

**Draft Reserve Bank of India (Small Finance Banks- Resource Raising Norms)
Directions, 2025**

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Index

Chapter I - Preliminary	2
A. Short Title and Commencement	2
B. Applicability	2
Chapter II- Issue of Long-Term Bonds for Financing Infrastructure Sub-Sectors	3
Chapter III- Repeal and Other Provisions	7
A. Repeal and Saving	7
B. Application of other laws not barred	7
C. Interpretations	7

In exercise of the powers conferred under Sections 35A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest and in the interest of financial sector policy so to do, hereby, issues the Directions hereinafter specified.

Chapter I -- Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Small Finance Banks- Resource Raising Norms) Directions, 2025.
2. These Directions shall become effective on the day these are placed on the official website of the Reserve Bank.

B. Applicability

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

Chapter II -- Issue of Long-Term Bonds for Financing Infrastructure Sub-Sectors

4. A bank can issue long-term bonds with a minimum maturity of seven years for the purpose of raising resources to finance:

(1) lending to long term projects in all infrastructure sub-sectors; and

(2) individual housing loans under affordable housing sub-sector;

as included and defined in the Harmonized Master List (HML) of Infrastructure Sub-sectors issued vide Gazette Notifications of the Department of Economic Affairs, Ministry of Finance, Government of India, from time to time.

5. Salient Features of Long-Term Bonds for Financing Infrastructure Sub-sectors

(1) **Regulatory Incentives:** Incentives with a view to minimising regulatory pre-emptions on statutory reserve requirements and priority sector lending obligations shall be available on issuance and deployment of proceeds from such bonds as per paragraph 6 of this Chapter.

(2) **Type of bond:** The instrument shall be fully paid, redeemable and unsecured. They shall rank pari-passu with other uninsured, unsecured creditors.

(3) **Currency of issue:** The bonds shall be denominated in Indian Rupees.

(4) **Maturity period:** The bonds shall have a minimum maturity period of seven years.

(5) **Quantum of Issue:** There shall be no restriction on the quantum of such bonds issued by a bank. However, the regulatory incentives shall be restricted to the bonds that are used to incrementally finance long term projects in infrastructure sub-sectors. Any incremental infrastructure and affordable housing loans acquired from other banks or financial institutions shall require prior approval from the Reserve Bank to be reckoned for regulatory incentives.

(6) **Options:** The bonds shall be issued in plain vanilla form, without any embedded call or put option.

(7) **Rate of interest:** The bonds may be issued with either a fixed or floating rate of interest. In the case of floating rate bonds, the rate of interest shall be referenced to a market determined benchmark.

- (8) **Method of issue:** The bonds may be issued through a public issue or private placement, in full compliance with the applicable guidelines and norms prescribed by the Securities and Exchange Board of India (SEBI), including those relating to mandatory credit rating and listing.
- (9) **Eligibility for deposit insurance:** The bonds shall not be eligible for deposit insurance.
- (10) **Regulatory/Statutory compliance:** A bank issuing long-term bonds shall be required to comply with all relevant statutory and regulatory requirements.

6. Regulatory Incentives

- (1) **Credit eligible for regulatory incentives:** ‘Eligible Credit (EC)’ shall refer to the outstanding ‘standard’ project loans to all Infrastructure sub-sectors as also outstanding ‘standard’ housing loans under ‘affordable housing’ sub-sector on the date of reporting to RBI (reporting Fridays for reserve requirements and March 31 of a year for computing priority sector obligation), where such loans have original maturities of more than seven years and are net of Bills rediscounted with RBI and other approved financial institutions.
- (2) **Compliance with reserve requirements:** The bonds will be exempted from computation of net demand and time liabilities (NDTL) and would therefore not be subjected to CRR/SLR requirements. However, this exemption will be subject to a ceiling of the “Eligible Credit” mentioned in paragraph 6(1) above. Therefore, Demand and Time Liabilities (DTL) for the bank which has issued long term bonds as indicated herein will be computed as given below:

DTL for the purpose of maintaining CRR and SLR calculated in terms of Reserve Bank of India (Small Finance Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025 as updated from time to time.	I
Amount of long-term credit eligible for regulatory incentives as per paragraph 6(1) above.	EC
Outstanding long-term bonds issued to finance infrastructure loans and affordable housing loans, as indicated herein	LB
DTL for the bank which has issued long term bonds as indicated herein	I – Min (EC and LB)

(3) Relaxation in priority sector lending norms: Eligible bonds will also get exemption in computation of Adjusted Net Bank Credit (ANBC) for the purpose of Priority Sector Lending (PSL), as per the computation outlined in [Master Directions - Reserve Bank of India \(Priority Sector Lending –Targets and Classification\) Directions, 2025.](#)

7. Cross-holding: A Bank can invest in the long- term bonds issued by other banks. However, the primary objective of allowing regulatory exemptions on CRR and SLR requirements as well as priority sector lending is to encourage issue of long term bonds for lending to infrastructure projects and affordable housing. To preserve this objective and in order to prevent double counting of regulatory exemptions allowed, such investments will be subject to conditions as follows:

- (1) A bank's investment in such bonds will not be treated as 'assets with the banking system in India' for the purpose of calculation of NDTL.
- (2) Such investments are not to be held under HTM category.
- (3) An investing bank's investment in a specific issue of such bonds will be capped at two per cent of the investing bank's Tier 1 Capital or five per cent of the issue size, whichever is lower.
- (4) An investing bank's aggregate holding in such bonds will be capped at 10 per cent of its total Non-SLR investments.
- (5) Not more than 20 per cent of the primary issue size of such bond issuance can be allotted to a bank.
- (6) A Bank cannot hold its own bonds.

Further, RBI's relevant extant prudential norms will be applicable on such issuances and investments.

8. Other Requirements

- (1) **Foreign Exchange Management Act (FEMA) Compliance requirement:** A bank shall comply with the FEMA requirements, wherever applicable.
- (2) **Reporting requirements:** A bank issuing long term bonds shall submit a report to the Department of Supervision (DOS), RBI providing details of the bonds issued, such as the amount raised, maturity of the instrument, rate of interest,

together with a copy of the offer document, immediately after the completion of the issue.

Chapter III -- Repeal and Other Provisions

A. Repeal and Saving

9. With the issue of these Directions, the existing Directions, instructions and guidelines relating to Resource Raising as applicable to Small Finance 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.
10. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions and 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

11. 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

12. 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.