

Draft Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) Directions, 2025

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Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) Directions, 2025

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In exercise of the powers conferred by Section 35 A of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest 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 (Commercial Banks – Undertaking of Financial Services) Directions, 2025.
2. These Directions shall come into force with immediate effect.

Provided that, the provisions contained in paragraph 33 to paragraph 39 shall come into effect from January 1, 2026, or from an earlier date as may be decided by a bank as per its internal policy.

B. Applicability

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

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

C. Definitions

4. In these directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
 - (i) **'Assignee'** shall have the same meaning as defined in the Factoring Regulation Act, 2011;
 - (ii) **'Assignor'** shall have the same meaning as defined in the Factoring Regulation Act, 2011;
 - (iii) **'Associate'** shall have the same meaning as defined in terms of the Accounting Standards of the Institute of Chartered Accounts of India;

- (iv) '**Debtor**' shall have the same meaning as defined in the Factoring Regulation Act, 2011;
- (v) '**Debtor company**' means any company to which the bank currently has or previously had a loan or investment exposure (excluding equity instruments) anytime during the preceding twelve months;
- (vi) '**Equity instrument**' means equity shares, compulsorily convertible preference shares (CCPS) and compulsorily convertible debentures (CCD);
- (vii) '**Factoring**' shall have the same meaning as defined in the Factoring Regulation Act, 2011;
- (viii) '**Financial Services Company**' means a company engaged in the 'business of financial services';

Explanation: The 'business of financial services' shall include:

- (a) the forms of business enumerated in clauses (a), (c), (d), (e) of sub-Section (1) of Section 6 of the Banking Regulation Act, 1949 and notified under clause (o) of sub-Section (1) of Section 6 of the Banking Regulation Act, 1949;
- (b) the forms of business enumerated in clause (c) and clause (f) of Section 45 I of Reserve Bank of India Act, 1934;
- (c) business of credit information as provided under the Credit Information Companies (Regulation) Act, 2005;
- (d) operation of a payment system as defined under the Payment and Settlement Systems Act, 2007;
- (e) operation of a stock exchange, commodity exchange, derivatives exchange or other exchange of similar nature;
- (f) operation of a depository as provided under the Depositories Act, 1996;
- (g) business of a securitisation or reconstruction company as provided under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- (h) business of a merchant banker, portfolio manager, stock broker, sub- broker, share transfer agent, trustee of trust deeds, registrar to

an issue, merchant banker, underwriter, debenture trustee, investment adviser and such other intermediary as provided in the Securities and Exchange Board of India Act, 1992 and the regulations made thereunder;

- (i) business of a credit rating agency as defined in the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999;
- (j) business of a collective investment scheme as defined under the Securities and Exchange Board of India Act, 1992;
- (k) business of managing a pension fund;
- (l) business of an authorised person as defined under the Foreign Exchange Management Act, 1999; and
- (m) such other business as may be specified by RBI from time to time.

(ix) '**Government Securities**' shall have the same meaning as defined in the Government Securities Act, 2006;

(x) '**Hire Purchase**' shall have the same meaning as defined in the Hire Purchase Act, 1972;

(xi) '**Infrastructure Debt Fund-NBFC (IDF-NBFC)**' shall have the same meaning as defined in the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Guidelines, 2025;

(xii) '**Investment Advisory Service**' means the service offered by an investment adviser as defined in the SEBI (Investment Advisers) Regulations, 2013;

(xiii) '**Joint Venture**' shall have the same meaning as defined in terms of the Accounting Standards of the Institute of Chartered Accountants of India;

(xiv) '**Mutual Fund**' shall have the same meaning as defined in SEBI (Mutual Funds) Regulations, 1996;

(xv) '**Non-Financial Services Company**' means a company engaged in businesses other than those specified in clause (viii) above;

- (xvi) '**Pension Fund Management**' means management of a pension fund as defined in the Pension Fund Regulatory Development Authority (Exit and Withdrawals under National Pension System) Regulations, 2014;
- (xvii) '**Portfolio Management Services**' means the service offered by a portfolio manager as defined in the SEBI (Portfolio Managers) Regulations, 1993;
- (xviii) '**Referral Services**' means the arrangement between a bank and a third-party financial product provider, for referring the customers of the bank to the third-party financial product provider; and
- (xix) '**Subsidiary**' means a subsidiary as defined in terms of the Accounting Standards of the Institute of Chartered Accountants of India.

5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or any statutory modification or re-enactment thereto, or Glossary of Terms published by RBI or as used in commercial parlance, as the case may be.

Chapter II - Role of the Board

6. The Board of a bank shall be responsible for approval of policies, oversight, and risk governance in respect of various activities undertaken by the bank.

A. Board Approved Policies

7. A bank shall put in place Board-approved policies for,
 - (i) insurance distribution to, *inter alia*, ensure customer suitability, appropriateness, a clear grievance redressal framework and compensation policy to address service-related issues effectively;
 - (ii) governing the corporate agency business of insurance companies undertaken departmentally by the bank. The policy shall, at a minimum, cover the model of insurance distribution to be adopted, customer suitability and appropriateness, and the framework for grievance redressal;
 - (iii) specifying the risk control measures and prudential norms for exposure limits applicable to each trading member, factoring in parameters such as net worth, business turnover, and other relevant risk indicators (in case the bank intends to function as a Professional Clearing Member in the commodity derivatives segment of SEBI-recognised exchanges); and
 - (iv) governing the bank's exposure to trading members, ensuring consistency with the overall risk appetite and regulatory requirements (in case the bank intends to function as a Professional Clearing Member in the commodity derivatives segment of SEBI-recognised exchanges).

B. Key responsibilities

8. In respect of insurance distribution business, the Board shall ensure that a robust internal grievance redressal mechanism is in place.
9. Where a bank sponsors a subsidiary, the Board shall ensure that an arm's length relationship is maintained with the subsidiary. The performance of such subsidiary shall be reviewed by the Board at periodic intervals.
10. In respect of factoring business undertaken by the bank departmentally, the Board shall approve limits for underwriting commitments pertaining to the credit risk on the debtor under without-recourse factoring.

11. The Board of a bank intending to function as a Professional Clearing Member in the commodity derivatives segment of SEBI-recognised exchanges shall:
 - (i) determine the aggregate exposure limits that the bank may assume on its registered clients, in relation to the bank's net worth, and ensure that the exposure is monitored on an ongoing basis; and
 - (ii) prescribe internal margin requirements for the bank's operations as a Professional Clearing Member, which shall be at least as stringent as those prescribed by the Commodity Exchanges and the RBI, wherever applicable.
12. With respect to providing broking services in commodity derivatives segment of SEBI recognized stock exchanges through bank's subsidiary, the Board of the subsidiary shall approve the effective risk control measures including prudential norms on risk exposure in respect of each of its clients, taking into account their net worth, business turnover and other similar parameters.
13. The Board shall approve the bank's application to the RBI for obtaining a No Objection Certificate (NOC) for its branch / subsidiary / joint venture in GIFT-IFSC to act as a Trading Member (TM), Trading and Clearing Member (TCM), or Professional Clearing Member (PCM) of India International Bullion Exchange IFSC Limited (IIBX).
14. The Board shall approve and ensure implementation of an effective risk management framework at the bank's branch in GIFT-IFSC, including prudential exposure limits for each trading client based on their financial parameters such as net worth and business turnover, shall be ensured on an ongoing basis.
15. The Board shall determine and monitor the total exposure that may be assumed by the branch in GIFT-IFSC in its role as PCM of IIBX on its clients, in relation to both the parent bank's and the branch's Tier 1 capital.
16. The Board shall review and approve the proposed business plan, including the risk management architecture of the branch.
17. The Board shall prescribe margin requirements for the bank's operations as PCM of IIBX.

18. The Board may determine a global sub-limit for the bank's proprietary net overnight open position in gold / silver under its role as TM/TCM on IIBX, which shall not exceed one tonne of gold equivalent.

Chapter III - General Guidelines

A. Forms of Business

19. Unless specified otherwise in these Directions, a bank desirous of undertaking the businesses permitted under Section 6(1) of the Banking Regulation Act, 1949 may, at its option, do so either departmentally or through a separate subsidiary set up for the purpose under the provisions of Section 19(1) of the Banking Regulation Act, 1949.
20. An activity undertaken departmentally shall be subject to the following conditions:
 - (i) There shall be a policy which shall comprehensively cover the said business including identification of various risks associated with it and an appropriate risk mitigation framework, including adherence to capital allocation norms;
 - (ii) The instructions / guidelines on KYC / AML / CFT applicable to banks, issued by RBI from time to time, shall be complied with;
 - (iii) The general principles as enunciated in the Charter of Customer Rights issued by RBI shall be adhered to;
 - (iv) The specific conditions prescribed for the respective businesses in [Chapter IV](#) shall be complied with in addition to the instructions/regulations of respective regulators such as SEBI, IRDAI and PFRDA, as applicable; and
 - (v) A bank shall obtain prior approval of RBI before engaging in a financial activity other than those stated in [Chapter IV](#).
21. A bank may, at its option, also hold equity in both financial services companies as well as companies not engaged in financial services activities within the limits specified under the provisions of Section 19(2) of the Banking Regulation Act, 1949, and subject to the prudential limits on investments mentioned in paragraphs 24 to 29 below.
22. These Directions shall be read in conjunction with Reserve Bank of India (Commercial Banks – Concentration Norms) Directions, 2025.

B. Prudential Regulation for Investments

23. Investment by a bank in a subsidiary or in a financial services company not being a subsidiary or a non-financial services company shall be subject to conditions stipulated in the following paragraphs.

B.1 Limits on investments

24. Equity investment by a bank in a subsidiary company, or a financial services company, not being a subsidiary, individually, shall not exceed 10 percent of the bank's paid-up share capital and reserves as per the last audited balance sheet or a subsequent balance sheet, whichever is lower.
25. The aggregate of equity investment in factoring subsidiaries and factoring companies shall not exceed 10 percent of the bank's paid-up capital and reserves.
26. A bank shall limit its equity contribution in an Infrastructure Debt Fund set up as a Non-Banking Finance Company (IDF-NBFC) to maximum of 49 percent.
27. A bank contributing less than 30 percent of the equity of IDF-NBFC shall not be a sponsor.
28. A bank:
 - (i) shall limit its equity holding in a deposit taking NBFC to not more than 10 percent. This restriction shall not apply to a housing finance company;
 - (ii) may invest in units of a Real Estate Investment Trust / Infrastructure Investment Trust up to 10 percent of the unit capital of each such trust, subject to an overall ceiling of 20 percent of bank's net worth permitted for direct investments in shares, convertible bonds / debentures, units of equity-oriented mutual funds and exposures to Alternative Investment Funds (AIFs);
 - (iii) shall limit its holding in the paid-up capital of a company, not being its subsidiary and engaged in non-financial services, to the lower of 10 percent of the investee company's paid-up capital, or 10 percent of the bank's paid-up capital and reserves;

Provided that, investments in excess of 10 percent but not exceeding 30 percent of the paid-up share capital of such investee company shall be permissible in the following circumstances:

- (a) the investee company is engaged in non-financial activities permitted for banks in terms of Section 6(1) of the Banking Regulation Act, 1949; or
- (b) the additional acquisition is through restructuring of debt or to protect the banks' interest on loans / investments made to a company. The bank shall submit a time bound action plan for disposal of such shares within a specified period to RBI.

(iv) along with its subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and mutual funds managed by Asset Management Companies (AMCs) controlled by the bank, shall not hold more than 20 percent of the investee company's paid-up share capital engaged in non-financial services. However, this cap does not apply to the cases mentioned at clauses (a) and (b) of subparagraph (iii) above; and

(v) shall not make any investment in a Category III AIF. Investment by a bank's subsidiary in a Category III AIF shall be restricted to the regulatory minima prescribed by SEBI.

29. The aggregate equity investments made in all subsidiaries and other entities engaged in financial services and non-financial services, including overseas investments shall not exceed 20 percent of the bank's paid-up share capital and reserves.

Provided that, for calculating the aggregate investment for compliance with the limit of 20 percent of paid-up capital and reserves, the following investments shall be excluded:

- (i) investments held under 'Held for Trading' category as stipulated in the Reserve Bank of India (Commercial Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025 as updated from time to time; and
- (ii) investments in excess of 10 percent in non-financial companies acquired in circumstances as mentioned at clause (b) of subparagraph (iii) of paragraph 28 above.

B.2 Requirement for regulatory approval

30. A bank shall obtain prior approval of the RBI before making investment in a subsidiary or in a financial services company that is not a subsidiary.

Provided that, such prior approval shall not be necessary in the following circumstances:

- (i) The investment is in a company engaged in financial services;
- (ii) The bank has the minimum prescribed capital (including Capital Conservation Buffer) and has also made a net profit in the immediate preceding financial year;
- (iii) The shareholding of the bank including the proposed investment is less than 10 percent of the investee company's paid-up capital; and
- (iv) The aggregate shareholding of the bank along with shareholdings, if any, by its subsidiaries or joint ventures or other entities directly or indirectly controlled by the bank, is less than 20 percent of the investee company's paid-up capital.

Provided further that, Prior approval of RBI shall not be required if the investments in the financial services companies are held under the 'Held for Trading' category as stipulated in the Reserve Bank of India (Commercial Banks - Classification, Valuation and Operation of Investment Portfolio) Directions, 2025 as updated from time to time.

31. A bank shall obtain prior approval of the RBI before making investment in a non-financial services company in excess of 10 percent of such investee company's paid up share capital as stated in subparagraph (iii) of paragraph 28 above.

32. A bank shall obtain prior approval of the RBI before making investment of more than 10 per cent of the paid-up capital / unit capital in a Category I / Category II AIF.

B.3 Investments in Alternative Investment Funds (AIFs)

B.3.1 General Requirements

33. A bank's investment policy shall have suitable provisions governing its investments in an AIF Scheme, compliant with extant law and regulations.

B.3.2 Limits on Investments and Provisioning

34. A bank shall not individually contribute more than 10 percent of the corpus of an AIF Scheme.
35. The aggregate contribution by all Regulated Entities (REs) in any AIF Scheme shall not be more than 20 percent of the corpus of that scheme.

In this context, 'RE' shall mean:

- (i) Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks);
- (ii) Urban Co-operative Banks;
- (iii) State Co-operative Banks / Central Co-operative Banks);
- (iv) All-India Financial Institutions; and
- (v) Non-Banking Financial Companies (including Housing Finance Companies)

36. Where a bank contributes more than five percent of the corpus of an AIF Scheme that has downstream investment (excluding equity instruments) in a debtor company of the bank, the bank shall be required to make 100 percent provision to the extent of its proportionate investment in the debtor company through the AIF Scheme, subject to a cap equivalent to bank's direct loan and / or investment exposure to the said debtor company.
37. Notwithstanding the provisions of paragraph 36 above, where a bank's contribution is in the form of subordinated units, it shall deduct the entire investment from its capital funds – proportionately from both Tier-1 and Tier-2 capital (wherever applicable).

B.3.3 Exemptions

38. Any outstanding investment or commitment made by a bank with the prior approval of the RBI, under the extant provisions before the commencement of these Directions, are excluded from the scope of paragraphs 34 and 35 above.
39. The RBI may, in consultation with the Government of India, by way of a notification, exempt certain AIFs from the scope of the provisions of the existing circulars and the revised Directions, except for paragraph 33 above.

40. As stated in paragraph 2, the provisions of paragraph 33 to 39 above shall come into force with effect from January 1, 2026, or from an earlier date as decided by a bank in line with its internal policy (referred to as the 'effective date' for the provisions of paragraphs 33 to 39 above). Until such commencement, banks shall continue to be guided by the provisions of the existing circulars, contained in [Annex I](#). These circulars shall stand repealed from the effective date of these Directions. Any new commitment by a bank towards contribution to an AIF scheme, made after the effective date, shall be governed by these Directions.
41. Notwithstanding the above provisions:
 - (i) Outstanding investment by a bank, as on July 29, 2025, in an AIF Scheme in which it has fully honoured its commitment, shall be governed by the provisions mentioned in [Annex I](#); and
 - (ii) In respect of any investment made by a bank in an AIF Scheme in terms of an existing commitment as on July 29, 2025, or in terms of a new commitment entered into before the effective date, the bank shall follow, in toto, either the provisions of [Annex I](#) or these Directions.

C. Procedure for Application

42. A bank desirous of making an investment or undertaking any business that requires prior approval / no-objection of RBI shall submit an application through *Pravaah* Portal (<https://pravaah.rbi.org.in>) to the Department of Regulation (DoR), Central Office, RBI.

D. Relationship with Subsidiaries

43. A parent bank shall maintain an 'arm's length' relationship with the subsidiary sponsored by it and evolve the following supervisory strategies:
 - (i) The Board of the parent bank shall review the working of subsidiaries at periodical intervals;
 - (ii) The parent bank shall undertake inspection / audit of the books of accounts of the subsidiaries at periodical intervals;
 - (iii) The subsidiary shall not set up another subsidiary, or promote a new company which is not a subsidiary thereof or undertake any new business without prior approval of RBI;

Explanation: ‘New Business’ shall not mean expansion into the same line of business that is already permitted / approved to be undertaken.

- (iv) The subsidiary shall not make any portfolio investment in another existing company with an intention of acquiring controlling interest, without prior approval of the RBI;

Explanation: This shall not apply to the investments made by a Category I and II AIF set up by a subsidiary.

- (v) A subsidiary shall not have any on-line access to customers’ accounts maintained with the bank. The information between a bank and its subsidiary may be shared subject to maintaining arm’s length relationship;
- (vi) The bank shall not grant any unsecured advances to the subsidiary without prior approval of the RBI; and
- (vii) Transactions between a bank and its subsidiary shall be at arm’s length. No preferential treatment shall be given to the subsidiary vis-à-vis a counterparty with similar risk characteristics

Chapter IV - Financial Services

A. Sponsoring of an Infrastructure Debt Fund

44. A bank may sponsor an Infrastructure Debt Fund (IDF) which can be set up either as a Mutual Fund (IDF-MF) or a Non-banking Finance Company (IDF-NBFC). A bank intending to sponsor an IDF shall ensure compliance with the following conditions:

- (i) A bank shall have a Board approved limit for the overall infrastructure exposure, which shall include its exposure as sponsor of the IDF; and
- (ii) A bank shall ensure that the IDF makes a disclosure in the prospectus / offer document, at the time of inviting investments, stating that the sponsoring bank's liability is limited to the extent of its contribution to the paid-up capital.

B. Equipment Leasing and Hire Purchase Business

B.1 Equipment Leasing and Hire Purchase business through a subsidiary

45. A bank intending to form a subsidiary for undertaking equipment leasing and hire purchase business shall be subject to the conditions mentioned in paragraph 23.

B.2 Equipment Leasing and Hire Purchase business departmentally

46. Equipment Leasing and Hire Purchase business undertaken departmentally shall be subject to the following conditions:

- (i) Equipment leasing and hire purchase shall be treated on par with loans and advances and shall accordingly be subject to the extant prudential norms on loans and advances as applicable; and
- (ii) A bank shall not enter into leasing agreement with another equipment leasing company and other non-banking finance company engaged in equipment leasing.

C. Factoring Services

C.1 Factoring business through a subsidiary

47. A bank intending to form a subsidiary for undertaking factoring business shall be subject to the conditions mentioned in paragraph 23.

C.2 Factoring business departmentally

48. Factoring business undertaken departmentally shall be subject to the following conditions:

- (i) Factoring services shall be provided on with recourse or without recourse or on limited recourse basis;
- (ii) Underwriting commitments pertaining to the credit risk on the debtor, under without recourse factoring, shall be in accordance with the Board approved limits;
- (iii) A bank shall conduct thorough credit appraisal of debtors before entering into any factoring arrangement or establishing lines of credit with the export factor;
- (iv) Factoring services shall be extended against invoices representing genuine trade transactions;
- (v) Factoring shall be treated on par with loans and advances and shall be subject to extant prudential norms on loans and advances as applicable;
- (vi) A bank and factor shall put in place a mechanism for sharing information about common borrowers to avoid double financing. The borrower's bank shall obtain periodical certificates from the borrower about factored receivables. Factors shall report the sanctioned limits of the borrower to the concerned banks. Information available on CERSAI shall also be considered;

Explanation: A common borrower is a person / entity who has availed a credit facility from a bank and is also an assignor in a factoring arrangement.

- (vii) Credit information regarding the non-payment of dues by the person on whom exposure was booked shall be furnished to the Credit Information Companies authorized by RBI subject to the guidelines under Credit Information Companies (Regulation) Act, 2005; and
- (viii) The exposure for facilities extended by way of factoring services shall be reckoned as under:
 - (a) On the assignor, in case of with-recourse factoring.
 - (b) On the debtor, in case of without-recourse factoring.

Provided that, exposure shall be on the import factor in cases of international factoring.

- (c) On the ‘assignor’ or the ‘debtor’ or the ‘import factor’, in case of limited recourse factoring, depending on terms of the agreement.

D. Primary Dealership Business

D.1 Primary Dealership business through a subsidiary

- 49. A bank intending to form a subsidiary for undertaking primary dealership business shall register it as an NBFC. The bank shall directly approach Department of Regulation (DoR), RBI for the same.

D.2 Primary Dealership business departmentally

- 50. Primary dealership business undertaken departmentally shall be subject to the authorisation from the Internal Debt Management Department (IDMD), RBI. The bank shall directly approach IDMD for the same.

E. Underwriting Activities

- 51. A bank intending to engage in underwriting of issues of shares, debentures and bonds shall do so either departmentally or through a merchant banking subsidiary. Underwriting business undertaken departmentally and through subsidiary shall be subject to the conditions specified in paragraph 20 and prudential regulation requirements specified in [Chapter III](#), respectively.

F. Mutual Fund Business

- 52. A bank shall undertake mutual fund business with risk participation only through a subsidiary / joint venture set up for the purpose.
- 53. Where a sponsoring bank undertaking the mutual fund business lends its name to the bank sponsored mutual fund, a suitable disclaimer clause shall be inserted while publicising new schemes to the effect that the bank is not liable or responsible for any loss or shortfall resulting from the operations of the scheme.

G. Insurance Business

G.1 Insurance business with risk participation through a subsidiary / joint venture:

54. A bank shall undertake insurance business with risk participation only through a subsidiary / joint venture set up for the purpose, and subject to fulfilment of the following eligibility criteria as on March 31 of the previous year:

- (i) It has a net worth of at least ₹1000 crore and a minimum net worth of ₹500 crore after investing in the equity of the insurance company;
- (ii) It has the minimum prescribed capital (including Capital Conservation Buffer) after making such investment;
- (iii) Its net non-performing assets is not more than three percent;
- (iv) It has made a net profit in each of the preceding three financial years; and
- (v) The track record of the performance of its subsidiaries, if any, is satisfactory.

G.2 Undertaking of insurance broking / corporate agency by a subsidiary / joint venture:

55. A bank shall set up a subsidiary / joint venture company for undertaking insurance broking and corporate agency only after fulfilling the following eligibility criteria as on March 31 of the previous year:

- (i) Its net worth shall not be less than ₹500 crore after investing in the equity of such company; and
- (ii) It complies with conditions stated under paragraphs 54(ii), 54(iii), 54(iv) and 54(v).

G.3 Insurance broking services departmentally

56. A bank may, at its option, act as an insurance broker departmentally subject to the conditions mentioned under paragraph 65 on insurance agency business

H. Pension Fund Management

57. A bank shall undertake the business of pension fund management only through a subsidiary set up for the purpose, subject to the fulfilment of the following eligibility criteria as on March 31 of the previous year:

- (i) Its net worth shall not be less than ₹500 crore after investing in the equity of such company;

- (ii) It has the minimum prescribed capital (including Capital Conservation Buffer) after investment;
- (iii) Its net non-performing assets is not more than three percent;
- (iv) It has made a net profit in each of the preceding three financial years; and
- (v) The track record of the performance of its subsidiaries, if any, is satisfactory.

I. Investment Advisory Services

58. A bank shall undertake the business of investment advisory services (IAS) only through a separate subsidiary set up for the purpose or through one of its existing subsidiaries, subject to the following conditions:

- (i) Specific prior approval shall be obtained before offering IAS; and
- (ii) IAS shall be provided only for products and services in which banks are permitted to deal in as per the Banking Regulation Act, 1949.

J. Portfolio Management Services

59. A bank shall obtain prior approval of the RBI before starting or introducing any new portfolio management service (PMS) or similar scheme or setting up a subsidiary for such purpose.

60. A bank shall ensure compliance with the following conditions:

- (i) PMS shall be in the nature of investment consultancy / management, for a fee, entirely at the customer's risk without guaranteeing, either directly or indirectly, a pre-determined return;
- (ii) The fee charged shall be independent of the return to the client;
- (iii) The funds shall not be accepted for portfolio management for a period less than one year. In the case of placement of funds for portfolio management by the same client on more than one occasion, on a continuous basis, each such placement shall be treated as a separate account and each such placement shall be for a minimum period of one year;
- (iv) Funds accepted for portfolio management from the clients, shall not be entrusted to another bank for management;
- (v) Portfolio funds shall not be deployed for lending in call money / bills market, and lending to / placement with corporate bodies;

- (vi) A bank providing PMS shall maintain client wise account / record of funds accepted and investments made there against, and all credits (including realised interest, dividend, etc.) and debits (tax deducted at source in respect of interest / dividend on securities) shall reflect in such account. The account holder shall be entitled to get a statement of his portfolio account;
- (vii) A bank's own investments and investments belonging to the PMS clients shall be kept distinct from each other. Transactions between the bank's investment account and portfolio account shall be strictly at market rates;
- (viii) A bank shall maintain a 'Clients' Portfolio Account' in its general ledger, reflecting the funds received by it for portfolio management on a day-to-day basis. The balance lying in this account (i.e. undeployed funds, if any, from this account) shall be treated as outside borrowings of the bank and it shall maintain cash reserve ratio / statutory liquidity ratio on such funds. The bank's liability to its clients in respect of funds accepted by it for portfolio management shall be properly reflected in the bank's published books of accounts;
- (ix) There shall be a clear functional separation of trading and back-office functions relating to banks' own investment accounts and PMS clients' accounts; and
- (x) PMS clients' accounts shall be subjected by banks to a separate audit by external auditors.

61. The aforesaid conditions shall, *mutatis mutandis*, be applicable to the subsidiaries of a bank in so far as they are not contradictory to specific regulations of RBI or SEBI, governing their operations.

K. Agency Business

- 62. Agency business shall be undertaken only for the products and services in which a bank is permitted to deal in as per the Banking Regulation Act, 1949.
- 63. The service shall be provided on fee basis, without any risk participation.
- 64. Agency business of mutual fund companies undertaken departmentally shall be subject to the following additional conditions:

- (i) The investors' applications for purchase / sale of mutual fund units shall be forwarded to the mutual funds / registrars / transfer agents;
- (ii) The purchase of units shall be at the customers' risk without the bank guaranteeing any assured return;
- (iii) Mutual fund units shall not be acquired from the secondary market or bought back from a customer for selling it to other customers;
- (iv) Extension of credit facility to individuals against the security of mutual fund units shall be in accordance with the Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025; and
- (v) A bank holding custody of mutual fund units on behalf of its customers shall keep the investments of the customers distinct from its own investments.

65. Corporate agency of insurance companies undertaken departmentally by banks shall be subject to the following additional conditions:

- (i) There shall be a Board approved policy encompassing the model of insurance distribution to be adopted, issues of customer appropriateness, suitability, and grievance redressal;
- (ii) The deposit to be maintained by an insurance broker as per the IRDAI (Licensing of Banks as Insurance Brokers) Regulations, 2013, as amended from time to time, shall be maintained with a scheduled commercial bank other than itself;
- (iii) A bank shall ensure customer appropriateness and suitability as under:
 - (a) All employees dealing with insurance agency / broking business shall possess the requisite qualification prescribed by IRDAI;
 - (b) There shall be standardised system of assessing the need/ suitability of products for a customer and the initiation / transaction processes shall be segregated. Products with investment components shall require the bank to necessarily undertake a customer need assessment prior to sale whereas pure risk term products with no investment or growth component shall be deemed as universally suitable products; and
 - (c) A bank shall treat its customers fairly, honestly and transparently, with regard to suitability and appropriateness of the insurance product sold.

- (iv) It shall be ensured that performance assessment and incentive structure for staff is not violative of Section 10(1) (ii) of the BR Act,1949 or the guidelines issued by IRDAI in payment of commissions / brokerage / incentives. It shall also be ensured that no incentive (cash or non-cash) is paid to the staff engaged in insurance broking / corporate agency services by the insurance company;
- (v) A bank shall not follow any restrictive practices of forcing a customer to either opt for products of a specific insurance company or link sale of such products to any banking product. It shall be prominently stated in all publicity material distributed by the bank that the purchase by a bank's customer of any insurance product is purely voluntary and is not linked to availment of any other facility from the bank; and
- (vi) A robust internal grievance redressal mechanism shall be put in place along with a Board approved customer compensation policy for resolving issues related to services offered. It shall be ensured that the insurance companies whose products are being sold have robust customer grievance redressal arrangements in place. The bank shall facilitate the redressal of grievances.

L. Referral Services

- 66. A bank offering referral services shall do so only for financial products other than insurance, on a non-risk participation basis.

M. Retailing of Government Securities

- 67. A bank intending to undertake the business of retailing of Government Securities shall do so with non-bank clients subject to the Directions issued by RBI on the subject.

N. Membership of SEBI approved Stock Exchanges

- 68. An AD Category I scheduled commercial bank may become a trading / clearing member of the currency derivatives segment of the SEBI recognised stock exchanges, subject to meeting all of the following conditions:
 - (i) It has a minimum net worth of ₹500 crore;

- (ii) It has the minimum prescribed capital (including Capital Conservation Buffer);
- (iii) Its net NPA does not exceed three percent; and
- (iv) It has made a net profit in the preceding three financial years.

Provided that, a bank not meeting the aforesaid conditions may participate in the currency futures market as a client.

A bank that is a trading / clearing member shall keep its and its clients' position distinct from one another.

69. A bank which intends to become a member of a SEBI approved stock exchange for the purpose of undertaking proprietary transactions in the corporate bond market shall do so subject to satisfying the membership criteria of the stock exchanges and complying with the regulatory norms laid down by SEBI and the respective stock exchange.
70. A bank may become a Professional Clearing Member of the commodity derivatives segment of SEBI recognised exchanges only upon satisfying the prudential criteria given in paragraph 68, and subject to the following conditions:
 - (i) A bank shall satisfy the membership criteria of the stock exchanges and comply with the regulatory norms laid down by SEBI and the respective stock exchanges;
 - (ii) A bank shall, with the approval of Board, put in place effective risk control measures, prudential norms on risk exposure in respect of each of its trading members, taking into account their net worth, business turnover, etc.;
 - (iii) A bank shall not undertake trading in the derivative segment of the commodity exchange on its own account and shall restrict itself only to clearing and settlement transactions done by the trading members / clients on the exchange;
 - (iv) A bank shall take exposure on its trading members as per the policy approved by its board;
 - (v) A bank may fulfil pay-in obligations arising out of trades executed by its clients, as clearing member of the exchange subject to the condition that the total exposure which the bank would take on its registered clients

should be determined by the Board in relation to the net worth of the bank and should be monitored regularly. However, the bank shall not meet pay-in obligations of any transaction other than what is required in its role as a Professional Clearing Member; and

- (vi) A bank shall ensure strict compliance with various margin requirements as may be prescribed by a bank's board or the Commodity Exchanges as also the extant RBI guidelines regarding guarantees issued on behalf of commodity brokers.

O. Broking services for Commodity Derivatives Segment

71. A bank shall offer broking services for the commodity derivatives segment of SEBI recognised stock exchanges only through a separate subsidiary set up for the purpose or through one of its existing subsidiaries, and subject to the following conditions:
 - (i) The subsidiary shall, with the approval of its Board, put in place effective risk control measures including prudential norms on risk exposure in respect of each of its clients, taking into account their net worth, business turnover, etc.
 - (ii) The subsidiary shall not undertake proprietary positions in the commodity derivatives segments.
 - (iii) The subsidiary shall ensure strict compliance with various margin requirements as may be prescribed by SEBI, its own board or the Commodity Exchanges.

P. Participation of Indian Banks on India International Bullion Exchange IFSC Limited (IIBX)

P.1 Professional Clearing Member (PCM) of IIBX

72. Branch of a bank in GIFT-IFSC may act as a PCM of IIBX, subject to the parent bank ('bank') obtaining a No Objection Certificate (NOC) from the RBI.
73. The bank shall ensure strict compliance on a continuing basis with the following terms and conditions for operating as a PCM of IIBX:
 - (i) The bank shall ensure adherence to extant RBI guidelines on capital requirements for their exposures (including but not limited to default fund contributions, posted collateral, exposure to clients, trade exposure to

CCP) arising from its branch in GIFT-IFSC functioning as PCM on IIBX. The bank shall comply with the regulatory capital requirement of the host or home regulator, whichever is more stringent;

- (ii) The bank shall ensure adherence to extant RBI guidelines on management of liquidity risk (including those arising from its functioning as a PCM of IIBX) as issued from time to time;
- (iii) The bank shall ensure adherence to the extant RBI guidelines on large exposure framework as issued from time to time, including all exposures taken by its branch in GIFT-IFSC;
- (iv) In line with the extant prudential regulations applicable to the bank, its branch in GIFT-IFSC shall, with the approval of the bank's Board, put in place an effective risk management framework including the prudential limits in respect of each of its trading clients, taking into account their net worth, business turnover, and other relevant parameters as per the bank's assessment. The risk control measures prescribed under the framework shall be in compliance with the guidelines / Directions issued by the host or home regulator, whichever is more stringent;
- (v) The branch of the bank in GIFT-IFSC may, as a PCM of IIBX, clear and settle trades executed by its clients as trading members of the exchanges subject to the condition that the total exposure which the branch would take on its clients shall be determined by the Board in relation to the Tier 1 capital of the bank as well as the capital of its branch in GIFT-IFSC and shall be monitored on an ongoing basis. However, the bank shall ensure that its branch in GIFT-IFSC, in its role as a PCM, does not undertake any transaction / activity on IIBX other than what is required as a professional clearing member;
- (vi) The bank shall ensure strict compliance with various margin requirements as may be prescribed by its Board;
- (vii) The bank shall comply with all the conditions, if any, stipulated by other regulatory bodies that may be relevant for its role as a PCM; and
- (viii) In the event of non-compliance with extant guidelines, or if the RBI is satisfied that it is necessary and expedient in the public interest so to do, it may issue further necessary Directions (including revocation of approval) and / or impose additional conditions, as it deems fit.

P.2 Trading Member / Trading and Clearing Member (TM / TCM) of IIBX

74. Branch / subsidiary / joint venture of a bank in GIFT-IFSC may act as a Trading Member (TM) / Trading and Clearing Member (TCM) of IIBX, subject to the parent bank ('bank') obtaining a NOC from the RBI.
75. The bank shall ensure strict compliance on a continuing basis with the following terms and conditions for operating as TM / TCM of IIBX:
 - (i) The TM / TCM shall execute trades only on behalf of clients (without proprietary trading).
 - (ii) The bank in its role as TM / TCM shall ensure adherence to the terms and conditions stipulated under paragraph 73 above.
 - (iii) The bank shall ensure adherence to extant RBI instructions as contained in the [Master Direction - Credit Facility](#) (as updated from time to time).
 - (iv) All client trades placed on the exchange shall be against 110 percent advance pay-in of funds (buy order) of the expected value of bullion (quantity & quality specification) intended to be purchased and securities (sell order) in the account of the bank, as is applicable.
 - (v) With reference to the Net Open Overnight Position Limit (NOOPL) for a bank as prescribed in [Master Direction - Risk Management and Inter-Bank Dealings](#) dated July 05, 2016 (as updated from time to time), the Board may determine a global sub-limit for net overnight open position in gold / silver, which shall not exceed one tonne of gold equivalent.
 - (vi) The bank shall comply with the conditions, if any, stipulated by other regulatory bodies that may be relevant for its role.

P.3 Special Category Client (SCC) of IIBX

76. Banks authorized by the RBI for import of gold / silver as per extant Foreign Trade Policy, in addition to the consignment model in domestic tariff area, are allowed to operate as a Special Category Client (SCC) on IIBX for import of gold / silver by sending prior intimation to the Department of Regulation, RBI, and subject to the following conditions:
 - (i) The SCC shall execute only buy trades on behalf of clients;

- (ii) The bank shall ensure adherence to extant RBI instructions as contained in the Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 (as updated from time to time);
- (iii) The SCCs will appoint one of the IFSC Banking Units (IBUs) to act as clearing member on their behalf;
- (iv) The SCCs shall adhere to the conditions stipulated under clauses (iv) and (v) of paragraph 75 above; and
- (v) The bank shall comply with the conditions, if any, stipulated by other regulatory bodies that may be relevant for its role.

77. The parent bank shall, with prior approval of its Board, make an application for NOC for PCM / TM / TCM to the Department of Regulation through *Pravaah* Portal (<https://pravaah.rbi.org.in>) subject to fulfilment of the prudential regulations as set out in paragraph 68 above. The application shall also contain the details of the proposed business plan as a TM / TCM / PCM along with particulars of the risk management architecture instituted.

78. A bank acting as a TM / TCM / SCC of IIBX shall be required to seek additional approval from the Department of Regulation in case of any change in their role or scope of activities at IIBX from those permitted by this Direction.

Q. Operations of subsidiaries and branches in foreign jurisdictions and in International Financial Services Centers (IFSCs)

79. An Indian bank, including those operating in International Financial Services Centers (IFSCs) in India such as Gujarat International Finance Tec City (GIFT City), shall comply with the following directions regarding dealing in financial derivative products by its foreign branches / subsidiaries.

Q.1 Dealing in financial derivative products

80. The foreign branches / foreign subsidiaries of an Indian bank can deal in financial derivative products, including structured financial derivative products, which are not available or are not permitted by the RBI in the domestic market without prior approval of RBI, subject to compliance with conditions specified in paragraph 82 and those prescribed by the host regulator.

81. The branches / subsidiaries of an Indian bank operating in IFSCs including those operating out of GIFT City may also deal in financial derivative products,

including structured financial derivative products, which are not available or are not permitted by the RBI in the domestic market subject to compliance with all applicable laws / regulations and conditions stipulated in paragraph 82 below and those prescribed by the host regulator.

Q.2 Conditions for dealing in financial derivative products

82. While allowing branches / subsidiaries in foreign jurisdictions as well as in IFSCs to deal in such products, the parent Indian bank shall ensure that:

- (i) dealing in such products is done with the prior approval from their Board and, if required, the appropriate authority in the concerned jurisdictions;
- (ii) they have adequate knowledge, understanding, and risk management capability for handling such products;
- (iii) they act as market makers for products only if they have the ability to price / value such products and the pricing of such products is demonstrable at all times;
- (iv) their exposure and mark-to-market (MTM) on these products are appropriately captured and reported in the returns furnished to the RBI. They shall provide information about dealing in such financial products as may be specified by the RBI in the manner and format and within the time frame as prescribed by the RBI;
- (v) they do not deal in products linked to Indian Rupee unless specifically permitted by RBI;
- (vi) they do not accept structured deposits from any Indian resident; and
- (vii) they adhere to the suitability and appropriateness policies as mandated by the RBI and the host regulators, as applicable.

Q.3 Compliance with prudential norms

83. The financial products dealt with by the foreign branches and subsidiaries as well as IFSCs shall attract the prudential norms such as capital adequacy, exposure norms (including Large Exposure Framework), periodical valuation, and all other applicable norms. Parent bank shall adhere to more stringent among the host and home regulations in respect of prudential norms.

84. In case the current norms of the RBI do not specify prudential treatment of any financial product, the parent bank shall seek specific guidance from RBI.

Q.4 Activities subject to Indian laws

85. The activities of branches / subsidiaries in foreign jurisdictions and IFSCs shall be subject to the laws in India, unless specifically exempted by law.

Chapter V - Repeal and Other Provisions

A. Repeal and saving

86. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to undertaking of financial services as applicable to Commercial Banks stand repealed as communicated vide notification dated XX, 2025. The directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
87. 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

88. 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

89. 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.

Directions on Investments in Alternative Investment Funds (AIFs)
(refer paragraphs 40 and 41 of these Directions)

1. In order to address concerns relating to possible evergreening through this route, it is advised as under:

(i) A bank shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in a debtor company of the bank.

Note: Downstream investments shall exclude investments in equity shares of the debtor company of the bank, but shall include all other investments, including investment in hybrid instruments.

Explanation: The debtor company of the bank, for this purpose, shall mean any company to which the bank currently has or previously had a loan or investment exposure anytime during the preceding 12 months.

(ii) If an AIF scheme, in which a bank is already an investor, makes a downstream investment in any such debtor company, then the bank shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. If the bank has already invested into such schemes having downstream investment in their debtor companies as on date, the 30-day period for liquidation shall be counted from December 19, 2023. The bank shall forthwith arrange to advise the AIFs suitably in the matter.

(iii) In case a bank is not able to liquidate their investments within the above-prescribed time limit, it shall make 100 percent provision on such investments.

Note: Provisioning shall be required only to the extent of investment by the bank in the AIF scheme which is further invested by the AIF in the debtor company, and not on the entire investment of the bank in the AIF scheme.

2. In addition, investment by a bank in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction from the bank's capital funds. Herein,

- (i) the proposed deduction from capital shall take place equally from both Tier-1 and Tier-2 capital.
- (ii) reference to investment in subordinated units of AIF Scheme includes all forms of subordinated exposures, including investment in the nature of sponsor units.

Note: Paragraph (2) shall only be applicable in cases where the AIF does not have any downstream investment in a debtor company of the bank. If the bank has investment in subordinated units of an AIF scheme, which also has downstream exposure to the debtor company, then the bank shall be required to comply with paragraph 1 of this Annex.

Explanation: 'Priority distribution model' shall have the same meaning as specified in the SEBI circular SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022.

3. Investments by a bank in AIFs through intermediaries such as fund of funds or mutual funds are not included in the scope of these instructions contained in this Annex.