



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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October 07, 2025

RBI issues Draft Directions pursuant to Policy Announcement

In pursuance of the announcement made in the [Statement on Developmental and Regulatory Policies dated October 01, 2025](#), the Reserve Bank of India (RBI) has today issued the following draft Directions:

A. Draft Reserve Bank of India (Scheduled Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2025

The proposed Directions seek to implement one of the key elements of the global reforms implemented by the Basel Committee on Banking Supervision (BCBS), suitably tailored to the Indian context. The Directions amend the existing standardised approach framework for calculating the capital charge for credit risk with the objective of enhancing its robustness, granularity, and risk sensitivity.

The major revisions include:

- i) nuanced and granular risk weight treatment for exposures to corporates, MSMEs and real estate;
- ii) inclusion of 'transactors' under regulatory retail category, where transactors are credit cards with timely repayments during the previous 12 months;
- iii) revision in the credit conversion factors for reckoning the exposure for off-balance sheet exposures;
- iv) suitable adjustments to the risk weights applied to loans rated by credit rating agencies, depending on the default history of such loans for each rating agency, and due diligence by banks.

Overall, the proposed changes are estimated to have a positive impact on the minimum regulatory capital requirements of banks, with certain segments such as MSMEs, real estate and credit cards exposures being particularly benefited.

B. Draft Reserve Bank of India (Scheduled Commercial Banks & All India Financial Institutions - Asset Classification, Provisioning and Income Recognition) Directions, 2025

The proposed Directions seek to replace the incurred-loss-based provisioning framework with an ECL based provisioning, subject to prudential floors. These are expected to further strengthen credit risk management practices, promote greater comparability across financial institutions, and align regulatory norms with internationally accepted regulatory and accounting standards.

The key elements of the proposed framework include:

- (i) introduction of staging criteria for asset classification under Expected Credit Loss (ECL) approach, while retaining the extant norms for Non-performing Asset (NPA) classification;
- (ii) specification of suitably calibrated prudential floors for broad exposure classes, separately under Stage-1, Stage-2 and Stage-3;
- (iii) alignment of the income recognition norms based on Effective Interest Rate (EIR) method;
- (iv) broad principles on model risk management for implementing ECL models.

While the above Directions are estimated to result in an additional one-time provisioning, the overall impact on the minimum regulatory capital requirements of banks is expected to be minimal, with all banks continuing to meet the requirements comfortably. The proposed 5-year glide-path will further facilitate the transition in a non-disruptive manner.

The comments on the draft guidelines are invited from public/stakeholders by November 30, 2025. The comments/ feedback may be submitted through the link under the '[Connect2Regulate](#)' Section available on the Reserve Bank's website. Comments may alternatively be forwarded to The Chief General Manager, Credit Risk Group, Department of Regulation, Central Office Reserve Bank of India, 12th/ 13th Floor Shahid Bhagat Singh Marg, Fort Mumbai – 400 001 or by [email](#).

Press Release: 2025-2026/1261

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