional Clearing Member in the commodity derivatives segment of SEBI-recognised exchanges)

### B. Key responsibilities

8. In respect of insurance distribution business, the Board shall ensure that a robust internal grievance redressal mechanism is in place.
9. In respect of factoring business undertaken by the bank departmentally, the Board shall approve limits for underwriting commitments pertaining to the credit risk on the debtor under without-recourse factoring.
10. The Board of a bank intending to function as a Professional Clearing Member in the commodity derivatives segment of SEBI-recognised exchanges shall:



- (1) determine the aggregate exposure limits that the bank may assume on its registered clients, in relation to the bank's net worth, and ensure that the exposure is monitored on an ongoing basis; and
- (2) prescribe internal margin requirements for the bank's operations as a Professional Clearing Member, which shall be at least as stringent as those prescribed by the Commodity Exchanges and the Reserve Bank, wherever applicable as prescribed.





## Chapter III – General Guidelines

### A. Forms of Business

11. <sup>3</sup>Unless specified otherwise in these Directions, a bank may undertake businesses as permitted under Section 5(b) and Section 6(1) of the Banking Regulation Act, 1949 departmentally.
12. <sup>4</sup>An activity undertaken departmentally shall be subject to the following conditions:
  - (1) A bank shall require prior approval of the Reserve Bank to undertake any new form of business, other than those permitted in these directions.
  - (2) There shall be a policy for each form of business undertaken by the bank, which comprehensively covers various aspects of the said business including identification of various risks associated with it, an appropriate risk mitigation framework, and adherence to capital allocation norms as applicable.
13. <sup>5</sup>A bank cannot set up subsidiaries to undertake any nonbanking financial services activities.
- 13A. <sup>6</sup>The NOFHC, as applicable, shall not require prior approval of the Reserve Bank for the entities held by it to undertake forms of businesses listed under para 13B below unless advised otherwise. The NOFHC shall intimate the Reserve Bank within 15 days from the date of resolution of the Board for undertaking such businesses. Further, an NOFHC shall require the prior approval

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<sup>3</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#).

<sup>4</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#).

<sup>5</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#).

<sup>6</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#).



of the Reserve Bank for the entities held by it to undertake any other form of business subject to other instructions as applicable.

- 13B. <sup>7</sup>Mutual fund business, insurance business, pension fund management, investment advisory and management services, portfolio management services and broking services shall not be carried out departmentally by the bank, but only through a group entity held under NOFHC, as applicable.
14. These Directions shall be read in conjunction with [Reserve Bank of India \(Small Finance Banks – Concentration Risk Management\) Directions, 2025](#). Further, conduct of business by Small Finance Banks shall also be subject to their respective licensing guidelines/conditions.

## **B. Prudential Regulation for Investments**

15. Investment by a bank in a financial services company or a non-financial services company shall be subject to conditions stipulated in the following paragraphs.

### **B.1 <sup>8</sup>Limits in terms of bank's paid-up share capital and reserves**

16. Equity investment by a bank in any entity individually, shall not exceed 10 per cent of the bank's paid-up share capital and reserves as per the last audited balance sheet or audited/unaudited balance sheet of the latest quarter, whichever is lower.
17. The aggregate equity investments made in all entities, including overseas investments, shall not exceed 20 per cent of the bank's paid-up share capital and reserves as per the last audited balance sheet or audited/unaudited balance sheet of the latest quarter, whichever is lower. For calculating the aggregate equity investment limit, the following investments shall be excluded:

- (1) investments in the equity of entities held under 'Held for Trading' category as stipulated in the [Reserve Bank of India \(Small Finance Banks – Classification, Valuation and Operation of Investment Portfolio\)](#)

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<sup>7</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#).

<sup>8</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#)



[Directions, 2025](#) as updated from time to time, subject to the limit stipulated under Section 19(2) of the Banking Regulation Act, 1949.

- (2) investments of up to 30 per cent in the equity of non-financial entities acquired through restructuring of debt or to protect the bank's interest on loans/investments made to an entity.

## **B.2 <sup>9</sup>Limits in terms of investee's capital**

18. A bank may make an aggregate investment of less than 20 per cent in the equity share capital of an entity without prior approval, subject to the following conditions:
  - (1) The bank's CRAR shall not be less than the minimum prescribed capital (including Capital Conservation Buffer) post the investment; and
  - (2) The bank should have reported net profit in each of the preceding two financial years.
19. Notwithstanding the conditions listed above, investments held under 'Held for Trading' category shall not require prior approval, subject to the limit stipulated under Section 19(2) of the Banking Regulation Act, 1949.
20. A bank, with prior approval of the Reserve Bank, may make an aggregate investment of 20 percent or more in the equity share capital of an entity.
21. Save as otherwise provided in these directions, a bank shall be allowed to invest 20 per cent or more in the equity share capital of a non-financial services entity but not exceeding 30 per cent only in the following circumstances:
  - (1) the investee entity is engaged in non-financial business permissible for banks under Section 6(1) of the Banking Regulation Act, 1949, subject to prior approval of the Reserve Bank; or
  - (2) acquisition is through restructuring of debt or to protect the banks' interest on loans/investments made to an entity.

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<sup>9</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#)



(3) Banks shall not require prior approval for such acquisitions; however, they shall submit a time bound action plan for disposal of such shares.

The action plan shall be submitted within 30 days of such acquisition.

22. A bank shall not sponsor (as defined in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) more than one Asset Reconstruction Company (ARC). The aggregate shareholding of the bank in any ARC shall be less than 20 per cent of the equity share capital of the ARC.

### **B.3 Investments in Alternative Investment Funds (AIFs)**

#### **B.3.1 General Requirements**

23. A bank's investment policy shall have suitable provisions governing its investments in an AIF Scheme, compliant with extant law and regulations.

#### **B.3.2 Limits on Investments and Provisioning**

24. <sup>10</sup>A bank shall not contribute more than 10 percent to the corpus of a Category I or Category II AIF Scheme.
25. The aggregate contribution by all Regulated Entities (REs) in any AIF Scheme shall not be more than 20 percent of the corpus of that scheme.

In this context, 'RE' shall mean:

- (1) Commercial Banks (including Small Finance Banks, Local Area Banks);
  - (2) Regional Rural Banks;
  - (3) Urban Co-operative Banks;
  - (4) State Co-operative Banks / Central Co-operative Banks);
  - (5) All-India Financial Institutions; and
  - (6) Non-Banking Financial Companies (including Housing Finance Companies)
26. Where a bank contributes more than five percent of the corpus of an AIF Scheme that has downstream investment (excluding equity instruments) in a debtor company of the bank, the bank shall be required to make 100 percent provision to the extent of its proportionate investment in the debtor company through the

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<sup>10</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#)



AIF Scheme, subject to a cap equivalent to bank's direct loan and / or investment exposure to the said debtor company.

27. Notwithstanding the provisions of paragraph 26 above, where a bank's contribution is in the form of subordinated units, it shall deduct the entire investment from its capital funds – proportionately from both Tier-1 and Tier-2 capital (wherever applicable).

### **B.3.3 Exemptions**

28. Any outstanding investment or commitment made by a bank with the prior approval of the RBI as on July 29, 2025, under the extant provisions of these Directions, are excluded from the scope of paragraphs 24 and 25 above.
29. The RBI may, in consultation with the Government of India, by way of a notification, exempt certain AIFs ([Annex I](#)) from the scope of the provisions of the circulars contained in [Annex II](#) and these Directions on AIF, except for paragraph 23 above.
30. As stated in paragraph 2, the provisions of paragraphs from 23 to 29 above shall come into force with effect from January 1, 2026, or from an earlier date as decided by a bank in line with its internal policy (referred to as the 'effective date' for the provisions of paragraphs 23 to 29 above). Until such commencement, banks shall continue to be guided by the provisions of the circulars contained in [Annex II](#). These circulars shall stand repealed from the effective date of these Directions on AIF. Any new commitment by a bank towards contribution to an AIF scheme, made after the effective date, shall be governed by these Directions on AIF.
31. Notwithstanding the above provisions:
  - (1) Outstanding investment by a bank, as on July 29, 2025, in an AIF Scheme in which it has fully honoured its commitment, shall be governed by the provisions mentioned in [Annex II](#); and
  - (2) In respect of any investment made by a bank in an AIF Scheme in terms of an existing commitment as on July 29, 2025, or in terms of a new commitment entered into before the effective date, the bank shall follow, in toto, either the provisions of [Annex II](#) or these Directions.



#### **B.4 <sup>11</sup>Other general conditions for Investment in Alternative Investment Fund / Real Estate Investment Trust / Infrastructure Investment Trust**

- 31A. No bank shall make any investment in the corpus of Category III AIF scheme.
- 31B. Additionally, banks shall ensure that their exposure in an investee company through their investments in AIF schemes does not result in circumvention of any regulations applicable to banks.
- 31C. No bank shall make an investment of more than 10 per cent in the unit capital of a Real Estate Investment Trust/Infrastructure Investment Trust within the overall ceiling of 20 per cent of the bank's net worth permitted for all direct investments in shares, convertible bonds/ debentures, units of equity-oriented mutual funds and exposures to AIFs.

#### **B.5 <sup>12</sup>Additional conditions for investments**

- 31D. As part of bank's ICAAP framework, the following shall be accounted for the purpose of determining additional capital requirement which will be subject to Supervisory Review and Evaluation Process:
- (1) risks arising on account of equity investments in unit/paid-up capital, as applicable, of an AIF Scheme done directly.
  - (2) capital and risk management policy with respect to the capital requirement and the risks faced by all business lines.
- 31E. These Directions shall be read in conjunction with Exposure Norms and Large Exposure Framework as applicable to banks ([Reserve Bank of India \(Small Finance Banks – Concentration Risk Management\) Directions, 2025](#)).
- 31F. Breach, if any, in the limits prescribed under this Master Direction shall be reported to the Department of Regulation of the Reserve Bank on PRAVAAH

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<sup>11</sup> Amended w.e.f December 05, 2025 vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#)

<sup>12</sup> Amended w.e.f December 05, 2025 vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#)



portal through the applicable form within 15 days, from the date of occurrence of such breach along with reason for such a breach and a plan to correct the same.

31G. A bank which is not in conformity with the directions given in paragraphs 16 to 22 and 31A to 31C above, shall submit an action plan by March 31, 2026, to comply with the provisions contained herein within a specified timeline but not later than March 31, 2028.

### **C. Procedure for Application**

32. A bank desirous of making an investment or undertaking any business that requires prior approval / no-objection of RBI shall submit an application through Pravaah Portal (<https://pravaah.rbi.org.in>) to the Department of Regulation (DoR), Central Office, RBI.



## Chapter IV – Financial Services

### A. Equipment Leasing and Hire Purchase Business

33. Equipment Leasing and Hire Purchase business undertaken departmentally shall be subject to the following conditions:
- (1) Equipment leasing and hire purchase shall be treated on par with loans and advances and shall accordingly be subject to the extant prudential norms on loans and advances as applicable; and
  - (2) A bank shall not enter into leasing agreement with another equipment leasing company and other non-banking finance company engaged in equipment leasing.

### B. Factoring Services

34. Factoring business undertaken departmentally shall be subject to the following conditions:
- (1) Factoring services shall be provided on with recourse or without recourse or on limited recourse basis;
  - (2) Underwriting commitments pertaining to the credit risk on the debtor, under without recourse factoring, shall be in accordance with the Board approved limits;
  - (3) A bank shall conduct thorough credit appraisal of debtors before entering into any factoring arrangement or establishing lines of credit with the export factor;
  - (4) Factoring services shall be extended against invoices representing genuine trade transactions;
  - (5) Factoring shall be treated on par with loans and advances and shall be subject to extant prudential norms on loans and advances as applicable;
  - (6) A bank and factor shall put in place a mechanism for sharing information about common borrowers to avoid double financing. The borrower's bank shall obtain periodical certificates from the borrower about factored receivables. Factors shall report the sanctioned limits of the borrower to the concerned banks. Information available on CERSAI shall also be considered.

Explanation: A common borrower is a person / entity who has availed a credit facility from a bank and is also an assignor in a factoring arrangement.





- (7) Credit information regarding the non-payment of dues by the person on whom exposure was booked shall be furnished to the Credit Information Companies authorized by RBI subject to the guidelines under Credit Information Companies (Regulation) Act, 2005; and
- (8) The exposure for facilities extended by way of factoring services shall be reckoned as under:
  - (i) On the assignor, in case of with-recourse factoring.
  - (ii) On the debtor, in case of without-recourse factoring.  
Provided that, exposure shall be on the import factor in cases of international factoring.
  - (iii) On the 'assignor' or the 'debtor' or the 'import factor', in case of limited recourse factoring, depending on terms of the agreement.

### **C. Primary Dealership Business**

35. Primary dealership business undertaken departmentally shall be subject to the authorisation from the Internal Debt Management Department (IDMD), RBI. The bank shall directly approach IDMD for the same.

### **D. Underwriting Activities**

36. A bank intending to engage in underwriting of issues of shares, debentures and bonds shall do so departmentally. Underwriting business undertaken departmentally shall be subject to the conditions and prudential regulation requirements specified in Chapter III.

### **E. Agency Business**

37. Agency business shall be undertaken only for the products and services in which a bank is permitted to deal in as per Banking Regulation Act, 1949.
38. The service shall be provided on fee basis, without any risk participation.
39. Agency business of mutual fund companies undertaken departmentally shall be subject to the following additional conditions:
  - (1) A bank may undertake distribution of mutual fund units on a non risk sharing basis, not requiring commitment of their own funds after complying with the requirements of the sectoral regulator for such products.
  - (2) The investors' applications for purchase / sale of mutual fund units shall be forwarded to the mutual funds / registrars / transfer agents;



- (3) The purchase of units shall be at the customers' risk without the bank guaranteeing any assured return;
  - (4) Mutual fund units shall not be acquired from the secondary market or bought back from a customer for selling it to other customers;
  - (5) Extension of credit facility to individuals against the security of mutual fund units shall be in accordance with the Master Directions on Credit Facility; and
  - (6) A bank holding custody of mutual fund units on behalf of its customers shall keep the investments of the customers distinct from its own investments.
40. Corporate agency of insurance companies undertaken departmentally by banks shall be subject to the following additional conditions:
- (1) A bank may undertake distribution of Insurance units on a non-risk sharing basis, not requiring commitment of their own funds after complying with the requirements of the sectoral regulator for such products.
  - (2) There shall be a comprehensive policy approved by appropriate authority, encompassing the model of insurance distribution to be adopted, issues of customer appropriateness, suitability, and grievance redressal;
  - (3) The deposit to be maintained by an insurance broker as per the IRDAI (Licensing of Banks as Insurance Brokers) Regulations, 2013, as amended from time to time, shall be maintained with a scheduled commercial bank other than itself;
  - (4) A bank shall ensure customer appropriateness and suitability as under:
    - (i) All employees dealing with insurance agency / broking business shall possess the requisite qualification prescribed by IRDAI.
    - (ii) There shall be standardised system of assessing the need / suitability of products for a customer and the initiation / transaction processes shall be segregated. Products with investment components shall require the bank to necessarily undertake a customer need assessment prior to sale whereas pure risk term products with no investment or growth component shall be deemed as universally suitable products.
    - (iii) A bank shall treat its customers fairly, honestly and transparently, with regard to suitability and appropriateness of the insurance product sold.



- (5) It shall be ensured that performance assessment and incentive structure for staff is not violative of Section 10(1) (ii) of the BR Act, 1949 or the guidelines issued by IRDAI in payment of commissions / brokerage / incentives. It shall also be ensured that no incentive (cash or non-cash) is paid to the staff engaged in insurance broking / corporate agency services by the insurance company;
- (6) A bank shall not follow any restrictive practices of forcing a customer to either opt for products of a specific insurance company or link sale of such products to any banking product. It shall be prominently stated in all publicity material distributed by the bank that the purchase by a bank's customer of any insurance product is purely voluntary and is not linked to availment of any other facility from the bank; and
- (7) A robust internal grievance redressal mechanism shall be put in place along with a comprehensive customer compensation policy for resolving issues related to services offered. It shall be ensured that the insurance companies whose products are being sold have robust customer grievance redressal arrangements in place. The bank shall facilitate the redressal of grievances

#### **F. Referral Services**

41. A bank offering referral services shall do so only for financial products other than insurance, on a non-risk participation basis.

#### **G. Retailing of Government Securities**

42. A bank intending to undertake the business of retailing of Government Securities shall do so with non-bank clients subject to the Directions issued by Reserve Bank on the subject.

#### **H. Membership of SEBI approved Stock Exchanges**

43. An AD Category I small finance bank may become a trading / clearing member of the currency derivatives segment of the SEBI recognised stock exchanges, subject to meeting all of the following conditions:
  - (1) It has a minimum net worth of ₹500 crore;
  - (2) It has the minimum prescribed capital (including Capital Conservation Buffer);



- (3) Its net NPA does not exceed three percent; and
- (4) It has made a net profit in the preceding three financial years.

Provided that, a bank not meeting the aforesaid conditions may participate in the currency futures market as a client.

A bank that is a trading / clearing member shall keep its and its clients' position distinct from one another.

44. A bank which intends to become a member of a SEBI approved stock exchange for the purpose of undertaking proprietary transactions in the corporate bond market shall do so subject to satisfying the membership criteria of the stock exchanges and complying with the regulatory norms laid down by SEBI and the respective stock exchange.
45. A bank may become a Professional Clearing Member of the commodity derivatives segment of SEBI recognised exchanges only upon satisfying the prudential criteria given in paragraph 43, and subject to the following conditions:
  - (1) A bank shall satisfy the membership criteria of the stock exchanges and comply with the regulatory norms laid down by SEBI and the respective stock exchanges;
  - (2) A bank shall, with the approval of Board, put in place effective risk control measures, prudential norms on risk exposure in respect of each of its trading members, taking into account their net worth, business turnover, etc.;
  - (3) A bank shall not undertake trading in the derivative segment of the commodity exchange on its own account and shall restrict itself only to clearing and settlement transactions done by the trading members / clients on the exchange;
  - (4) A bank shall take exposure on its trading members as per the policy approved by its board;
  - (5) A bank may fulfil pay-in obligations arising out of trades executed by its clients, as clearing member of the exchange subject to the condition that the total exposure which the bank would take on its registered clients should be determined by the Board in relation to the net worth of the bank and should be monitored regularly. However, the bank shall not meet pay-



in obligations of any transaction other than what is required in its role as a Professional Clearing Member; and

- (6) A bank shall ensure strict compliance with various margin requirements as may be prescribed by a bank's board or the Commodity Exchanges as also the extant RBI guidelines regarding guarantees issued on behalf of commodity brokers.

45A. <sup>13</sup>A bank may become Professional Clearing Member for equity derivative segment of the SEBI recognised stock exchanges. Prudential criteria and conditions stipulated for commodity derivative segment in para 45 above shall apply mutatis mutandis to the equity derivative segment.

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<sup>13</sup> Amended w.e.f December 05, 2025, vide [Reserve Bank of India \(Small Finance Banks- Undertaking of Financial Services\) \(Amendment\) Directions, 2025](#)



## Chapter V – Repeal and Other Provisions

### A. Repeal and saving

46. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to undertaking of financial services as applicable to Small Finance Banks stand repealed as communicated vide [circular DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025](#). The directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
47. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:
- (1) any right, obligation or liability acquired, accrued, or incurred thereunder;
  - (2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
  - (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

### B. Application of other laws not barred

48. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

### C. Interpretations

49. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary



clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(Manoranjan Padhy)  
Chief General Manager



## Annex I

### List of exempted AIFs under Para 29

1. SWAMIH (Special Window for Affordable and Mid-Income Housing) Investment Fund-I





**Instructions on Investments in Alternative Investment Funds (AIFs)  
(as contained in circulars dated December 19, 2023 and March 27, 2024 which  
otherwise stand repealed as on the effective date in terms of Para 30 of these  
Directions)  
(refer paragraphs 29, 300 and 311 of these Directions)**

1. In order to address concerns relating to possible evergreening through this route, it is advised as under:

- (1) A bank shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in a debtor company of the bank.

Note: Downstream investments shall exclude investments in equity shares of the debtor company of the bank, but shall include all other investments, including investment in hybrid instruments.

Explanation: The debtor company of the bank, for this purpose, shall mean any company to which the bank currently has or previously had a loan or investment exposure anytime during the preceding 12 months.

- (2) If an AIF scheme, in which a bank is already an investor, makes a downstream investment in any such debtor company, then the bank shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. If the bank has already invested into such schemes having downstream investment in their debtor companies as on date, i.e December 19, 2023, the 30-day period for liquidation shall be counted from December 19, 2023. The bank shall forthwith arrange to advise the AIFs suitably in the matter.

- (3) In case a bank is not able to liquidate their investments within the above-prescribed time limit, it shall make 100 percent provision on such investments.

Note: Provisioning shall be required only to the extent of investment by the bank in the AIF scheme which is further invested by the AIF in the debtor company, and not on the entire investment of the bank in the AIF scheme.



2. In addition, investment by a bank in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction from the bank's capital funds. Herein,

- (1) the proposed deduction from capital shall take place equally from both Tier-1 and Tier-2 capital.
- (2) reference to investment in subordinated units of AIF Scheme includes all forms of subordinated exposures, including investment in the nature of sponsor units.

Note: Paragraph 2 shall only be applicable in cases where the AIF does not have any downstream investment in a debtor company of the bank. If the bank has investment in subordinated units of an AIF scheme, which also has downstream exposure to the debtor company, then the bank shall be required to comply with paragraph 1 of this Annex.

Explanation: 'Priority distribution model' shall have the same meaning as specified in the SEBI circular SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022.

3. Investments by a bank in AIFs through intermediaries such as fund of funds or mutual funds are not included in the scope of these instructions contained in this Annex.