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FEBRUARY 2026



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RBI Circular February 2026

Reserve Bank of India Imposes ₹2.70 Lakh Penalty on Northern Arc Capital Limited

- The Reserve Bank of India (RBI) imposed a monetary penalty of ₹2.70 lakh on Northern Arc Capital Limited.
- The penalty was imposed for non-compliance with RBI's Know Your Customer (KYC) Directions.
- RBI exercised its powers under Section 58G(1)(b) read with Section 58B(5)(aa) of the RBI Act, 1934.
- RBI found that the company failed to implement an IT system/software for effective identification and reporting of suspicious transactions, a key KYC/AML requirement.
- The statutory inspection referred to the company's financial position as on 31 March 2024.
- Northern Arc Capital Limited, founded in 2009, offers retail loans to underserved households and businesses in India.
- The penalty is based on regulatory compliance deficiencies and does not question the validity of any customer transactions.
- Imposition of the monetary penalty is without prejudice to any other action RBI may initiate against the company.

Paysharp Gets RBI's Payment Aggregator-Physical (PA-P) Licence to Offer Offline Payment Services

- Fintech startup Paysharp received the Payment Aggregator-Physical (PA-P) licence from the Reserve Bank of India (RBI), enabling it to operate as a physical (offline) payment aggregator and enhance its payment service offerings.
- In August 2024, Paysharp had received the Payment Aggregator-Online (PA-O)

About PA-P Licence :

- Enables unified online-offline payments, allowing Paysharp to offer end-to-end payment acceptance services across online and offline channels from a single regulated platform.
- Supports an omnichannel approach, serving merchants in stores, on-the-go, and online without relying on third-party aggregators.

About Paysharp :

- Established in 2019 in Chennai, Tamil Nadu (TN), by Krishna Kumar Mani and Sathish S.
- Uses a flat-fee pricing model, allowing merchants to pay a fixed charge per transaction instead of a percentage-based Merchant Discount Rate (MDR).
- Customers include Government and B2B enterprises, Non-Banking Financial Companies (NBFCs), Small & Medium Businesses (SMBs), and E-Commerce merchants.

Reserve Bank of India Levies ₹18.76 Lakh Compounding Penalty on One 97 Communications for Foreign Exchange Management Act Breach

- The Reserve Bank of India (RBI) imposed a compounding fee of ₹18.76 lakh on One 97 Communications Limited (OCL), the parent company of Paytm Payments Services Limited (PPSL).
- The penalty was issued under the provisions of the Foreign Exchange Management Act (FEMA), 1999 for contraventions related to foreign investment transactions in its subsidiary.
- The transaction involved investments worth approximately ₹33 crore made by Little Internet Singapore Private Limited into Little Internet Private Limited (LIPL).

- The investments were carried out during the period **March 2016 to June 2017**.
- The violation pertained to contravention of **Regulation 5(1)** read with **Regulation 13** of **FEMA Notification No. 120/RB-2004**.
- One **97 Communications Limited (OCL)** disclosed the compounding order under **Regulation 30** of **SEBI (Listing Obligations and Disclosure Requirements - LODR) Regulations, 2015**.
- **Compounding under FEMA** is a **voluntary settlement process** involving admission of contravention and payment of a fee, after which the matter is disposed of **without litigation**.
- Additionally, the RBI compounded another case involving **Nearby India Private Limited**, a subsidiary of OCL, imposing a fee of **₹4.28 lakh**.
- This additional compounding took place in **Quarter 3 (Q3)** of **Financial Year 2025-26 (FY26)**.



What is FEMA ?

- The **FEMA** was enacted in **1999** as a successor to the **Foreign Exchange Regulation Act (FERA), 1973**, adapting to **post-liberalisation** economic conditions in India.
- The act aims to **regulate foreign exchange transactions, currency transactions, and foreign payments** to ensure **orderly development** and maintenance of the foreign exchange market in India.
- The **main objectives** of FEMA are: to **facilitate external trade and payments**, to promote the **orderly development** of the foreign exchange market, and to **regulate transactions** related to foreign exchange.
- The act empowers the **Reserve Bank of India (RBI)** to make **rules and regulations** to implement its provisions.

Reserve Bank of India's Gold Purchases Plunge to 4 Tonnes in 2025 from 73 Tonnes in 2024 Due to High Prices

- The **Reserve Bank of India (RBI)** bought only **4 tonnes of gold in 2025**, significantly lower than **73 tonnes in 2024**, mainly due to **very high gold prices**.
- In 2025, RBI's **quarterly gold purchases** were: **3.4 tonnes in Q1, 0.4 tonnes in Q2, 0.2 tonnes in Q3, and 0 tonnes in Q4**, showing a **sharp slowdown** in buying.
- In comparison, RBI had purchased **16 tonnes in 2023** and **77 tonnes in 2021**, making **2025 one of the lowest purchase years**.
- According to the **World Gold Council (WGC)**, global **central banks** bought a total of **328 tonnes of gold in 2025**, slightly lower than **345 tonnes in 2024**.
- **Poland** was the **largest gold buyer in 2025**, adding **102 tonnes**, followed by **Kazakhstan (57 tonnes)** and **Azerbaijan (53 tonnes)**.
- Other major buyers included **Brazil (43 tonnes)**, **China (27 tonnes)**, and **Turkey (27 tonnes)**, showing continued interest in gold reserves worldwide.
- The largest **net gold sellers** in 2025 were **Singapore (26 tonnes)**, **Ghana (12 tonnes)**, and **Russia (6 tonnes)**.
- In **December 2025**, central banks bought **19 tonnes**, taking the full-year net purchases to **328 tonnes**.
- **China** extended its monthly gold buying streak to **14 consecutive months**, while countries like **Kyrgyz Republic, Czech Republic, Mongolia, and Indonesia** also added to their reserves.
- **Singapore** was the **largest seller in December 2025**, reducing reserves by **11 tonnes**.

Recent News :

- In Jan 2026, **The Reserve Bank of India (RBI)** issued the **Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026** under **FEMA, 1999**, introducing **uniform timelines** and **enhanced monitoring** for trade-related foreign exchange transactions.

Reserve Bank of India Announces Compensation Framework of Up to ₹25,000 for Victims of Small-Value Digital Frauds

- The **Reserve Bank of India (RBI)** announced a **compensation framework** for victims of **small-value digital frauds**, offering relief of up to **₹25,000 per customer**.
- The scheme provides a **once-in-a-lifetime benefit** for bank customers who lose money in small-value fraudulent transactions, including cases involving **shared OTPs**.

Key Highlights :

- Under the framework, **RBI will bear 70%** of the loss (up to ₹25,000), while the remaining **30% will be shared equally** by the **customer (15%)** and the **bank (15%)**.
- The compensation will be paid from the **Depositor Education and Awareness Fund (DEAF)**, which has a current corpus of around **₹85,000 crore**.
- The announcement was made by **RBI Governor Sanjay Malhotra** after the **59th Monetary Policy Committee (MPC) meeting**
- The framework aims at enhancing **customer protection** and addressing the surge in digital frauds, particularly those **below ₹50,000**, which form a large share of fraud cases.
- RBI plans to issue **three draft guidelines** for customer protection: **mis-selling** of financial products, **recovery of loans** and engagement of recovery agents, and **limiting liability of customers** in unauthorised electronic banking transactions.
- The extant instructions on limiting liability of customers in unauthorised transactions were issued in **2017** and have now been reviewed in view of rapid adoption of technology.
- RBI also plans to publish a **discussion paper** on measures to enhance the **safety of digital payments**, including **lagged credits** and **additional authentication** for specific users such as **senior citizens**.
- For **mis-selling prevention**, RBI will issue comprehensive instructions to **regulated entities (REs)** on advertising, marketing, and sales of financial products and services.
- RBI announced **Mission SAKSHAM (Sahakari Bank Kshamta Nirman)** for capacity building of **Urban Cooperative Banks (UCBs)** to strengthen skills, competencies, technical capabilities, and operational resilience.
- **Mission SAKSHAM** will cover about **1.40 lakh participants** across functions through physical training programmes and a scalable learning platform, with content delivery in **regional languages** wherever feasible.
- The mission will be implemented in partnership with **umbrella organisations of UCBs** and national/state federations, aiming to secure the next phase of growth for the cooperative banking sector.

Reserve Bank of India to Double Collateral-Free Loan Limit for Micro, Small, and Medium Enterprises to ₹20 Lakh from April 1, 2026

- The **Reserve Bank of India (RBI)** has announced plans to **double the limit** for **collateral-free loans for Micro, Small, and Medium Enterprises (MSMEs)** from **₹10 lakh to ₹20 lakh**, effective **April 1, 2026**, to boost credit access for the micro, small, and medium sector.

- MSME collateral-free loans are provided under the **Pradhan Mantri Mudra Yojana (PMMY)** with a current limit of up to **₹10 lakh**, covering manufacturing, services, and related sectors.
- The loans under PMMY are divided into **four categories** (including the new addition):
- **Shishu**: up to **₹50,000**
- **Kishore**: **₹50,001–₹5 lakh**
- **Tarun**: **₹5 lakh–₹10 lakh**
- **Tarun Plus**: **₹10 lakh–₹20 lakh** (for those who have successfully repaid previous Tarun loans).
- An enterprise is classified as **micro, small, or medium** based on **investment** in plant and machinery or equipment and **turnover**:
- **Micro enterprise**: Investment \leq ₹2.5 crore, Turnover \leq ₹10 crore
- **Small enterprise**: Investment \leq ₹25 crore, Turnover \leq ₹100 crore
- **Medium enterprise**: Investment \leq ₹125 crore, Turnover \leq ₹500 crore
- **Collateral-free loans** provide instant funds for businesses **without risking assets** with the financial institution.

Reserve Bank of India Removes ₹2.5 Lakh Crore Investment Cap for Foreign Portfolio Investors under Voluntary Retention Route

- The **Reserve Bank of India (RBI)** has removed the **₹2.5 lakh crore investment limit** for **Foreign Portfolio Investors (FPIs)** under the **Voluntary Retention Route (VRR)**.
- The move aims to improve **operational flexibility** and ease of doing business for foreign investors in India's **debt market**, effective from **April 2026**.
- Under the revised framework, investments via VRR will now count under the **overall FPI debt investment limits**, instead of a separate sub-limit.
- FPIs must still comply with a **minimum retention period of three years** under the VRR.
- **Existing overall caps** remain unchanged: **Government bonds – 6%, Corporate bonds – 15%, State Development Loans (SDLs) – 2%** of outstanding stock.
- The **VRR** was introduced in **March 2019** to encourage **stable, long-term** foreign investment; over **80%** of the earlier limit had already been utilized.
- The changes amend the **Foreign Exchange Management (Debt Instruments) Regulations, 2019** and the Master Direction – RBI (Non-resident Investment in Debt Instruments) Directions, 2025.
- **RBI Governor Sanjay Malhotra** stated that VRR investments in each category will be subject to the investment ceiling under the **General Route**.
- The VRR route was designed to attract **long-term, stable foreign debt flows** by offering exemptions in return for a **lock-in commitment**.
- Foreign investors have been **net sellers of ₹900 crore** in the current fiscal year, compared to **net purchases of ₹6,700 crore** in the previous fiscal year.
- After government bonds were included in **three global indexes**, the preference for using the VRR window has reduced, and removing the limit is not expected to trigger a major surge in inflows.

Deposit Insurance and Credit Guarantee Corporation, With Reserve Bank of India Approval, Introduces Risk-Based Premium Framework for Deposit Insurance

- The **Deposit Insurance and Credit Guarantee Corporation (DICGC)**, with the approval of the **Reserve Bank of India (RBI)**, has issued guidelines for implementing a **Risk-Based Premium (RBP)** framework for deposit insurance.

Key Highlights :

- Currently, all banks pay a **uniform premium of 12 paise per ₹100 of assessable deposits (AD)**, irrespective of their risk profile or financial strength.
- The **DICGC**, providing deposit insurance since **1962**, will implement the **RBP framework** from **April 1, 2026**.
- **DICGC Act, 1961 [Section 15(1)]** provides for **differential premium rates** for different categories of insured banks.
- There will be **two risk assessment models: Tier 1 Model for Scheduled Commercial Banks (excluding RRBs)**, based on **supervisory ratings, quantitative assessment (CAMELS parameters)**, and **potential loss to Deposit Insurance Fund (DIF)**; and **Tier 2 Model for RRBs and Rural Cooperative Banks (StCBs, DCCBs, UCBs)**, based on **quantitative assessment and potential loss to DIF**.
- Banks can receive a **maximum risk-based incentive of 33.33%** over the card rate, along with a **vintage incentive of up to 25%** for long, **distress-free contributions** to the **DIF**.
- **Local Area Banks and Payments Banks** will continue to pay the **card rate of 12 paise**, while **UCBs under PCA/SAF** will remain at the card rate until they exit such frameworks.
- The **RBP framework** will be effective from **April 1, 2026**, banks must maintain **confidentiality of ratings**, and the framework will be **reviewed at least once every three years**.
- Under the **RBP framework**, banks are classified into **four risk categories (A-D)**, with **Category A** being the **lowest risk** and **Category D** the **highest risk**.
- **Category A** banks will pay the **lowest premium of 8 paise** per ₹100 of AD, **Category B** will pay **10 paise**, **Category C** will pay **11 paise**, and **Category D** will continue at the existing **card rate of 12 paise** with no discount.
- The **RBP framework** also provides a **vintage incentive**, rewarding long and stable contributions to the **DICGC fund**, with **Tier-1 banks** getting a **1% discount per completed year**.
- The premium payable based on the **effective risk-based rate** will be reflected in the **DICGC New Integrated Application System (Samyak)**.
- **CAMELS** full form represents **Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk**, which evaluates the financial health and risk profile of commercial banks to ensure stability.

About DICGC:

- The **Deposit Insurance and Credit Guarantee Corporation (DICGC)** is a wholly owned **subsidiary of the Reserve Bank of India (RBI)**.
- **DICGC was established on 15 July 1978** under the **Deposit Insurance and Credit Guarantee Corporation Act, 1961**.
- The primary purpose of **DICGC** is to provide **insurance of deposits** and **guaranteeing of credit facilities** to the **customers of banks**.

Reserve Bank of India Releases Draft Rules for Credit Index and Total Return Swap Derivatives on Corporate Bonds

- The **Reserve Bank of India (RBI)** has released **draft rules for derivatives on credit indices and total return swaps (TRS)** linked to **corporate bonds**.
- The objective is to **deepen and improve liquidity** in the **corporate bond market**, which is relatively small and illiquid compared to the government securities market.
- The move follows the **Union Budget 2026-27** proposal to introduce **TRS on corporate bonds**, enabling better **credit risk management** and fund-raising across **rating categories**.

- A **total return swap (TRS)** allows one party to transfer the **full economic return** of a bond or index (including **interest income and price changes**) to another party, in exchange for a **fixed or floating benchmark-linked payment**.
- The **RBI** has prescribed **strict norms for benchmarks and indices**, requiring them to be published by **administrators authorised by RBI or SEBI**, with **settlement standards** set by the **Fixed Income Money Market and Derivatives Association of India (FIMMDA)**.
- All **OTC credit derivative transactions** must be reported to **CCIL within 30 minutes**, and settlement may be **cash, physical, or auction-based**, as determined by the **Credit Derivatives Determinations Committee**.

Recent News :

- In Jan 2026, The **Reserve Bank of India (RBI)** issued **amendment directions** for **Cash Reserve Ratio (CRR)** and **Statutory Liquidity Ratio (SLR)** applicable to **commercial banks**, updating the **2025 directions**.

Reserve Bank of India Proposes Exemption from Mandatory Registration for non-banking financial companies with Assets Below ₹1,000 Crore

- The **Reserve Bank of India (RBI)** has proposed **exempting non-banking financial companies (NBFCs)** with assets **below ₹1,000 crore** from **mandatory registration**, citing their **low systemic risk**.
- This exemption will apply to **non-deposit taking NBFCs** with **no public fund interface**, under the **Scale-Based Regulatory Framework**.
- The move aims to **reduce compliance burden** and improve **ease of doing business** for smaller NBFCs.

Key Highlights :

- **RBI** also plans to **remove the requirement of prior approval** for certain NBFCs to open **more than 1,000 branches**, enhancing **operational flexibility**.
- **NBFCs involved in gold loans** and **Investment & Credit Companies (ICCs)** will still require **RBI approval** for branch expansion beyond specified limits.
- These changes are expected to **lower regulatory friction**, allowing management to focus on **credit delivery and risk management**.
- **RBI** will issue **revised Lead Bank Scheme (LBS) guidelines** and launch a **unified bank-wise data reporting portal** to improve **data quality and oversight**.
- According to **RBI Governor Sanjay Malhotra**, **Type-I NBFCs** with assets **not exceeding ₹1,000 crore** have a significantly **lower systemic-risk profile** and may be exempted from registration, subject to specified conditions.
- Under the **new draft guidelines**, an NBFC is generally permitted to **open branches without prior RBI approval**, unless specifically restricted, with **stakeholder comments** invited until **February 27, 2026**.

Key Highlights of Reserve Bank of India's 6th Bi-Monthly Monetary Policy for FY 2025-26

- The **59th Monetary Policy Committee (MPC)** meeting (6th bi-monthly of FY 2025-26) was held from **4-6 February 2026** under the chairmanship of **Sanjay Malhotra**, Governor, **RBI**.
- The meeting was attended by MPC members **Dr. Nagesh Kumar, Saugata Bhattacharya, Prof. Ram Singh, Dr. Poonam Gupta, and Indranil Bhattacharyya**.
- The MPC **unanimously** decided to **reduce the policy repo rate by 25 basis points (bps) to 5.25%** under the **Liquidity Adjustment Facility (LAF)**.

- Following the repo rate cut, the **Standing Deposit Facility (SDF)** rate stands at **5.00%**, while the **Marginal Standing Facility (MSF)** rate and the **Bank Rate** are set at **5.50%**.
- The MPC retained a **'neutral'** monetary policy stance, indicating that future policy rates could either increase or decrease depending on evolving macroeconomic conditions.
- India's **real GDP growth for 2025–26** is projected at **7.4%**, supported by private consumption, fixed investment, and a resilient agriculture sector.
- **GDP growth projections for 2026–27** were revised upward, with **Q1 at 6.9%** and **Q2 at 7.0%**.
- On the inflation front, **CPI inflation for 2025–26** is projected at **2.1%**, with **Q4 inflation at 3.2%**.
- For **2026–27**, **CPI inflation** is projected at **4.0% in Q1** and **4.2% in Q2**, with risks broadly balanced.
- The **next MPC meeting** is scheduled to be held from **6–8 April 2026**.

Reserve Bank of India Imposes ₹1 Lakh Penalty on Vinayaka Capsec Private Limited

- The **Reserve Bank of India (RBI)** imposed a **monetary penalty of ₹1 lakh** on **Vinayaka Capsec Private Limited**.
- The penalty was levied for **non-compliance** with RBI directions on **'Acquisition of Shareholding or Control'**.
- RBI found that the company failed to obtain **prior written approval** for a **change in shareholding exceeding 26%** of its paid-up equity capital.
- The action was taken under **Sections 58G(1)(b) and 58B(5)(aa)** of the **RBI Act, 1934**.
- A **show cause notice** was issued to the company, and after considering the company's reply and personal hearing, RBI sustained the charge, warranting imposition of the penalty.
- This action was based on **regulatory compliance deficiencies** and does not affect the **validity of any transaction** or agreement entered into by the company with its customers.
- The **monetary penalty** is imposed **without prejudice** to any other action that RBI may initiate against the company.

Reserve Bank of India Announces Four Measures to Strengthen Urban Co-operative Banks, Boosting Credit and Capacity

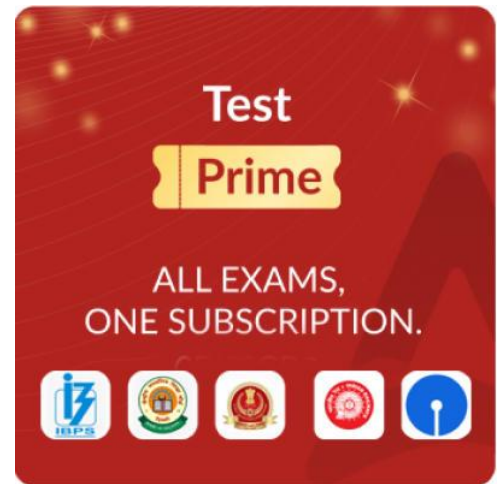
- The **Reserve Bank of India (RBI)** announced **four regulatory and developmental measures** to strengthen **Urban Co-operative Banks (UCBs)**, focusing on **credit expansion**, efficiency, and **capacity building**.
- RBI Governor **Sanjay Malhotra** stated that these steps aim to improve **credit delivery** and **operational flexibility** in the UCB sector.
- RBI proposed **raising financial limits** on **unsecured loans** and **loans to nominal members**, enabling UCBs to lend more freely to underserved segments.
- The RBI also proposed **removal of tenor and moratorium-related restrictions** on **housing loans** for **Tier III and Tier IV UCBs**, easing regulatory constraints.
- To strengthen **governance and skills**, RBI announced **Mission SAKSHAM (Sahakari Bank Kshamta Nirman)** for **institutional capacity building**.
- Under **Mission SAKSHAM**, RBI plans to train **over 1.4 lakh participants** from UCBs to enhance **managerial and technical capabilities**.
- Separately, a **January 2026 RBI discussion paper** has sought public feedback on **restarting licensing of new UCBs** after a **two-decade pause**, with safeguards to prevent past failures.

Recent News :

- In Jan 2026, **The Reserve Bank of India (RBI)** proposed **reopening the licensing window** for new **Urban Co-operative Banks (UCBs)** after **22 years**, as the previous window was closed in **2004** due to widespread failures of newly licensed banks.

Reserve Bank of India Introduces Reforms to Boost Cooperative Banks' Financial Stability, Governance, and Digital Capabilities

- The Reserve Bank of India (RBI), in consultation with the Government of India, announced that loans sanctioned by banks to National Cooperative Development Corporation (NCDC) e.f. January 19, 2026, for on-lending to cooperative societies are eligible for classification as priority sector lending (PSL) under the respective categories.
- The priority sector lending (PSL) classification applies to banks other than Regional Rural Banks (RRBs), Urban Cooperative Banks (UCBs), Small Finance Banks (SFBs), and Local Area Banks (LABs).



Key Highlights :

- NCDC is a statutory corporation under the Ministry of Cooperation that provides financial assistance to Cooperatives and contributes directly to accelerating the growth of the cooperative movement.
- The Government of India and RBI have taken multiple measures to strengthen cooperative banks in terms of financial health, governance, digital inclusion, deposit security, credit availability, and prudent regulation.
- Urban Cooperative Banks (UCBs) have been allowed to open new branches to expand their operations.
- Housing loan limits for UCBs have been increased from 10% to 25% of their total loans and advances.
- The Banking Regulation Act has been amended to increase the terms of directors of Cooperative Banks from 8 to 10 years.
- Licensing fees for onboarding cooperative banks to Aadhaar-enabled Payment System (AePS) have been reduced.
- The National Urban Co-operative Finance and Development Corporation Limited (NUCFDC), a non-deposit taking NBFC, has been set up as an Umbrella Organization for UCBs, providing IT infrastructure and operational support.
- A Shared Services Entity (SSE) named Sahakar Sarthi has been established to provide technological services to Rural Cooperative Banks.
- Rural Cooperative Banks have been included by RBI in the Integrated Ombudsman Scheme to enhance grievance redressal.
- Deposit Insurance and Credit Guarantee Corporation (DICGC) insures various types of deposits up to ₹5,00,000 per depositor per bank, including principal and interest, for all cooperative banks.

Reserve Bank of India Increases Collateral-Free Loan Limit for micro, small and medium enterprises to ₹20 Lakh

- The Reserve Bank of India (RBI) issued the Lending to micro, small and medium enterprises (MSMEs) Sector (Amendment) Directions, 2026 on 9 February 2026, under Sections 21 and 35A of the Banking Regulation Act, 1949.
- Collateral-free loan limit for Micro and Small Enterprises (MSEs) under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC has been raised to ₹20 lakh.

- **Banks** may further increase the **collateral-free loan limit to ₹25 lakh** under their **internal credit policies**, subject to borrower **performance and financial strength**.
- **Lenders** can avail coverage under the **Credit Guarantee Scheme** to **mitigate credit risk** wherever applicable.
- **Voluntary pledging of gold or silver** by borrowers for loans within the collateral-free limit will **not be treated as a violation** of the directive.
- The amended directions will **come into effect** from **1 April 2026**.
- The changes have been incorporated into the **Master Direction on Lending to the MSME Sector**, last updated in **July 2025**.
- The revised framework aims to **strengthen last-mile credit delivery** to **MSEs**, which often face difficulties in furnishing collateral due to **limited asset ownership**.
- The amendments also **align MSME lending norms** with recent **regulatory changes** notified separately by the RBI.
- The move is part of **RBI's broader effort** to improve **institutional finance flow** to the **MSME sector**, which is a key contributor to **employment generation and economic growth**.

Reserve Bank of India Launches Financial Literacy Week 2026 Highlighting Importance of KYC Compliance

- The **Reserve Bank of India (RBI)** has been observing **Financial Literacy Week (FLW)** annually since **2016** to promote financial awareness among citizens.
- **FLW 2026** is being observed from **February 9 to 13, 2026** on the theme: **"KYC – Your First Step to Safe Banking / सुरक्षित बैंकिंग की ओर पहला कदम"**.
- RBI Governor **Sanjay Malhotra** inaugurated **FLW 2026** and emphasized the **critical role of KYC** in ensuring safe, secure, and **inclusive banking**.
- **Banks and stakeholders** have been urged to **simplify and promote KYC and re-KYC compliance** among customers.
- The **Central KYC Records Registry (CKYCR)** was highlighted as a **key tool to simplify customer onboarding** and strengthen **financial inclusion**.
- **RBI Regional Offices**, including **Panaji**, coordinated with banks to support **nationwide campaigns** on financial inclusion schemes, including **re-KYC** for uninterrupted banking services.
- The campaign will raise awareness about the **benefits of KYC/CKYC**, precautions against **fraudulent KYC calls, messages, and links**, and caution the public against becoming **money mules**.
- **FLW 2026** includes **awareness and outreach programmes** across India, with stakeholders encouraged to actively **disseminate campaign messages** to promote a **secure financial ecosystem**.

Reserve Bank of India Proposes Banks to Lend to REITs with Prudential Safeguards to Boost Real Estate Financing

- The **Reserve Bank of India (RBI)** has allowed banks to **lend directly to Real Estate Investment Trusts (REITs)** with **prudential safeguards** to deepen credit access for the real estate sector.

Key Highlights :

- Earlier, banks were barred from lending to REITs, though **lending to Infrastructure Investment Trusts (InvITs)** was permitted; existing InvIT norms will now be **harmonised** with REIT safeguards.
- **REITs and InvITs** were conceptualised in India to free up banks' funds in **completed and operational** real estate and infrastructure projects by **refinancing exposures** with pooled funds of institutions and retail investors.

- At present, there are **five listed REITs** in India – **Brookfield India Real Estate Trust, Embassy Office Parks REIT, Mindspace Business Parks REIT, Nexus Select Trust, and Knowledge Realty Trust.**
- **REITs** are investment vehicles that **own or operate income-generating real estate**, enabling investors to earn a share of income without directly purchasing properties.
- RBI's move will allow REITs to raise **long-term capital** at a **more efficient cost**, supporting their growth and potentially boosting **income for unitholders.**
- Previously, REITs raised funds through **bonds** subscribed by mutual funds, NBFCs, and others, mostly **short-term (3–5 years)**, creating a long-term funding challenge.
- With **bank lending**, REITs can **refinance short-term debt**, expand access to **longer-term competitive finance**, and maintain healthier balance sheets and stable growth.
- According to experts, REITs currently borrow via **commercial papers at 6.5%** and **non-convertible debentures (NCDs) at 7–8%**, but can borrow at **below 7.5%** through **lease rental discounting** of rent receivables.

Reserve Bank of India Grants In-Principle Approval to Transcorp International for Centralized Payment Systems

- **Transcorp International Limited** received **in-principle approval** from the **Reserve Bank of India (RBI)** to participate in **Centralized Payment Systems (CPS)**, marking a major development in its banking services infrastructure.
- Following the **RBI authorization**, **Transcorp** can hold and operate a **bank account at RBI** and be allotted its own **Indian Financial System Code (IFSC).**
- The **CPS authorization**, usually granted to banks, allows **Transcorp** to develop and operate its payment ecosystem with **Real Time Gross Settlement (RTGS)** and **National Electronic Funds Transfer (NEFT)** capabilities, following RBI guidelines.
- Participation in **CPS** will enhance **payment ecosystem independence, operational efficiency, and regulatory compliance**, while enabling **secure and technology-driven payment solutions.**
- **Transcorp** reported **49% profitability growth** for the quarter and **67% growth** for the **9-month period** ending **December 31, 2025**, compared to the previous year.
- The company has **fully repaid** all **public Fixed Deposits (FDs)** under its **Public FD scheme.**

Reserve Bank of India Issues Draft Amendments for Lending Rules of Urban Co-operative Banks

- The **Reserve Bank of India (RBI)** has issued **draft amendment directions** for **Urban Co-operative Banks (UCBs)** to revise norms on **unsecured loans** and **concentration risk.**

Key Highlights :

- **Unsecured advances** are defined as portions of loans **not covered by the realisable value of security** (primary and collateral) to which the UCB has valid recourse, and this value must be **estimated realistically.**
- Loans against **inland D/A bills** with usance up to **90 days** will **not be treated as unsecured.**
- Loans against **receivables** will not be considered unsecured as long as receivables are **not overdue beyond 30 days.**
- The **total unsecured loans** by a UCB to its members **cannot exceed 20% of total loans and advances** (as per last audited balance sheet).
- Unsecured loans **beyond 20%** are allowed only for **priority sector loans**, and up to **₹50,000 per borrower.**

- **Draft amendments** will come into effect from **October 1, 2026**, or earlier if fully adopted by the UCB, and **existing non-compliant loans** may run off till **maturity**, but cannot be renewed unless aligned with new norms.
- The draft directions were announced as part of the **Statement on Developmental and Regulatory Policies** dated **6th February 2026** and issued by **RBI's Department of Regulation** for public comments.
- The amendments cover **concentration risk management, credit facilities, and financial statements presentation and disclosures** of UCBs.
- **Aggregate ceiling** for unsecured loans by UCBs is proposed to be **raised to 20% of total advances**, up from the existing **10% of total assets**.
- The **lending limit to nominal members** for purchase of **consumer durables** is proposed to increase to **₹2,50,000 per borrower**.
- **RBI** has proposed **deregulation of tenor and moratorium norms** for housing loans for **Tier-Three and Tier-Four UCBs**.

Recent News :

- In Jan 2026, The **Reserve Bank of India (RBI)** issued **amendment directions** for **Cash Reserve Ratio (CRR)** and **Statutory Liquidity Ratio (SLR)** applicable to **commercial banks**, updating the **2025 directions**.

Reserve Bank of India Forms Committee to Review Regulatory Framework for Business Correspondents

- The **Reserve Bank of India (RBI)** has constituted a **committee** to review the **regulatory framework** for **business correspondents (BCs)**.
- The committee will suggest **amendments** and **draft revised guidelines** for **public consultation**.
- The committee has been tasked with examining the **operations of business correspondents** and recommending measures to improve the **efficiency and effectiveness** of the **BC model**.
- Members of the **RBI committee** include officials from the **RBI, Department of Financial Services, Indian Banks' Association (IBA)**, and the **National Bank for Agriculture and Rural Development (NABARD)**.
- The committee's recommendations will guide the review of related **regulatory guidelines**, with **draft amendment directions** to be released for public consultation.
- **Business correspondents** play a critical role in **financial inclusion**, acting as enablers of **last-mile access** to financial services, especially in underserved, rural, and remote areas.
- **Business correspondents** are deployed by **financial institutions and companies** to provide **basic banking services** in unbanked and remote parts of India.
- Services provided by **BCs** include **deposits, withdrawals, and bank account opening** through low-cost, **technology-driven customer service points** spread across India.

Reserve Bank of India to Review and Standardise Rules for Recovery Agents in Banks, NBFCs, and Digital Lending

- The **Reserve Bank of India (RBI)** will review and **harmonise regulations** governing the engagement of **recovery agents** by **banks, Non-Banking Financial Companies (NBFCs)**, and **digital lending entities**.
- Currently, different **regulatory instructions** apply to various **regulated entities (REs)**, and the RBI aims to create a **uniform framework**.
- The move comes amid concerns over **abusive and non-compliant practices** by **third-party recovery agents** in loan recovery processes.

- The RBI has also raised concerns over **mis-selling** of financial products and services by **lenders** and **third-party distributors**.
- It plans to issue **comprehensive guidelines** on **advertising, marketing, and sale** of financial products to ensure **customer suitability**.
- The proposed instructions will be released soon for **public consultation** before finalisation.

Reserve Bank of India Proposes Kisan Credit Card Overhaul with Extended 6-Year Tenure and Increased Loan Limits

- The **Reserve Bank of India (RBI)** is set to issue **revised guidelines** for banks under the **Kisan Credit Card (KCC)** scheme to strengthen support for the farm sector.
- The **revised framework** will **merge existing KCC instructions** into a single, **consolidated set of guidelines**.

Key Highlights :

- **Uniform crop season definition:** RBI proposes a **standardised approach** to defining crop seasons across regions for **loan assessment** and **repayment timelines**.
- **KCC tenure** may be extended to **six years**, providing borrowers a **longer operating window**.
- **Drawing limits** will be linked to the officially approved **Scale of Finance** for each crop season to ensure sanctioned amounts reflect **actual cultivation costs**.
- **Technological interventions** in farming, such as **modern farm equipment** and **agri-tech tools**, will be included as **eligible expenses** under KCC.
- **Collateral is waived** for KCC loans up to **₹2 lakh**, and up to **₹3 lakh** in tie-up arrangements.
- Farmers are eligible for a **3% interest subvention incentive** on **prompt repayment** for loans up to **₹3 lakh**, under the **Modified Interest Subvention Scheme (MISS)**.
- Under **MISS**, farmers can get **short-term crop loans** at **7% interest**, with a **1.5% interest subvention** to lending institutions, and a **3% prompt repayment incentive**, reducing the **effective interest rate to 4% per year**.
- The **loan limit** under KCC has been increased to **₹5 lakh**, and for **animal husbandry and fisheries**, interest benefits apply on loans up to **₹2 lakh**.
- RBI has conducted a review under the **Lead Bank Scheme (LBS)** and will issue **streamlined instructions** to improve **operational efficiency**.
- A **unified portal**, the **Kisan Rin Portal (KRP)**, will manage and monitor **interest subvention** and **prompt repayment claims** from banks, improving **transparency** and speed in settlement.
- By **December 31, 2024**, about **5.9 crore farmers** were mapped on the **Kisan Rin Portal**, with **interest subvention claims** worth over **₹1.08 trillion** processed.
- As of **March 2024**, there were around **7.75 crore KCC accounts** with outstanding credit of about **₹9.81 lakh crore**.
- The revised **KCC guidelines** aim to **standardise loan assessment**, **extend credit tenure**, and **widen the scope of eligible expenses**, supporting agriculture and allied activities.

Reserve Bank of India Reports Continued Growth in Digital Payments for Six Months Ending September 2025

- The **Reserve Bank of India** reported further improvement in **Digital Payments** during the **six months ending September 2025**, continuing the upward growth trend.
- The **RBI-DPI Index** rose to **516.76 in September 2025**, up from **493.22 in March 2025** and **465.33 in September 2024**, indicating **steady expansion** in payment digitisation.



- The rise in **RBI-DPI** was mainly driven by strong growth in **Payment Performance** and **Payment Enablers** across the country.
- The **RBI-Digital Payments Index (RBI-DPI)** has been published since **January 2021** with **March 2018** as the **Base Year** to measure the extent of digital payment adoption in India.
- The **Index** is based on **five parameters**:
 1. **Payment Enablers** – 25%
 2. **Payment Infrastructure (Demand Side)** – 10%
 3. **Payment Infrastructure (Supply Side)** – 15%
 4. **Payment Performance** – 45% (**Highest Weightage**)
 5. **Consumer Centricity** – 5%
- The **RBI-DPI** is released on a **Semi-Annual basis** on the RBI website with a **time lag of 4 months** (from March 2021 onwards).
- The **September 2025 DPI (516.76)** reflects continued **acceleration** in digital payment usage, compared to **March 2025 (493.22)** announced on July 28, 2025.

Reserve Bank of India Reinstates Default Loss Guarantees for NBFCs, Reversing May 2025 Provisioning Norms

- The **Reserve Bank of India (RBI)** has **restored the use of Default Loss Guarantees (DLGs)** for **Non-Banking Finance Companies (NBFCs)**, reversing the stricter provisioning norms imposed in **May 2025**.
- **NBFCs** can now **consider DLGs** when calculating **loan-loss provisions**, provided the guarantee is an **integral part** of the loan arrangement.
- The move **reduces provisioning pressure, improves profitability, and frees up capital** for greater **credit expansion**.
- **DLGs** are generally **capped at 5%** of the loan portfolio and are often backed by **fixed deposits** from digital lending partners.
- The **revised framework harmonises** DLG treatment across **digital lending, co-lending, and credit risk transfer**
- **NBFCs** must **revise expected loss estimates** each time a guarantee is invoked, as the **available cover reduces** with usage.
- The **May 2025 directive** had increased provisioning requirements, raising **credit costs** and affecting **profitability of NBFCs**.
- **Earlier impact examples: SMFG India Credit** saw a **44% decline** in FY25 profit (₹115 crore provision); **Credit Saison India** reported a **22% fall** (₹178 crore provision); **Northern Arc Capital** had an overall impact of **₹780 crore** (₹763 crore provision).
- The earlier rules reduced **returns on fintech-originated loans**, causing a **slowdown in digital lending** and **lower fintech origination volumes**.
- The **latest amendment** aligns DLG treatment with **revised co-lending norms** that became effective in **January 2026**.
- Overall, the change is expected to **strengthen NBFC profitability, capital efficiency, and credit growth** while ensuring **regulatory consistency**.

Reserve Bank of India Permits Bank Loans to National Cooperative Development Corporation for On-Lending to Cooperatives to Qualify as Priority Sector Lending

- The **Reserve Bank of India (RBI)** has allowed **bank loans** to the **National Cooperative Development Corporation (NCDC)** for **on-lending** to cooperative societies to be classified as **Priority Sector Lending (PSL)** from **January 19, 2026**.
- This provision applies to all banks **except Regional Rural Banks (RRBs), Urban Cooperative Banks (UCBs), Small Finance Banks, and Local Area Banks**, and must comply with the **PSL Master Direction 2025**

Key Highlights :

- **NCDC**, a **statutory corporation** under the **Ministry of Cooperation**, provides financial assistance to cooperatives and directly supports the growth of the **cooperative movement** in India.
- **Reforms** to strengthen cooperative banks include allowing **Urban Cooperative Banks (UCBs)** to **open new branches** and increasing **housing loan limits** from **10% to 25%** of total loans and advances.
- **Governance reforms** include extending the **tenure of cooperative bank directors** from **8 to 10 years** and reducing **Aadhaar-enabled Payment System (AePS)** onboarding fees to promote **digital inclusion**.
- Cooperative banks now benefit from **RBI's Integrated Ombudsman Scheme** and **Deposit Insurance and Credit Guarantee Corporation (DICGC)** coverage up to **₹5 lakh per depositor per bank**, enhancing **depositor protection**.
- **Additional support structures** include the **National Urban Co-operative Finance and Development Corporation (NUCFDC)** for **IT infrastructure** and operational support, and the **Shared Services Entity (SSE) Sahakar Sarthi** for **technological services** to **Rural Cooperative Banks**.
- These measures aim to strengthen **financial health, governance, credit availability, and digital adoption** in cooperative banks, contributing to a **robust cooperative banking system** in India.



Reserve Bank of India Imposes Rs 1.35 Crore Penalties on 5 Banks and Non-Banking Financial Companies for Regulatory Non-Compliance

- The **Reserve Bank of India (RBI)** imposed **monetary penalties** totaling **Rs 1.35 crore** on **5 financial institutions (FIs)**, including **3 banks—CSB Bank Limited, Bank of Maharashtra (BoM), DCB Bank Limited—and 2 Non-Banking Financial Companies (NBFCs)—IIFL Finance Limited and Navi Finserv Limited**.
- **CSB Bank** received the **highest penalty of Rs 63.60 lakh** for **non-compliance** with RBI directions on **Business Correspondents (BCs)** and **Customer Service in Banks**.
- **DCB Bank** was penalized **Rs 29.60 lakh** for failing to maintain the required **Loan-To-Value (LTV) ratio** in certain **gold loan accounts**.
- **Bank of Maharashtra (BoM)** was fined **Rs 32.50 lakh** for **non-compliance** with RBI directions on **credit information reporting** for **Self-Help Group (SHG) members** and **KYC rules**.
- **IIFL Finance Limited** was penalized **Rs 5.30 lakh** for **non-compliance** with RBI directions on **asset classification**.
- **Navi Finserv Limited** was fined **Rs 3.80 lakh** for **non-compliance** regarding **Recovery Agents**.
- The penalties highlight **RBI's focus on regulatory compliance** in areas like **loan management, KYC norms, BC operations, and asset classification** across banks and NBFCs.

Reserve Bank of India proposes mandatory reporting of OTC forex and interest rate derivatives by AD Cat-I banks

- The **Reserve Bank of India (RBI)** has proposed **mandatory reporting** of **Over-the-Counter (OTC)** foreign exchange and interest rate derivative contracts by **Authorised Dealer Category-I (AD Cat-I) banks**.
- The reporting requirement covers transactions done **directly or via overseas related parties**, including **parent companies, subsidiaries, and entities under common control**, while **associate companies are excluded**.

Key Highlights :

- Banks must report all such trades to the **Clearing Corporation of India Ltd (CCIL) trade repository**, ensuring transparency in **offshore rupee derivative markets**.
- Transactions must be reported on the **trade date or within two working days**; contracts with a **notional value of \$1 million or less** may be exempt from reporting.
- The **RBI** has proposed a **phased implementation**:
- **Within 12 months**: At least **70%** of the notional value must be reported.
- **After 18 months**: Threshold rises to **80%**.
- **After 24 months**: Threshold reaches **90%**.
- The directions apply to all **OTC rupee derivative contracts**, including those traded on **electronic platforms**, but **exclude exchange-traded derivatives**.
- **Back-to-back transactions** and trades between **related parties and other AD Cat-I banks in India** are **exempted** from reporting.
- Reported transaction details must include **notional value, counterparty name, maturity, currency**, and other specifications, with reporting formats prescribed by **CCIL** and approved by **RBI**.
- The proposed framework extends existing reporting norms under the **Master Direction on Risk Management** and **Master Direction on Rupee Interest Rate Derivatives (2025)** to include global rupee-linked OTC derivatives by **offshore related parties**.
- The initiative aims to improve **transparency, risk monitoring, and regulatory oversight** in offshore rupee derivative markets where many transactions currently remain **unreported**.

Reserve Bank of India revises External Commercial Borrowings rules, allows companies to raise up to \$1 billion

- The **Reserve Bank of India (RBI)** released the **final guidelines** on **External Commercial Borrowings (ECBs)**, aiming to **rationalise fundraising** through the route.
- Under the new guidelines, companies can raise **ECBs up to \$1 billion or 300% of net worth**, whichever is higher, compared to the previous **\$750-million annual cap**.
- **Eligible borrowers** must raise ECBs with a **minimum average maturity of three years**.
- **Manufacturing sector borrowers** can raise ECBs with a **1-3 year average maturity**, provided the outstanding amount does not exceed **\$150 million**.
- The **cost of borrowing** through ECBs should be **market-determined**, with **fixed-rate loans** linked to **floating rate plus spread** capped at the ceiling.
- **RBI expanded the borrower and lender base**, allowing any entity, including **firms under restructuring or investigation**, to raise funds through ECBs.
- **Proceeds of ECBs** can be utilised in **deposits or other debt instruments** with maturity **up to one year**.
- **End-use restrictions** apply: ECB funds **cannot be used** for **chit funds, Nidhi companies, real estate, construction of farmhouses, or stock market investments**.
- The guidelines aim to **simplify reporting, rationalise borrowing limits**, and **remove restrictions on cost of borrowing**, promoting **greater flexibility** in overseas fundraising.

Reserve Bank of India to Make Unique Transaction Identifier Mandatory for Over-the-Counter Derivatives from January 1, 2027

- The **Reserve Bank of India (RBI)** has mandated the use of **Unique Transaction Identifier (UTI)** for all **Over-the-Counter (OTC) derivative transactions** from **January 01, 2027**, deferring from the earlier proposed date of **April 01, 2026**.

- The RBI issued these directions under **Section 45W and Section 45U of the RBI Act, 1934**, exercising all powers enabling it in this regard.
- As per RBI, the **UTI** must be generated in line with **global guidance** issued by the **Committee on Payments and Market Infrastructures (CPMI)** and the **International Organisation of Securities Commissions (IOSCO)**.
- The **UTI structure** can have a maximum of **52 characters**, which must include the **Legal Entity Identifier (LEI)** (a 20-character code) of the entity generating it.
- **RBI clarified that modifications to contract details** will be treated as **updates** and **do not require generation of a new UTI**.
- Currently, all **OTC market transactions** for **Rupee interest rate derivatives, forward contracts in Government securities, foreign currency derivatives, foreign currency interest rate derivatives, and credit derivatives** are reported to the **Trade Repository** managed by **Clearing Corporation of India Limited (CCIL-TR)**.
- From **January 01, 2027**, the **UTI will be mandatory** for all **OTC derivative transactions** entered into on or after the effective date.
- The **RBI deferred implementation** to obtain a **comprehensive view** of the **OTC derivatives market** before full rollout and to allow market participants time to build technical capabilities.

Reserve Bank of India Imposes ₹38.60 Lakh Penalty on UCO Bank for Regulatory Non-Compliance

- The **Reserve Bank of India (RBI)** imposed a **₹38.60 lakh monetary penalty** on **UCO Bank** for **non-compliance** with regulatory directions.
- The **penalty** pertains to violations related to **interest payment periodically on savings deposits, locker rent refunds, and credit information reporting** for **Self Help Group (SHG) members**.
- **UCO Bank** failed to pay interest on certain **savings accounts**, did not report **SHG member-level credit data** to **Credit Information Companies (CICs)**, and did not refund **proportionate locker rent** on **premature locker surrender**.
- The **penalty** was imposed under the **Banking Regulation Act, 1949** and the **Credit Information Companies (Regulation) Act, 2005**.

About UCO Bank :

- **UCO Bank**, formerly **United Commercial Bank**, is a **public sector bank** headquartered in **Kolkata, India**.
- **MD & CEO : Shri Ashwani Kumar**

Reserve Bank of India Establishes High-Security Data Centre in Odisha to Mitigate Threat and Seismic Risks

- The **Reserve Bank of India (RBI)** has launched its second **high-security Data Centre** in **Bhubaneswar, Odisha**, to strengthen the **safety, resilience, and continuity** of critical financial infrastructure.
- The **greenfield facility** is built on an **18.55-acre campus** at **Info Valley-II, Khordha (Odisha)** and will host the **RBI's core computing systems**.

Key Highlights :

- The centre will manage **currency (cash) supply operations, digital inter-bank payments, payment and settlement systems, and regulatory financial data monitoring**.
- The facility has achieved **Tier IV design certification**, meeting the highest global standards of **reliability, uptime, redundancy, and operational performance**.

- It is designed with **in-built fault tolerance, layered physical and cyber safeguards, high redundancy, and resilience architecture** to ensure uninterrupted functioning of core systems.
- The new centre is **strategically located** away from **cross-border threat zones** and **high seismic-risk regions**, enhancing **national financial security**.
- The **Primary Data Centre** of RBI is located at **Kharghar, Navi Mumbai, Maharashtra**, which hosts core applications, databases, and software systems.
- With the rapid growth of **digital transactions** and **real-time payment systems**, secure **data infrastructure** is being treated as a **cornerstone of financial stability**.
- The initiative aligns with **global best practices**, similar to secure facilities operated by the **US Federal Reserve Bank**, such as the **East Rutherford Operations Center**.
- Other Indian institutions like the **Securities and Exchange Board of India (SEBI)** and the **State Bank of India (SBI)** are also developing their own **dedicated data centres**.
- As of **2025**, RBI is also launching a **pilot cloud facility** with data centres in **Mumbai and Hyderabad** to provide **sovereign local cloud storage solutions** for financial institutions.

Recent News :

- In Jan 2026, The **Reserve Bank of India (RBI)** issued **operational guidelines** for extending **interest subvention** on **pre- and post-shipment export credit** under the **Export Promotion Mission (EPM) – NIRYAT PROTSAHAN (1st Component)**.

Reserve Bank of India raises banks' acquisition financing exposure limit to 20% of Tier-1 capital

- **The Reserve Bank of India (RBI)** increased the aggregate exposure limit for **acquisition financing** by banks from **10% to 20% of Tier-1 capital**, allowing higher participation in **M&A transactions**.
- Banks can now finance up to **75% of the acquisition value**, while the remaining **25%** must be funded by the **acquirer's own funds**, ensuring **promoter skin in the game**.
- The **aggregate Capital Market Exposure (CME)** of a bank is capped at **40%** of its eligible capital base, and **acquisition finance exposure** must remain within this limit.
- Financing is now permitted for acquisition of **unlisted companies**, provided the target company has minimum **₹500 crore net worth**, is **profitable for the last three years**, and holds an **investment-grade rating (BBB- or above)**.
- The acquisition must result in **control of the target company** and be completed through single or interconnected transactions within **12 months** of the agreement.
- **RBI** has also allowed banks to provide loans against **government securities, sovereign gold bonds, shares, NCDs, mutual funds, ETF units, and Infrastructure Investment Trusts (InvITs)**.
- The regulator fixed **Loan-to-Value (LTV)** ratios as follows: **75% against mutual funds, 60% against shares and NCDs, and 85% against debt mutual funds**.
- The framework supports **leveraged buyouts** and acquisition of **stressed assets** while maintaining safety through a **post-acquisition debt-to-equity ratio** not exceeding **3:1**.

Recent News :

- The **Reserve Bank of India (RBI)** issued draft amendment directions to clarify the calculation of **Owned Fund / Tier-1 Capital** for **NBFCs** and **Asset Reconstruction Companies (ARCs)** to comply with **credit and investment concentration limits** and invited public comments till **28 January 2026**.



Reserve Bank of India revises NBFC registration norms under NBFC Amendment Directions 2026

- **The Reserve Bank of India (RBI)** issued the **NBFC Amendment Directions, 2026**, effective from **1 April 2026**, to revise **registration norms** and regulatory treatment for **Non-Banking Financial Companies (NBFCs)** without **public funds** and **customer interface**.
- A new category called **“Unregistered Type I NBFC”** has been introduced for **NBFCs** with **asset size below ₹1,000 crore**, exempting them from **registration** under **Section 45IA** of the **RBI Act, 1934**.
- These **NBFCs** must operate on a **sustainable and durable business model** without using **public funds** and without **customer interface**, and must **disclose** their regulatory status and compliance in **financial statements**.
- Existing eligible **NBFCs**, including those holding **Type I NBFC Certificate of Registration**, can apply for **deregistration** through the **PRAVAAH portal** until **30 September 2026** with prescribed documents and **board resolutions**.
- **NBFCs** with **asset size of ₹1,000 crore or more** must **mandatorily register** as **Type I NBFCs**.
- **NBFCs** that want to access **public funds** or maintain **customer interface** must register as **Type II NBFCs**.
- The **exemption** applies only to **registration requirements** and does not exempt **NBFCs** from **RBI Act provisions, supervisory oversight, AML/PMLA compliance, or penal action** for violations.

Reserve Bank of India Issues Regulatory Guidelines for Bank Lending to Real Estate Investment Trusts

- **The Reserve Bank of India (RBI)** released **draft amendment directions** across five regulatory frameworks covering **commercial banks, small finance banks (SFBs), and All India Financial Institutions (AIFIs)** regarding credit facilities, concentration risk management, and financial disclosure norms.
- The draft allows **regulated entities** to provide finance to **Real Estate Investment Trusts (REITs)** subject to **prudential safeguards, risk management standards, and exposure limits**.
- Banks may lend to **SEBI-registered REITs** in India, while **overseas branches** may lend to foreign REITs only in jurisdictions having a **strong insolvency or bankruptcy legal framework**.
- Banks can lend only to **listed REITs** that have been operational for at least **3 years**, have positive **net distributable cash flows** for the last **2 years**, and have no **adverse regulatory action** in the past **3 years**.
- Lending is permitted only if **Special Purpose Vehicles (SPVs)** under the REIT structure are not under **financial stress**.
- Banks must follow a **Board-approved lending policy**, ensure continuous monitoring of **end-use of funds**, and confirm that **trust deeds** permit borrowing.
- The **aggregate bank exposure** to a REIT and its **SPVs/holding companies (Holdcos)** cannot exceed **49% of the REIT asset value**, unless the Board prescribes stricter limits.
- Banks must carefully evaluate **cash flow stability** and **debt servicing capacity** before extending credit to REIT entities.
- The framework strengthens **prudential regulation, financial stability, and safe infrastructure financing channels** in the banking system.

Recent News :

- In Feb 2026, The Reserve Bank of India (RBI) allowed banks to lend directly to Real Estate Investment Trusts (REITs) with prudential safeguards to deepen credit access for the real estate sector.

Reserve Bank of India revises Lead Bank Scheme to boost priority sector credit flow at district level

- The Reserve Bank of India issued revised guidelines on the Lead Bank Scheme (LBS), superseding earlier instructions to strengthen **credit coordination** and **financial inclusion**
- The scheme was originally introduced in **1969** to promote **priority sector lending** and inclusive economic growth.
- The **Lead Bank Scheme** aims to coordinate **banks, government agencies, and developmental institutions** to improve **credit flow** to priority sectors and enhance **financial inclusion** across districts.

Key Highlights :

- The revised framework introduces a **three-tier structure** consisting of:
 - **Block Level Bankers' Committee (BLBC)**
 - **District Consultative Committee (DCC)**
 - **District Level Review Committee (DLRC)**
 - **State Level Bankers' Committee (SLBC / UTLBC)** at the apex level.
- The **RBI** will designate one **commercial bank** as **Lead Bank** in each district to coordinate **credit delivery** and **development initiatives**.
- Each district will have:
 - **Lead District Manager (LDM)** appointed by the **Lead Bank**.
 - **District Development Manager (DDM)** appointed by **NABARD**.
 - **Lead District Officer (LDO)** appointed by **RBI**.
- **BLBC meetings** must be held at least **twice annually**, including planning for **Block Credit Plans** based on credit potential.
- **DCC meetings** are chaired by the **District Collector / District Magistrate** and include banks, **RBI representatives**, **NABARD officials**, and government departments.
- **SLBC meetings** include **state government officials**, **RBI**, **NABARD**, banks, and other stakeholders to resolve **regional banking and credit issues**.
- Banks must maintain a **Credit-Deposit (CD) Ratio** of **60%** for **rural and semi-urban branches** (All-India basis).
 - **CD Ratio monitoring norms:**
 - **40-60% CD Ratio** → monitored by **DCC**.
 - **Below 40%** or declining credit → reviewed by **DCC sub-committee** with **corrective action plans**.
 - **Below 20% CD Ratio** → classified as **special category districts**, requiring **state government infrastructure** and credit support.
- Banks must prioritise opening **Core Banking Solution (CBS)-enabled outlets** in **Tier-V** (population >5,000) and **Tier-VI unbanked rural areas**. At least **25%** of new banking outlets must be established in such regions.
- The **revised guidelines** aim to **streamline operations**, strengthen **institutional accountability**, and improve **district-level economic development planning**.
- The **draft guidelines** were released for **public comments**, with the last date for submission being **6 March 2026**.
- The framework strengthens **lead bank coordination**, enhances **state-level monitoring**, and supports **sustainable financial inclusion growth** in India.

Reserve Bank of India proposes stricter norms for loan recovery agents to protect borrowers from harassment

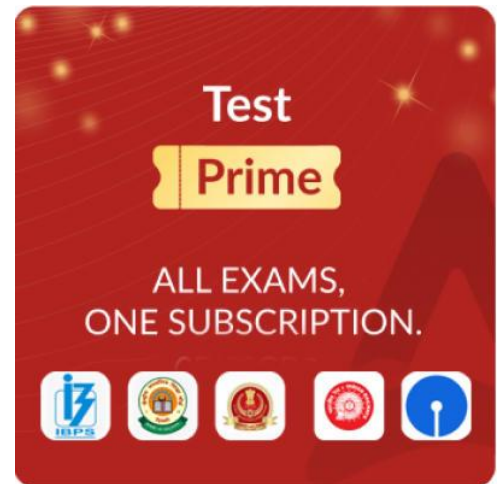
- The **Reserve Bank of India (RBI)** issued **draft amendment directions** to standardize **loan recovery practices** and regulate the conduct of **recovery agents** across regulated financial entities.
- The guidelines aim to ensure **fair recovery practices, borrower protection, and ethical conduct standards** for lender staff and recovery agents.
- **Recovery agents** must complete **certification training** from the **Indian Institute of Banking and Finance (IIBF)** or equivalent accredited institutions.
- Banks must **publicly display** updated lists of **recovery agents** at branches and digital platforms to ensure **transparency and accountability**.
- **Recovery agents** must carry valid **identity cards, authorization letters, and loan recovery notices** while visiting borrowers.
- Agents are permitted to contact borrowers only between **8:00 AM and 7:00 PM**, respecting **borrower privacy** and preferred communication timings.
- **Legal action** cannot be the first step in recovery; recovery must follow **due process**, with authorized representatives only allowed to visit borrower premises.
- **Recovery agents** must provide **official receipts** for all collections to maintain **financial transaction transparency**.
- The guidelines mandate **due diligence checks**, formal **code of conduct** compliance, and proper **training requirements** for recovery personnel.
- The new recovery framework will become effective from **1 July 2026**, replacing earlier recovery conduct provisions.
- The initiative strengthens **consumer protection, ethical banking practices, and regulatory supervision** of loan recovery operations in India.

Reserve Bank of India issues revised Kisan Credit Card guidelines to boost agricultural credit access

- The **Reserve Bank of India (RBI)** issued **draft revised guidelines** for **Kisan Credit Card (KCC)** to expand coverage, improve **agricultural financing**, and streamline loan operations.
- The **revised KCC framework** applies to **commercial banks, Small Finance Banks (SFBs), Regional Rural Banks (RRBs), and rural cooperative banks** to ensure uniform implementation across India.
- The guidelines apply to **new KCC loans** and existing loans during **renewal or review cycles**.
- **Crop seasons** have been standardized as **12 months** for short-duration crops and **18 months** for long-duration crops to ensure uniform repayment and loan planning cycles.
- **Marginal farmers** are defined as farmers owning **up to 1 hectare** of land, while **small farmers** own more than 1 hectare but **up to 2 hectares** of land.
- The **KCC loan tenure** has been extended to **6 years** to better match long agricultural crop cycles.
- **Drawing limits** will now be based on **scale of finance** per crop season, ensuring credit reflects actual cultivation and input costs.
- Farmers can use an **additional 20% credit limit** for **technology-driven agriculture** practices such as soil testing, weather forecasting, and organic certification.
- A **flexible KCC credit limit** of **₹10,000 – ₹50,000** is available for **marginal farmers** based on landholding size and crop type.



- **Eligible borrowers** include **owner cultivators, tenant farmers, sharecroppers, Self Help Groups (SHGs), and Joint Liability Groups (JLGs)**.
- Farmers engaged in **animal husbandry, fisheries, and allied agricultural activities** are also eligible for **working capital credit**.
- Banks shall **waive collateral security** and **margin requirements** for agricultural loans up to **₹2 lakh** per borrower.
- **Voluntary pledge of gold or silver** as collateral is allowed but requires **explicit borrower declaration**, without violating collateral-free lending norms.
- For KCC loans under **crop hypothecation** or stock tie-up arrangements, banks may **waive collateral security** for loans up to **₹3 lakh**.
- Banks must submit **KCC loan data reports quarterly** within **15 working days** after quarter-end using the prescribed RBI reporting format.
- The initiative strengthens **agricultural credit accessibility, financial inclusion, and modernisation** of rural farming finance systems.



Reserve Bank of India tightens norms to curb mis-selling of financial products through new draft marketing and sales rules

- The **Reserve Bank of India (RBI)** issued draft **Responsible Business Conduct Amendment Directions, 2026** under **Section 35A** of the **Banking Regulation Act, 1949**, to strengthen **customer protection** in financial product marketing and sales.
- The proposed **Commercial Banks – Responsible Business Conduct Directions, 2026** require banks to ensure customers clearly understand financial products and obtain **explicit customer consent**, while establishing a mechanism to seek **customer feedback** within **30 days** of a product sale.
- In cases of **mis-selling**, banks must **refund the full amount paid** and provide **additional compensation** for financial losses incurred by customers, in accordance with the bank's approved policy.
- A **Direct Selling Agent (DSA) / Direct Marketing Agent (DMA)** is defined as an agent or agency engaged by banks to market or sell banking or **third-party financial products** and services, and banks must maintain an **up-to-date list** of these agents.
- Banks must use **separate application forms** for each financial product, clearly specifying the product type—such as **insurance, mutual funds, pension schemes, or hybrid financial products**—along with their **key features and risks**.
- The guidelines aim to prevent **mis-selling practices** (including **forced bundling** and **dark patterns**), enhance **transparency** in financial product distribution, and strengthen **ethical banking conduct**.
- The new regulatory framework will come into force from **1 July 2026**.
- The initiative supports **consumer financial protection, responsible banking practices, and trust-based financial services delivery** in India.