



Finance Industry Development Council
(A Self Regulatory Organisation for NBFCs in India)

CIN: U91990MH2004NPL146931

City-II, 5TH Floor, CST Road, Near Mercedes Show Room, Kalina, Santacruz (East), Mumbai – 400098

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11th September 2026

Chief General Manager-in-Charge,
Department of Regulation (DoR),
Reserve Bank of India (RBI)
Central Office Building
Shahid Bhagat Singh Road
Fort, Mumbai-400 001

**Sub: Feedback on “Reserve Bank of India (Interest Rates on Loan and Advances) Directions, 2026”
(Draft Directions)**

Respected Sir,

We at FIDC have perused the “Reserve Bank of India (Interest Rates on Loan and Advances) Directions, 2026” (Draft Guidelines) issued on 12th August 2026 and submit our views hereunder :

These guidelines take up a crucial matter of deciding on various matters related to Interest Rates to be offered to Borrowers by Regulated Entities. They are crucial for NBFCs since hitherto there were no extensive guidelines for matters relating to Interest Rates including for deciding on benchmark rates. We submit following for your consideration and deliberations:

Paragraph	Submissions
Para 6.3 & 6.4	We submit that Para 6.3 mandates that “Interest shall be charged on advances at monthly rests” and Para 6.4 mandates that interest is to be computed at daily reducing balance. We submit that interest calculation and application is a matter of commercial discussions & negotiation between Borrower and Lender. There are multitude of instances such as large loans for project finance or bullet loans where interest calculation may be mutually decided between the Borrowers and Lenders. Further, there are small ticket low tenure loans where interest may be calculated on a lower frequency to suit the specific type of loan. We request that decision with respect to charge frequency of interest be decided by the internal policy of a Regulated Entity (RE) which is to be approved by the Board of Directors
Para 6.5	It is requested that REs be permitted to adopt either the Actual or the 30/360 day-count convention, subject to consistent application and clear disclosure in the Sanction Letter / Loan Agreement. Further, the decision on count convention be delegated to discretion of REs as per Board approved policy.

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	Appropriate disclosure of the adopted convention in the loan documents may be mandated to ensure transparency and fairness to borrowers.
Para 6.6	We request that clarity be provided on “... <i>that these are not usurious</i> ”. Whether a Rate of Interest is usurious or not is a qualitative matter and open to interpretation. Such a broad verbiage may lead to allegations of misconduct on REs which may not be consistent with their actions. We request that REs be allowed to set ceiling rate basis their Board approval which will be subject to Supervisory review.
Para 8 & 10	Both Paras mandate that a RE cannot price a loan below the Internal Benchmark. In this regard, it is submitted that while the methodology provided in Annex I could be considered as suitable for Banks because of inherent difference in their sources of funds and need to lend to their own group entities or others to support green shoe projects, etc. and to this extent, we submit that the banks and NBFCs may not be clubbed and brought under uniform regulations. We submit that for NBFCs, this may not be feasible due to following reasons: 1. Except a few all other NBFCs do not have access to Public Deposits, 2. Marginal cost of funds for NBFCs depends on various factors which are often outside the control of NBFCs and there can be material changes to its Cost of Funds on Quarter-to-Quarter basis which would in-turn given an impact to Borrowers ROI, 3. There are some NBFCs who primarily lend on capital and often have minimal to low borrowings – for these NBFCs a benchmark based on marginal cost of funds may not represent the correct position, 4. NBFCs compete with other REs such as Banks in many product segments and sometimes offer a competitive rate of interest to the Borrowers to match the Bank’s rates and to ensure avoidance of adverse selection of Borrowers. Forcing NBFCs to lend only above marginal cost of funds could push them into sub-prime lending and make them un-competitive, 5. Such an approach for all NBFC-MLs and NBFC-ULs may not be consistent as there are many NBFC-MLs with smaller balance sheet size. We recommend that NBFCs be allowed to offer sub-PLR funding to its Borrowers post approval of such a policy by their Board of Directors.
Para 12	The Draft Directions mandates that floating rate loans shall be reset at a frequency which should not exceeds three months. As submitted above marginal cost of funds for NBFCs may materially change on Quarter-on-Quarter basis leading to material impact on Borrower’s Rate of Interest and more so depending upon the movement of interest rates in the financial system as compared to that of the banks



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	which have totally different sources of funds. Thus, we submit that NBFCs be allowed to retain their decisioning when to change the Benchmark basis the change in cost of funds. This decision should be subject to review by Asset Liability Management Committee of the NBFCs, as hitherto. It is further requested that the benchmark be permitted to be reset either on the first calendar day of the month in which the reset is due or on the contractual instalment due date falling in that month, as specified in the loan agreement. This flexibility would align benchmark resets with existing repayment cycles and system processes, while maintaining transparency and certainty for the borrower. The draft directions further mandate that the periodicity should be mentioned in the Loan Agreement and once fixed cannot be changed for the entire tenure of loan. In the regard, we submit that while this approach may be considered as suitable for shorter tenure loans, for longer tenure loans such as mortgage loans which are for tenure up to 30 years this approach may not be feasible due to change in market conditions and there may even be regulatory changes during this period. We request if periodicity of change can be made subject to review every year by the Company.
Para 17	The methodology for calculating internal benchmark relies only on cost of funds and cost of deposits (not relevant for almost all NBFCs). It is requested that the word "marginal" be omitted and that NBFCs be permitted to use, as hitherto, Average Cost of Borrowings and to derive the internal benchmark from the elements contained in spread to better represent the total cost, in accordance with a Board-approved and publicly disclosed methodology. Only Credit Risk Premium, which could be different from Borrower to Borrower, may be deciding factor for the end-Borrower.
Para 21	We submit that the elements contained in spread may be allowed to be included in benchmark rate itself to better represent the total cost. Only Credit Risk Premium may be deciding factor for the end-Borrower.
Para 23 and 24	These paragraphs mandate that the components of spread other than CRP should not be revised before three years. We submit that three years is too long a period in the present dynamic circumstances where newer risks are emerging and there may be need for adding a component to the spread. We request clarification whether this provision intends to restrict: • Change/revision in the components of the spread themselves during the three-year period; or



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	Revision in the quantum/rate of each individual component of the spread during the three-year period. The current wording, in our understanding, could be interpreted in either manner. Accordingly, RBI may kindly clarify whether the three-year restriction applies to the components themselves, the quantum/rate of such components, or both, to ensure uniform interpretation and implementation by NBFCs. Lastly, REs should be allowed to change CRP in either direction – positively or negatively.
Para 25	FIDC welcomes the clarification in paragraph 25 that each fixed-tenor WCDL drawdown as a separate loan. RBI may consider extending similar treatment to fixed-tenor drawdowns under receivables finance, supply-chain finance and similar working-capital programmes, including the application of benchmark, spread and day-count requirements to discount-based transactions.
Para 27	We request that for co-lending, the Lenders be allowed to opt for a Benchmark of senior lender who has substantial interest in loan.
Para 28	RBI may clarify that a market-determined external benchmark may include an appropriate benchmark administered by a recognised domestic or overseas benchmark administrator, where legally permissible, RBI may also permit the inclusion of contractual fallback provisions to address benchmark cessation or loss of representativeness.
Para 30	It mandates that (a) mapping should not be to dis-advantage of Borrowers, (b) should be done post consent of Borrower and (c) no cost should be borne for this exercise. In this regard, it is submitted that if mapping is not to be at dis-advantage of Borrower then instead of requirement to obtain renewed consent from Borrower, a requirement to intimation should be allowed with a window of revert within next 30 days. From past experience, not all Borrowers will respond to the mapping communication which may lead to putting the exercise on hold. Further, cost for this transition will be quite extensive and will add to the operational expenditure. If it is not recovered from the existing Borrowers, then it will have to be entirely borne by the new borrowers which, we believe is not the intent of the regulation and it will result into unintended need to subsidize them. Hence, REs should be allowed to charge a reasonable amount of cost from the existing borrowers through interest mechanism.



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We understand that these Draft Directions are primarily intended to provide a consistent and transparent view to the Borrowers especially to the borrowers obtaining Personal Loans and MSME customers. However, (i) there is a need to distinguish between banks and NBFCs because of inherent difference between their sources of liabilities and (ii) large borrowers / corporations who have financial understanding should be kept outside the purview of such loans and be governed by existing Directions.

We further request that considering the implications of the matter contained in this circular and technology changes which would be required to be undertaken in Tech systems ample time must be given to REs to adopt these Directions and these may be deferred by a year to 1st April 2028 and migration of existing loans and advances to 1st April 2030.

We hope that our submission made above will be considered positively. We would be happy to discuss our submission in detail in person at a date and time of your convenience.

Assuring you of our full cooperation always and thanking you in anticipation.

Yours Sincerely,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

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