Annex

Statement on the feedback received for draft Amendment Circulars

Subject: Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism (Repeal Circular), 2025

1. Para 2 the draft Repeal Circular proposed to withdraw the Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism, 2016.

Feedback:

(i) The proposal to withdraw the guidelines was generally welcomed, with some requests to advance the effective date and also permit release of provisions held on this count.

RBI Comments: Accepted. The request for early implementation, and corresponding release of provisions has been accepted, with the revised implementation date as January 1, 2026

(ii) Some stakeholders have flagged concerns relating to the potential implications on the corporate bond market volumes.

RBI Comments: Corporate bond market volumes have increased significantly over the years on account of several factors, including regulatory and institutional reforms. While the 2016 RBI Framework may have also contributed, it also entailed costs. On balance, it has been decided that instead of a regulatory fiat, a market driven framework would be more optimal in determining the source of funding for the borrowers.

(iii) Apprehensions have also been raised in certain quarters that withdrawing the framework may potentially increase risks going forward.

RBI Comments: The framework was introduced in a certain context when the banking sector was facing significant balance sheet challenges. The landscape has evolved significantly since then. The regulatory framework has been strengthened. The resolution frameworks for stressed assets have matured since introduction of the Insolvency and Bankruptcy Code. Supervisory oversight has deepened in both scope and sophistication. Bank balance sheets have strengthened, with the overall exposure of the banks to such specified borrowers as a share of their loan book much lower. Further, banks have built stronger internal risk management systems. Thus, banks are in a much better position to manage the risks in lending to large borrowers within the broad prudential norms. Therefore, the need for a regulatory mandate in this regard is no longer necessary.

2. Para 3 of the draft Repeal Circular advised the banks to continue monitoring the risks emanating to them from their exposures to ultra-large borrowers and put in place suitable monitoring and risk management framework for such counterparties.

Feedback: Suggestions have been received that principle-based guidance may be issued for this purpose, while allowing flexibility for bank-specific customization.

RBI Comments: Accepted. These are operational matters, better left to the wisdom of individual banks. However, certain broad principles have been suitably incorporated in the Master Directions on Concentration Risk Management.