

**Draft Reserve Bank of India (Rural Co-operative Banks – Credit Facilities) Directions, 2025**

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**Reserve Bank of India (Rural Co-operative Banks – Credit Facilities) Directions,  
2025**

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## **Preamble**

Reserve Bank of India is statutorily mandated to operate the credit system of the country to its advantage. In pursuit of this mandate, the Reserve Bank encourages innovation in the financial systems, credit products and delivery mechanisms while ensuring orderly growth, financial stability and the protection of depositors' and borrowers' interest. With the progressive deregulation of bank credit, prudential norms primarily serve as regulatory safeguards. These norms, issued from time to time, provide guidance to regulated entities on the design and delivery of credit-related products and services. These Directions consolidate the instructions issued to Rural Co-operative Banks i.e., State Co-operative Banks and Central Co-operative Banks on credit facilities.

Accordingly, in exercise of powers conferred by Section 21, 35A and 56 of the Banking Regulation Act, 1949; the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues these Directions hereinafter specified.

## **Chapter I - Preliminary**

### **A. Short Title and Commencement**

1. These Directions shall be called the Reserve Bank of India (Rural Co-operative Banks – Credit Facilities) Directions, 2025.
2. These Directions shall come into effect immediately upon its issuance, unless indicated otherwise.

### **B. Applicability**

3. These Directions shall be applicable to Rural Co-operative Banks (hereinafter collectively referred to as 'RCBs' and individually as a 'RCB').

*In this context, rural co-operative banks shall mean State Co-operative Banks and Central Co-operative Banks, as defined in the National Bank for Agriculture and Rural Development Act, 1981.*

### **C. Definitions**

4. 1) For the purpose of this direction, following definitions shall apply:

- (i) Annual Percentage Rate (APR): Annual Percentage Rate (APR) is the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility.
- (ii) "Beneficiary" means the party in whose favour the NFB facility is issued by a RE.
- (iii) "Bullet Repayment Loans" means loans where both principal and interest are due for payment at the maturity of the loan.
- (iv) "Co-acceptance of bills" means an undertaking to make payment to the drawer of the bill (seller/ exporter) on due date if the buyer/ importer fails to make the payment on that date.
- (v) "Collateral Security" or "Collateral" means an existing asset of the borrower pledged to the lender for availing and securing a credit facility extended by the lender to the borrower.
- (vi) "Consumption Loan": In the context of loans against gold and silver collateral, refers to any permissible loan that does not fit the definition of 'income generating loan' as defined subsequently.
- (vii) Default Loss Guarantee (DLG): A contractual arrangement, called by whatever name, between the RCB and another entity, under which the latter guarantees to compensate the RCB, for the loss due to default up to a certain percentage of the loan portfolio of the RCB, specified upfront. Any other implicit guarantee of similar nature, linked to the performance of the loan portfolio of the RCB and specified upfront, shall also be covered under the definition of DLG.
- (viii) Digital Lending: A remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.
- (ix) Digital Lending Apps/ Platforms (DLAs): Mobile and/or web-based applications, on a standalone basis or as a part of suite of functions of an application with user interface that facilitate digital lending services. DLAs shall include applications of the RE as well as those operated by Lending Service Provider (LSP) engaged by RE for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the Reserve Bank.
- (x) "Central Cooperative Bank (CCB)" means the principal co-operative society in a district in a State as defined under section 2(d) of National Bank for Agriculture and Rural Development Act, 1981.

- (xi) “Eligible Collateral” : Refers to the specific collateral security or securities against which a specific credit facility is extended.
- (xii) “Guarantee” means a contract to perform the promise, or discharge the liability, of a third person in the contingent case of his non-performance or default, in terms of The Indian Contract Act, 1872.
- (xiii) “Guarantor” refers to the party which issues the guarantee.
- (xiv) “Income Generating Loan” means loans extended for the purpose of productive economic activities, such as farm credit, loans for business or commercial purposes, loans for creation or acquisition of productive assets etc.
- (xv) “Jewellery” means items that are designed to be worn as personal adornments.
- (xvi) Lending Service Provider (LSP): An agent of a RCB (including another lender) who carries out one or more of RCB’s digital lending functions, or part thereof, in customer acquisition, services incidental to underwriting and pricing, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of RCB in conformity with extant outsourcing guidelines issued by the Reserve Bank.
- Provided that while entities offering only Payment Aggregator (PA) services in terms of the extant instructions issued by RBI on ‘Digital Lending’ shall remain out of the ambit of these Directions on Digital Lending, any PA also performing the role of an LSP shall comply with Chapter III of these Directions.
- (xvii) Loan to Value (LTV) ratio: LTV Ratio on a day means the ratio of the outstanding loan amount to the value of the pledged eligible collateral or primary security, as the case may be, on that day. In case of bullet repayment loans, however, the LTV calculation shall take into account the total amount repayable at maturity .
- (xviii) “Obligor” refers to a party against whose obligations, financial or otherwise, a NFB facility has been issued. In the case of guarantees, the obligor may also be termed as ‘principal debtor’, as defined under the Indian Contract Act, 1872.
- (xix) “Ornaments” means items meant for use as adornment of any object, decorative items, or utensils, excluding those items that fall under the definition of jewellery as defined under paragraph 4(xv) above.
- (xx) “Primary Gold and Primary Silver” mean gold and silver in any form other than in the form of a jewellery, ornaments and coins.
- (xi) “Secured portion of an NFB facility” is the portion of the facility covered by realisable value of tangible security/ collateral estimated on a realistic basis.

(xxii) “State Cooperative Bank (StCB)” means the principal co-operative society in a State as defined under section 2(u) of National Bank for Agriculture and Rural Development Act, 1981.

2) All other expressions unless defined herein shall have the same meanings as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or as used in commercial parlance, as the case may be.

## **Chapter II - Board Approved Policies**

5. The bank shall put in place Board approved policies covering, inter alia, the areas specified below. The specific aspects to be addressed in these policies are detailed in the relevant paragraphs of this Directions.
  - (1) Digital Lending including DLG
  - (2) Lending Against Gold and Silver Collateral
  - (3) Microfinance Loans
  - (4) Non fund based (NFB) facilities
  - (5) Policy for financing CRE-RH and a review note on the performance of the CRE-RH portfolio shall be placed before the Board at least on a half-yearly basis.
  - (6) Post-shipment Credit denominated in Foreign Currency

## **Chapter III - Digital Lending**

### **A. General Requirements for RCB-LSP Arrangements**

#### **6. Due diligence requirements with respect to LSPs**

- (1) Digital lending by a bank involving a LSP, shall be carried out under a contractual agreement between the bank and the LSP, which clearly defines the respective roles, rights, and obligations of each party thereto.
- (2) The bank shall conduct enhanced due diligence before they enter into an agreement with a LSP for digital lending, taking into account LSP's technical capabilities, robustness of data privacy policies and storage systems, fairness in conduct with borrowers, past records of conduct and ability to comply with all applicable regulations and statutes.
- (3) The bank shall carry out periodic review of the conduct of the LSP vis-à-vis the terms of the contractual agreement and shall take appropriate action in the event of any deviation therefrom.
- (4) The bank shall lay down, as part of its policy, suitable monitoring mechanisms for the loan portfolios originated with the support of LSPs.
- (5) The bank shall impart necessary guidance to LSP acting as a recovery agent, to discharge their duties responsibly and ensure that LSP complies with the applicable instructions on Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents' Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025, and other relevant instructions as issued from time to time.
- (6) The bank shall continue to conform to the extant guidelines on outsourcing in directions Reserve Bank of India (Rural Co-operative Banks – Managing Risks in Outsourcing) Directions, 2025 and shall ensure that the LSPs engaged by them and the DLAs (either of the RCB or of the LSPs engaged by the RCB) comply with these Directions.
- (7) As an overarching principle, any outsourcing agreement entered into by the bank with an LSP shall in no manner dilute or absolve the bank of its obligations under any statutory or regulatory provision, and the bank shall remain fully responsible and liable for all acts and omissions of the LSP.

## **7. RCB -LSP arrangements involving multiple lenders**

In cases where a LSP has agreements with multiple lenders for digital lending, the bank shall ensure the following:

- (1) LSP shall provide a digital view of all the loan offers matching the borrower's request on the DLA which meets the requirement of the borrower. The name of the unmatched lenders shall also be disclosed in the digital view.
- (2) While the LSP may adopt any mechanism to match the request of borrowers with the lender (s) to offer a loan, it shall follow a consistent approach for similarly placed borrowers and products. The mechanism adopted by the LSP and any subsequent changes to this mechanism shall be properly documented.
- (3) The digital view of loan offers from matching lenders shall include the name (s) of the lender (s) extending the loan offer, amount and tenor of loan, APR, monthly repayment obligation and penal charges (if applicable), in a way which enables the borrower to make a fair comparison between various offers. A link to the KFS shall also be provided in respect of each of the lender.
- (4) The content displayed by the LSP shall be unbiased, objective and shall not directly/ indirectly promote or push a product of a particular lender, including the use of dark patterns/deceptive patterns designed to mislead borrowers into choosing a particular loan offer. However, ranking of loan offers based on a publicly pre-disclosed metric for such ranking shall not be construed as promoting a particular product.

**Note:** Dark patterns shall have the same meaning as defined under section 2(e) of the 'Guidelines for Prevention and Regulation of Dark Patterns, 2023' dated November 30, 2023, issued by Central Consumer Protection Authority, and as amended from time to time.

- (5) The instructions contained in this paragraph would come into effect from November 1, 2025.

## **B. Conduct and Customer Protection Requirements**

### **8. Assessing the borrower's creditworthiness**

- (1) The bank shall obtain the necessary information relating to economic profile of the borrower with a view to assessing the borrower's creditworthiness before extending

any loan, including, at a minimum, age, occupation and income details. The same shall be kept on record for audit purposes.

(2) The bank shall ensure that there is no automatic increase in credit limit unless an explicit request is received, evaluated and kept on record from the borrower for such increase.

## **9. Disclosures to borrowers**

(1) The bank shall provide a Key Fact Statement (KFS), as per instructions contained in Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025.

(2) As regards penal charges, the bank shall be guided by Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025.

(3) The bank shall ensure that digitally signed documents (on the letter head of the bank) viz., KFS, summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the bank / LSP with respect to storage and usage of borrowers' data, etc. shall automatically flow to the borrower on the registered and verified email/ SMS upon execution of the loan contract/ transactions.

Note: Digitally signed documents shall be in compliance with the provisions of the Information Technology Act, 2000, as amended from time to time.

(4) The bank shall maintain a website of their own in public domain, which shall be kept up to date, inter-alia, with the following details at a prominent single place on the website for ease of accessibility:

- (i) Details of all of its digital lending products and its DLAs;
- (ii) Details of LSPs and the DLAs of the LSPs along with the details of the activities for which they have been engaged for;
- (iii) Particulars of bank's customer care and internal grievance redressal mechanism;
- (iv) Link to RBI's and Sachet Portal;
- (v) Privacy policies and other details as required under extant guidelines of the Reserve Bank.

The bank shall ensure that DLAs / LSPs have links to the above website of the bank.

(5) In case of a loan default, when a recovery agent is assigned for recovery or there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for recovery shall be communicated to the borrower through email/ SMS before the recovery agent contacts the borrower for recovery.

## **10. Loan disbursal, servicing and repayment**

(1) Disbursement of loan by the bank shall always be made into the bank account of the borrower except for disbursals covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), flow of money between lenders for co-lending transactions and disbursals for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary. The bank shall ensure that in no case, disbursal is made to a third-party account, including the accounts of LSP, except as provided for in this chapter on Digital Lending. ‡

Provided that advances against salary, where the loan is disbursed directly to the bank account of the borrower, but the repayment is from the corporate employer, can be allowed subject to the condition that the loan is repaid by the corporate employer by deducting the amount from the borrower's salary. However, it must be ensured that LSPs do not have any control over the flow of funds directly or indirectly in such transactions and that repayment is directly from the bank account of the employer to the bank.

*Note:* Co-lending arrangements shall be governed by the Reserve Bank of India (Rural Co-operative Banks – Transfer and Distribution of Credit Risk) Directions, 2025, as amended from time to time, subject to the condition that no third party other than the lenders in a co-lending transaction shall have direct or indirect control over the flow of funds at any point of time.

(2) The bank shall ensure that all loan servicing, repayment, etc. is executed by the borrower directly in the bank's bank account without any pass-through account/ pool account of any third party, including the accounts of LSP.

(3) The flow of funds between the bank accounts of the borrower and the bank shall not be controlled either directly or indirectly by a third-party, including the LSP.

(4) The bank shall ensure that any fees, charges, reimbursements, etc. payable to LSP are paid directly by the bank and are not charged to or collected from the borrowers separately by LSP.

(5) In case of delinquent loans, bank may deploy physical interface to recover loans in cash, wherever necessary. In order to afford operational flexibility to the bank, such transactions are exempted from the requirement of direct repayment of loan in the bank's bank account. However, any recovery by cash shall be duly reflected in full in the borrower's account on the same day and bank shall ensure that any fees, charges, etc., payable to LSPs for such recovery are paid directly by the bank and are not charged by LSP to the borrower either directly or indirectly from the recovery proceeds.

## **11. Cooling-off period**

(1) The borrower shall be given an explicit option to exit a digital loan by paying the principal and the proportionate APR without any penalty during an initial "cooling-off period". The cooling off period shall be determined by the Board of the bank as laid down in their credit policy, subject to the period so determined not being less than one day. For borrower continuing with the loan even after cooling-off period, pre-payment shall continue to be allowed as per Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025.

(2) The bank may retain a reasonable one-time processing fee, if the customer exits the loan during the cooling-off period. This, if applicable, shall be disclosed to the customer upfront in KFS.

## **12. Grievance redressal**

(1) The bank, and the LSP which has an interface with the borrower, shall designate nodal grievance redressal officers to deal with digital lending related complaints/issues raised by the borrower.

(2) Contact details of the nodal grievance redressal officers shall be prominently displayed on the websites of the bank, its LSP and on the DLA, as well as in the KFS provided to the borrower.

- (3) The facility of lodging complaint shall also be made available on the DLA and on the website as stated above. It is reiterated that responsibility of grievance redressal shall continue to remain with the bank.
- (4) If any complaint lodged by the borrower against the bank or the LSP engaged by the bank is rejected wholly or partly by the bank, or the borrower is not satisfied with the reply; or the borrower has not received any reply within 30 days of receipt of complaint by the bank, the said borrower may lodge a complaint with NABARD or with the Customer Education and Protection Cell of RBI.

## **C. Technology and Data Requirement**

### **13. Collection, usage and sharing of data with third parties**

- (1) The bank shall ensure that any collection of data by their DLA and DLA of their LSP is need-based and with prior and explicit consent of the borrower having audit trail. In any case, the bank shall also ensure that DLA of the bank/LSP desist from accessing mobile phone resources like file and media, contact list, call logs, telephony functions, etc. A one-time access can be taken for camera, microphone, location or any other facility necessary for the purpose of on-boarding/ KYC requirements only, with the explicit consent of the borrower.
- (2) The borrower shall be provided with an option to give or deny consent for use of specific data, restrict disclosure to third parties, data retention, revoke consent already granted to collect personal data and if required, make the bank/LSP delete/forget the data.
- (3) The purpose of obtaining borrowers' consent needs to be disclosed at each stage of interface with the borrowers.
- (4) Explicit consent of the borrower shall be taken before sharing personal information with any third party, except for cases where such sharing is required as per statutory or regulatory requirement.

### **14. Storage of data**

- (1) The bank shall ensure that LSP engaged by them do not store personal information of borrower except some basic minimal data (viz., name, address, contact details of the customer, etc.) that may be required to carry out their operations or service within the scope of the bank-LSP agreement. Responsibility regarding data

privacy and security of the customer's personal information on an ongoing basis shall be that of the bank.

(2) The bank shall ensure that clear policy guidelines regarding the storage of customer data including the type of data that can be stored, the length of time for which data can be stored, restrictions on the use of data, data destruction protocol, standards for handling security breach, etc., are put in place and also disclosed by the bank and the LSP engaged by the bank prominently on their website and DLA at all times.

(3) The bank shall ensure that no biometric data is stored/ collected by the bank and LSP, unless allowed under extant statutory guidelines.

(4) The bank shall ensure that all data is stored only in servers located within India, while ensuring compliance with statutory obligations/ regulatory instructions. Further, in case the data is processed outside India, the same shall be deleted from servers outside India and brought back to India within 24 hours of processing.

## **15. Comprehensive privacy policy**

(1) The bank and LSPs engaged by bank shall have a comprehensive privacy policy compliant with applicable laws, associated regulations and RBI guidelines which shall be made available publicly on the website of bank and LSP, as the case may be.

(2) Details of third parties (where applicable) allowed to collect personal information through the DLA shall also be disclosed in the privacy policy.

## **16. Technology standards**

(1) The bank shall ensure that they and the LSPs engaged by them comply with various technology standards/ requirements on cybersecurity stipulated by RBI and other relevant agencies, or as may be specified from time to time, for undertaking digital lending.

## **D. Reporting of Credit Information and DLAs**

### **17. Reporting to Credit Information Companies (CICs)**

(1) As per the provisions of the Credit Information Companies (CIC) (Regulation) Act, 2005; CIC Rules, 2006; CIC Regulations, 2006 and related guidelines issued by RBI from time to time, bank shall ensure that any lending done through their DLAs and/ or DLAs of LSPs is reported by them to CICs irrespective of its nature/ tenor.

(2) Extension of structured digital lending products by the bank and/or LSPs engaged by the bank over a merchant platform involving short term, unsecured/secured credits or deferred payments, need to be reported to CICs by the bank. The bank shall ensure that LSPs, if any, associated with such deferred payment credit products shall abide by the extant outsourcing guidelines issued by the Reserve Bank and be guided by these Directions.

## **18. Reporting of DLAs to RBI**

(1) The bank shall report all DLAs deployed/ joined by them, whether their own or those of the LSPs, either exclusively or as a platform participant, on the Centralised Information Management System (CIMS) portal of RBI in the requisite format as given in the Annex-I to these Directions.

(2) The bank shall update the aforesaid list as and when additional DLA (s) are deployed or the engagement with the existing DLA (s) ceases to exist by filing the updated data in the CIMS portal.

(3) The Chief Compliance Officer of the bank or any other official designated by the Board of the bank for the purpose shall certify that the data on DLAs submitted by them on the CIMS portal is correct and the DLAs are compliant with all the extant regulatory instructions, including the provisions of this Chapter, as updated from time to time.

(4) Without prejudice to the generality of the above, the Chief Compliance Officer/ other official designated by the Board of the bank shall certify the following aspects:

(i) DLAs have link to bank's website where further information about the loan products, the lender, the LSP, particulars of customer care, link to Sachet Portal, privacy policies, etc. can be accessed by the borrower.

(ii) DLAs (in case owned by LSP), have appointed a suitable nodal grievance redressal officer to deal with digital lending related complaints/ issues raised by the borrower, details of which are prominently available on the respective DLA.

(iii) Data collection and storage by DLAs is in compliance with paragraph 13 and 14 of these Directions and other statutory and regulatory requirements, as applicable from time to time.

(iv) The DLA's particulars submitted by the bank are also suitably disclosed on the bank's website as required under paragraph 9(4) of these Directions.

(5) The bank shall ensure the correctness and timeliness of information regarding DLAs, as the data, as submitted by the bank on CIMS, shall be published on the website of RBI in an automated manner and RBI shall not verify/ validate the data submitted on CIMS. All issues and grievances of customers concerning DLAs shall be addressed and dealt with by the bank directly.

(6) The bank shall ensure that the inclusion of any third party DLAs deployed by them as part of above reporting, shall not be construed by the DLAs or any associated entity as conferring any form of registration, authorization, or endorsement by the Reserve Bank. The bank shall also ensure that such inclusion is not misrepresented in any marketing, promotional, or other materials issued by or on behalf of the DLAs.

#### **E. Loss sharing arrangement in case of default**

##### **19. Eligibility as DLG provider**

(1) bank may enter into DLG arrangements only with an LSP/ other lender engaged as an LSP. Further, the LSP providing DLG shall be incorporated as a company under the Companies Act, 2013.

##### **20. Due diligence and other requirements with respect to DLG provider**

(1) The bank, including a bank acting as DLG provider, shall lay down, as part of its policy, the eligibility criteria for DLG provider, nature and extent of DLG cover, process of monitoring and reviewing the DLG arrangement, and the details of the fees, if any, payable to/ received by the DLG provider, as the case may be before entering into any DLG arrangement. .

(2) The bank shall ensure that any DLG arrangement does not act as a substitute for credit appraisal requirements and robust credit underwriting standards need to be put in place irrespective of the DLG cover.

(3) Every time a bank enters into or renews a DLG arrangement, it shall obtain adequate information to satisfy itself that the entity extending DLG would be able to honour it. Such information shall, at a minimum, include a declaration from the DLG

provider, certified by the statutory auditor of the DLG provider, on the aggregate DLG amount outstanding, the number of lender and the respective number of portfolios against which DLG has been provided. The declaration shall also contain past default rates on similar portfolios.

(4) It is clarified that the due-diligence requirements specified herein are in addition to the general requirements applicable to bank-LSP arrangements as set out in paragraph 7 of these Directions.

## **21. Restrictions on entering into DLG arrangements**

- (1) The bank shall not enter into DLG arrangements for revolving credit facilities offered through digital lending channel.
- (2) The bank shall not enter into DLG arrangements on the loans which are covered by the credit guarantee schemes administered by trust funds as specified under Reserve Bank of India (Rural Co-operative Banks – Prudential Norms on Capital Adequacy) Directions, 2025, as amended from time to time.

## **22. Structure of DLG arrangements**

(1) DLG arrangements shall be backed by an explicit and legally enforceable contract between the bank and the DLG provider. Such contract, among other things, shall contain the following details:

- (i) Extent of DLG cover;
- (ii) Form in which DLG cover is to be maintained with the bank;
- (iii) Timeline for DLG invocation;
- (iv) Disclosure requirements as under paragraph 29 of these Directions.

## **23. Forms of DLG**

(1) The bank shall accept DLG only in one or more of the following forms:

- (i) Cash deposited with the bank;
- (ii) Fixed Deposit maintained with a Scheduled Commercial Bank with a lien marked in favour of the bank;

(iii) Bank Guarantee in favour of the bank.

## 24. Cap on DLG

- (1) The bank shall ensure that the total amount of DLG cover on any outstanding portfolio which is specified upfront shall not exceed five per cent of the total amount disbursed out of that loan portfolio at any given time. In case of implicit guarantee arrangements, the DLG Provider shall not bear performance risk of more than the equivalent amount of five per cent of the underlying loan portfolio.
- (2) The portfolio over which DLG can be offered shall consist of identifiable and measurable loan assets which have been sanctioned (the 'DLG set'). This portfolio shall remain fixed for the purpose of DLG cover and is not meant to be dynamic.
- (3) Illustrative examples on cap on DLG:

### Illustration 1

Assume that as on April 1, 2024 the bank earmarks a portfolio of ₹40 crore (out of the total **sanctioned** loans) under a DLG arrangement (DLG set). This portfolio shall remain "frozen" for the purpose of the specific DLG arrangement - meaning that no loan assets can be added or removed from it, except through loan repayment/ write-off. The bank can have such multiple DLG sets.

The ceiling for DLG cover on such portfolio shall be fixed at ₹2 crore (5% of ₹40 crore), which shall get activated proportionately as and when the loans are **disbursed**.

### Illustration 2

Assume that out of the above DLG set, loans amounting to ₹10 crore are disbursed immediately. Then as on April 1, 2024, the DLG cover available for the portfolio shall be ₹0.5 crore (5% of disbursed).

Subsequently, if loans of ₹10 crore are further disbursed on April 15, 2024, the DLG cover shall proportionately increase to ₹1 crore effective April 15, 2024.

(Refer table below also for summary of each case)

**Case 1:** As on June 30, 2024, loans worth ₹5 crore mature without any default. In this case, the outstanding portfolio in the books of the bank would be ₹15 crore and the DLG cover shall remain at ₹1 crore.

**Case 2:** Subsequently, there is a default of ₹2 crore during Q2-2024 and consequently the bank invokes the entire DLG of ₹1 crore (assuming that till date zero principal / interest have been received towards these loans). In this case, as of Sept 30, 2024 the outstanding portfolio in the books of the bank shall be ₹15 crore (₹20 crore original portfolio less ₹5 crore loans matured without default) but no headroom for DLG will be available as the maximum permissible DLG cover of ₹1 crore (5% of disbursed) has been exhausted.

**Case 3:** Going further, let's assume that recovery worth ₹1 crore is made by the bank during October 2024 on the defaulted loans of ₹2 crore. In such a case, the amount of the outstanding portfolio in the books of the bank as on October 31, 2024 shall come down to ₹14 crore (₹20 crore original portfolio less ₹5 crore loans matured without any default less ₹1 crore loans which were in default and recovered). However, the recovery amount of ₹1 crore cannot be added to reinstate the DLG cover.

(figures in ₹ crore)							
Period	Disbursed	Loan maturing without default	Default Amount	DLG Invoked	Recovery/ Write-off	Outstanding Portfolio	Available DLG Cover
Initial Position	10	-	-	-	-	10	0.5
Further disbursement	10	-	-	-	-	20	1
Case 1	20	5	-	-	-	15	1
Case 2	20	5	2	1	-	15	0
Case 3	20	5	2	1	1	14	0

## 25. Recognition of NPA

- (1) Recognition of individual loan assets in the portfolio as Non-Performing Asset (NPA) and consequent provisioning shall be the responsibility of the bank as per the Reserve Bank of India (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025 irrespective of any DLG cover available at the portfolio level.
- (2) The amount of DLG invoked shall not be set off against the underlying individual loans, i.e. the liability of the borrowers in respect of the underlying loan shall remain unaffected.

- (3) Recovery by the bank, if any, from the loans on which DLG has been invoked and realised, can be shared with the DLG provider in terms of the contractual arrangement.
- (4) DLG amount once invoked by the bank shall not be reinstated, including through loan recovery.

## **26. Treatment of DLG for regulatory capital**

- (1) Capital computation, i.e., computation of exposure and application of Credit Risk Mitigation benefits on individual loan assets in the portfolio shall continue to be governed by Reserve Bank of India (Rural Co-operative Banks – Prudential Norms on Capital Adequacy) Directions, 2025.
- (2) In case, DLG provider is a bank, it shall deduct full amount of the DLG which is outstanding from its capital.

## **27. Invocation and tenor of DLG**

- (1) The bank shall invoke DLG within a maximum overdue period of 120 days, unless the loan dues are made good by the borrower before that.
- (2) The period for which the DLG agreement remains in force shall not be less than the longest tenor of the loan in the underlying loan portfolio.

## **28. Disclosure requirements**

- (1) The bank shall put in place a mechanism to ensure that LSPs with whom they have a DLG arrangement shall publish on their website the total number of portfolios and the respective amount of each portfolio on which DLG has been offered. The name of the lender(s) may or may not be disclosed as part of disclosure under this provision.
- (2) Disclosure under para (1) above shall be made on a monthly basis, with the disclosure for any given month to be provided no later than seven (7) working days following the conclusion of that month.

## **29. Exceptions**

Guarantees covered under the following schemes/ entities shall not be covered within the definition of DLG:

- (1) Guarantee schemes of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC).
- (2) Credit guarantee provided by Bank for International Settlements (BIS), International Monetary Fund (IMF) as well as Multilateral Development Banks as referred to in Reserve Bank of India (Rural Co-operative Banks – Prudential Norms on Capital Adequacy) Directions, 2025, as amended from time to time.

## **F. General Provisions**

30.

- (1) These Directions shall also be applicable to all loans offered on Debit Card, including EMI programmes.
- (2) DLG arrangements entered between the bank and LSP conforming to the instructions laid down in these Directions shall neither be treated as “synthetic securitisation”, nor attract the provisions of ‘loan participation’ as defined under Reserve Bank of India (Rural Co-operative Banks – Transfer and Distribution of Credit Risk) Directions, 2025.

## **Chapter IV - Lending against Gold and Silver Collateral**

### **A. Background:**

31. Reserve Bank has restricted lending against primary gold such as gold bullion due to broader macro-prudential concerns as also due to speculative and non-productive nature of gold. However, the regulated entities (REs) have been permitted to lend against the collateral security of gold jewellery, ornaments and coins for meeting the short-term financing needs of borrowers. The extant regulations are guided, inter alia, by the objective of providing the borrowers an avenue to tide over their tight liquidity conditions by leveraging the gold jewellery, ornaments or coins that are kept idle, while simultaneously addressing the risks for the lenders.
32. Instructions issued vide these Directions shall be complied with as expeditiously as possible but no later than April 1, 2026. Loans sanctioned prior to the date of adoption of the Directions by the RE shall continue to be governed by the guidelines mentioned in the Annex -II and applicable before the issuance of these Directions.

### **B. General Provisions**

33. The credit policy (hereinafter called the policy) of a bank, as required in terms of the extant directions, shall include, inter alia, appropriate single borrower limits and aggregate limits for the portfolio of loans against eligible collateral as defined in these Directions; maximum LTV ratio permissible for such loans; action to be taken in cases of breach of LTV ratio; valuation standards and norms; and standards of gold and silver purity. The policy shall also include appropriate documentation to be obtained and maintained for loans proposed to be categorised under priority sector lending.
34. A bank may decide on a suitable approach for lending against collateral of jewellery, ornaments or coins made of gold or silver (“eligible collateral” for this Chapter) as part of its credit risk management framework, consistent, inter alia, with the principle of proportionality and ease of access for small ticket loans. However, detailed credit assessment, including assessment of borrower’s repayment capacity shall be undertaken in case the total loan amount against eligible collateral is above ₹2.5 lakh to a borrower.

*Provided that* in case of Bullet repayment loans, the threshold loan amount for detailed credit assessment shall be the total amount payable at maturity.

35. A bank may renew an existing loan or sanctions a top-up loan upon a formal request from the borrower, it shall be subject to a credit assessment in accordance with above paragraph 34. Such renewal or top-up shall be permitted only within the permissible LTV, and provided the loan is classified as standard. Further, renewal of bullet repayment loan shall be allowed only after payment of accrued interest, if any. The bank shall ensure that such renewals and top-ups are clearly identifiable in its Core Banking System or Loan Processing System.

Note: “Top-up Loan” here means an additional loan sanctioned over and above an outstanding loan, during the tenor of the original loan, based on the strength of the collateral already pledged for the existing loan.

### **C. Restrictions and Ceilings**

36. A bank shall not grant any advance or loan:

- (1) For purchase of gold in any form including primary gold, ornaments, jewellery, or coins, or for purchase of financial assets backed by gold, e.g., units of Exchange-traded funds (ETFs) or units of Mutual Funds; and
- (2) against primary gold or silver or financial assets backed by primary gold or silver.

37. A bank shall not extend a loan where ownership of the collateral is doubtful. A suitable document or declaration shall be obtained from the borrower in all cases to the effect that the borrower is the rightful owner of the eligible collateral. Multiple or frequent sanction of loans against eligible collateral to the same borrower, aggregating to a value in excess of a threshold to be decided by the lender, must be examined closely as part of the transaction monitoring under the Anti-money laundering (AML) framework.

38. A bank shall not:

- (1) Avail loans by re-pledging gold or silver pledged to it by its borrowers.
- (2) Extend loans to other lenders, entities or individuals by accepting gold or silver collateral pledged to such lenders, entities, or individuals by their borrowers as collateral.

For removal of doubt, it is clarified that the above provision does not preclude a lender from financing another lender against the security of underlying receivables.

39. Tenor of consumption loans in the nature of bullet repayment loans shall be

capped at 12 months, which may be renewed in terms of paragraph 35.

40. Loans against ornaments and coins shall be subject to the following:

- (1) the aggregate weight of ornaments pledged for all loans to a borrower shall not exceed 1 kilogram for gold ornaments, and 10 kilograms for silver ornaments.
- (2) the aggregate weight of coin(s) pledged for all loans to a borrower shall not exceed 50 grams in case of gold coins, and 500 grams in case of silver coins.

**C. Valuation and Assaying of Gold and Silver collateral**

41. Gold or silver accepted as collateral shall be valued based on the reference price corresponding to its actual purity (caratage). For this purpose, the lower of
- (a) the average closing price for gold or silver, as the case may be, of that specific purity over the preceding 30 days, or
  - (b) the closing price for gold or silver, as the case may be, of that specific purity on the preceding day, as published either by the India Bullion and Jewellers Association Ltd. (IBJA) or by a commodity exchange regulated by the Securities and Exchange Board of India (SEBI) shall be used.

42. If price information for the specific purity is not directly available, the lender shall use the published price available for the nearest available purity and proportionately adjust the weight of the collateral based on its actual purity to arrive at valuation.

43. For the purpose of valuation, only the intrinsic value of the gold or silver contained in the eligible collateral shall be reckoned and no other cost elements, such as precious stones or gems, shall be added thereto.

**D. Loan to Value Ratio (LTV)**

44. The maximum LTV ratio in respect of consumption loans against the eligible collateral shall not exceed LTV ratios as provided in the table below:

Total consumption loan amount* per borrower	Maximum LTV* ratio
≤₹2.5 lakh	85 per cent
> ₹2.5 lakh & ≤ ₹5 lakh	80 per cent
> ₹5 lakh	75 per cent

\* In case of Bullet repayment loans, the loan amount as well as LTV shall be calculated taking into account the total amount payable at maturity.

45. The prescribed LTV ratio shall be maintained on an ongoing basis throughout the tenor of the loan.

#### **F. Other Provisions**

46. For conduct related aspects, banks shall be guided by the instructions contained in Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025.

47. For instructions on collateral management, banks shall be guided by the instructions contained in Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025.

48. The bank shall disburse loans into borrower's bank accounts. Banks shall comply with the Reserve Bank of India (Rural Co-operative Banks – Know Your Customer) Directions, 2025. Provisions of Sections 269 SS and 269 T of the Income Tax Act, 1961, and associated rules shall be complied with, as may be applicable.

49. In case of bank transfers, the bank shall ensure that:

(1) Loan disbursals are made to the borrower's account and not to a third-party account (except for disbursals covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), flow of money between lenders for co-lending transactions and disbursals for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary); and

(2) Loan servicing, repayment, etc. is executed by the borrower directly in the bank's account without any pass-through account or pool account of any third party.

50. Running multiple loans simultaneously to a single borrower or a group of related borrowers may be prone to misuse and susceptible to fraud. Consequently, such practices shall be subject to stricter internal audit and supervisory examination.

51. For instructions on disclosures, banks shall be guided by the instructions contained in Reserve Bank of India (Rural Co-operative Banks – Financial Statements: Presentation and Disclosures) Directions, 2025.

## **Chapter V- Microfinance Loan**

### **A. Definition**

52. A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.
53. All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans.

Explanation: To ensure collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.

### **B. Assessment of Household Income**

54. Each bank shall put in place a board-approved policy for assessment of household income. Indicative methodology for assessment of household income is outlined below:
  - (1) For undertaking the income assessment of a low-income household, information related to following parameters may be captured by the lender:
    - (i) Parameters to capture household profile**
      - a) Composition of the household
        - i. Number of earning members
        - ii. Number of non-earning members
      - b) Type of accommodation (owned/ rented, etc.)
      - c) Availability of basic amenities (electricity, water, toilet, sewage, LPG connection, etc.)
      - d) Availability of other assets (land, livestock, vehicle, furniture, smartphone, electronic items, etc.)
    - (ii) Parameters to capture household income**
      - a) Primary source of income
        - i. Sector of work (Agriculture & allied activities, trading, manufacturing, services, etc.)
        - ii. Nature of work (Self-employed or salaried, regular or seasonal, etc.)
        - iii. Frequency of income (daily/ weekly/ monthly)
        - iv. Months/ days of employment over last one year
        - v. Self-reported monthly income
        - vi. Average monthly income (to be derived from (iv) & (v) above)

- b) Other sources of income
  - i. Remittance
  - ii. Rent/ Lease
  - iii. Pension
  - iv. Government transfer
  - v. Scholarship
  - vi. Others (specify details)
- c) The income assessment as above may be carried out for all earning members with respect to all sources (primary or secondary) of income. While assessing income of all members from all sources, it may be ensured that there is no double counting of income such as counting of salary income of one migrant member also as remittance income for the household.
- d) While the income computation may be done on a monthly basis, the income assessment for all members and sources may be carried out over a period of minimum one year to ascertain the stability of the household income.

**(iii) Parameters to capture household expenses**

- a) Regular monthly expenses (food, utilities, transport, house/ shop rent, clothing, regular medical costs, school/ college fees, etc.)
- b) Irregular expenses over last one year (medical expenses, house renovation, purchase of household goods, functions, etc.)

(2) Self-reported income at 1(ii) above may be corroborated with the profile of household at 1(i) and household expenses at 1(iii). Further, household income may also be verified from other sources (bank account statements of the borrowers, group members, other references in the vicinity, etc.).

55. Self-regulatory organisations (SROs) and other associations/ agencies may also develop a common framework based on the indicative methodology. The REs may adopt/ modify this framework suitably as per their requirements with approval of their boards.
56. Each bank shall mandatorily submit information regarding household income to the Credit Information Companies (CICs). Reasons for any divergence between the already reported household income and assessed household income shall be

specifically ascertained from the borrower/s before updating the assessed household income with CICs.

#### **C. Limit on Loan Repayment Obligations of a Household**

57. Each bank shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.
58. The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.
59. Existing loans, for which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50 per cent, shall be allowed to mature. However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50 per cent is complied with.
60. Each bank shall provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness. Besides, the bank shall also ascertain the same from other sources such as declaration from the borrowers, their bank account statements and local enquiries.

#### **D. Other Provisions**

61. The bank shall have a board-approved policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement.
62. The bank providing microfinance loans shall also refer to:
  - (1) Reserve Bank of India (Rural Co-operative Banks – Interest Rates on Deposits) Directions, 2025 and Reserve Bank of India (Rural Co-operative Banks – Interest Rates on Advances) Directions, 2025;
  - (2) Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025 for instructions related to Key Fact Statement and guidelines on conduct towards microfinance borrowers.

- (3) Reserve Bank of India (Rural Co-operative Banks – Managing Risks in Outsourcing) Directions, 2025 for instructions pertaining to responsibilities for outsourced activities.

## Chapter VI- Housing Loan

### **A. Individual Housing Loan Limit**

63. The limits on residential housing loans sanctioned by rural co-operative banks to an individual borrower are as under:

Category of the bank		Applicable Limit (per individual borrower)
(a)	StCBs / DCCBs having assessed net worth less than 100 crore	₹ 50 lakh
(b)	StCBs / DCCBs having assessed net worth equal to or more than 100 crore	₹ 75 lakh

### **B. Housing Sector: Innovative Housing Loan Products - Upfront Disbursal of Housing Loans**

64. Some banks have introduced certain innovative Housing Loan Schemes in association with developers / builders, e.g., upfront disbursal of sanctioned individual housing loans to the builders without linking the disbursals to various stages of construction of housing project, interest / EMI on the housing loan availed of by the individual borrower being serviced by the builders during the construction period / specified period, etc. This might include signing of tripartite agreements between the bank, the builder and the buyer of the housing unit. These loan products are popularly known by various names like 80:20, 75:25 Schemes. Such housing loan products are likely to expose the banks as well as their home loan borrowers to additional risks e.g. in case of disputes between individual borrowers and developers / builders, default / delayed payment of interest / EMI by the developer / builder during the agreed period on behalf of the borrower, non-completion of the project on time, etc. Further, any delayed payments by developers / builders on behalf of individual borrowers to banks may lead to lower credit rating / scoring of such borrowers by credit information companies (CICs) as information about servicing of loans gets passed on to the CICs on a regular basis. In cases where bank loans are also disbursed upfront on behalf of their individual borrowers in a lump-sum to builders / developers without any linkage to stages of construction, banks run disproportionately higher exposures with concomitant risks of diversion of funds.

65. In view of the higher risks associated with such lump-sum disbursal of sanctioned housing loans and customer suitability issues, the banks are advised that disbursal of housing loans sanctioned to individuals shall be closely linked to the stages of construction of the housing project / houses and upfront disbursal shall not be made in cases of incomplete / under-construction / green field housing projects.
66. It is emphasized that the banks while introducing any kind of product shall take into account the customer suitability and appropriateness issues and also ensure that the borrowers / customers are made fully aware of the risks and liabilities under such products.

### **C. Finance for Housing**

67. StCBs and DCCBs can extend finance to Commercial Real Estate-Residential Housing (CRE-RH) within the existing aggregate housing finance limit of 5 per cent of their total assets.

*For this purpose, CRE-RH shall consist of loans to builders / developers for residential housing projects (except for captive consumption). Such projects should ordinarily not include non-residential commercial real estate. However, integrated housing projects comprising some commercial space (e.g. shopping complex, school, etc.) can also be classified under CRE-RH, provided that the commercial area in the residential housing project does not exceed 10 per cent of the total Floor Space Index (FSI) of the project. Standard asset provision of 0.75 per cent and risk weight of 75 per cent shall be maintained for CRE-RH advances.*

*Note:* Aggregate housing finance limit means aggregate housing loans outstanding on any day against individuals, institutions and societies.

### **D. Construction of Building / Ready-Built House**

68. The banks are advised to also adhere to the following conditions, in the light of the observations of Delhi High Court on unauthorised construction:

- (1) In cases where the applicant owns a plot / land and approaches bank for a credit facility to construct a house, a copy of the sanctioned plan by competent authority in the name of a person applying for such credit facility must be obtained by the bank before sanctioning the home loan.
- (2) An affidavit-cum-undertaking shall be obtained from the person applying for such credit facility that they shall not violate the sanctioned plan, construction shall be strictly

as per the sanctioned plan and it shall be the sole responsibility of the executant to obtain completion certificate within 3 months of completion of construction, failing which the bank shall have the power and the authority to recall the entire loan with interest, costs and other usual bank charges.

(3) An Architect empanelled by the bank shall also certify at various stages of construction of building that the construction of the building is strictly as per sanctioned plan and shall also certify at a particular point of time that the completion certificate of the building issued by the competent authority has been obtained.

(4) In cases where the applicant approaches the bank for a credit facility to purchase the built up house / flat, it shall be mandatory for them to declare by way of an affidavit-cum-undertaking that the built up property has been constructed as per the sanctioned plan and / or building byelaws and as far as possible has a completion certificate also.

(5) An Architect empanelled by the bank shall also certify before disbursement of the loan that the built up property is strictly as per sanctioned plan and / or building bye-laws.

(6) No loan shall be given in respect of those properties which fall in the category of unauthorized colonies unless and until they have been regularized and development and other charges paid.

(7) No loan shall also be given in respect of properties meant for residential use, but which the applicant intends to use for commercial purposes and declares so while applying for loan.

*Explanation:* Agricultural land is outside the limit of the Gram Panchayats and Municipal Councils and as these authorities neither sanction plans nor issue completion certificates for farmhouses constructed by the farmers on the agricultural land, the directions in paragraph 68 will not apply to such situations. In all such cases, local rules will apply.

#### **E. Guarantees to be Furnished by the State and Central Co-operative Banks in favour of HUDCO in respect of Loans to State Housing Boards and similar bodies**

69. One of the conditions stipulated therein is, that the state/central co-operative banks should not execute any guarantees in favour of HUDCO in respect of loans to State Government agencies except in cases where they are required only as interim security for short periods to be eventually replaced by mortgage of fixed assets. However, since HUDCO and the State level institutions are engaged in

housing programmes for the benefit of Scheduled Castes/Scheduled Tribes and economically weaker sections of the society, the issue has been reconsidered by us. Keeping in view the role of the Central and State level institutions in this vitally important area of national activity, it has been decided, as a special case, not to object to state/central co-operative banks issuing guarantees in favour of HUDCO in respect of their loans to State level institutions (Housing Boards and other similar bodies) subject to the following conditions:

- (1) The banks shall while executing such guarantees scrupulously observe normal commercial principles in respect of margin, purpose, security, etc.
  - (2) The banks shall charge the usual rates of commission while providing such guarantees
  - (3) The banks shall ensure not to engage themselves in unhealthy competition or rivalry by resorting to lower rates of guarantee commission, non-observance of essential safeguards, etc.
  - (4) The banks shall, above all, individually restrict the volume of such business to reasonable limits by imposition of a suitable ceiling in order to ensure that their contingent liabilities portfolios in respect of such business are not unduly overextended.
70. The period of such guarantees shall co-terminate with the period of repayment of the loans sanctioned by HUDCO but shall not exceed 20 years.
71. The state and central co-operative banks may also note that the extended period in respect of such guarantees would not be applicable to any other activity and that our basic policy on the limitation of the period of bank guarantees to 10 years and the volume of guarantees (i.e. total volume of guarantee obligations outstanding may not exceed owned funds of the banks at any time and within the overall ceiling the unsecured guarantees outstanding at any time may be limited to 25 per cent of the owned funds), as laid down in circular No.ACD.Plan.(INDC)1571/HB.164-69/70 dated 10 December 1969 in respect of state co-operative banks and circular No.NB.Plan. (IFS)26/HB.164-82/83 dated 25 August 1982 issued by NABARD in respect of central co-operative banks as also, other guidelines laid down therein, would continue.

## **F. Guidelines for the Guarantee Business of State Co-operative Banks**

72. Banks shall not execute any guarantees in favour of HUDCO in respect of loan to State Government agencies except in cases where they are required only as interim security for short periods to be eventually replaced by mortgage of fixed assets.
73. Loans granted to private borrowers by HUDCO/State Housing Boards and other similar bodies/organisations could be guaranteed by their bankers only where such borrowers are unable to offer clear and marketable title to property and provided they are, otherwise, satisfied with the capacity of the borrowers to adequately service such loans.
74. Banks shall not execute guarantees against loans to the economically weaker sections of the community and to the low income groups at a rate of interest, which is not likely to exceed 8.5 per cent per annum, as it should be possible for the State Government to provide the guarantee, if necessary, in such cases.
75. The standard form of guarantee prescribed by HUDCO/other similar bodies shall be suitably modified to make it more acceptable to the banks. This may be taken up, if necessary, by the banks with HUDCO.

## **Chapter VII - Non Fund Based (NFB) Credit Facilities**

76. Background: Non-fund based (NFB) facilities like guarantees, letters of credit, co-acceptances etc. facilitate effective credit intermediation and smooth business transactions. In order to harmonize and consolidate guidelines covering these facilities and to broaden the funding sources for infrastructure financing, the Reserve Bank had issued the following guidelines on non-fund based credit facilities.
77. The Directions shall not apply to the derivative exposures of the bank, other than the general conditions as laid down in this chapter.
78. The Directions at shall come into force from April 1, 2026, or from any earlier date as decided by the bank as per its internal policy ("effective date"). Extension of any new NFB facility and renewal of an existing NFB facility after the effective date, shall be governed in terms of these Directions. All existing NFB facilities extended / renewed till the effective date shall continue to be governed by the guidelines as applicable before the issuance of these Directions.

### **A. General Conditions**

79. The credit policy of the bank shall incorporate suitable provisions for issue of NFB facilities, *inter alia*, covering aspects relating to type of NFB facilities, limits granted, credit appraisal, security requirement, fraud prevention, overall monitoring mechanism including post-sanction monitoring, delegation matrix, audit and internal controls, compliance to uniform standards issued by standard setting bodies and other safeguards.
80. The bank shall issue a NFB facility only on behalf of a customer having funded credit facility from the bank.

*Provided that* this clause shall not be applicable in respect of:

- (1) Derivative contracts entered into by the bank with counterparty.
- (2) NFB facilities issued based on the counter guarantee of another RE, as permitted under paragraph 102 to paragraph 104 of this chapter.
- (3) NFB facilities on behalf of an obligor who has not availed any fund based facility from any RE in India.

(4)NFB facilities extended by the bank against No Objection Certificate issued by the RE / REs which has / have provided fund based facility to the obligor.

(5)NFB facilities which are fully secured by eligible financial collateral.

*Explanation:* The eligible financial collateral specified herein shall be as defined under Reserve Bank of India (Rural Co-operative Banks – Prudential Norms on Capital Adequacy) Directions, 2025

81. The bank shall not issue a NFB facility to any entity assuring redemption / repayment of funds raised by any entity via deposits, issuance of bonds, or in any other form, unless specifically permitted under any regulatory guidelines / directions issued by the Reserve Bank.
82. Once a NFB facility devolves and is converted into a fund based facility, then the prudential norms shall be as applicable to fund based facilities.

## **B. Guarantees**

83. In general, a guarantee (or a counter-guarantee) issued by the bank (guarantor) shall be irrevocable (i.e., there shall be no clause in the contract that would allow the guarantor to unilaterally cancel the same), unconditional (i.e. there shall be no clause in the contract that could prevent the bank from being obliged to pay out in a timely manner in the event that the original counterparty fails to meet its obligation), incontrovertible and shall contain a clear mechanism for honouring the same without demur as and when invoked.
84. The bank shall put in place suitable internal aggregate / individual ceilings for issuance of guarantees in general and unsecured guarantees in particular.

*Provided that* the total volume of guaranteed obligations of StCBs and CCBs outstanding at any time shall not exceed 5% of their total assets as per the previous financial year's balance sheet. Further, unsecured guarantees of banks shall be restricted to 1.25% of total assets. Any such bank in breach of the above stipulation of these Directions shall meet the above threshold by April 01, 2027.

85. The provisions of the internal policy relating to guarantees shall, inter alia, address aspects related to invocation and settlement mechanism, claim period, tenor, fee / commission / applicable charges, timelines for release of security, renewal, fraud prevention measures etc.

86. The bank shall honour the guarantee issued by it as and when invoked in accordance with the terms and conditions of the guarantee deed unless there is court order restraining the same

### **B.1 Usage of electronic-Guarantee**

87. Wherever the bank issues an electronic Guarantee, it shall frame a standard operating procedure (SOP) aimed at minimization of manual intervention; meeting system integration requirements; ensuring technological compatibility between the bank's interface and the electronic Guarantee platforms, audit and internal controls etc. The SOP shall, inter alia, consider the aspects mentioned from paragraph 88 to paragraph 101.

### **B.2 Policy and SOP for issuance of Electronic Guarantee**

88. The bank shall have suitable enabling provisions in its credit policy which shall, inter alia, envisage the adoption of electronic Guarantees, the risk controls to be put in place, delegation of authority, the monitoring process, etc.

89. The bank shall put in place appropriate SOPs for user reference, detailing all the steps to be followed during the entire electronic Guarantee lifecycle. Electronic Guarantees shall not be issued without ensuring that the underlying transaction has been duly reflected in the Core Banking System (CBS)/ Trade Finance System (TFS).

### **B.3 Integration of the systems with regard to issuance of Electronic Guarantee**

90. The bank shall have a strong control environment covering the policies, processes and systems; sound internal controls; and appropriate risk mitigation strategies for all operations pertaining to electronic Guarantees.

91. The bank shall ensure that all features relating to the entire lifecycle events of electronic Guarantees such as issuance, amendment, invocation, cancellation etc. shall be available on the its platform through suitable integration with the electronic Guarantee service provider.

92. The CBS / TFS shall be integrated with the APIs and other related messaging platforms offered by the electronic Guarantee service provider, in Straight Through Processing (STP) mode, without any manual intervention.

#### **B.4 User Roles for issuance of Electronic Guarantee**

93. The bank shall have an efficient system of 'Maker, Checker and Authorizer' for issuance and monitoring of electronic Guarantees, while ensuring strict access control and an effective segregation of the role and accountability.
94. No role involved in electronic Guarantee issuance lifecycle shall violate principle of segregation of duties, four / six eye principle and no employee shall be allocated roles / privileges across systems, applications that are conflicting in nature or in violation of four/ six eye principle.
95. The system access shall be provided only to specified users, and access through generic user IDs shall not be permitted. User review shall be continuous, at defined periodicity and identifiable at any point of time with respective rights and privileges. The user privileges shall be decided on "need to know/ need to do" basis.

#### **B.5 Control Measures for issuance of Electronic Guarantee**

96. The bank shall have in place a system of periodical review and reconciliation of all the electronic Guarantees issued / modified / cancelled, during the specified period.
97. The issuance of electronic Guarantees shall be mandatorily covered within the scope of concurrent audit and RBIA of the bank.

#### **B.6 Other aspects pertaining to issuance of Electronic Guarantee**

98. The robustness of the electronic Guarantee systems shall be part of the Vulnerability Assessment / Penetration Testing (VA / PT), Information Systems Audit.
99. Dependence on the vendors for day-to-day transactions shall be avoided. Access to production systems shall be provided to vendors only in a controlled environment, and audit trail shall be maintained.
100. Security Incident and Event Management (SIEM) tool shall be integrated with the concerned servers and consoles / PCs connected to electronic Guarantee related critical systems directly in its VLAN to generate automatic alerts.
101. The bank shall integrate electronic Guarantee systems with Privileged User Management Systems / Identity and Access Management systems. The logs of the same shall be monitored through Security Operation Centre (SOC) setup.
102. Business Continuity Measures and contingency plans for system failures, shall be put in place by the bank.

## **B.7 Guarantee favouring another RE**

103. The bank shall, in general, not provide a guarantee favouring another RE to enable it to provide any fund based credit facility to an obligor.

*Provided that* this clause shall not be applicable in case of credit facilities extended against guarantees pertaining to trade related transactions.

104. However, the bank may provide a guarantee favouring another RE for a NFB facility extended by the latter. Such guarantee issued by a RE shall be treated as an exposure on the obligor on whose behalf the guarantee has been issued by it, for all purposes including for the calculation of capital adequacy. The exposure of the RE extending credit facility against a guarantee shall be treated as a claim / exposure on the RE which is providing the counter guarantee.

## **C. Co-acceptances**

105. Only genuine trade bills shall be co-accepted, and it shall be ensured that the goods covered by bills co-accepted are actually received in the stock accounts of the borrowers.

106. Proper records of the bills co-accepted for each customer shall be maintained, so that the commitments for each customer and the total commitments at a branch can be readily ascertained, and these shall be part of internal audit.

107. The bank shall not co-accept bills drawn by another RE or where the buyer / seller has received funding for the underlying trade transaction from any RE.

## **D. Requirements for Other Specific Guarantees**

### **D.1 Guarantee and related business involving overseas current or capital account transaction**

108. The banks permitted as Authorized Dealer (AD) may extend NFB facilities as permitted under the extant regulations / Directions issued under Foreign Exchange Management Act, 1999, for bona fide current or capital account transaction, including guarantees in respect of debt or other liability incurred by an exporter on account of exports from India.

109. AD banks are also permitted to issue guarantee to or on behalf of a foreign entity, or any of its step-down subsidiary in which an Indian entity has acquired control through the foreign entity, which is backed by a counter-guarantee or collateral by the Indian entity or its group company.

*Provided that such guarantees shall not be issued by banks, including overseas branches / subsidiaries of Indian banks, for the purpose of raising loans / advances of any kind by the foreign entity except in connection with the ordinary course of business overseas. Further while extending such guarantees, banks shall ensure effective monitoring of the end use of such facilities and its conformity with the business needs of such entities.*

#### **D.2 Guarantees on behalf of Stock / Commodity Brokers**

110. Only Scheduled Commercial Banks (SCBs) may issue guarantees on behalf of stock/ commodity brokers in favour of stock/ commodity exchanges in lieu of security deposit to the extent it is acceptable in the form of bank guarantee as laid down by exchanges. SCBs may also issue guarantees in lieu of margin requirements as per exchange regulations read along with other instructions issued by Reserve Bank in this regard from time to time.

#### **E. Exclusions and Other Aspects**

111. For disclosure of the details of NFB credit facilities, the bank shall be guided by Reserve Bank of India (Rural Co-operative Banks – Financial Statements: Presentation and Disclosures) Directions, 2025.

112. The Directions in this Chapter have been issued without prejudice to Directions under Foreign Exchange Management Act (FEMA), 1999; Foreign Exchange Management (Guarantees) Regulations, 2000, notified *vide* [Notification No. FEMA 8/2000-RB dated May 03, 2000](#); as amended from time to time.

*Notwithstanding* paragraph 112 above, RE shall comply with all the related regulatory norms including exposure norms issued by RBI as amended from time to time.

## **Chapter VIII- Other Instructions on Credit Facilities**

### **A. Advances against the Security of National Savings Certificate (NSC)**

113. The bank may grant advances against the security of National Savings Certificates subject to normal terms and conditions. However, the banks shall prescribe a margin of 25% on the value of original investment in National Savings Certificates without taking into account accrued interest, if any, and grant advances to the extent of 75% of such value.

### **B. Grant of loans for acquisition of small savings instruments/schemes**

114. The basic objective of small savings schemes is to provide a secure avenue of savings for small savers and promote savings, as well as to inculcate the habit of thrift among the people. The grant of loans for acquiring/ investing in such schemes does not promote fresh savings and, rather, channelises the existing savings in the form of bank deposits to small savings instruments and thereby defeats the very purpose of such schemes. Banks shall, therefore, ensure that no loans are sanctioned for acquisition of/investing in Small Savings Instruments including Kisan Vikas Patras.

### **C. Advances against Shares and Debentures/Bonds**

115. The banks shall maintain minimum margin of 50 per cent on loans to individuals against equity shares. However, for loans to individuals against preference shares and debentures/bonds of corporate bodies, banks can decide the stipulate margins.

### **D. Grant of Loans to Non-Residents by Institutions other than Authorised Dealers**

116. The RCBs shall not grant loans to Non-Residents without obtaining clearance from the Foreign Exchange Department of RBI.

### **E. Prior authorisation from NABARD**

117. Though the need for obtaining prior authorisation from NABARD was dispensed with effect from April 24, 2000, in respect of loans sanctioned to the co-operative marketing societies / consumer stores / societies / State level co-operative federations under purchase / procurement schemes of State Governments outside

PDS, beyond certain limits, an RCB shall obtain the prior authorisation from NABARD. The policy will continue without any change. The details of the policy where prior authorisation from NABARD is required, are given in Annex III.

#### **F. Credit Facilities for Purchase and Distribution of Chemical Fertilisers - Margin Requirements**

118. With a view to facilitating flow of adequate credit for distribution of chemical fertilisers at the retail level it would be desirable to liberalise the margin requirements in respect of accommodation provided by banks without government guarantee. Accordingly, the State/Central cooperative banks may reduce the margin in respect of their advances to primary agricultural credit societies and primary cooperative marketing societies, etc. for distribution of chemical fertilisers to 10 per cent for pledge and 15 per cent for hypothecation accommodation even though government guarantee is not available. However, the usual margin of 25 percent for pledge and 40 per cent for hypothecation accommodation will have to be prescribed in respect of State/Central Cooperative banks' advances to state level marketing federations/agencies for wholesale distribution of fertilisers, where government guarantee is not available.

#### **G. Financing of Inland Credit Sales - Charging of Additional Interest on Book-debt Finance in Excess of the Prescribed Level**

119. The instructions in this paragraph shall be applicable to all borrowers enjoying working capital limits (fund-based) of Rs. 5 crores and above. Normally, State and Central Co-operative Banks do not have borrowers enjoying credit limits (fund-based) of ₹ 5 crores and more. However, in cases when State and Central Co-operative Banks are members of a consortium with other Commercial Banks, the borrowers may be covered by instructions applicable in respect of credit limits in excess of ₹ 5 crores by the consortium banks. In such cases the State and Central Co-operative Banks should follow the same financial discipline as may be stipulated by other members of the consortium. The operating instructions to give effect to the decision are set out below:

- (1) In the case of advances under consortium arrangements, the credit facilities for financing inland credit sales should first be segregated from the overall permissible limit enjoyed by a borrower from the consortium. Each member of the consortium should be advised of its share of the said facility (for financing

inland credit sales) within the limit allocated to it. Thereafter, the limit allocated to each member for inland credit sales should be segregated in respect of bills and book debts.

(2) The limit sanctioned against book debts should not be more than 75 per cent of the aggregate limits sanctioned to such a borrower for financing his inland credit sales. The aggregate limits referred to above will comprise all types of credit facilities extended towards inland credit sales such as cash credit limit/sub-limit against book debts, bills purchased/discounted limits, overdraft/cash credit limit/sub-limit against bills sent for collection, and similar limit/sub-limit against Government supply bills, as may have been made available within the overall bank finance limit sanctioned.

(3) Each member bank should levy the additional interest of 2 per cent on the portion of the book-debt finance in excess of 75 per cent of the limit allocated/fixed for financing inland credit sales.

(4) To the extent that there is a shortfall in the level of bill financing actually attained by the borrower, the borrower's eligibility for bank finance towards inland credit sales will be confined to not more than 75 per cent of the aggregate limits, to be made available for the financing of book debts and the actual level of credit extended by way of bills purchased/discounted or overdraft/cash credit limit/ sub-limit against bills for collection. The intention is that if a borrower is unable to attain the aforesaid minimum per cent, they will be deprived of bank finance to the extent of such a shortfall.

(5) In case of advances granted under consortium arrangements, the State and Central Co-operative Banks shall note for their guidance that the instructions issued from time to time on the subject to Commercial Banks will equally be applicable to State and Central Cooperative Banks which are members of the consortium.

#### **H. Advances to Sugar Industry - Continuance of Credit Facilities by Banks against Stocks of Freesale Sugar Sold to Government for Public Distribution System (PDS)**

120. In order to meet the commitments under the Public Distribution System (PDS), the Government has decided to purchase upto 12 lakh tonnes of freesale sugar,

depending on actual requirement (including 5 lakh tonnes of sugar taken as loan from sugar mills in the 1996-97 season). Although the Government proposes to pay the sugar units at a rate to be decided on the basis of CCEA approved formula (i.e. actual average free-sale realisation for the preceding three months or the sale price in the current month or the c.i.f. cost of imports, whichever is the least), the units will be paid only levy price at the time of lifting the Sugar. Difference between the levy price and the price as per the approved pricing formula referred to above will be paid by Government of India by the end of June 1999.

121. . As you are aware, banks are required to refrain from granting clean advances to borrowers enjoying credit facilities against commodities covered by selective Credit Control. However, taking into account the circumstances leading to the purchase of free-sale sugar by the Government in the aforesaid manner as also to avoid hardships to borrowers, Banks may, if they so desire, segregate such unsecured credit to facilitate monitoring thereof. They would, however, ensure that a margin of 15 per cent will continue to be maintained against other stocks of free-sale sugar.

## **Chapter IX - Repeal and other provisions**

### **A. Repeal and saving**

122. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Credit Facilities for Rural Co-Operative banks stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions and guidelines already repealed shall continue to remain repealed.
123. 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**

124. 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**

125. 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****Data to be submitted on the CIMS portal**

Sl. No.	Name of the DLA	Name of the owner of DLA (Self-owned/ name of LSP in case DLA is of LSP)	Available on (Website/ Name of app store)	Link to DLA#	Name of Grievance Redressal Officer	Email id of Grievance Redressal Officer	Telephone number of Grievance Redressal Officer	Mobile number of Grievance Redressal Officer	Website of RE

*\*Each DLA to be reported as a separate line item. In case any DLA is available on multiple app stores, each entry is required to be reported separately with specific links to the DLA on the app store*

*# In case DLA is a website, provide link to the website, or in case DLA is an app hosted on one of the app-stores, provide the link of the DLA on the app-store*

## **Annex -II**

### **Loans Against Gold and Silver Collateral**

#### **A. Loan to Value Ratio**

1. Loans (including bullet repayment loans) sanctioned by banks against pledge of gold ornaments and jewellery for non-agricultural purposes should not exceed 75 per cent of the value of gold ornaments and jewellery. Further, LTV of 75 per cent shall be maintained throughout the tenure of the loan for all loans extended against pledge of gold ornaments and jewellery for non-agricultural end uses. The LTV ratio shall be computed against the total outstanding in the account, including accrued interest, and current value of gold jewellery accepted as security/ collateral, determined as given below.

2. In order to standardize the valuation and make it more transparent to the borrower, gold ornaments and jewellery accepted as security / collateral will have to be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by the India Bullion and Jewellers Association Ltd. [Formerly known as the Bombay Bullion Association Ltd. (BBA)] or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission on a consistent manner as per their Board approved policy. If the gold is of purity less than 22 carats, the bank should translate the collateral into 22 carat and value the exact grams of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately. RCBs banks may also use the historical spot gold price data of the preceding 30 days publicly disseminated by a Commodity Exchange regulated by the Securities and Exchange Board of India.

B. Loans extended against pledge of gold ornaments and jewellery for other than agricultural purposes, where both interest and principal are due for payment at maturity of the loan will be subject to the following conditions :

1. The amount of gold loan sanctioned should not exceed Rs. 1.00 lakh at any point of time which may be granted against the pledge of gold jewellery and ornaments for non-agricultural end uses;
2. The tenor of the loans shall not exceed 12 months from the date of sanction;

3. Interest will be charged to the account at monthly rests and may be recognised on accrual basis provided the account is classified as 'standard' account. This will also apply to existing loans;

4. Such loans shall be governed by extant norms pertaining to income recognition, asset classification and provisioning which shall be applicable once the principal and interest become overdue.

C. Hallmarking of gold jewellery ensures the quality of gold used in the jewellery as to caratage, fineness and purity. Therefore, banks would find granting of advances against the security of such hallmarked jewellery safer and easier. Preferential treatment of hallmarked jewellery is likely to encourage practice of hallmarking which will be in the long-term interest of consumer, lenders and the industry. Therefore, banks while considering granting advances against jewellery may keep in view the advantages of hallmarked jewellery and decide on the margin and rates of interest thereon.

## Annex-III

### **Requirement of Prior Authorisation**

- (i) Sanction of credit limit by SCBs and DCCBs, either by the banks concerned or in consortium with other banks, to the cooperative marketing societies/ consumer stores/ societies/ State Level Cooperative Federations in respect of purchase/ procurement schemes of the State Govts., UT outside PDS (other than food credit), whether the aggregate amount of sanction is beyond the prescribed cut off points.
- (ii) Financing State Level Marketing Federations for procurement of food grains at Govt. Support price or on commercial basis outside PDS, where the aggregate amount of sanction is beyond the prescribed cut off points as is given below

(₹ in crore)

Sr. No	Type of financing	SCBs in 3 tier		SCBs in 2 tier/ DCCB	
		With deposits above ₹ 1000 cr	With deposits less than ₹ 1000 cr	With deposits more than ₹ 300 cr	With deposits less than ₹ 300 cr
1	Pledge/ hypothecation limits against commodities not covered by RBI's directives (other than food grains)	35	20	15	10
2	Pledge/ hypothecation limits against commodities covered by RBI's directives (other than food grains)	7.5	7.5	7.5	5
3	Procurement/ purchase of food grains outside PDS	7.5	7.5	7.5	5