



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/DOR/2025-26/260
DOR.MRG.REC.No.179/00-00-001/2025-26

November 28, 2025

Reserve Bank of India (Regional Rural Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025

Table of Contents

Chapter I: Preliminary.....	3
A. Short Title and Commencement	3
B. Applicability	3
C. Definitions.....	3
Chapter II: Role of the Board	5
Chapter III: General Guidelines	6
A. Investment Policy.....	6
B. General Instructions	7
C. Role of Sponsor Bank.....	7
Chapter IV: Classification of Investments	9
A. Categorisation of Investments.....	9
Held to Maturity (HTM)	9
B. Held for Trading (HFT) and Available for Sale (AFS)	10
C. Shifting Among Categories	10
D.1 Shift to / from HTM	10
D.2 Shift from AFS to HFT or Vice Versa	11
Chapter V: Valuation of Investments	12
A. Held to Maturity (HTM).....	12
B. Held for trading (HFT) and Available for Sale (AFS)	12
Chapter VI: Market Value.....	13
A. Quoted Securities	13
B. Unquoted SLR Securities	13
C. Unquoted non-SLR Securities	13
Chapter VII: Investments in Government Securities	17



A. General Instructions	17
B. Access of NDS-OM.....	17
C. Subsidiary General Ledger (SGL) Account	17
D. Gilt Account.....	17
E. Settlement of transactions in Government Securities.....	18
F. Investment in Government Security through primary auction	18
G. Repo / Reverse Repo in Government Securities.....	19
Chapter VIII: Investments in Non-SLR Securities	20
A. General Instructions	20
B. Prudential Limit	21
C. Repo in Corporate bonds	21
D. Transactions in Commercial Paper (CP) and Certificates of Deposits (CDs)....	22
E. Trading and Settlement in Corporate Bonds.....	22
F. Disclosures	22
G. Role of Boards.....	22
Chapter IX: Prudential Systems / Controls.....	24
A. Internal Control System.....	24
B. Engagement of Brokers.....	25
B.1 Empanelment of Brokers.....	25
B.2 Prudential Limits for Brokers	26
Chapter X: Audit, Review and Reporting	27
A. Audit	27
B. Review / Reporting	28
Chapter XI: Accounting and Provisioning	29
A. Income Recognition	29
B. Investment Fluctuation Reserve (IFR).....	29
C. Non-Performing Investments (NPI)	31
Chapter XII: Repeal and Other Provisions.....	33
A. Repeal and Saving	33
B. Application of other laws not barred.....	33
C. Interpretations	34
Annex I: Reconciliation Statement	35



In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, the RBI being satisfied that it is necessary and expedient in the public interest so to do, hereby issues the Directions hereinafter specified.

Chapter I: Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Regional Rural Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025.
2. These Directions shall come into effect from the date of issue.

B. Applicability

3. These Directions shall be applicable to Regional Rural Banks (hereinafter collectively referred to as 'RRBs' and individually as 'RRB').

C. Definitions

4. For the purpose of these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below:
 - (1) '**Available for Sale**' (AFS) means the category of investment portfolio of an RRB, which does not fall within the Held to Maturity (HTM), or Held for Trading (HFT) category.
 - (2) '**Current or Valid Credit Rating**' for the purpose of determining rated security means a credit rating granted by a credit rating agency in India, registered with the Securities and Exchange Board of India (SEBI) and fulfilling the following conditions:
 - i The credit rating letter and rating rationale from the credit rating agency shall preferably be part of offer document.
 - ii The credit rating letter shall not be more than one month old and rating rationale shall not be more than one year old from the date of opening of issue.



- iii In the case of secondary market acquisition, the credit rating of the issue shall be in force and confirmed from the website of the respective credit rating agency.

(3) '**Exchange**' means 'Recognized stock exchange' and shall have the same meaning as defined in Section 2 (f) of Securities Contracts (Regulation) Act, 1956, as amended from time to time. In the case of overseas jurisdictions, it shall refer to an exchange which is recognised or authorised by the securities market regulator of that jurisdiction.

(4) '**Held to Maturity**' (HTM) means the category of investment portfolio maintained by an RRB with the intention to hold securities upto maturity.

(5) '**Held for Trading**' (HFT) means the category of investment portfolio maintained by an RRB with the intention to trade in securities by taking advantage of the short- term price / interest rate movements.

(6) '**Listed Security**' is a security which is listed on an exchange.

(7) '**Rated Security**' means a security which carries current or valid credit rating.

(8) '**Unrated securities**' means securities which do not have a current or valid credit rating.

5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the BR Act, the RBI Act, rules / regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.



Chapter II: Role of the Board

6. The Board of Directors (Board) shall approve the Investment Policy of an RRB as specified in paragraph 15(1).
7. The Board shall be responsible for the overall management of the investment portfolio of the RRB and shall take all investment decisions, as specified in paragraph 22.
8. The Board / ALCO / Investment Committee shall approve the transfer of securities within various categories as specified in paragraphs 36 to 42.
9. The Board shall fix a limit for the RRB's total investment in non-SLR securities subject to prudential limits prescribed by the Reserve Bank and shall also prescribe sub-limits for total investments in each security-type as specified in paragraph 78.
10. The Board shall ensure that appropriate risk management systems are in place for capturing and analysing risks in respect of non-SLR investments and take remedial measures in time as specified in paragraph 86.
11. The Board shall review the various aspects of non-SLR investment at least twice a year as specified in paragraph 87.
12. The Board shall approve the panel of brokers with whom an RRB can do business with as specified in paragraph 90.
13. The Board shall be post facto informed of the breach of aggregate upper contract limit for individual brokers as specified in paragraph 92(4).
14. The Board shall review, on a half-yearly basis (as of March 31st and September 30th) the RRB's investment portfolio. The review shall be placed before the Board within two months from the end of the respective half-year, i.e., by end-May and end-November as specified in paragraph 99.0



Chapter III: General Guidelines

A. Investment Policy

15. An RRB shall undertake investment activities as per the terms and conditions specified in these Directions.
 - (1) An RRB shall adopt a comprehensive Investment Policy duly approved by the Board.
 - (2) The Investment Policy shall, at the minimum, include:
 - i The investment criteria and objectives to be achieved while undertaking investment transactions keeping in view the various regulatory / statutory guidelines and the RRB's own internal requirements;
 - ii Securities in which investments can be made by the RRB;
 - iii The authority to put through deals;
 - iv Procedure for obtaining the sanction of the appropriate authority and putting through deals;
 - v Adherence to various prudential exposure limits including quantity (ceiling) and quality of each type of security to be held on its own investment account;
 - vi Policy regarding internal control mechanism, accounting standards, audit, review, dealings through brokers, systems for management of various risks, guidelines for valuation of the portfolio, and the reporting systems; and
 - vii Proper risk management systems for making investment in non-SLR securities which shall include entry-level minimum credit ratings / quality standards and industry-wise, maturity-wise, duration-wise, and issuer-wise limits to mitigate the adverse impact of concentration and liquidity risk.
 - (3) The procedures to be adopted by the RRB under the Investment Policy shall be consistent, transparent, and well documented to facilitate easy verification by inspectors and statutory auditors.



B. General Instructions

16. An RRB shall undertake all transactions in securities only on its own investment account. It shall not undertake any transactions on behalf of Portfolio Management Scheme (PMS) clients.
17. Investment proposals shall be subjected to same degree of credit analysis as any loan proposal, irrespective of the fact that the proposed investments may be in rated securities.
18. An RRB shall make its own internal credit analysis and credit rating even in respect of rated issues and shall not entirely rely on the ratings of external credit rating agencies.
19. An RRB shall ensure robust internal credit rating systems, including a mechanism for regular (quarterly or half-yearly) tracking of the financial position of the issuer to ensure continuous monitoring of the rating migration of the issuers / issues.
20. An RRB shall settle the transactions in securities as per procedure prescribed in notifications / directions / guidelines issued by the concerned regulator.
21. An RRB shall hold its investments in securities only in dematerialised form.

C. Role of Sponsor Bank

22. An RRB may seek aid and advise of its sponsor bank on an on-going basis regarding the choice of investment avenues, availability of investable instruments in the market, yield thereon, etc. The investment decisions shall, however, be taken by the Board of RRB who shall be responsible for the overall management of the investment portfolio. An RRB may enter into pre-determined arrangements with its sponsor bank for remittance of funds for purposes of investment.
23. An RRB shall appoint a nodal officer to liaise with sponsor bank regarding various matters pertaining to the management of its investment portfolio.
24. An RRB shall get its investment portfolio reviewed on a quarterly basis by the sponsor bank to ensure compliance with various rules, regulations and guidelines stipulated in this regard.



25. An RRB shall get the rate of return on the investments reviewed annually by sponsor bank and suitable corrective measures shall be taken in case the same falls below the averaged-out rate of return on sponsor bank's investments portfolio.



Chapter IV: Classification of Investments

A. Categorisation of Investments

26. An RRB shall classify its entire investment portfolio (including SLR securities and non-SLR securities) under three categories, viz., 'Held to Maturity' (HTM), 'Available for Sale' (AFS), and 'Held for Trading' (HFT).
27. An RRB shall decide the category of the investment at the time of acquisition and the decision shall be recorded on the investment proposal.
28. An RRB shall disclose the investments in the Balance Sheet as set out in The Third Schedule to the Banking Regulation Act, 1949 (Form A, Schedule 8 - Investments) as under:
 - (1) Government Securities;
 - (2) Other approved securities;
 - (3) Shares;
 - (4) Debentures & Bonds;
 - (5) Subsidiaries and / or joint ventures; and
 - (6) Others (to be specified).

Held to Maturity (HTM)

29. Investments under HTM category shall not exceed 25 per cent of an RRB's total investments.
30. An RRB shall have the option to exceed the limit of 25 per cent of its total investments under HTM category provided the excess comprises of SLR securities.

Provided that the total SLR securities held in the HTM category is not more than 19.5 per cent of Net Demand and Time Liabilities (NDTL) as on the last Friday of the second preceding fortnight.

31. An RRB shall not include non-SLR securities in HTM.
32. Profit on sale of investments from HTM category shall be first taken to the Profit & Loss Account and thereafter shall be appropriated to the 'Capital Reserve Account'. The amount so appropriated shall be net of taxes and the amount



required to be transferred to Statutory Reserves. Loss on sale shall be recognised in the Profit & Loss Account.

B. Held for Trading (HFT) and Available for Sale (AFS)

33. The investments classified under HFT shall be sold within 90 days.
34. An RRB shall have the option to decide on the extent of investment holdings under AFS and HFT, taking into account various aspects, viz., basis of intent, trading strategies, risk management capabilities, tax planning, manpower skills, capital position, etc.
35. Profit or loss on sale of investments in HFT and AFS categories shall be taken to the Profit & Loss Account.

C. Shifting Among Categories

D.1 Shift to / from HTM

36. An RRB shall have the option to shift investments to / from HTM category with the approval of the Board once a year.

Provided that such shifting shall be done at the beginning of the accounting year.

Provided further that additional shifting to / from HTM category shall not be done during the remaining part of that accounting year.

37. Transfer of securities from AFS / HFT category to HTM category shall be made at the lower of book value and market value.

Provided that where the market value is higher than the book value at the time of transfer, the appreciation shall be ignored, and the security shall be transferred at the book value.

Provided further that in cases where the market value is lower than the book value, the provision for depreciation held against this security (including the additional provision, if any, required based on valuation done on the date of transfer) shall be adjusted to reduce the book value to the market value and the security shall be transferred at the market value.

38. Transfer of securities from HTM to AFS / HFT category shall be subject to the following conditions:



- (1) Security originally placed under the HTM category at a discount shall be transferred to AFS / HFT category at the acquisition price / book value. An RRB shall not accrue the discount on the securities held under HTM category and such securities shall be held at the acquisition cost till maturity.
- (2) Security originally placed under the HTM category at a premium shall be transferred to the AFS / HFT category at the amortised cost.
- (3) Securities shall be immediately re-valued consequent to transfer and resultant depreciation, if any, shall be provided for.

39. In case of transfers of securities to / from HTM category, an RRB shall make disclosure in the 'Notes to Accounts' to the Financial Statements as provided in [Reserve Bank of India \(Regional Rural Banks – Financial Statements: Presentation and Disclosures\) Directions, 2025](#).

D.2 Shift from AFS to HFT or Vice Versa

40. An RRB shall have the option to shift investments from AFS category to HFT category with the approval of its Board / ALCO / Investment Committee.

Provided that in case of exigencies, shifting can be done with the approval of the Chief Executive of the RRB, but shall be ratified by the Board / ALCO / Investment Committee.
41. Shifting of investments from HFT category to AFS category shall not be permitted.

Provided that the above prohibition shall not apply in exceptional circumstances where the RRB is not in a position to sell the security within 90 days due to tight liquidity conditions, or extreme volatility, or market becoming unidirectional.

Provided further that such transfer shall be done only with the approval of the Board / ALCO / Investment Committee.
42. In the case of transfer of securities from AFS to HFT category or vice-versa, the securities need not be re-valued on the date of transfer and the provisions for the accumulated depreciation, if any, held shall be transferred to the provisions for depreciation against the HFT securities and vice-versa.



Chapter V: Valuation of Investments

A. Held to Maturity (HTM)

43. Investments classified under HTM category need not be marked to market (MTM).
44. The investment shall be carried at acquisition cost provided that it is less than the face value of the security.
45. If acquisition cost is more than the face value, the premium arising out of difference between face value and acquisition cost shall be amortised over the period remaining to maturity.
 - (1) An RRB shall reflect the amortised amount in Schedule 13 - Interest Earned: Item II - Income on Investments as a deduction and such amount need not be disclosed separately.
 - (2) The book value of the security shall continue to be reduced to the extent of the amount amortised during the relevant accounting period.

B. Held for trading (HFT) and Available for Sale (AFS)

46. The individual securities in the HFT category shall be marked to market at monthly or at more frequent intervals.
47. The individual securities in the AFS category shall be marked to market at quarterly or at more frequent intervals.
48. The book value of individual securities in HFT and AFS shall not undergo any change after marking to market.
49. Securities under AFS and HFT categories shall be separately valued security-wise and depreciation / appreciation shall be aggregated for purpose of arriving at net depreciation / appreciation of investments for each classification referred to in paragraph 28 (viz., Government Securities, other approved securities, Shares, Debentures & Bonds, Subsidiaries and / or joint ventures and others (to be specified)). Net depreciation, if any, shall be provided for. Net appreciation, if any, shall be ignored.
50. Net depreciation required to be provided for in any one classification shall not be reduced on account of net appreciation in any other classification.



Chapter VI: Market Value

51. The 'market value' for the purpose of periodical valuation of investments included in the AFS and the HFT categories shall be as provided in this Chapter.

A. Quoted Securities

52. The 'market value' for the quoted securities shall be the prices declared by the Financial Benchmarks India Pvt. Ltd. (FBIL) in accordance with RBI circular on Taking over of valuation of Government Securities (G-Sec) by Financial Benchmark India Pvt. Ltd. (FBIL) - valuation of portfolios issued vide FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018, as amended from time to time. For securities whose prices are not published by FBIL, market price of the quoted security shall be as available from the trades / quotes on the exchanges / reporting platforms / trading platforms authorised by RBI / SEBI and prices declared by Fixed Income Money Market and Derivatives Association of India (FIMMDA).

B. Unquoted SLR Securities

53. Treasury Bills shall be valued at carrying cost.

54. Unquoted Central / State Government Securities shall be valued on the basis of the prices / YTM rates published by the FBIL.

55. Other Approved Securities shall be valued applying the YTM method by marking them up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FBIL.

C. Unquoted non-SLR Securities

56. Unquoted debentures and bonds

- (1) Unquoted debentures and bonds shall be valued by applying the appropriate mark-up over the YTM rates for Central Government Securities as put out by FBIL / FIMMDA.
- (2) The mark-up applied shall be determined based on the ratings assigned to the debentures / bonds by the credit rating agencies and shall be subject to the following:



- i The mark-up shall be at least 50 basis points above the rate applicable to a Central Government Security of equivalent maturity for rated debentures / bonds.
- ii Where the debenture / bonds are quoted and there have been transactions within 15 days prior to the valuation date, the value adopted shall not be higher than the rate at which the transaction is recorded on exchanges / trading platforms / reporting platforms authorised by RBI / SEBI.

57. Special Securities issued by the Government of India

The special securities (Oil Bonds, Fertiliser Bonds, bonds issued to the State Bank of India (during the 2008 rights issue), Industrial Finance Corporation of India Ltd., and Food Corporation of India), which are directly issued by the Government of India and which do not carry SLR status, shall be valued at a spread of 25 bps above the corresponding yield on Central Government Securities of equivalent maturity.

58. Preference Shares

- (1) When a preference share has been traded on an exchange within 15 days prior to the valuation date, the value shall not be higher than the price at which the share was traded.
- (2) The valuation of unquoted preference shares shall be on YTM basis with appropriate mark-up over the YTM rates for Central Government Securities of equivalent maturity put out by the FBIL subject to such preference share not being valued above its redemption value. The mark-up shall be graded according to the ratings assigned to the preference shares by the credit rating agencies and the mark-up cannot be negative, i.e., the YTM rate shall not be lower than the coupon rate / YTM for a Central Government Security of equivalent maturity.
- (3) Where preference dividends / coupons are in arrears, no credit shall be taken for accrued dividends / coupons and the value determined as above on YTM shall be discounted further by at least 15 per cent if arrears are for one year, 25 per cent if arrears are for two years, so on and so forth (i.e., with 10 per cent increments). The overarching principle should be



that valuation shall be based on conservative assessment of cash flows and appropriate discount rates to reflect the risk. Statutory Auditors shall also specifically examine as to whether the valuations adequately reflect the risk associated with such instruments. The depreciation / provision requirement arrived at in respect of non-performing shares where dividends are in arrears shall not be allowed to be set-off against appreciation on other performing preference shares.

59. Equity Shares

- (1) The equity shares in an RRB's portfolio shall be marked to market preferably on a daily basis, but at least on a weekly basis.
- (2) In case of equity shares for which current quotations are not available, i.e., which are classified as illiquid or which are not listed on a recognised exchange, the value for the purposes of these Directions shall be the break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest balance sheet. The date as on which the latest balance sheet is drawn up shall not precede the date of valuation by more than 18 months. In case the latest audited balance sheet is not available or is more than 18 months old, the shares shall be valued at ₹1 per company.

60. Mutual Funds Units (MF Units)

- (1) Investments in un-quoted MF units shall be valued on the basis of the latest re-purchase price declared by the AMC in respect of each Scheme.
- (2) In case of funds with a lock-in period or any other mutual fund where repurchase price / market quote is not available, the units shall be valued at Net Asset Value (NAV) of the scheme. If NAV is not available, then these shall be valued at cost, till the end of the lock-in period.

61. Commercial Paper and Certificate of Deposits

Commercial Paper and Certificate of Deposits shall be valued at the carrying cost.

62. In respect of investments in security receipts (SRs) and other instruments issued by an Asset Reconstruction Company (ARC), an RRB shall comply with



the requirements of Reserve Bank of India (Regional Rural Banks – Transfer and Distribution of Credit Risk) Directions, 2025.



Chapter VII: Investments in Government Securities

A. General Instructions

63. Transactions in Government Securities shall be done through either Subsidiary General Ledger (SGL) account or Gilt account opened with entities eligible to open Constituent Subsidiary General Ledger (CSGL) account with RBI.
64. For the purpose of maintaining Statutory Liquidity Ratio (SLR) required under Section 24 of the Banking Regulation Act, 1949, an RRB shall refer to the [Reserve Bank of India \(Regional Rural Banks – Cash Reserve Ratio and Statutory Liquidity Ratio\) Directions, 2025](#).

B. Access of NDS-OM

65. An RRB shall be eligible to access Negotiated Dealing System - Order Matching (NDS-OM) either through direct access or through indirect access in terms of Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2024. An RRB maintaining gilt account may seek access to web-based NDS-OM module through the Primary Member (i.e., entity with which gilt account is maintained) for online trading in Government Securities in the secondary market in terms of circular FMRD.DIRD.07/14.03.007/2016-17 dated October 20, 2016, as amended from time to time.

C. Subsidiary General Ledger (SGL) Account

66. An RRB having an SGL account shall not open / maintain a gilt account with a CSGL account holder unless the RRB is permitted to maintain both SGL and gilt account in terms of the 'Eligibility Criteria and Operational Guidelines for opening and maintaining of Subsidiary General Ledger (SGL) Accounts and Constituents' Subsidiary General Ledger (CSGL) Accounts' (Notification no. IDMD.CDD.S788/11.22.001/2021-22 dated September 22, 2021), as amended from time to time.

D. Gilt Account

67. An RRB shall not maintain more than one gilt account.
68. In case an RRB has a gilt account with a bank, the RRB shall open a designated funds account (for all gilt related transactions) with the same bank.



69. In case an RRB has a gilt account with any of the eligible non-banking institutions, the particulars of the designated funds account (with a bank) shall be intimated to that non-banking institution.

E. Settlement of transactions in Government Securities

70. For transactions through SGL / gilt accounts, an RRB shall report / conclude transactions on NDS-OM and clear / settle them through Clearing Corporation of India Limited (CCIL) as central counterparty.

71. The settlement of transactions in Government Securities shall be governed by the instructions issued vide FMRD.DIRD.06/14.03.007/2014-15 dated March 20, 2015, and paragraph 2.7 of Master Direction - Operational Guidelines for Primary Dealers issued vide circular IDMD.PDRD.01/03.64.00/2016-17, 2016.

72. Any default in delivery of security / funds in an SGL sale / purchase transaction, even if completed through the securities / funds shortage handling procedure of CCIL, shall be reported to Public Debt Office (PDO), RBI immediately. In case of SGL bouncing, an RRB shall be liable to pay penalties as per circular IDMD.DOD.17/11.01.01(B)/2010-11 dated July 14, 2010, as amended from time to time.

F. Investment in Government Security through primary auction

73. An RRB shall have the option to submit bids in the competitive auctions for issue of Government Securities as per guidelines prescribed in General Notification for Sale and Issue of Government of India Securities (including Treasury Bills and Cash Management Bills) issued vide IDMD.2320/08.01.01/2024-25 dated March 27, 2025, as amended from time to time.

74. An RRB shall also have the option to participate through non-competitive bidding facility in auctions of:

(1) Dated Government of India Securities and Treasury Bills in terms of scheme on 'Auction of Government Securities - Non-competitive Bidding Facility to Retail Investors' issued vide circular CO.IDMD.GBD(P).No.S1242/08.01.001/2021-22 dated November 12, 2021, as amended from time to time.



(2) State Government Securities in terms of scheme on 'Auction of State Development Loans: Non-Competitive Bidding Facility to Retail Investors' issued vide circular dated IDMD.No.1240/10.18.049/2019-20 dated November 7, 2019, as amended from time to time.

G. Repo / Reverse Repo in Government Securities

75. Repo transactions (including reverse repo transactions) entered by an RRB shall be subject to guidelines specified in Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018.



Chapter VIII: Investments in Non-SLR Securities

A. General Instructions

76. An RRB shall also adhere to the following instructions while investing in non-SLR securities in the primary as well as the secondary market:

Explanation: In the context of this Chapter, 'non-SLR securities' means securities issued by corporates, bank, financial institutions, State and Central Government sponsored institutions, etc., and shall also include capital gains bonds and bonds eligible for priority sector status.

(1) An RRB shall not invest in unrated and / or unlisted non-SLR securities.

Provided that this restriction shall not be applicable for investment in a) Units of equity oriented mutual fund schemes, viz., those schemes where any part of the corpus can be invested in a) Equity; b) Venture Capital Funds; c) Commercial paper; and d) Certificates of Deposit.

(2) An RRB shall invest only in listed non-SLR debt securities of companies which comply with the requirements of the SEBI. An RRB shall not invest in non-SLR debt securities carrying a credit rating less than investment grade.

Explanation: Investment in units of mutual fund schemes where the entire corpus is invested in debt securities and where such scheme have an exposure to unlisted securities of less than 10 per cent of the corpus of the fund shall be treated on par with listed securities for the purpose of compliance with the provision in paragraph 76(1) and (2) above.

(3) An RRB shall not invest in non-SLR securities of original maturity of less than one-year, except for commercial paper and certificates of deposits.

(4) An RRB shall ensure that credit facilities for activities / purposes precluded by RBI regulations are not financed through investment in non-SLR securities.

For example, an RRB shall not extend any financial assistance to Non-Banking Financial Companies (NBFCs).



(5) An RRB shall have the option to deploy its surplus non-SLR funds in participation certificates (PCs) issued by its sponsor bank on agreed terms.

Provided that the investments through PCs shall be within the ceiling of 15 per cent of fresh lending by the RRB during a year and adherence to the prescribed single / group counterparty exposure norms.

B. Prudential Limit

77. An RRB's incremental investment in shares and debentures of corporates and units of mutual funds (including units of UTI) in any financial year shall be limited to 5 per cent of the incremental deposits at the end of the preceding financial year.

Provided that the ceiling of 5 per cent shall not be applicable for investments covered under Paragraph 78(1) to (4) below.

78. The Board of an RRB shall fix a limit for the RRB's total investment in non-SLR securities subject to existing prudential limits prescribed by RBI. The Board shall also fix sub-limits for total investments in each security-type, for example:

- (1) Bonds of public sector undertakings;
- (2) Bonds of All-India Financial Institutions;
- (3) Unsecured redeemable bonds floated by nationalised banks;
- (4) Infrastructure bonds floated by All India financial Institutions; or
- (5) Units of mutual funds (including units of UTI).

79. All non-SLR investments shall be subject to the prescribed prudential single / group counterparty exposure limits.

C. Repo in Corporate bonds

80. An RRB shall undertake repo in corporate bonds as per guidelines given in Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018.



D. Transactions in Commercial Paper (CP) and Certificates of Deposits (CDs)

81. Investment in CPs shall be as per guidelines given in Master Direction – Reserve Bank of India (Commercial Paper and Non-Convertible Debentures of original or initial maturity upto one year) Directions, 2024.
82. Investment in CDs shall be as per guidelines given in Master Direction - Reserve Bank of India (Certificate of Deposit) Directions, 2021.

E. Trading and Settlement in Corporate Bonds

83. Trades in listed corporate bonds shall be executed as per guidelines issued by SEBI.

F. Disclosures

84. In case of private placement of debt, an investing RRB shall file a copy of all offer documents with an RBI registered Credit Information Company (CIC). An investing RRB shall ensure that any default relating to interest / instalment in respect of any privately placed debt is reported to all RBI registered CICs along with a copy of the offer document.
85. An RRB shall disclose the details of the issuer composition of non-SLR investments and the non-performing non-SLR investments in the 'Notes on Accounts' of the balance sheet, as per [Reserve Bank of India \(Regional Rural Banks – Financial Statements: Presentation and Disclosures\) Directions, 2025](#).

G. Role of Boards

86. The Board shall ensure that appropriate risk management systems are in place for capturing and analysing risks in respect of non-SLR investments and take remedial measures in time.
87. The Board shall review the following aspects of non-SLR investment at least twice a year:
 - (1) Total business (investment and divestment) during the reporting period;
 - (2) Compliance with the prudential limits prescribed by the Board for non-SLR investments;
 - (3) Compliance with the prudential guidelines issued by Reserve Bank on Non- SLR investment;



- (4) Rating migration of the issuers / issues held in the RRB's books and consequent diminution in the portfolio quality;
- (5) Adequacy of the systems and procedures prescribed under the RRB's Investment Policy for investment in privately placed instruments; and
- (6) Extent of non-performing investments in the non-SLR category and adequacy of provision held there against.



Chapter IX: Prudential Systems / Controls

A. Internal Control System

88. An RRB shall establish a robust internal control mechanism in respect of investment transactions and shall, at a minimum, ensure the following:

- (1) There shall be a clear functional separation of (a) trading, (b) settlement, (c) monitoring and control, and (d) accounting.
- (2) There shall be a functional separation of trading and back-office functions relating to the RRB's own Investment Accounts and Other Constituents (including brokers') Accounts.
- (3) Deal slips shall be prepared for every transaction entered into. Deal Slips shall be serially numbered, properly accounted for and shall contain all the details of the deal such as name of the counterparty, details of security, category (i.e., HTM, AFS, or HFT) in which it shall be held, amount, price, contract date and time, settlement date, confirmation mode to the counterparty, whether it is a direct deal or through a broker, and if through a broker, name of the broker, brokerage payable etc. Back-office shall monitor timely receipt of confirmation from the counterparty, except where the requirement is waived off in terms of circulars IDMD.No.766/10.26.65A/2005-06 dated August 22, 2005 and FMRD.FMID.01/14.01.02/2014-15 dated December 19, 2014.
- (4) The books of accounts shall be updated independently, on the basis of vouchers passed, after verification of actual contract notes received from the broker / counterparty and confirmation of the deal by the counterparty.
- (5) Notwithstanding paragraph 21 of these Directions, securities held in physical form, if any, shall be properly recorded, held under joint custody, and shall be subjected to quarterly verification by persons unconnected with their custody.
- (6) Balances of Government Securities as per the RRB's books shall be reconciled at least at quarterly intervals with the balances in the books of the Public Debt Office (PDO), RBI. If the number of transactions so warrant, the reconciliation shall be undertaken more frequently, say



monthly. This reconciliation shall be periodically checked by the internal audit department of the RRB.

- (7) There shall be a system for reporting transactions to Top Management on a weekly basis which shall include the details of transactions in securities, details of SGL bouncing, and a review of investment transactions undertaken during the period.

B. Engagement of Brokers

89. An RRB shall engage brokers on the terms and conditions specified hereunder:

- (1) The role of the broker shall be restricted to that of bringing the two parties to the deal together.

Explanation: The broker is not obliged to disclose the identity of the counterparty before the conclusion of the deal. However, the same shall be disclosed after it is decided to enter into the transaction to facilitate direct settlement between counterparties.

- (2) The brokers shall not have any role in the process of settlement of deals. The settlement of the deal shall take place directly between the counterparties, viz., both fund settlement and delivery of security.
- (3) An RRB shall maintain a record of broker-wise details of deals put through and brokerage paid.
- (4) An RRB shall not transact in Government Securities in physical form with any broker.
- (5) An RRB shall not engage services of any broker in inter-bank transactions.

Provided that the above prohibition shall not apply to RRBs undertaking securities transactions among themselves through members of a recognised stock exchange.

B.1 Empanelment of Brokers

90. An RRB shall, subject to approval of the Board, prepare a panel of approved brokers which shall be reviewed annually, or more often if so warranted.



91. The criteria for empanelment of brokers shall, at the minimum, include the following:

- (1) SEBI Registration;
- (2) Membership of NSE / BSE for debt market;
- (3) Prior experience and creditworthiness; and
- (4) Market reputation, and details of regulatory action, if any.

B.2 Prudential Limits for Brokers

92. An RRB shall ensure that aggregate transactions (both purchases and sales) executed through an individual broker do not exceed 5 per cent of total transactions through brokers in a financial year under review, subject to the following conditions:

- (1) The limit shall be observed with reference to the year under review and the RRB shall keep in view the expected turnover of the current year which shall be based on turnover of the previous year and anticipated rise or fall in the volume of business in the current year.
- (2) The limit shall cover both the business initiated by the RRB and the business offered / brought by a broker.
- (3) Transactions entered into directly with counterparties, i.e., where no brokers are involved, shall be excluded to arrive at the total transactions through brokers.
- (4) If for any reason it becomes necessary to exceed the aggregate limit for any broker, the RRB shall record in writing the specific reasons for such breach and the Board shall be informed post facto.
- (5) In case of repo transactions both the legs of the deals, i.e., purchase as well as sale shall be included to arrive at the volume of total transactions.
- (6) The limit of 5 per cent shall not apply to transactions through Primary Dealers.



Chapter X: Audit, Review and Reporting

A. Audit

93. Treasury transactions shall be separately subjected to concurrent audit and the results of the audit shall be placed before the Chief Executive of the RRB once every month.
94. The business done through brokers shall be audited by the same concurrent auditors who audit the treasury operations of the RRB, and the audit report shall be included in the monthly report to the Chief Executive of the RRB.
95. The concurrent audit shall, at the minimum:
 - (1) Ensure that investments held by the RRB as on the last reporting Friday of each quarter and as reported to the Reserve Bank are actually owned / held by it in SGL / CSGL / Gilt account / dematerialised account or in a physical form, where applicable.
 - (2) Scrutinise conformity with broker limits and include excesses observed in the periodical reports.
96. The internal audit shall cover the transactions in securities on an ongoing basis, monitor compliance with the laid down management policies / prescribed procedures and report the deficiencies directly to the Top Management.
97. The internal auditors / internal audit department shall periodically check the reconciliation of SGL / CSGL account balance with PDO, as required in Paragraph 88(6) of these Directions.
98. Reconciliation of holdings of Government Securities – Audit Certificate
 - (1) An RRB shall furnish a 'Statement of reconciliation of investments' as at the end of every accounting year duly certified by its auditors. The statement shall be submitted to the Regional Office of NABARD under whose jurisdiction the RRB's Head Office is located within one month from the close of the financial year.
 - (2) An RRB, in letters of appointment issued to its external auditors, shall suitably include the aforementioned requirement of reconciliation.



(3) The format for the reconciliation statement and the instructions for compiling the same are given in Annex I.

B. Review / Reporting

99. An RRB shall undertake a half-yearly review (as of March 31st and September 30th) of its investment portfolio which shall be placed before the Board within two months, i.e., by end-May and end-November. The review shall, at the minimum, cover operational aspects of investment portfolio including reconciliation of SGL / CSGL accounts with PDO, SGL bouncing, amendments made to the Investment Policy, business put through any individual broker or brokers in excess of the limit with the reasons therefor, irregularities observed in all audit reports, position of compliance thereto and certify adherence to laid down internal Investment Policy and procedures and Reserve Bank's guidelines.

100. A copy of the half-yearly review report put up to the Board shall be submitted to NABARD by June 15 and December 15 respectively, in a format as advised by NABARD.



Chapter XI: Accounting and Provisioning

A. Income Recognition

101. An RRB shall recognise income on accrual basis for the following investments:

- (1) Government Securities, bonds, and debentures of corporate bodies, where interest rates on these securities are predetermined and provided interest is serviced regularly and is not in arrears.
- (2) Shares of corporate bodies provided dividend has been declared by the corporate body in its Annual General Meeting and the owner's right to receive payment is established.

102. Income from units of mutual funds shall be recognised on cash basis.

103. An RRB shall not capitalise the broken period interest paid to the seller as part of cost and shall treat it as an item of expenditure under Profit & Loss Account in respect of investments in securities.

Explanation: This accounting treatment does not consider the tax implications and an RRB shall comply with the requirements of Income Tax Authorities as prescribed.

B. Investment Fluctuation Reserve (IFR)

104. An RRB shall create Investment Fluctuation Reserve (IFR) until the amount of IFR is at least 2 per cent of the HFT and AFS portfolio, on a continuing basis, by transferring to the IFR an amount not less than the lower of the following:

- (1) Net profit on sale of investments during the year
- (2) Net profit for the year, less mandatory appropriations

105. Accounting Treatment

- (1) The provisions required to be created on account of depreciation in the AFS and HFT category in any year shall be debited to the Profit and Loss Account and an equivalent amount (net of tax benefit, if any, and net of consequent reduction in the transfer to Statutory Reserve) or the balance available in the Investment Fluctuation Reserve (IFR) Account, whichever is less, shall be transferred from the IFR Account to the Profit and Loss Account.



- (2) In the event provisions created on account of depreciation in the AFS and HFT category are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision), shall be appropriated to the IFR Account to be utilised to meet future depreciation requirement for investments in this category.
- (3) The amounts debited to the Profit and Loss Account for provision and the amounts credited to the Profit and Loss Account for reversal of excess provision shall be debited and credited respectively under the head 'Expenditure - Provisions & Contingencies'. The amounts appropriated from the Profit and Loss Account and the amounts transferred from the IFR Account to the Profit and Loss Account shall be shown as "below the line" items after determining the profit for the year. The IFR Account shall be shown as a separate item in Schedule 2 "Reserves and Surplus" under the Head "Revenue and other Reserves".
- (4) IFR shall be eligible for inclusion in Tier 2 capital.

Provided that the cap applicable on recognition of General Provisions and Loss Reserves as Tier 2 capital is not applicable on IFR.

106. An RRB shall be permitted to draw down the balance available in IFR in excess of 2 per cent of its HFT and AFS portfolio for credit to the balance of profit / loss as disclosed in the Profit and Loss Account at the end of any accounting year.
107. Where the balance in the IFR is less than two percent of the HFT and AFS investment portfolio, a draw down shall be permitted subject to the following conditions:
 - (1) The drawn down amount shall be used only for meeting the minimum Tier 1 capital requirements by way of appropriation to free reserves or reducing the balance of loss; and
 - (2) The amount drawn down shall not be more than the extent the MTM provisions / losses during the aforesaid year exceed the net profit on sale of investments during that year.



C. Non-Performing Investments (NPI)

108. An NPI, similar to a non-performing advance (NPA), is one where:

- (1) In respect of debt instruments such as bonds or debentures, an NPI is one where interest / instalment (including maturity proceeds) is due and remains unpaid for more than 90 days;
- (2) Paragraph 108(1) above shall apply mutatis-mutandis to preference shares where the fixed dividend is not paid. If the dividend on preference shares (cumulative or noncumulative) is not declared / paid in any year it shall be treated as due / unpaid in arrears and the date of balance sheet of the issuer for that particular year shall be reckoned as due date for the purpose of asset classification;
- (3) In the case of equity shares, in the event the investment in the shares of any company is valued at ₹1 per company on account of the non-availability of the latest balance sheet in accordance with paragraph 59 of these Directions, those equity shares shall be reckoned as NPI; or
- (4) If any credit facility availed by the issuer is NPA in the books of the RRB, investment in any of the securities, including preference shares issued by the same issuer shall also be treated as NPI and vice versa. However, this stipulation shall not be applicable in cases where only the preference shares are classified as NPI, and in such cases, the investment in any of the other performing securities issued by the same issuer need not be classified as NPI and any performing credit facilities granted to that borrower need not be treated as NPA.

109. Once an investment is classified as an NPI, it shall be segregated from rest of the portfolio and not considered for setting off valuation gains and losses.

110. An RRB shall not accrue any income on NPIs.

111. Irrespective of the category (i.e., HTM, AFS, or HFT) in which the investment has been placed, an RRB shall make appropriate provisions for the depreciation in the value of the investment.



112. Investment in Government Securities and Government guaranteed securities

- (1) An RRB shall not classify its investment in Central Government Securities and State Government Securities as NPI.
- (2) An RRB shall not classify investments in Central Government guaranteed securities as NPI unless the Central Government has repudiated the guarantee when invoked. In respect of such securities held in AFS and HFT, an RRB shall continue to recognise MTM gains / losses. However, any income shall be recognised only on realisation basis.
- (3) An RRB shall classify its investments in State Government guaranteed securities as NPI and apply prudential norms for identification of NPI and provisioning, if interest / instalment of principal (including maturity proceeds) or any other amount due to the RRB remains unpaid for more than 90 days.



Chapter XII: Repeal and Other Provisions

A. Repeal and Saving

113. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Classification, Valuation and Operation of Investment Portfolio as applicable to Regional Rural Banks stand repealed, as communicated [circular DOR.RRC.REC.302/33-01-010/2025-26](#) dated [November 28, 2025](#). The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
114. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:
 - (1) any right, obligation or liability acquired, accrued, or incurred thereunder;
 - (2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
 - (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

115. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.



C. Interpretations

116. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(Sunil T S Nair)

Chief General Manager



Annex I: Reconciliation Statement

(Refer Paragraph 98(3))

Statement of the Reconciliation of Bank's Investments

Proforma Statement showing the position of Reconciliation of Investment Account as at March 31st.

Name of the bank:

Face value (₹ in crore)

Particulars of securities	General Ledger Balance	SGL Balance	
		As per PDO Books	As per bank's books
1	2	3	4
Central Govt			
State Govt			
Other approved securities			
Public Sector Bonds			
Units of Mutual Funds			
Others (Shares & Debenture etc.)			
TOTAL			

Signature of the Authorised
Official with the Name and
Designation

Note:

1. Where client / constituent accounts are permitted, a bank shall furnish similar statements in respect of PMS client's Accounts and other constituents' Accounts (including Brokers). In the case of PMS / other constituents' accounts, the face value and book value of securities appearing in the relevant registers of the bank shall be mentioned under Column 2.
2. Details of securities held on physical form (SGL Forms, scrips, letter of allotment, subscription receipt etc.), if any, may be provided in the footnote.



General instructions for compiling reconciliation statement

a) Column - 2 (GL balances)

It is not necessary to give complete details of securities in the format. Only aggregate amount of face value against each category may be mentioned. The corresponding book value of securities may be indicated in bracket under the amount of face value of securities under each category.

b) Column - 3 and 4 (SGL balances)

In the normal course balances indicated against columns three and four shall agree with each other. In case of any difference on account of any transaction not being recorded either in PDO or in the books of the bank this shall be explained giving full details of each transaction.