FIDC

Finance Industry Development Council

(A Self Regulatory Organisation for NBFCs in India)

CIN: U91990MH2004NPL146931

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11th August 2026

The Chairman,
Advisory Group on Regulation
Regulatory Review Cell,
Reserve Bank of India,
Mumbai

Subject: Feedback on Master Directions in the Areas covered under the Directions issued by Credit Risk Group

Respected Sir,

We thank you for giving us an opportunity to give our feedback on the RBI's Master Direction on Credit Facilities, Credit Risk Management, Concentration Risk Management & Transfer and Distribution of Credit Risk.

We submit here with our feedback for your consideration.

Sr. No.	Name of Master Direction (RE wise)	Chapter & Section	Para no./ Sub Para No.	Subject on which feedback is sought	Specific queries/issues on which inputs/feedback is sought from the AGR by the Group/Section	Feedback from Industry Association / Body (Please include Name of the Association)
1	Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 Reserve Bank of India (Small Finance Banks – Credit Facilities) Directions, 2025 Reserve Bank of India (All India Financial Institutions – Credit Facilities) Directions, 2025	Chapter XIV - Finance to Non-Banking Financial Companies (NBFCs) C. Activities not eligible for Bank Credit E. Other Prohibitions on Finance to NBFCs	224, 225[1] 228, 229	Finance to NBFCs by Commercial Banks (CBs)/ Small Finance Banks (SFBs)/ All-India Financial Institutions (AIFIs)	i) As per extant instruction, certain activities are not eligible for Bank Credit to NBFCs. Is there scope to specify the restrictions, where required, in terms of broad principles than mentioning the activities? Such guiding principle could be that activities which are not permitted to be undertaken directly by banks, or are subject to specific regulatory restrictions, should not be undertaken indirectly through NBFCs. ii) Banks lend to NBFCs for on-lending purposes, refinance their existing portfolios, extend working capital loans for liquidity management, and invest in their bonds/debentures. While most of these loans are extended for specific end-uses, some are general-purpose funding. Should the bank finance to NBFCs be restricted to on-lending and refinancing, with end-use monitoring systems to ensure deployment of liabilities for specified purposes? What modifications to the end-use monitoring systems will be necessitated?	We respectfully submit as below: (i) We are of view that instead of mentioning specific activities a broad principle may be specified that bank financing cannot be done towards activities which are not permitted to be undertaken directly by banks, or are subject to specific regulatory restrictions, if undertaken indirectly through NBFCs. Such activities may be financed only through non-bank sources of funds. (ii) We submit that general purpose lending should be allowed. NBFCs are also Regulated Entities which prescribed measures subject to capital adequacy requirements, governance standards, supervisory inspections, exposure norms and Board oversight. Restricting bank finance only to identified end-use lending could reduce liquidity flexibility, increase operational complexity and impair efficient balance sheet management without necessarily strengthening prudential outcomes. Banks already undertake credit appraisal, covenant monitoring and ongoing surveillance over NBFC borrowers.

[1] Wherever directions on a particular area applicable to different categories of Regulated Entities (REs) have been indicated, the Chapter, Section, and Paragraph references mentioned are those applicable to commercial banks.

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2	Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 Reserve Bank of India (Small Finance Banks – Credit Facilities) Directions, 2025 Reserve Bank of India (Urban Co-operative Banks – Credit Facilities) Directions, 2025	Chapter X - Discounting / Rediscounting of Bills	144-157	Discounting / Rediscounting of Bills	i) The extant guidelines on bill discounting were issued in the context of a regulated working capital financing regime, when consortium arrangements were mandatory for borrowers with larger working capital limits. The instructions, inter alia, restrict bill discounting to banks that have already extended other fund-based facilities to the borrower. Credit frameworks have since evolved and bill discounting platforms such as TReDS have emerged. In view of the same, should the existing regulatory framework on bill discounting be deregulated, and the banks permitted to extend such facility as per their policy? ii) If so, what principle-based regulations / safeguards must be prescribed to prevent double financing and protect the interests of banks that have already extended working capital facilities to the borrower?	We have no comments on this matter.
3	Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025	Chapter XII - Credit Facilities to Overseas Joint Ventures (JV) / Wholly Owned Subsidiaries Abroad and overseas Step-down Subsidiaries of Indian Companies	171 to 173	Credit Facilities to Overseas Joint Ventures (JV) / Wholly Owned Subsidiaries Abroad and overseas Step-down Subsidiaries of Indian Companies	i) Whether there is a case for rationalisation of the existing framework, while ensuring compliance with the provisions of the Foreign Exchange Management Act (FEMA). ii) Whether the threshold of 51% ownership remains appropriate? If a principle-based prescription is adopted, what could be the considerations for such principles? Further, what would be the implications of such an approach from the perspective of enforcement of claims and recovery? iii) Whether any specific guardrails will be required on account of blurring of distinction between lending by onshore and overseas branches?	We have no comments on this matter.
4	Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 Reserve Bank of India (Small Finance Banks – Credit Facilities) Directions, 2025 Reserve Bank of India (All India Financial Institutions – Credit Facilities) Directions, 2025	Chapter IX - Infrastructure Financing B. Types of Financing by Banks	135, 139 142, 143	Infrastructure Financing	Extant directions prescribe the eligibility criteria, types of financing, appraisal requirements, and certain prudential norms for infrastructure financing. However, the issuance of the Project Finance Directions, which lay down detailed prudential norms for project finance, including infrastructure projects, the specification of high-quality infrastructure projects under the capital framework for risk weighting, and the emergence of alternative infrastructure financing avenues such as InvITs, warrant a review of the existing framework. In view of the same, whether the existing sector-specific instructions on infrastructure financing be replaced with principle-based regulations. If so, what broad regulatory principles and prudential safeguards be prescribed?	We have no comments on this matter.
5	Reserve Bank of India (Commercial Banks – Credit Risk	Chapter IX - Valuation of Properties -	69, 70, 72 and 73	Valuation of properties	i) Prevailing differences in valuation procedures being followed by REs and key safeguards applied by REs.	We are respectfully of the view that there must be standardization of valuation

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	Management) Directions, 2025 **Direction on Credit Risk Management for SFBs, LABs, RRBs, UCBs, RCBs** Reserve Bank of India (Housing Finance Companies) Directions, 2025	Empanelment of Valuer			ii) What should be the standard criteria to determine periodicity / frequency of valuation / revaluation? Eg: should it be loan size, property value, nature of credit facility, asset quality, RE type or any other parameter? What could be the possible triggers for ad hoc valuations (such as loan transfer, top-up etc.)? iii) Should regulatory instructions cover valuation of all collateral irrespective of the type? What could be the broad classes of collateral for which instructions should be specified? iv) What is the practice for valuation of plant and machinery? v) How the valuation of intangibles being done and standardisation, if any.	guidelines across Regulated Entities. We further submit that these criteria should be principle based rather than prescriptive owing to varied type of collateral and different mode and method of valuation procedure. The broad valuation principle should cover all type of collateral which is being used to secure a loan. Valuation for collateral for which there is a recognized market such as Stock Exchange for equity instrument or Bond platform should be dependent on the valuation prescribed. For others there must be a Board approved Policy which has principles of prudence such as maximum LTV, triggers for re-valuation, and criteria for valuer and their review as per outsourcing guidelines. Such policy must be annually reviewed and be subject to supervisory review.
6	**Credit Risk Management Direction of REs**	**New Area:** Framework for Title Search/Legal Opinion		Currently there is no specific instructions on title search and the same is left to REs	i) What could be the broad coverage of instructions governing title search e.g., should it include minimum period of title examination, key documents, and records to be verified, safeguards / precautions to be observed while preparing the title search report, etc.? ii) What could be a feasible approach for devising a standardised methodology for preparation of title search reports to minimise variance while leaving adequate discretion to REs?	We laud the decision to introduce Framework for Title Search / Legal opinion. We respectfully submit that land records and their verifications are usually beset with local municipal regulations, practices and state laws. Review of land title is also impacted by the nature of the property (commercial, residential, industrial, government, agricultural or restricted use) and the size of the property. Considering such peculiarities, we submit that following can be considered: The Lender should have a Board approved Policy for Framework for Title Search / Legal opinion. The policy at minimum must include following: 1. For all properties for which loan is being extended there must be a title search, 2. The search must confirm that (a) the title belongs to the person who is being

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						presented as the owner to the Lender and (b) the title must mortgageable, 3. Qualifications and mode of title opinion must be prescribed, 4. Standardized format for title search must be prescribed, 5. The process should be subject to internal audit and compliance oversight, and 6. There must be a periodic review of policy with minimum annual frequency.
7	Reserve Bank of India (Commercial Banks – Credit Risk Management) Directions, 2025 Credit Risk Management Directions for SFBs/RRBs/UCBs	Chapter XII - Loan System for Delivery of Bank Credit	92	For borrowers having aggregate fund based working capital limit ≥ ₹150 crore from the banking system, at least 60% of working capital facility must be disbursed in the form of loan components with fixed tenors before drawals are permitted under cash credit component	i) Should the extant framework be deregulated and left to the credit policies of banks? ii) If so, what safeguards be adopted to address concerns relating to the transfer of liquidity management by corporates to banks, monetary policy transmission, and perpetual rollover associated with cash credit facilities.	We support the proposal to deregulate the extend framework and let Banks take their call as per their Credit Policy.
8	Reserve Bank of India (Commercial Banks – Credit Risk Management) Directions, 2025	Chapter VI - Country Risk Management Section A to D	44 to 55	Country Risk Management	Given the changes in global financial conditions and the increasing interconnectedness of cross-border financial systems, the existing regulatory framework warrant reassessment. i) Should management of country risk exposures be left to the risk management systems of the banks instead of regulatory instructions? What could be the scope of deregulation in this area? ii) What could be the scope of principle-based regulatory approach and safeguards in this area?	We have no comments on this matter.
9.	Reserve Bank of India (Commercial Banks – Concentration Risk Management) Directions, 2025	Chapter VII – Management of Country Risk Exposure	130 to 136	Management of Country Risk Exposure	Whether prudential limits should be prescribed for country risk exposures based on the risk category of the country?	We have no comments on this matter.
10.	Reserve Bank of India (Local Area Banks – Concentration Risk Management) Directions, 2025	Chapter II - Exposure Norms		6 to 35 10, 11, 21 and 22	i) Is there a need to review exposure norms of LABs, including harmonisation with the frameworks applicable to other REs? ii) Whether LABs extend credit to NBFCs and, if not, whether such exposures should be prohibited, including by removing the prudential limit prescribed for exposures to NBFCs.	We have no comments on this matter.

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11.	Reserve Bank of India (Regional Rural Banks – Concentration Risk Management) Directions, 2025	Chapter II - Exposure Norms	6 to 13	Exposure Norms	i) Should the exposure norms for RRBs be linked to Tier 1 capital as in the case of most of the other REs? ii) Keeping in view the business model of RRBs, should regulatory instructions be introduced in the following areas? a) limits on unsecured credit exposures for RRBs; b) extent of capital market exposures; whether a separate ceiling for CME-related exposures is warranted; c) inter-bank exposure limits.	We have no comments on this matter.

We hope that our submission made above will be considered positively. We would be happy to discuss the same in detail, in person, if required.

Assuring you of your full cooperation always & thanking you in anticipation.

Yours Sincerely,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

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