Draft Reserve Bank of India (Commercial Banks- Transfer and Distribution of Credit Risk) Directions, 2025

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Reserve Bank of India (Commercial Banks- Transfer and Distribution of Credit Risk) Directions, 2025

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Introduction

Credit Risk Transfer and Distributions are resorted to by lending institutions for multitude of reasons ranging from liquidity management and rebalancing their exposures or strategic sales. RBI has been taking several steps towards its development through Directions/ Guidelines on transfer of loan exposures, Co-lending arrangements, inter-bank participations, consortium arrangements and others. In this regard, the Reserve Bank issued a comprehensive, self-contained set of regulatory guidelines covering different modes of credit risk transfer and distribution. Accordingly, in exercise of powers conferred by sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank being satisfied that it is necessary and expedient in the public interest to do so, hereby issues these Directions hereinafter specified.

PRELIMINARY

A. Short title and commencement

1. These directions shall be called the Reserve Bank of India (Commercial Banks – Transfer and Distribution of Credit Risk) Directions, 2025.

2. These Directions shall come into effect on the day it is placed on the official website of the Reserve Bank of India.

Provided that, the Directions under Part B shall come into force from January 1, 2026, or from any earlier date as decided by a bank as per its internal policy ("effective date"). Any new Co-Lending Arrangements (CLAs) entered into after the effective date shall be in compliance with the directions under Part B.

Provided further that existing CLAs (i.e., the lending arrangements executed before the date of issuance of these Directions) and new CLAs entered into prior to the effective date shall be in compliance with the extant regulations.

B. Applicability

3. These Directions shall be applicable to commercial banks (hereinafter collectively referred to as 'banks' and individually as a 'bank') excluding Small Finance Banks (SFBs), Local Area Banks (LABs), Payments Banks (PBs) and Regional Rural Banks (RRBs).

In this context, the commercial bank shall mean all banking companies, corresponding new banks and State Bank of India as defined under subsections (c), (da) and (nc) of section 5 of the Banking Regulation Act,1949.

C. Definitions

4. The terms have been defined in the respective Parts of this Direction.

5. All other expressions, unless defined in the respective parts, 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 any other relevant regulation or as used in commercial parlance, as the case may be.

PART A - TRANSFER OF LOAN EXPOSURES

6. Loan transfers are essential to the development of a credit risk market, enabling diversification of credit risk originating in the financial sector and ensure the availability of market-based credit products for a diversified set of investors having commensurate capacity and risk appetite.

Chapter I - Scope and Definitions

A. Applicability and Purpose

7. Banks shall acquire loans only from a transferor specified as a lender in paragraph 13(4) unless specifically permitted.

8. Overseas branches of banks shall be permitted to:

(1) Acquire only 'not in default' loan exposures from a financial entity operating and regulated as a bank in the host jurisdiction.

(2) Transfer exposures 'in default' as well as 'not in default' pertaining to resident entities to a financial entity operating and regulated as a bank in the host jurisdiction.

(3) Transfer exposures 'in default' as well as 'not in default' pertaining to non-residents, to any entity regulated by a financial sector regulator in the host jurisdiction.

(4) Such acquisitions or transfers shall be in strict compliance with paragraph 27 of these directions.

9. No bank shall undertake any loan transfers or acquisitions other than those permitted under Part A of this direction and in the manner prescribed therein.

Explanation: The above proviso shall be without prejudice to the provisions of Reserve Bank of India (Commercial Banks – Securitisation Transactions) Directions, 2025; Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019; obtention of guarantees; or products explicitly permitted in terms of RBI guidelines.

10. The directions in Part A will be applicable to all loan transfers undertaken by the bank, including transfer of loans through novation or assignment, and loan participation.

Provided that in cases of loan transfers other than loan participation, legal ownership of the loan shall be mandatorily transferred to the transferee(s) to the extent of economic interest transferred.

11. These directions shall apply only to banks as transferor(s) or transferee(s) in loan transfers, unless specifically made applicable to other categories of entities as transferee(s) as per the specific permissions as per Paragraphs 60 and 64.

12. In respect of transferee(s) other than lenders mentioned in paragraph 13(4) and Asset Reconstruction Companies (ARCs), which are also financial sector entities, the prudential norms, including asset classification and provisioning post the transfer shall be as per the respective regulatory frameworks laid down by the respective financial sectoral regulators, viz., Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority, and International Financial Services Centres Authority.

B. Definitions

13. For the purpose of the Part A of these Directions, following definitions shall apply:

(1) “credit enhancement” means a contractual arrangement in which an entity provides some degree of added protection to other parties to a transaction so as to mitigate the credit risk of their acquired exposures;

(2) “default’ means non-payment of debt (as defined under the Insolvency and Bankruptcy Code, 2016) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be;

Provided that for revolving facilities like cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

(3) “Economic Interest” refers to the risks and rewards that may arise out of loan exposure through the life of the loan exposure;

(4) “Lenders” shall include the following set of entities,

Scheduled Commercial Banks; Regional Rural Banks; Local Area Banks; Primary (Urban) Co-operative Banks; State Co-operative Banks/ Central Co-operative Banks;

All India Financial Institutions; Small Finance Banks; Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs).

Provided that Regional Rural Banks; Local Area Banks; and Primary (Urban) Co-operative Banks/State Co-operative Banks/ Central Co-operative Banks are permitted as only transferor(s) of stressed loans under Chapter IV and are not permitted as transferors(s) or transferee(s) in any other type of loan transfers.

(5) “loan participation” means a transaction through which the transferor transfers all or part of its economic interest in a loan exposure to transferee(s) without the actual transfer of the loan contract, and the transferee(s) fund the transferor to the extent of the economic interest transferred which may be equal to the principal, interest, fees and other payments, if any, under the transfer agreement;

Provided that the transfer of economic interest under a loan participation shall only be through a contractual transfer agreement between the transferor and transferee(s) with the transferor remaining as the lender on record.

Provided further that in case of loan participation, the exposure of the transferee(s) shall be to the underlying borrower and not to the transferor. Accordingly, the transferor and transferee(s) shall maintain capital according to the exposure to the underlying borrower calculated based on the economic interest held by each post such transfer. The applicable prudential norms, including the provisioning requirements, post the transfer, shall be based on the above exposure treatment and the consequent outstanding.

(6) “minimum holding period (MHP)” means the minimum period for which a transferor must hold the loan exposures before the same is transferred to transferee(s);

(7) “net book value (NBV)” means the funded outstanding in a loan exposure reduced by the specific provisions made against such exposure;

(8) “permitted transferees” mean the lenders specified below:

Scheduled Commercial Banks, All India Financial Institutions (NABARD, NHB, EXIM Bank, SIDBI and NaBFID), Small Finance Banks; and All Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs).

(9) “personal loans” refer to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).

Explanation: A loan shall be categorised as personal loan if it falls within the purview of the above definition, even if such loans are not explicitly classified so in any regulatory/ supervisory reporting.

(10) “portfolio” means a set of loan exposures transferred together at a point of time under the same transfer agreement;

Provided that transfer agreements under which loans are transferred as a portfolio shall list the details of the individual loan exposures which are transferred as a portfolio.

(11) “stressed loans” mean loan exposures that are classified as non-performing assets (NPA) or as special mention accounts (SMA);

(12) “time of transfer” means the point at which the associated risks and rewards, to the extent of economic interest transferred and as documented in the loan participation, assignment, or novation contract, become binding on the transferor and transferee.

(13) “transfer” means a transfer of economic interest in loan exposures by the transferor to the transferee(s), with or without the transfer of the underlying loan contract, in the manner permitted in Part A of these directions;

Explanation: Consequently, the transferee(s) shall “acquire” the loan exposures following a loan transfer.

(14) “transferee” means the entity to which the economic interest in a loan exposure is transferred under Part A of these directions;

Provided that a transferee shall not be a person disqualified in terms of Section 29A of the Insolvency and Bankruptcy Code, 2016;

Provided further that in case of transfer of loan exposures of borrowers in whose accounts instances of fraud have been detected by any lender, the transferee(s) shall neither belong to the existing promoter group of such borrower nor shall be a subsidiary / associate / related party etc. (domestic as well as overseas) of any person belonging to the existing promoter group of such borrower.

Explanation I: In market parlance, transferee may be alternatively referred to as the assignee under assignment transactions and participant under loan participations, wherever applicable.

Explanation II: For the purpose of the second proviso above, the term 'promoter group' shall have the same meaning as in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; and the term 'related party' shall have the same meaning as in the Insolvency and Bankruptcy Code, 2016.

Explanation III: The responsibility for verifying and establishing that the transferee(s) comply with the above provisos shall be with the transferor(s).

(15) "transferor" means the entity which transfers the economic interest in a loan exposure under these directions;

Explanation: In market parlance, transferor may be alternatively referred to as the assignor under assignment transactions and grantor under loan participations, wherever applicable

Chapter II- General Conditions applicable for all loan transfers

A. General Requirements

14. The bank shall put in place a comprehensive Board approved policy for transfer and acquisition of loan exposures under these guidelines. These guidelines must, *inter alia*, lay down the minimum quantitative and qualitative standards relating to due diligence, valuation, requisite IT systems for capture, storage and management of data, risk management, periodic Board level oversight, norms relating to the nature of the accounts that may be taken over, authority levels for sanction of takeover, reporting of takeovers to higher authorities, monitoring mechanism of taken over accounts, credit audit of taken over accounts, examination of staff accountability especially in case of quick mortality of such cases after takeover, periodic review of taken over accounts at Board/ Board Committee level, Top Management level, etc. Further, the policy must also ensure independence of functioning and reporting responsibilities of the units and personnel involved in transfer / acquisition of loans from that of personnel involved in originating the loans. All transactions must meet the requirements as detailed in the policy.

15. Loan transfers should result in transfer of economic interest without being accompanied by any change in underlying terms and conditions of the loan contract. In all cases, if there are any modifications to terms and conditions of the loan contract during and after transfer (e.g. in take-out financing), the same shall be evaluated against restructuring as defined in Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025

16. In loan participation transactions, by design, the legal ownership completely remains with the transferor even after economic interest has been transferred to transferee(s). In such cases, the roles and responsibilities of the transferor and transferee(s) shall be clearly delineated contractually.

17. Lenders referred to in Paragraph 13(4), regardless of whether they are transferors or otherwise, should not offer credit enhancements or liquidity facilities in any form in the case of loan transfers.

18. A transferor cannot re-acquire a loan exposure, either fully or partially, that had been transferred by the entity previously, except as a part of a resolution plan under the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets)

Directions, 2025 or as part of a resolution plan approved under the Insolvency and Bankruptcy Code, 2016.

19. A loan transfer should result in immediate separation of the transferor from the risks and rewards associated with loans to the extent that the economic interest has been transferred.

In case of any retained economic interest in the exposure by the transferor, the loan transfer agreement should clearly specify the distribution of the principal and interest income from the transferred loan between the transferor and the transferee(s). However, it is reiterated that any retention of economic interest by the transferor shall not result in credit enhancement.

20. The transferee(s) should have the unfettered right to transfer or otherwise dispose of the loans free of any restraining condition to the extent of economic interest transferred to them.

(1) The transferee(s) shall have no recourse to the transferor for any expenses or losses linked to the transferred economic interest except those specifically permitted under these guidelines.

(2) Further, the transferor / transferee(s) shall not be constrained to obtain consent from the transferee(s) / transferor, as the case may be, when it comes to resolution or recovery in respect of the beneficial economic interest retained by or transferred to the respective entity.

21. The transferor shall have no obligation to re-acquire or fund the re-payment of the loans or any part of it or substitute loans held by the transferee(s) or provide additional loans to the transferee(s) at any time except those arising out of breach of warranties or representations made at the time of transfer.

The transferor should be able to demonstrate that a notice to this effect has been given to the transferee(s) and that the transferee(s) have acknowledged the absence of such obligation.

22. Wherever security interest is held by the transferor in trust with the transferee(s) as the beneficiaries, the transferee(s) shall ensure that a mutually agreed and binding mechanism for timely invocation of such security interest, if the need arises, has been properly documented and put in place.

23. The transfer of loans by transferor(s) must not contravene the rights of underlying obligors and all necessary consents from obligors (including from third parties), where necessary as per the respective contracts, should have been obtained.

24. Any rescheduling, restructuring or re-negotiation of the terms of the underlying agreement/s attempted by permitted transferee(s) after the transfer of assets to the transferee(s) shall be as per the provisions of the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025.

25. A transferor should notify RBI (Department of Supervision) of all instances where it has replaced loans transferred to a transferee or paid damages arising out of any representation or warranty.

26. For domestic transactions, transferee(s) should ensure that the transferor has strictly adhered to the MHP criteria in respect of loans acquired by them, as prescribed in Chapter IV of Part A of these directions.

27. Transfer as well as acquisition of exposures by overseas branches of Indian banks shall be required to be in compliance with the requirements prescribed in these directions, without derogation of any other statutory or regulatory provisions, including those prescribed under Foreign Exchange Management Act, 1999.

Provided that, in jurisdictions which do not have regulations related to MHP, overseas branches of Indian banks may acquire such exposures, save for those originated in India, without the requirement of adhering to the MHP criteria.

28. The extant instructions on outsourcing and the applicable provisions of Reserve Bank of India (Commercial Banks – Know Your Customer) Directions, 2025 shall be complied with in all cases.

29. In respect of exposures that do not meet the requirements of these directions, transferee(s) shall maintain capital charge equal to the actual exposure acquired. In such cases, the transferor shall continue to recognise the transferred loan in its entirety, as if it was not transferred at all in the first place, and the consideration received shall be recognised as an advance.

30. There is no restriction on transfer of loan accounts classified as fraud by banks. SCBs can transfer such exposures to permitted transferees as per their board approved policies in compliance with Paragraph 79.

B. Transferor as servicing facility provider

31. The transferee(s) may engage a servicing facility provider, which may also be the transferor, to administer or service the acquired exposures.

32. If a bank, including a transferor, performs the role of a servicing facility provider for the transferee(s) after the loan transfer has occurred, it shall ensure that the following conditions are fulfilled:

(1) The nature, purpose, extent of the facility and all required standards of performance shall be clearly specified in a written agreement.

(2) The facility is provided on an 'arm's length basis' on market terms and conditions.

(3) Payment of any fee or other income arising from the role as a servicing facility provider is not subject to deferral or waiver in a way that would directly or indirectly provide credit enhancement or liquidity facility.

(4) The duration of the facility is limited to the earliest of the dates on which:

(i) the underlying loans are completely amortised;

(ii) all claims connected with the transferee(s)' economic interest in the underlying loans are paid out; or

(iii) the lender's obligations as the servicing facility provider are otherwise terminated.

(5) There should not be any recourse to the lender beyond the fixed contractual obligations.

(6) The transferee(s) have the clear right to select an alternative party to provide the servicing facility.

(7) The bank should be under no obligation to remit funds to the transferee(s) until it has received funds generated from the underlying loans.

(8) The bank shall hold in trust, on behalf of the transferee(s), the cash flows arising from the underlying loans and shall avoid co-mingling of these cash flows with its own cash flows.

Provided that if the above conditions are not satisfied, the transferor bank shall maintain capital on the loans transferred as if the loans in respect of which servicing facility is being provided are held by it directly on its books.

Chapter III-Transfer of Loans which are not in default

A. General requirements

33. The provisions of this Chapter do not apply to:

(1) transfer of loan accounts of borrowers by a lender to other lenders, at the request/instance of borrower;

(2) inter-bank participations covered in Chapter I of Part C of these directions;

(3) sale of entire portfolio of loans consequent upon a decision to exit the line of business completely;

(4) sale of stressed loans; and

(5) any other arrangement /transactions, specifically exempted by the Reserve Bank of India.

34. The transactions referred to in Paragraph 33 above shall be governed by the respective regulatory frameworks. However, in all such cases, the provisions of Chapter II of Part A shall continue to apply except in cases where the respective regulatory framework provides for otherwise.

35. Banks should formulate a board approved policy to ensure that the gap between time of transfer and due-diligence cut-off date should be minimal and no loans in default is transferred under provisions of this Chapter.

36. A transferor can transfer a single loan or a part of such loan or a portfolio of such loans to permitted transferees through assignment or novation or a loan participation contract.

37. In cases where loan transfers result in a change of lender of record under a loan agreement, the transferor and transferee(s) should ensure that the existing loan agreement has suitable enabling provisions including consent by the underlying borrower that allow for such transactions by laying down the required ground rules.

38. Transferor’s retention of economic interest, if any, in the loans transferred should be supported by legally valid documentation. A legal opinion regarding the following, at a minimum, should also be kept on record by the transferor:

(1) legal validity of amount of economic interest retained by the transferor;

(2) the transferor not retaining any risk and rewards associated with the loans to the extent transferred to the transferee(s);

(3) the arrangement does not interfere with transferee(s)' rights and rewards associated with the loans to the extent transferred to it, except to the extent of collaborative action contractually agreed between the transferor and the transferee(s) for enforcement of security, if any, including the scenarios in which the security interest is held by the transferor in trust for the trustees; and

(4) the arrangement does not result in the transferor becoming an agent, trustee, or fiduciary of the transferee(s), except:

(i) providing servicing facilities extended by the transferor, if any, post such transfer, to the extent of rights to cash flows in respect of the transferee(s); and

(ii) collaborative action contractually agreed between the transferor and transferee(s) in relation to enforcement of security including scenarios in which the security interest is held by the transferor in trust for the transferee(s).

39. There shall not be any difference in the criteria for credit underwriting applied by the transferor to exposures transferred and those held or retained on their book. To this end, similar processes for approving and, where relevant, amending, renewing and monitoring of credit facilities extended should be applied by the transferor for all the loan exposures originated by it.

40. The transfer shall be only on cash basis and the consideration shall be received not later than at the time of transfer of loans. The provisions of this paragraph shall be without derogation of the provisions of paragraph 19, which pertains to retained economic interest.

(1) The transfer consideration should be arrived at in a transparent manner on an arm's length basis.

41. The due diligence in respect of the loans cannot be outsourced by the transferee(s) and should be carried out by its own staff with the same rigour and as per the same policies as would have been done for originating any loan.

42. The above due diligence requirements shall be applicable at the level of each loan. In case of loans acquired as a portfolio, if a transferee is unable to perform due diligence at the individual loan level for the entire portfolio but can perform due

diligence at the individual loan level for not less than one-third of the portfolio by value and number of loans in the portfolio, then due diligence may be performed at the portfolio level for the remaining, and the transferor has to retain at least 10 per cent of economic interest in the transferred loans.

Explanation 1: If a transfer involves multiple transferees, the minimum retention requirement by the transferor, if any of the transferees is unable to perform due diligence at the individual loan level, shall be on the entire amount of transferred loans, including the portions transferred to transferees who are able to perform due diligence at the individual loan level.

Explanation 2: The treatment in paragraph 42 is only to facilitate transfer of loans where due to operational or other constraints, the transferee does not conduct a loan level due diligence. This is without prejudice to the requirement under paragraph 52 to apply prudential norms at the individual loan level.

43. Bank needs to monitor on an ongoing basis and in a timely manner performance information on the loans acquired, including through conducting periodic stress tests and sensitivity analyses, and take appropriate action required, if any. The action may, inter alia, include modification to exposure ceilings in respect of certain types of asset classes, change in ceilings applicable to transferor, etc. For this purpose, transferee(s) should put in place formal policies and procedures appropriate to and commensurate with the risk profile of the loans acquired. Such procedures should be as rigorous as that followed by them for portfolios of similar loans directly originated by them. The information required for these procedures, if not collected directly by the banks and obtained from the servicing facility agent, if any, should be certified by the authorized officials of the servicing facility agent.

44. Depending upon the size of the portfolio, credit monitoring procedures may include verification of the information submitted by the servicing facility agent's concurrent and internal auditors.

(1) The servicing facility agreement should provide for such verifications by the auditors of the transferee(s), and wherever applicable, the transferor.

(2) All relevant information and audit reports should be available for verification by the supervisors from RBI during the supervision of the transferee(s) and transferor.

B. Minimum holding period (MHP)

45. The transferor can transfer loans only after a minimum holding period (MHP), as prescribed below, which is counted from the date of registration of the underlying security interest with Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI):

(1) Three months in case of loans with tenor of up to 2 years;

(2) Six months in case of loans with tenor of more than 2 years.

Provided that in case of loans where security does not exist or security cannot be registered with CERSAI, the MHP shall be calculated from the date of first repayment of the loan.

Provided further that in case of transfer of project loans, the MHP shall be calculated from the date of commencement of commercial operations of the project being financed.

Provided further that in case of loans acquired from other entities by a transferor, such loans cannot be transferred before completion of six months from the date on which the loan was taken into the books of the transferor.

Provided further that the transfer of receivables, acquired as part of 'factoring business' as defined under the Factoring Regulation Act, 2011, will be exempted from the above specified MHP requirement subject to fulfilment of following conditions:

(i) The residual maturity of such receivables, at the time of transfer, should not be more than 90 days, and

(ii) As specified under Paragraphs 14 and 41 of these directions, the transferee conducts proper credit appraisal of the drawee of the bill, before acquiring such receivables

46. The above MHP requirement is not applicable to loans transferred by the arranging bank to other lenders under a syndication arrangement.

C. Capital Adequacy and Other prudential norms

47. Any loss or profit arising because of transfer of loans, which is realised, should be accounted for accordingly and reflected in the Profit & Loss account of the transferor for the accounting period during which the transfer is completed. However, unrealised

profits, if any, arising out of such transfers, shall be deducted from CET 1 capital or net owned funds for meeting regulatory capital adequacy requirements till the maturity of such loans.

48. In case of transfer of a pool of loans, the transferee(s), and the transferor(s) in case of retention of economic interest, should maintain borrower-wise accounts. Thus, the exposures of the transferor(s) and the transferee(s) would be to the individual obligors in a pool of loans.

49. The capital adequacy treatment for loans acquired, in respect of the economic interest held by the transferor and transferee(s) post such transfer, will be as per the instructions applicable to loans directly originated by the lender.

50. Transferee(s) may, if they so desire, have the pools of loans externally rated before acquiring so as to have a third-party view of the credit quality of the pool in addition to their own due diligence. However, such external rating shall be done *ex-post* the transferee(s)' due diligence and such rating canot substitute for the due diligence that the transferee(s) are required to perform.

51. The transferee(s), as well as transferor(s) shall apply the extant income recognition, asset classification and provisioning as well as exposure norms, on individual obligor basis in all cases to the extent of retained economic interest.

52. In case of pool of loans acquired, transferee(s) should put in place mechanisms to enable application of relevant prudential norms on individual obligor basis. Such mechanisms may also include relying on the details obtained from the servicing facility provider. However, such mechanisms must provide for adequate checks by the transferee(s)' concurrent auditors, internal auditors and statutory auditors. All relevant information and audit reports should be available for verification by the supervisors from RBI during supervision of the transferee(s).

53. For permitted transferees, the acquired loans will be carried at acquisition cost unless it is more than the outstanding principal at the time of the transfer, in which case the premium paid, should be amortised based on straight line method or effective interest rate method, as considered appropriate by the individual permitted transferee. However, the outstanding/unamortised premium need not be deducted from capital.

54. In cases where a transferor makes representations and warranties concerning loans transferred, the transferor will not be required to hold capital against such representations and warranties provided the following conditions are satisfied:

(1) Any representation or warranty is provided only by way of a formal written agreement;

(2) The representation or warranty refers to an existing state of facts that is capable of being verified by the transferor at the time the loans are transferred;

(3) The representation or warranty is not open-ended and, in particular, does not relate to the future creditworthiness of the loans/underlying borrowers;

(4) The exercise of a representation or warranty, if any, requiring a transferor to replace loans (or any parts thereof) transferred, on grounds covered in the representation or warranty, must be:

(i) undertaken within 30 days of the transfer of loans; and

(ii) conducted on the same terms and conditions as the original transfer.

Provided that upon such replacement, the transferor shall apply the asset classification and provisioning norms as if the reacquired exposures had not been transferred in the first place.

(5) A transferor that is required to pay damages for breach of representation or warranty can do so provided the agreement to pay damages meets the following conditions:

(i) the onus of proof for breach of representation or warranty remains at all times with the party so alleging;

(ii) the party alleging the breach serves a written Notice of Claim on the transferor, specifying the basis for the claim; and

(iii) damages are limited to losses directly incurred as a result of the breach.

Chapter IV- Transfer of stressed loans

A. General Requirements

55. The instructions contained in this Chapter would cover transfer of stressed loans, including transfer to ARCs.

56. The transfer of stressed loans must be done through assignment or novation only; loan participation is not permitted in the case of stressed loans.

57. The Board approved policies of banks on transfer and / or acquisition of stressed loans shall, inter alia, cover the following aspects:

(1) Norms and procedure for transfer or acquisition of such loans;

(2) Valuation methodology to be followed to ensure that the realisable value of stressed loans, including the realisability of the underlying security interest, if available, is reasonably estimated;

(3) Delegation of powers to various functionaries for taking decision on the transfer or acquisition of the loans;

(4) Stated objectives for acquiring stressed assets;

(5) Risk premium to be applied for the purpose of paragraph 73; etc.

58. The policy on transfer of stressed loans shall be based on the following principles:

(1) The process of identification of stressed loans beyond a specified value, as may be determined by a bank's policy, for transfer shall follow a top-down approach i.e., the head office/corporate office of the bank shall be actively involved in identification of stressed loans for transfer;

(2) At a minimum, all loans classified as NPA above a threshold amount decided by the Board/Board Committee shall be reviewed by the Board/Board Committee at periodic intervals and a view, with documented rationale, be taken on transfer or otherwise. The loans identified for transfer shall be listed for the purpose of transfer as indicated above.

59. Transferors should have clear policies with regard to valuation of loan exposures proposed to be transferred. The basis or the grounds which will determine the type of valuation used - internal or external - must be clearly specified in the policy.

The discount rate used by the transferor in the internal valuation exercise shall also be spelt out in the policy. This may be either cost of equity or average cost of funds or opportunity cost or some other relevant rate, subject to a floor of the contracted interest rate charged. However, in case the credit exposure being transferred (without netting for provisions), singly, jointly, or severally, is Rs.100 crore or more, the transferor shall obtain two external valuation reports. The cost of valuation exercise, external or otherwise, shall be borne by the transferor.

60. In general, bank shall transfer stressed loans, including through bilateral sales, only to permitted transferees and ARCs.

61. The manner of transfer must be in terms of the Board approved policy of the transferor. Banks may also use e-auction platforms, wherever available, for transferring their loans.

62. However, when negotiated on a bilateral basis, such negotiations must necessarily be followed by an auction through Swiss Challenge method if the aggregate exposure (including investment exposure) of lenders to the borrower/s whose loan is being transferred is ₹100 crore or more. In all other cases, the bilateral negotiations shall be subject to the price discovery and value maximisation approaches adopted by the transferor as part of the Board approved policy described in paragraph 57, which may also include Swiss Challenge method. The broad guidelines to be followed for the Swiss Challenge Method are given in paragraph 90 to paragraph 93.

Provided that in case of transfer of stressed loans undertaken as a resolution plan under the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025 with the approval of signatories to the intercreditor agreement (ICA) representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of signatories by number, for the exit of all signatories to the ICA from the stressed loan exposure, Swiss Challenge method would be mandatory irrespective of the above exposure threshold.

63. The transferor shall ensure that subsequent to transfer of the stressed loans, they do not assume any operational, legal or any other type of risks relating to the transferred loans including additional funding or commitments to the borrower / transferee(s) with reference to the loan transferred. Subsequently, fresh exposure may

be taken on the borrower after a cooling period laid down in the respective Board approved policy of the transferor, which in any case, shall not be less than 12 months from the date of such transfer.

64. Notwithstanding the stipulations in paragraph 60 to paragraph 63, if the transfer of stressed loans are undertaken as a resolution plan under the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025 resulting in an exit of all lenders specified at Paragraph 13(4) from the stressed loan exposure, such transfer is permitted to any class of entities, including a corporate entity, that are permitted to take on loan exposures in terms of a statutory provision or under the regulations issued by a financial sector regulator.

(1) Explanation: The class of entities to which lenders are permitted to transfer stressed loan exposures included (a) Scheduled Commercial Banks including Small Finance Banks; (b) AIFIs, (c) All NBFCs including HFCs; (d) ARCs registered with the Reserve Bank under Section 3 of the SARFESAI Act 2002; (e) 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. Acquisition of loan exposures by such companies shall be subject to the relevant provisions of the Companies Act, 2013.

(2) The class of entities will be updated as and when any new class of entities is permitted by the respective financial sector regulators.

(3) In case such transferee(s) are neither ARC nor permitted transferee, the transfer shall be additionally subject to the following conditions:

(i) The transferee entity should be incorporated in India or registered with a financial sector regulator in India (Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority, and International Financial Services Centers Authority).

(ii) The transferee(s) should not be classified as a non-performing account (NPA) by any lending institution at the time of such transfer;

(iii) The transferee(s) should not fund the loan acquisition through loans from lenders specified at paragraph 13(4).

(iv) The lenders specified at paragraph 13(4) should not take any credit/investment exposure apart from working capital facilities (which are not in the nature of term loans) to the borrower whose loan account is transferred, for at least three years from the date of such transfer.

Provided that the working capital facilities are sanctioned by the banks which are not transferors.

(v) Further, for at least three years from the date of such transfer, the lenders specified at paragraph 13(4) should not take any credit/investment exposure to the transferee(s) for deployment, either directly or indirectly, into the operations of the borrower. For this purpose, borrower shall mean the legal entities to which the transferor(s) had exposure which was transferred to the transferee(s) as a part of the resolution plan, and may include, but is not limited to, a special purpose vehicle having a legal-entity status set up for a project.

Explanation: The entity permitted to take on loan exposures by its statutory or regulatory framework, as referred to in this paragraph, would have to be separately enabled by its regulatory or statutory framework for taking on loan exposures, and then listed in the class of entities by the Reserve Bank. The above paragraph merely permits the lender to transfer stressed loans under a resolution plan to such entities which are already permitted to take on loan exposures. The respective financial sector regulators shall put in place a framework for this purpose in consultation with the Reserve Bank.

65. The transferor(s) must provide adequate time for due diligence by prospective acquirers, which may vary as per the size of the loan.

66. The loan transfer agreement shall clearly specify that in the event an ICA is required to be signed in terms of the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025 the transferee shall sign the ICA as and when required.

67. The transferor(s) shall ensure that no transfer of a stressed loan is made at a contingent price whereby in the event of shortfall in the realization of the agreed price, the transferor(s) would have to bear a part of the shortfall.

68. The transferor shall transfer the stressed loans to transferee(s) other than ARCs only on cash basis. The entire transfer consideration should be received not later than

at the time of transfer of loans, and the loan can be taken out of the books of the transferor only on receipt of the entire transfer consideration. If the transfer to transferee(s) other than ARCs is at a price below the net NBV at the time of transfer, the shortfall shall be debited to the profit and loss account of the year in which transfer has taken place. If the sale consideration is for a value higher than the NBV at the time of transfer, the excess provisions may be reversed.

69. The bank is permitted to treat a pool of stressed loans acquired on a portfolio basis as a single asset in their books provided that the pool consists of homogeneous personal loans. Homogeneity should be assessed on the basis of common risk drivers, including similar risk factors and risk profiles. In all other cases, the stressed loans acquired shall be treated as separate assets for the purpose of prudential requirements such as asset classification, capital computation, income recognition etc.

Explanation: If a portfolio of stressed homogeneous personal loans acquired is treated as a single asset by the transferee, the portfolio shall be treated as a single asset for the purpose of Paragraph 69 as well.

70. The reporting obligation, if any, to Credit Information Companies in respect of the stressed loans acquired will be with the transferee(s), if the latter is a credit institution as defined in sub-section (f) of Section 2 of the Credit Information Companies (Regulation) Act, 2005.

71. If the transferee(s), except ARCs, have no existing exposure to the borrower whose stressed loan account is acquired, the acquired stressed loan shall be classified as “Standard” by the transferee(s). Thereafter, the asset classification status of the loan acquired, shall be determined by the record of recovery in the books of the transferee(s) with reference to cash flows estimated at the time of transfer of the loan.

72. In case the transferee(s), except ARCs, have existing exposure to the borrower whose stressed loan account is acquired, the asset classification of the acquired exposure shall be the same as the existing asset classification of the borrower with the transferee. This treatment shall be applicable even if such acquisition is pursuant to the transferee being a successful resolution applicant under the Insolvency and Bankruptcy Code, 2016.

73. The bank acquiring stressed loans shall make provisions for such loans as per the asset classification status in its books upon acquisition. Regardless of the asset

classification, if the net present value of the cash flows estimated while acquiring the loan is less than the consideration paid for acquiring the loan, provisions shall be maintained to the extent of the difference. For this purpose, the discount factor shall be the actual interest rate charged to the borrower as per the original loan contract plus a risk premium to be determined as per the transferee's Board approved policy considering the asset classification of the loan on the books of the transferor. The risk premium will be subject to a floor of 3 per cent.

74. In the case of ARC, the asset classification of stressed loans acquired by it and the associated provisions to be maintained shall be continued to be guided by the extant instructions as applicable to them in this regard.

75. The bank shall hold the acquired stressed loans in its books for a period of at least six months before transferring to other lenders. Additionally, banks are generally prohibited from acquiring loans that had been transferred by other lenders as stressed loans in the previous six months.

Provided that this paragraph shall not apply if the transfer of a stressed loan is to an ARC or is undertaken as a resolution plan under the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025 with the approval of signatories to the ICA representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of signatories by number for the exit of all signatories to the ICA from the stressed loan exposure.

B. Additional requirements for transfer of NPAs

76. The transferor shall continue to pursue the staff accountability aspects as per the existing instructions in respect of the NPAs transferred to other lenders.

77. In respect of NPAs acquired from other lenders, the cash flows received by the transferee from holding such asset shall first be used to amortise the funded outstanding in the books of the transferee in respect of the loan till the acquisition cost is recovered. The cash flows in excess of the acquisition cost, if any, can be recognised as profit.

78. The bank shall assign 100% risk weight to the NPAs acquired from other lenders as long as the loans are classified as 'standard' upon acquisition. If the loans are classified as NPA, risk weights as applicable to NPA shall be applicable.

C. Transfer of loans to Asset Reconstruction Companies

79. Subject to the provisions of the Reserve Bank of India (Asset Reconstruction Companies) Directions, 2025 all stressed loans which are in default in the books of the transferors are permitted to be transferred to ARCs. This shall include loan exposures classified as fraud as on the date of transfer provided that the responsibilities of the transferor with respect to continuous reporting, monitoring, filing of complaints with law enforcement agencies and proceedings related to such complaints shall also be transferred to the ARC. The transfer of such loan exposures to an ARC, however, does not absolve the transferor from fixing the staff accountability as required under the extant instructions on frauds.

80. In case of specific stressed loans, where it is considered necessary, transferor(s) shall be free to enter into agreement with the ARC to share, in an agreed proportion, any surplus realised by the ARC from the concerned stressed loan. In such cases, the terms of transfer should provide for a report from the ARC to the transferor(s) on the value realised from the loan. Transferor(s) shall not account for the profit until it has materialised.

81. When the stressed loan is transferred to ARC at a price below the NBV at the time of transfer, bank shall debit the shortfall to the profit and loss account for the year in which the transfer has taken place. A bank is permitted to use countercyclical or floating provisions for meeting any shortfall on transfer of stressed loan when the transfer is at a price below the NBV.

82. On the other hand, when the stressed loan is transferred to an ARC for a value higher than the NBV at the time of transfer, bank shall reverse the excess provision on transfer to the profit and loss account in the year the amounts are received and only when the sum of cash received by way of initial consideration and / or redemption or transfer of Security Receipts (SR) / Pass Through Certificates (PTCs)/ other securities issued by ARCs is higher than the NBV of the loan at the time of transfer. Further, such reversal shall be limited to the extent to which cash received exceeds the NBV of the loan at the time of transfer.

(1) Notwithstanding the provisions contained in paragraph 82, the bank can reverse the entire excess provision [viz. sale consideration (-) NBV] to the Profit and Loss

Account in the year of transfer if the sale consideration comprises only of cash and SRs guaranteed by the Government of India.

Provided that, the non-cash component of the excess provision [viz. excess provision (-) cash received at the time of transfer] shall be deducted from CET 1 capital, and no dividends shall be paid out of this component.

83. Investments by lenders in SRs / PTCs / other securities issued by ARCs shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments.

*Provided that w*hen transferors invest in the SRs/PTCs issued by ARCs in respect of the stressed loans transferred by them to the ARC, the transferors shall carry the investment in their books on an ongoing basis, until its transfer or realization, at lower of the redemption value of SRs arrived based on the NAV as above, and the NBV of the transferred stressed loan at the time of transfer.

84. If the investment by the transferor in SRs issued against loans transferred by it is more than 10 percent of all SRs issued against the transferred asset, then the valuation of the SRs on the books of the transferor shall be the lower of the following:

(1) value arrived at in terms of paragraph 83; and

(2) face value of the SRs reduced by the notional provisioning rate applicable if the loans had continued on the books of the transferor.

85. (1) Notwithstanding the provisions contained in paragraph 84, or the proviso to paragraph 83, SRs guaranteed by the Government of India shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments.

(2) However, any unrealized gain recognized in the Profit and Loss Account on account of fair valuation of such investments shall be deducted from CET 1 capital, and no dividends shall be paid out of such unrealized gains.

(3) Any SRs outstanding after the final settlement of the government guarantee or the expiry of the guarantee period, whichever is earlier, shall be valued at ₹1.

(4) In the event of the SRs being converted to any other form of instruments as part of resolution, then the valuation and provisioning thereof, for such instruments shall be

governed by the provisions as laid down under Master Direction on Resolution of Stressed Assets.

86. SRs/PTCs which are not redeemed as at the end of the resolution period (i.e., five years or eight years as the case may be) shall be treated as loss asset in books of the lender and fully provided for.

87. The valuation, classification and other norms applicable to investment in non-SLR instruments prescribed by RBI from time to time shall be applicable to lender's investment in debentures/ bonds/ SRs /PTCs issued by ARC. However, if any of the above instruments issued by ARC is limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the bank shall reckon the NAV obtained from ARC from time to time, for valuation of such investments.

88. There is no prohibition on banks from taking over standard accounts from ARCs. Accordingly, in cases where ARCs have successfully implemented a resolution plan for the stressed loans acquired by them, banks may, at its discretion and with appropriate due diligence, take over such loans after the period equivalent to the 'monitoring period' as defined in Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025, provided that the account performed satisfactorily, as defined in the circular *ibid* during the said 'monitoring period'. Banks shall lay down a board approved policy containing various aspects governing such take overs viz., type of assets that may be taken over, due diligence requirements, viability criteria, performance requirement of asset, etc. as a part of the requirements under Paragraph 57. A bank cannot at any point of time acquire from ARCs the loan exposures they have themselves earlier transferred.

89. Where stressed loans are taken over by ARCs as agents for recovery in exchange for a fee, the loans will not be removed from the books of the transferors but realisations as and when received shall be credited to the loan accounts. The transferors shall continue making provisions for the loan in the normal course.

D. Price Discovery through Swiss Challenge Method

90. Subject to the requirements under Paragraph 62, the bank shall put in place a board approved policy on adoption of Swiss Challenge Method for transfer of their stressed loans.

(1) The policy should specify the conditions under which bank(s) may opt for Swiss Challenge method, which could be based on parameters such as a tolerance limit for extent of haircut required by the lender(s) in the base-bid (as specified in Paragraph 93), for instance, or any objective parameter identified by the bank(s)' Board.

(2) The policy should also specify the minimum mark-up over the base-bid required for the challenger bid (as specified in Paragraph 93) to be considered by the bank(s), which in any case, shall not be less than five per cent and shall not be more than 15 per cent. For this purpose, mark-up shall be the difference between the challenger bid and the base-bid expressed as a percentage of the base-bid.

91. In case of transfer of stressed loans undertaken as a resolution plan under the Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025 with the approval of signatories to the ICA, the minimum mark-up over the base-bid required for the challenger bid to be considered by the lenders specified at Paragraph 13(4) above, shall be decided with the approval of signatories to the ICA representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of signatories by number. The above decision will prevail over any individual policy of any of the signatories to the ICA.

92. On an ongoing basis, the bank should identify the stressed loans which will be offered for transfer and an authenticated list of such loans shall be maintained by the lenders. The list may, at the discretion of the lender, be disclosed to prospective bidder on entering into confidentiality agreement.

93. The broad contours of the Swiss Challenge Method are as under:

(1) A prospective transferee interested in acquiring a specific stressed loan may offer a bid to the bank(s), which shall be termed as the base-bid.

(2) The bank(s) shall then publicly call for counter bids from other perspective buyers, on comparable terms, by disclosing the essential elements of the base-bid and also clearly specifying the minimum mark-up (as specified in Paragraph 91) that would be acceptable.

(3) If no counter bid crossed the minimum mark-up specified in the invitation, the base-bid becomes the winning bid.

(4) If counter bid(s) cross the minimum mark-up specified in the invitation, the highest counter bid becomes the challenger bid. The prospective transferee who provided the base-bid is then invited to match the challenger bid. If the prospective transferee who provided the base-bid either matches the challenger bid or bids higher than the challenger bid, such bid shall become the winning bid; else, the challenger bid shall be the winning bid.

(5) The bank(s) will then have the following two options:

(i) Transfer the loan to winning bidder, as determined above;

(ii) If the bank decides not to transfer the loan to winning bidder, the bank will be required to make immediate provision on the account to the extent of the higher of the following:

(a) The discount on the book value quoted in the challenger bid, and

(b) The provisioning required as per extant asset classification and provisioning norms.

E. Disclosures and Reporting

94. The banks should be guided by Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) Directions, 2025 for all disclosure related requirements.

95. Banks shall report each loan transfer transaction undertaken under these directions to a trade reporting platform as notified by the Reserve Bank. The detailed instructions in this regard will be issued separately. In anticipation of the same, bank shall maintain a database of loan transfer transactions with adequate MIS concerning each transaction till the reporting platform is notified and the related instructions are issued.

PART B: CO-LENDING ARRANGEMENTS (CLAs)

Chapter I - Scope and Definitions

96. The instructions of this Part shall be applicable to Co-Lending Arrangements (CLAs) entered into by Commercial Banks with the following set of regulated entities (REs):

(1) Other Commercial Banks (excluding Small Finance Banks, Local Area Banks, and Regional Rural Banks);

(2) All-India Financial Institutions; and,

(3) Non-Banking Financial Companies (including Housing Finance Companies).

97. Digital lending arrangements shall continue to be governed by the Chapter II of Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 as amended from time to time.

Provided that, any digital lending arrangement involving co-lending by the REs shall, without derogation to the Chapter II of Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025, be guided by the provisions of these Directions.

98. The instructions of this part shall not apply to loans sanctioned under multiple banking, consortium lending, or syndication.

99. Save as otherwise permitted in terms of these Directions, no bank shall enter into any CLA which is not compliant with these Directions.

100. **Definitions:** For the purpose of these Directions, CLA refers to an arrangement, formalised through an ex-ante agreement, between a RE which is originating the loans ('originating RE') and another RE which is co-lending ('partner RE'), to jointly fund a portfolio of loans, comprising of either secured or unsecured loans, in a pre-agreed proportion, involving revenue and risk sharing.

Chapter II- Prudential Norms

A. General Conditions

101. Banks under a CLA shall be required to retain a minimum 10 per cent share of the individual loans in its books.

102. The credit policy of banks shall suitably incorporate provisions relating to CLAs, including the internal limit for the proportion of their lending portfolio under CLAs; target borrower segments; due diligence of the partner entities; customer service and grievance redressal mechanism.

103. The agreement to be entered between the CLA partners shall include detailed terms and conditions of the arrangement; the criteria for selection of borrowers; specific product lines and areas of operation; fees payable for lending services, if any; provisions related to segregation of responsibilities; time-frame for exchanging critical information; customer interface and customer protection issues and grievance redressal mechanism.

Explanation: Lending service shall refer to the set of activities related to lending such as customer acquisition, underwriting, pricing, servicing, monitoring, and recovery of specific loan or loan portfolio, etc. performed by the REs or their agents (in conformity with extant outsourcing guidelines issued by the Reserve Bank).

104. The loan agreement signed with the borrower shall make an upfront disclosure regarding the segregation of the roles and responsibilities (such as sourcing, and servicing) of concerned REs, including clear identification of the entity being the single point of interface with the customer. Any subsequent change in customer interface shall only be done after prior intimation to the borrower. The loan-agreement shall also appropriately disclose suitable provisions related to customer protection, and grievance redressal mechanism.

105. All required details of CLA shall be disclosed appropriately to the concerned borrower as laid down on ‘Key Facts Statement (KFS) for Loans & Advances’ under Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025.

106. Banks engaging in the CLA for loans eligible to be classified under priority sector lending in terms of Master Directions - Reserve Bank of India (Priority Sector

Lending – Targets and Classification) Directions, 2025 (as amended from time to time), can claim priority sector status in respect of their share of credit under CLA.

B. Interest Rate and Other Fees/ Charges

107. The interest rate and any other fees / charges on the underlying loans charged to the borrower shall be based on the contractual agreement, subject to the regulatory norms applicable to the REs. Specifically, the final interest rate charged to the borrower shall be the blended interest rate which is calculated as an average rate of interest derived from the interest rates charged by respective REs, as per their internal lending policies and risk profile of the same or similar borrower, weighted by the proportionate funding share of concerned REs under CLA.

108. Any change in rates by respective REs under CLA will be made as per their credit policy and extant regulatory norms, and the same shall be reflected in the updated blended rate and communicated to the borrower.

109. Any fees / charges payable by the borrower in addition to the blended interest rate shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the KFS as prescribed in the paragraph 105 of these Directions.

110. As part of the credit policy, the bank shall lay down the objective criteria for fees/ charges payable for lending services, depending upon relevant factors such as the nature of service provided, quantum of loan, etc. Such fees/ charges shall not involve, directly or indirectly, any element of credit enhancement/ default loss guarantee unless permitted otherwise.

Explanation

(1) Credit enhancement shall have the same meaning as defined in Part A of this Direction.

(2) Default loss guarantee is a contractual arrangement, called by whatever name, between the originating RE and partner RE, under which the former guarantees to compensate the latter, for loss due to default up to a certain percentage of the loan portfolio of the RE, specified upfront. Any other implicit guarantee of similar nature linked to the performance of the loan portfolio of the RE and specified upfront, shall also be covered under the definition of DLG

C. Operational Arrangements

111. The CLA shall entail an irrevocable commitment on the part of partner RE to take into its books, on back to back basis, its share of the individual loans as originated by the originating RE.

112. The CLA shall ensure that the respective shares of the REs are reflected in the books of both REs without delay after disbursement by the originating RE to the borrower, in any case not later than 15 calendar days from the date of disbursement.

113. Originating bank shall also ensure that it transfers the loan under CLA only to the partner RE, as per the ex-ante agreement and as specified in the KFS at the time of sanction of loan.

114. If the originating bank is unable to transfer the share of the exposure to the partner RE under CLA within 15 calendar days for any reason, then the loan/s shall remain on the books of the originating bank and can be transferred to other eligible lenders only under the provisions of Part A of this Direction.

115. Each RE (including bank) shall maintain a borrower's account individually for its respective share.

116. All transactions (disbursements / repayments) between the REs, as well as with the borrower, shall be routed through an escrow account maintained with a bank (which could also be one of the REs involved in CLA and includes banks other than SCBs eligible to open escrow account as per Reserve Bank of India (Commercial Banks – Credit Risk Management) Directions, 2025). The agreement shall clearly specify the manner of appropriation between the originating and partner REs.

117. The loans under the CLA shall be included in the scope of internal/ statutory audit in each RE to ensure adherence to their respective internal guidelines, terms of the agreement and applicable regulatory requirements.

118. Banks shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans, in the event of termination of CLA between the REs.

119. A bank involved under CLA shall comply with the prescribed norms under the Reserve Bank of India (Commercial Banks – Know Your Customer) Directions, 2025

as amended from time to time. Bank may rely upon the originating RE for “Customer Identification Process” as per the provisions of the said Directions on KYC.

120. Banks shall be guided by the fair practice code and grievance redressal mechanism as applicable to them.

D. Reporting to credit information companies (CICs)

121. Banks shall adhere to the extant requirements of reporting to CICs for their share of the loan account, as per the provisions of the Credit Information Companies (Regulation) Act, 2005 and the Rules and Regulations issued by RBI therein, from time to time.

E. Default Loss Guarantee

122. Originating bank may provide default loss guarantee up to five per cent of loans outstanding in respect of loans under CLA. Provision of such default loss guarantee shall be governed mutatis mutandis in terms of the Chapter II of Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 as amended from time to time.

F. Asset Classification Norms

123. Banks shall apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if either of the REs classifies its exposure to a borrower under CLA as SMA / NPA on account of default in the CLA exposure, the same classification shall be applicable to the exposure of the other RE to the borrower under CLA. Banks shall put in place a robust mechanism for sharing relevant information in this regard on a near-real time basis, and in any case latest by end of the next working day.

G. Transfer of Loan Exposures

124. Any subsequent transfer of loan exposures originated under CLA to third parties, or any inter-se transfer of such loan exposures by banks, shall be strictly in compliance with the provisions of Part A of this Direction. Such transfers to a third party, however, can be done only with the mutual consent of both the originating and partner REs.

H. Disclosures

125. In addition to the applicable disclosure requirements under extant regulations, Banks shall also prominently disclose on their website, a list of all active CLA partners.

126. Banks shall also make appropriate disclosures in their financial statements, under 'Notes to Accounts', relating to necessary details of CLAs on an aggregate basis. The details may inter alia include quantum of CLAs, weighted average rate of interest, fees charged / paid, broad sectors in which CLA was made, performance of loans under CLA, details related to default loss guarantee, if any, etc. The disclosure shall be done on quarterly/annual basis.

PART C - OTHER TYPES OF CREDIT RISK TRANSFER

Chapter I- Inter Bank Participations

127. There shall be two categories of Participations namely Inter-Bank Participations with Risk Sharing and Inter-Bank Participations without Risk Sharing.

128. The provisions contained in paragraph 14 to paragraph 32, relating to General Conditions applicable for all loan transfers shall apply to this chapter on Inter Bank Participations.

A. Inter-Bank Participations with Risk Sharing

129. **Selection of Accounts**: A bank will allot such participations only in respect of advances, which are not in default. The aggregate amount of such Participations in any account should not exceed 40 per cent of the outstanding in the account at the time of issue. Further, during the currency of the Participations the aggregate amount of Participations should be covered by the outstanding balance in the account. In case the outstanding balance falls short of the participations outstanding, the issuing bank will reduce the Participations to the extent necessary and if need be, issue Participations for smaller amounts.

130. Period of Participation: The minimum period of such a Participation shall be 91 days, while the maximum period shall be 180 days.

131. Rate of Interest: The rate of interest on Participations would be left free to be determined between the issuing bank and the participating bank.

132. Transferability: Participations shall not be transferable.

133. Documentation: A bank should subscribe to the "uniform code for Participations" prepared by IBA which will spell out clearly their inter-se rights and obligations in relation to the securities covered by the advances in question.

134. Risk: The risk would be deemed to have crystallised when the issuing bank recalls the advances and stops operations in the relative account. In such a case the issuing bank would give due notice to the participating bank intimating the default.

135. Repayment: The issuing bank will normally repay the amount of Participations together with interest to the participant bank on the date of maturity, excepting when the risk has materialised. In cases where risk has materialised the issuing bank will

take necessary action, in consultation with the participating bank and share the recoveries proportionately.

136. Accounting: In the case of the issuing bank, the aggregate amount of Participations would be reduced from the aggregate advances outstanding. Such transactions will not be reflected in the individual borrower's accounts but will be only netted out in the financial reporting. The participating bank shall show the aggregate amount of such Participations as part of its advances. The issuing bank will maintain a record of full particulars of such Participations.

There shall be no privity of contract between the borrower and the participating bank and to avoid any difficulty, bank will incorporate in the cash credit agreement of the borrowers an appropriate clause permitting the lending bank to shift a part of the advance to any bank, without notice to the borrowers, by way of Participations. The agreement may also provide that in the event of issue of Participations the issuing bank would continue to represent the participating bank in protecting the latter's interests.

B. Inter-Bank Participations without risk sharing

137. Period of Participation: The tenure of such Participations shall not exceed 90 days.

138. Rate of Interest: The rate of interest would be determined by the two concerned banks.

139. Transferability: Participation shall not be transferable.

140. Repayment: On the date of maturity, the issuing bank will pay the amount of Participations with interest to the participating bank irrespective of the default if any in the advance in question.

141. Accounting: The issuing bank will show the amount of Participations as borrowing while the participating bank shall show the same under Advances to bank i.e. due from banks. The Participations would be treated as part of the net Demand and Time Liabilities and net bank balances for purposes of statutory reserve requirements.

142. Reporting of Data: As a result of outstanding Participations being treated as borrowings, the issuing bank should report such borrowings in the fortnightly return

under Section 42(2) of the Reserve Bank of India Act, 1934. The same shall be done by including the amount of Participations, by the issuing bank under 'Borrowings from banks' i.e. item I(b) in Form 'A'. The participating bank should include the amount of Participations taken in advances to banks under item III(c) in Form 'A'. The amount of Participations so included in the relative items of Form 'A' should be clearly indicated as a foot-note to the return, showing separately also Participations on risk sharing basis.

Chapter II- Transfer of Borrower Accounts and Takeout Financing

143. The provisions contained in paragraph 14 to paragraph 32 shall apply to this chapter on Transfer of Borrower accounts and Take-out Financing.

A. Transfer of Borrower Accounts:

144. The bank is advised that before taking over an account, the transferee bank should obtain necessary credit information from the transferor bank as per the format prescribed in Annex I. This would enable the transferee bank to be fully aware of the irregularities, if any, existing in the borrower's account(s) with the transferor bank. The transferor bank, on receipt of a request from the transferee bank, should share necessary credit information as per the prescribed format at the earliest.

B. Take-out financing

145. Take-out financing structure is essentially a mechanism designed to enable banks to avoid asset-liability maturity mismatches that may arise out of extending long tenor loans to infrastructure projects. Under the arrangements, banks financing the infrastructure projects will have an agreement with financial Institutions for transferring to the latter the outstandings in their books on a pre-determined basis. The banks may also be guided by the instructions regarding take-out finance contained in Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025.

Chapter III- Lending under Consortium / Multiple Banking Arrangements

146. The banks may evolve appropriate mechanism for adopting sole bank, multiple bank, consortium or syndication approach, by framing necessary ground rules on operational aspects.

147. Banks shall strengthen its information back-up about the borrowers enjoying credit facilities from multiple lenders as under:

(1) At the time of granting fresh facilities, bank shall obtain declaration from the borrowers about the credit facilities already enjoyed by them from other lenders in the format specified in Annex II. In the case of existing banks, all the banks shall seek a declaration from their existing borrowers availing sanctioned limits of rupees five crore and above or wherever, it is in their knowledge that their borrowers are availing credit facilities from other lenders and introduce a system of exchange of information with other lenders as indicated above.

(2) Subsequently, banks shall exchange information about the conduct of the borrowers' accounts with other lenders (participating REs under consortium/ Multiple Banking Arrangements) in the format given in Annex I at least at quarterly intervals.

(3) The bank shall obtain regular certification by a professional, preferably a Company Secretary / Cost Accountant / Chartered Accountant regarding compliance of various statutory prescriptions that are in vogue as per the format specified in Annex III.

(4) Further, the bank shall make greater use of credit reports available from Credit Information Companies [Credit Information Bureau (India) Limited (CIBIL), Experian Credit Information Company of India Private Ltd., Equifax Credit Information Services Pvt. Ltd. and High Mark Credit Information Services Pvt. Ltd.].

(5) The bank shall also incorporate suitable clauses in the loan agreements in future (at the time of next renewal in the case of existing facilities) regarding exchange of credit information so as to address confidentiality issues.

148. Further, the consortium leader / bank having the largest exposure shall have the lead role in monitoring the unhedged foreign exchange exposure of entities.

PART D: REPEAL AND OTHER PROVISIONS

A. Repeal and saving

149. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Transfer and Distribution of Credit Risk as applicable to Commercial Banks stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

150. 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.

B. Application of other laws not barred

151. 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

152. 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.

Annex I

Revised Format for Credit Information Exchange

Part – I
Bio Data of the Company

I.	Borrowing party's name and address		
II.	Constitution		
III.	Names of Directors / Partners		
IV.	Business activity		
	*	Main	
	*	Allied	
V.	Names of other financing Banks		
VI.	Net worth of Directors / Partners		
VII.	Group affiliation, if any		
VIII.	Date on associate concerns, if banking with the same bank		
IX.	Changes in shareholding and management from the previous report, if any		

Part - II
Major credit quality indicators

I.	IRAC Classification	
II.	Internal Credit rating with narration	
III.	External Credit rating, if any	
IV.	Latest available Annual Report of the borrower	As on ---------------

Part – III

Exposure Details other than Derivatives

(Rs. in crore)

I.	Type of credit facilities, e.g. working capital loan / demand loan / term loan / short term loan / foreign currency loan, corporate loan / line of credit / Channel financing, contingent facilities like LC, BG & DPG (I & F) etc. Also, state L/C bills discounting / project wise finance availed).	
II.	Purpose of loan	
III.	Date of loan facilities (including temporary facilities)	
IV.	Amount sanctioned (facility wise)	
V.	Balance outstanding (facility wise)	
VI.	Repayment terms	
VII.	Security offered	
	*	Primary
	*	Collateral
	*	Personal / Corporate Guarantees
	*	Extent of control over cash flow
VIII.	Defaults in term commitments / lease rentals / others	
IX.	Any other special information like court cases, statutory dues, major defaults, adverse internal / external audit observations	

Part - IV

Exposure Details – Derivatives Transactions

(Rs. in crore)

Sr. No.	Nature of the derivatives Transactions	Notional Amount of contracts	Weighted average maturity of contracts	Amount of positive MTM for the bank (Not due for settlement)	Amount of contracts classified as NPA	Notional Amount of outstanding contracts which have been restructured	Major reasons for restructuring (in brief)
A.	Plain Vanilla Contracts						
1.	Forex Forward contracts						
2.	Interest rate Swaps						
3.	Foreign Currency Options						
4.	Any other contracts (Please specify)						
B.	Complex derivatives including various types of option combinations designed as cost reduction/zero cost structures						
1.	Contracts involving only interest rate derivatives.						

2.	**Other contracts including those involving foreign currency derivatives**						
3.	**Any other contracts (Please specify)**						

Part – V

Un-hedged foreign currency exposures of the borrower with currency-wise details

(Rs. in crore)

I	**Short term exposures (less than one year)**	
(a)	Long positions	
(b)	Short positions	
(c)	Net short- term exposure (a-b)	
II	**Long term exposures (one year and beyond)**	
(a)	Long positions	
(b)	Short positions	
(c)	Net long-term exposure (a-b)	
III	**Overall Net Position (I –II) for each currency** (Please give Overall Net Position in this format for each currency)	
IV	**Overall Net Position across all currencies**	

Part – VI

Experience with the borrower

I.	Conduct of funded facilities (based on cash management / tendency to overdraw)	
II.	Conduct of contingent facilities (based on payment history)	
III.	Compliance with financial covenants	
IV.	Company's internal systems & procedures	
V.	Quality of management	
VI.	Overall Assessment	
(The above to be rated as good, satisfactory or below par only)		
(*) Broad guidelines for incorporating comments under this head is furnished in the next page		

Broad Guidelines for Incorporating Comments under Part - VI
(Experience) of the Credit Information Report

			Good	Satisfactory	Below Par
I.	**Conduct of funded facilities**				
	*	Over-drawings (No. of times)	Upto 4 times	5 to 6 times	Above 6 times
	*	Average period of adjustment	Within 1 month	Within 2 months	Beyond 2 months
	*	Extent of overdrawings (% of limit)	Upto 10%	10 to 20%	Above 20%
II.	**Conduct of contingent facilities (Other than Derivatives)**				
	*	No. of Defaults	Upto 2 times	3 to 4 times	Above 4 times
	*	Average period of adjustment	Within 1 week	Within 2 weeks	Beyond 2 weeks
III	**Conduct of Derivatives Transactions**				
	*	No. of contracts where the positive MTM value due to the bank remained overdue for more than 30 days	<25% of total	25-50% of total number of contracts	> 50% of total number of contracts

			number of contracts		
	*	No. of contracts where the positive MTM value due to the bank remained overdue for more than 90 days and the account had to be classified as NPA (but later on regularized and is not NPA as on the date of exchange of information) Note: All cases where any of the contracts has been classified as NPA and continues to be NPA as on the date of the exchange of information should be shown as Below Par)	<1% of total number of contracts	1-5% of total number of contracts	> 5% of total number of contracts
	*	No. of contracts restructured during the relevant period	<25% of total number of contracts	25-50% of total number of contracts	> 50% of total number of contracts
IV.	**Compliance with financial covenants**				
	*	Stock statement / Financial data	Timely	Delay upto 15 days	Delay over 15 days
	*	Creation of charge	Prompt	Delay upto 2 months	Delay over 2 months
V.	**Company'sinternal systems and procedures**				
	*	Inventory Management	Adequate systems are in place	Adequate systems are in place but not adhered	Adequate systems are not in place
	*	Receivables Management	- do -	- do -	- do -
	*	Resource Allocation	- do -	- do -	- do -
	*	Control over Information	- do -	- do -	- do -
VI.	**Quality of management**				

	*	Integrity	Reliable	Nothing adverse	Cannot be categorized in previous columns
	*	Expertise Competence / Commitments	Professional & visionary	Have necessary experience	-do-
	*	Tract Record	Timely	Executions /	-do-

Annex II

Minimum Information to be Declared by Borrowing Entities to Banks while Approaching for Finance under Multiple Banking Arrangement

A. Details of borrowing arrangements from other banks (institution-wise and facility-wise)

I.	**Name and address of bank / institution**	
II.	**Facilities availed**	
A.	***Fund–based credit facilities*** (Indicate the nature of facilities e.g. working capital / demand loan / term loan / short term loan) / foreign currency loan, corporate loan / line of credit / Channel financing, bill discounting etc. amount and the purpose)	
B.	***Non-fund-based facilities other than derivatives*** (Indicate the nature of facilities e.g. L/C, BG, DPG (I & F) etc. amount and the purpose)	
C.	***Derivatives contracts entered into with the bank*** (Indicate the nature of the contract, maturity, amount and the purpose)	
III.	**Date of sanction**	
IV.	**Present outstanding** (In the case of derivatives contracts, negative MTM i.e which is not due for settlement may be indicated)	
V.	**Overdues position, if any** (In the case of derivatives contracts, the negative MTM i.e. amount payable to the bank under the contract but not yet paid may be indicated)	

VI.	**Repayment terms** (for demand loans, term loans, corporate loans, project - wise finance)	
VII.	**Security offered** (complete details of security both primary and collateral including specific cash flows assigned to project wise finance / loan raised & personal / corporate guarantee, to be furnished)	
VIII.	**Requests for facilities which are under process**	
[The information to be given for domestic and overseas borrowings from commercial banks, Financial Institutions and NBFCs]		

B. Miscellaneous Details

(Rs. in crore)

I.	CPs raised during the year and current outstanding	
II.	Details of financing outside banking system e.g. L/C Bills discounting	
III	Amount of **un-hedged** foreign currency exposures (please give currency-wise position in the format given below)	
(i)	*Short term exposures (less than one year)*	
(a)	Long positions	
(b)	Short positions	
(c)	Net Short term Exposure (a-b)	
(ii)	*Long term exposures (one year and beyond)*	
(a)	Long positions	
(b)	Short positions	
(c)	Net Long term exposure a-b)	
(iii)	Overall Net Position (i-ii) for each currency	
(iv)	Overall Net Position across all currencies	

III.	Main and allied activities with locations	
IV.	Territory of sales and market share	
V.	Details of financial aspects incl. DSCR Projections wherever applicable as per requirement of bank - Imp. Financial covenants, if any, agreed to / accepted with other lenders.	
VI.	CID A/Cs, within / outside financing Banks, being operated, if any	
VII.	Demands by statutory authorities / current status thereof	
VIII.	Pending litigations	
IX.	A declaration authorizing the bank to share information with other financing banks	

Annex III

Part: I

DILIGENCE REPORT

To,

The Manager,

____________________ (Name of the Bank)

I/We have examined the registers, records, books and papers of _____________ Limited having its registered office at………………………………………………… as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder , the provisions contained in the Memorandum and Articles of Association of the Company, the provisions of various statutes, wherever applicable, as well as the provisions contained in the Listing Agreement/s, if any, entered into by the Company with the recognized stock exchange/s for the half year ended on…………… . In my/our opinion and to the best of my/our information and according to the examination carried out by me/us and explanations furnished to me/us by the Company, its officers and agents. I/We report that in respect of the aforesaid period:

1. The management of the Company is carried out by the Board of Directors comprising of as listed in Annex …., and the Board was duly constituted**.** During the period under review the following changes that took place in the Board of Directors of the Company are listed in the Annex …., and such changes were carried out in due compliance with the provisions of the Companies Act, 1956.
2. The shareholding pattern of the company as on ------- was as detailed in Annex …………:

   During the period under review the changes that took place in the shareholding pattern of the Company are detailed in Annex…….:
3. The company has altered the following provisions of

(i) The Memorandum of Association during the period under review and has complied with the provisions of the Companies Act, 1956 for this purpose.

(ii) The Articles of Association during the period under review and has complied with the provisions of the Companies Act, 1956 for this purpose.

4. The company has entered into transactions with business entities in which directors of the company were interested as detailed in Annex….. .

5. The company has advanced loans, given guarantees and provided securities amounting to Rs. ____________ to its directors and/or persons or firms or companies in which directors were interested, and has complied with Section – 295 of the Companies Act, 1956.

6. The Company has made loans and investments; or given guarantees or provided securities to other business entities as detailed in Annex ….and has complied with the provisions of the Companies Act, 1956.

7. The amount borrowed by the Company from its directors, members, financial institutions, banks and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws. The break up of the Company's domestic borrowings were as detailed in Annex ….. :

8. The Company has not defaulted in the repayment of public deposits, unsecured loans, debentures, facilities granted by banks, financial institutions and nonbanking financial companies.

9. The Company has created, modified or satisfied charges on the assets of the company as detailed in Annex…. Investments in wholly owned Subsidiaries and/or Joint Ventures abroad made by the company are as detailed in Annex ……

10. Principal value of the forex exposure and Overseas Borrowings of the company as on ………… are as detailed in the Annex under"

11. The Company has issued and allotted the securities to the persons-entitled thereto and has also issued letters, coupons, warrants and certificates thereof as applicable to the concerned persons and also redeemed its preference shares/debentures and bought back its shares within the stipulated time in compliance with the provisions of the Companies Act,1956 and other relevant statutes.

12. The Company has insured all its secured assets.

13. The Company has complied with the terms and conditions, set forth by the lending bank/financial institution at the time of availing any facility and also during the currency of the facility.

14. The Company has declared and paid dividends to its shareholders as per the provisions of the Companies Act, 1956.

15. The Company has insured fully all its assets.

16. The name of the Company and or any of its Directors does not appear in the defaulters' list of Reserve Bank of India.

17. The name of the Company and or any of its Directors does not appear in the Specific Approval List of Export Credit Guarantee Corporation.

18. The Company has paid all its Statutory dues and satisfactory arrangements had been made for arrears of any such dues.

19. The funds borrowed from banks/financial institutions have been used by the company for the purpose for which they were borrowed.

20. The Company has complied with the provisions stipulated in Section 372 A of the Companies Act in respect of its Inter Corporate loans and investments.

21. It has been observed from the Reports of the Directors and the Auditors that the Company has complied with the applicable Accounting Standards issued by the Institute of Chartered Accountants in India.

22. The Company has credited and paid to the Investor Education and Protection Fund within the stipulated time, all the unpaid dividends and other amounts required to be so credited.

23. Prosecutions initiated against or show cause notices received by the Company for alleged defaults/ offences under various statutory

provisions and also fines and penalties imposed on the Company and or any other action initiated against the Company and/ or its directors in such cases are detailed in Annex….. .

24. The Company has (being a listed entity) complied with the provisions of the Listing Agreement.

25. The Company has deposited within the stipulated time both Employees' and Employer's contribution to Provident Fund with the prescribed authorities.

Note : The qualification, reservation or adverse remarks, if any, are explicitly stated at the relevant paragraphs above place(s).

Place Signature

Date Name of the Company Secretary / Firm

C.P.No.:

Part II:

CERTIFICATIONS OF BORROWAL COMPANIES BY CHARTERED ACCOUNTANTS / COMPANY SECRETARIES / COST ACCOUNTANTS

i. Terms of reference for stock audit are to be spelt out clearly by the Banks, so that the Chartered Accountants can give focused attention to such areas.

ii. End-use verification of funds lent, if certified by Statutory Auditors, will be a good comfort to the Banks.

iii. As Banks quite often deal with unlisted companies, disclosure requirements for such companies above a specific turnover shall be made akin to those for listed companies, viz. consolidated balance sheet, segmental reporting etc. Information on large shareholding also will be useful.

iv. Further, the following additional certification either from Chartered Accountant or Company Secretary or Cost Accountants shall also be thought of :-

(a) Company Directors not figuring in defaulters list (RBI/ECGC)/willful defaulters list etc.)

(b) Details of litigation above a specified cut off limit.

(c) A specific certificate, probably from the Company Secretary, regarding compliance with Sec. 372 (a) of the Companies Act.

(d) Details of creation/ modification/satisfaction of charges on the assets of the company, position regarding insurance, show cause notices received, finds and penalties awarded.

v. As regards rotation of Auditors, for the sake of operational convenience, it is suggested they shall be changed once every 5 years instead of every 3 years.

vi. In order to avoid concentration, group companies shall have different Statutory/ Internal Auditors in case group turnover exceeds Rs.100 crores.