



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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December 05, 2025

**Reserve Bank of India (Small Finance Banks – Undertaking of Financial Services) (Amendment) Directions, 2025**

Reserve Bank had earlier issued [directions on Financial Services provided by Banks in 2016](#), since replaced by entity-wise Master Directions issued on November 28, 2025 - [Reserve Bank of India \(Small Finance Banks – Undertaking of Financial Services\) Directions, 2025](#). A review of some provisions contained in the earlier instructions was carried out and a draft direction was placed on the website on [October 04, 2024](#).

2. Taking into account the feedback received and consultation held with the stakeholders and in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and all other laws enabling the Reserve Bank in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Amendment Directions hereinafter specified.

3. These Directions shall be called the Reserve Bank of India (Small Finance Banks – Undertaking of Financial Services) (Amendment) Directions, 2025.

4. The provisions shall come into effect from December 05, 2025.

5. These Amendment Directions modify the [Reserve Bank of India \(Small Finance Banks - Undertaking of Financial Services\) Directions, 2025](#) (hereinafter referred to as 'Master Direction') as under:

**(i) In paragraph 4 of the Master Direction, the following sub-paras shall be inserted/substituted as follows:**

a) in sub-para (1), the following shall be substituted, namely: -

***“Agency Business:*** means an arrangement under which a bank acts as an agent of a third-party product or service provider (TPPSP), without risk participation, to facilitate the sale of the latter's financial products or services (e.g., insurance, mutual fund, pension fund, etc.) to its own customers. Under agency business arrangement,

*the bank shall enter into an agreement with a TPPSP for sale of only regulated financial products or services. The activities covered under agency business arrangements may inter-alia include marketing, sales, promotion, initial point of contact for redressal of grievance and other after-sale services related to the product or service.”*

b) the existing sub-para (1) in the Master Direction, which defines **Assignee**, has been renumbered as (1A).

c) for sub-para (14), the following shall be substituted, namely: -

**“Referral Services:** means an arrangement under which a bank may refer its customers to a TPPSP by making available information about the financial products or services offered by the TPPSP.

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

**(ii) For paragraphs 11 to 13 of the Master Direction**, the following shall be substituted and **new paragraphs 13A and 13B shall be added**, namely:-

*“11. Unless specified otherwise in these Directions, a bank may undertake businesses as permitted under Section 5(b) and Section 6(1) of the Banking Regulation Act, 1949 departmentally.*

*12. An activity undertaken departmentally shall be subject to the following conditions:*

- (1) A bank shall require prior approval of the Reserve Bank to undertake any new form of business, other than those permitted in these directions.*
- (2) There shall be a policy for each form of business undertaken by the bank, which comprehensively covers various aspects of the said business including identification of various risks associated with it, an appropriate risk mitigation framework, and adherence to capital allocation norms as applicable.*

13. A bank cannot set up subsidiaries to undertake any non-banking financial services activities.

13A. The NOFHC, as applicable, shall not require prior approval of the Reserve Bank for the entities held by it to undertake forms of businesses listed under para 13B below unless advised otherwise. The NOFHC shall intimate the Reserve Bank within 15 days from the date of resolution of the Board for undertaking such businesses. Further, an NOFHC shall require the prior approval of the Reserve Bank for the entities held by it to undertake any other form of business subject to other instructions as applicable.

13B. Mutual fund business, insurance business, pension fund management, investment advisory and management services, portfolio management services and broking services shall not be carried out departmentally by the bank, but only through a group entity held under NOFHC, as applicable.”

**(iii) For paragraphs 16-22 of the Master Direction**, the following shall be substituted, namely:-

**(B.1) Limits in terms of bank's paid-up share capital and reserves**

16. Equity investment by a bank in any entity individually, shall not exceed 10 per cent of the bank's paid-up share capital and reserves as per the last audited balance sheet or audited/unaudited balance sheet of the latest quarter, whichever is lower.

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

- (1) investments in the equity of entities held under 'Held for Trading' category as stipulated in the [Reserve Bank of India \(Small Finance Banks – Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025](#) as updated from time to time, subject to the limit stipulated under Section 19(2) of the Banking Regulation Act, 1949.
- (2) Investments of up to 30 per cent in the equity of non-financial entities acquired through restructuring of debt or to protect the bank's interest on loans/investments made to an entity.

**(B.2) Limits in terms of investee's capital**

18. A bank may make an aggregate investment of less than 20 per cent in the equity share capital of an entity without prior approval, subject to the following conditions:

- (1) The bank's CRAR shall not be less than the minimum prescribed capital (including Capital Conservation Buffer) post the investment; and
- (2) The bank should have reported net profit in each of the preceding two financial years.

19. Notwithstanding the conditions listed above, investments held under 'Held for Trading' category shall not require prior approval, subject to the limit stipulated under Section 19(2) of the Banking Regulation Act, 1949.

20. A bank, with prior approval of the Reserve Bank, may make an aggregate investment of 20 percent or more in the equity share capital of an entity.

21. Save as otherwise provided in these directions, a bank shall be allowed to invest 20 per cent or more in the equity share capital of a non-financial services entity but not exceeding 30 per cent only in the following circumstances:

- (i) the investee entity is engaged in non-financial business permissible for banks under Section 6(1) of the Banking Regulation Act, 1949, subject to prior approval of the Reserve Bank; or
- (ii) acquisition is through restructuring of debt or to protect the banks' interest on loans/investments made to an entity.
- (iii) Banks shall not require prior approval for such acquisitions; however, they shall submit a time bound action plan for disposal of such shares. The action plan shall be submitted within 30 days of such acquisition.

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

(iv) **In paragraph 24 of the Master Direction, the following shall be substituted, namely:-**

24. A bank shall not contribute more than 10 percent to the corpus of a Category I or Category II AIF Scheme.

(v) After paragraph 31 of the Master Direction, the following shall be inserted, namely:-

**(B.4) Other general conditions for Investment in Alternative Investment Fund / Real Estate Investment Trust / Infrastructure Investment Trust**

31A. No bank shall make any investment in the corpus of Category III AIF scheme.

31B. Additionally, banks shall ensure that their exposure in an investee company through their investments in AIF schemes does not result in circumvention of any regulations applicable to banks.

31C. No bank shall make an investment of more than 10 per cent in the unit capital of a Real Estate Investment Trust/Infrastructure Investment Trust within the overall ceiling of 20 per cent of the bank's net worth permitted for all direct investments in shares, convertible bonds/ debentures, units of equity-oriented mutual funds and exposures to AIFs.

**(B.5) Additional conditions for investments**

31D. As part of bank's ICAAP framework, the following shall be accounted for the purpose of determining additional capital requirement which will be subject to Supervisory Review and Evaluation Process:

- (1) risks arising on account of equity investments in unit/paid-up capital, as applicable, of an AIF Scheme done directly.
- (2) capital and risk management policy with respect to the capital requirement and the risks faced by all business lines.

31E. These Directions shall be read in conjunction with Exposure Norms and Large Exposure Framework as applicable to banks ([Reserve Bank of India \(Small Finance Banks – Concentration Risk Management\) Directions, 2025](#)).

31F. Breach, if any, in the limits prescribed under this Master Direction shall be reported to the Department of Regulation of the Reserve Bank on PRAVAAH portal through the applicable form within 15 days, from the date of occurrence of such breach along with reason for such a breach and a plan to correct the same.

31G. A bank which is not in conformity with the directions given in paragraphs 16 to 22 and 31A to 31C above, shall submit an action plan by March 31, 2026, to comply with

*the provisions contained herein within a specified timeline but not later than March 31, 2028.*

**vi) After paragraph 45 of the Master Direction**, the following para shall be inserted, namely: -

*“45A. A bank may become Professional Clearing Member for equity derivative segment of the SEBI recognized stock exchanges. Prudential criteria and conditions stipulated for commodity derivative segment in para 45 above shall apply mutatis mutandis to the equity derivative segment.”*

**(Manoranjan Padhy)**

Chief General Manager