



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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**Reserve Bank of India (Urban Co-operative Banks - Transfer and Distribution
of Credit Risk) Directions, 2025**

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Introduction

Credit Risk Transfer and Distributions are resorted to by lending institutions for multitude of reasons ranging from liquidity management and rebalancing their exposures or strategic sales. RBI has been taking several steps towards its development through Directions/Guidelines on transfer of loan exposures, consortium arrangements and others. In this regard, the Reserve Bank hereby issues a comprehensive and self-contained framework of regulatory guidelines governing different avenues of credit risk transfer and distribution. Accordingly, in exercise of powers conferred by sections 21, 35A and 56 of the Banking Regulation Act, 1949, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby issues these Directions hereinafter specified.

Chapter I - Preliminary

A. Short title and commencement

1. These directions shall be called the Reserve Bank of India (Urban Cooperative Banks– Transfer and Distribution of Credit Risk) Directions, 2025.
2. These Directions shall come into effect on the day it is placed on the official website of the Reserve Bank of India.

B. Applicability

3. These directions shall be applicable to Urban Cooperative Banks (hereinafter collectively referred to as 'banks' and individually as a 'bank').

In this context, urban co-operative banks shall mean Primary Co-operative Banks as defined under section 5(ccv) read with Section 56 of Banking Regulation Act, 1949.

C. Definitions

4. The terms have been defined in the respective Parts of this Direction.
5. All other expressions, unless defined in the respective parts, shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or any statutory modification or re-enactment thereto or any other relevant regulation or as used in commercial parlance, as the case may be.



PART A - TRANSFER OF LOAN EXPOSURES

6. Loan transfers are essential to the development of a credit risk market, enabling diversification of credit risk originating in the banking sector and ensure the availability of market-based credit products for a diversified set of investors having commensurate capacity and risk appetite.

Chapter I- Scope and Definitions

A. Applicability and Purpose

7. Banks shall acquire loans only from a transferor specified as a lender in paragraph 12(4) unless specifically permitted.

8. UCBs are permitted as only transferor(s) of stressed loans under Chapter III of Part A of these directions and are not permitted as transferors(s) or transferee(s) in any other type of loan transfers.

9. No bank shall undertake any loan transfers or acquisitions other than those permitted under Part A of this direction and in the manner prescribed therein.

Explanation: The above proviso shall be without prejudice to the provisions of [Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations](#) dated March 26, 2019; obtention of guarantees; or products explicitly permitted in terms of RBI guidelines.

10. The directions in Part A will be applicable to all loan transfers undertaken by the bank, including transfer of loans through novation or assignment.

Provided that in cases of loan transfers, legal ownership of the loan shall be mandatorily transferred to the transferee(s) to the extent of economic interest transferred.

11. These directions shall apply only to banks as transferor(s) in loan transfers, unless specifically made applicable to other categories of entities as transferee(s) as per the specific permissions.

B. Definitions

12. For the purpose of the Part A of these Directions, following definitions shall apply:



(1) “credit enhancement” means a contractual arrangement in which an entity provides some degree of added protection to other parties to a transaction so as to mitigate the credit risk of their acquired exposures;

(2) “default’ means non-payment of debt (as defined under the Insolvency and Bankruptcy Code, 2016) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be;

Provided that for revolving facilities like cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

(3) “Economic Interest” refers to the risks and rewards that may arise out of loan exposure through the life of the loan exposure;

(4) “Lenders” shall include the following set of entities,

Scheduled Commercial Banks; Regional Rural Banks; Local Area Banks; Primary (Urban) Co-operative Banks; State Co-operative Banks/ Central Co-operative Banks; All India Financial Institutions (NABARD, NHB, EXIM Bank, SIDBI and NaBFID); Small Finance Banks; Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs).

Provided that Regional Rural Banks; Local Area Banks, and Primary (Urban) Co-operative Banks/State Co-operative Banks/ Central Co-operative Banks are permitted as only transferor(s) of stressed loans under Chapter III of Part A of these directions and are not permitted as transferors(s) or transferee(s) in any other type of loan transfers.

(5) “net book value (NBV)” means the funded outstanding in a loan exposure reduced by the specific provisions made against such exposure;

(6) “permitted transferees” mean the lenders specified below:

Scheduled Commercial Banks, All India Financial Institutions (NABARD, NHB, EXIM Bank, SIDBI and NaBFID), Small Finance Banks; and Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs).



(7) “personal loans” refer to loan exposures as defined in the RBI circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018.

Explanation: A loan shall be categorised as personal loan if it falls within the purview of the above definition, even if such loans are not explicitly classified so in any regulatory / supervisory reporting.

(8) “portfolio” means a set of loan exposures transferred together at a point of time under the same transfer agreement;

Provided that transfer agreements under which loans are transferred as a portfolio shall list the details of the individual loan exposures which are transferred as a portfolio.

(9) “stressed loans” mean loan exposures that are classified as non-performing assets (NPA) or as special mention accounts (SMA);

(10) “time of transfer” means the point at which the associated risks and rewards, to the extent of economic interest transferred and as documented in the, assignment, or novation contract, become binding on the transferor and transferee.

(11) “transfer” means a transfer of economic interest in loan exposures by the transferor to the transferee(s), with or without the transfer of the underlying loan contract, in the manner permitted in Part A of these directions;

Explanation: Consequently, the transferee(s) shall “acquire” the loan exposures following a loan transfer.

(12) “transferee” means the entity to which the economic interest in a loan exposure is transferred under Part A of these directions;

Provided that a transferee shall not be a person disqualified in terms of Section 29A of the Insolvency and Bankruptcy Code, 2016;

Provided further that in case of transfer of loan exposures of borrowers in whose accounts instances of fraud have been detected by any lender, the transferee(s) shall neither belong to the existing promoter group of such borrower nor shall be a subsidiary / associate / related party etc. (domestic as well as overseas) of any person belonging to the existing promoter group of such borrower.

Explanation I: In market parlance, transferee may be alternatively referred to as the assignee under assignment transactions, wherever applicable.



Explanation II: For the purpose of the second proviso above, the term 'promoter group' shall have the same meaning as in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; and the term 'related party' shall have the same meaning as in the Insolvency and Bankruptcy Code, 2016.

Explanation III: The responsibility for verifying and establishing that the transferee(s) comply with the above provisos shall be with the transferor(s).

(13) "transferor" means the entity which transfers the economic interest in a loan exposure under these directions;

Explanation: In market parlance, transferor may be alternatively referred to as the assignor under assignment transactions, wherever applicable



Chapter II- General Conditions applicable for all loan transfers

A. General Requirements

13. The bank shall put in place a comprehensive Board approved policy for transfer and acquisition of loan exposures under these guidelines. These guidelines must, *inter alia*, lay down the minimum quantitative and qualitative standards relating to due diligence, valuation, requisite IT systems for capture, storage and management of data, risk management, periodic Board level oversight, etc. Further, the policy must also ensure independence of functioning and reporting responsibilities of the units and personnel involved in transfer / acquisition of loans from that of personnel involved in originating the loans. All transactions must meet the requirements as detailed in the policy.

14. Loan transfers should result in transfer of economic interest without being accompanied by any change in underlying terms and conditions of the loan contract. In all cases, if there are any modifications to terms and conditions of the loan contract during and after transfer (e.g. in take-out financing), the same shall be evaluated against restructuring as defined in [Reserve Bank of India \(Urban Cooperative Banks–Resolution of Stressed Assets\) Directions, 2025](#).

15. Lenders referred to in Paragraph 12(4), regardless of whether they are transferors or otherwise, should not offer credit enhancements or liquidity facilities in any form in the case of loan transfers.

16. A loan transfer should result in immediate separation of the transferor from the risks and rewards associated with loans to the extent that the economic interest has been transferred.

In case of any retained economic interest in the exposure by the transferor, the loan transfer agreement should clearly specify the distribution of the principal and interest income from the transferred loan between the transferor and the transferee(s). However, it is reiterated that any retention of economic interest by the transferor must not result in credit enhancement.

17. The transferee(s) should have the unfettered right to transfer or otherwise dispose of the loans free of any restraining condition to the extent of economic interest transferred to them.



(1) The transferee(s) shall have no recourse to the transferor for any expenses or losses linked to the transferred economic interest except those specifically permitted under these guidelines.

(2) Further, the transferor / transferee(s) shall not be constrained to obtain consent from the transferee(s) / transferor, as the case may be, when it comes to resolution or recovery in respect of the beneficial economic interest retained by or transferred to the respective entity.

18. The transferor shall have no obligation to re-acquire or fund the re-payment of the loans or any part of it or substitute loans held by the transferee(s) or provide additional loans to the transferee(s) at any time except those arising out of breach of warranties or representations made at the time of transfer.

The transferor should be able to demonstrate that a notice to this effect has been given to the transferee(s) and that the transferee(s) have acknowledged the absence of such obligation.

19. Wherever security interest is held by the transferor in trust with the transferee(s) as the beneficiaries, the transferee(s) shall ensure that a mutually agreed and binding mechanism for timely invocation of such security interest, if the need arises, has been properly documented and put in place.

20. The transfer of loans by transferor(s) must not contravene the rights of underlying obligors and all necessary consents from obligors (including from third parties), where necessary as per the respective contracts, should have been obtained.

21. A transferor should notify RBI (Department of Supervision) of all instances where it has replaced loans transferred to a transferee or paid damages arising out of any representation or warranty.

22. The extant instructions on outsourcing and the applicable provisions of [Reserve Bank of India \(Urban Cooperative Banks– Know Your Customer\) Directions, 2025](#) shall be complied with in all cases.

23. In respect of exposures that do not meet the requirements of these directions, transferee(s) shall maintain capital charge equal to the actual exposure acquired. In such cases, the transferor shall continue to recognise the transferred loan in its



entirety, as if it was not transferred at all in the first place, and the consideration received shall be recognised as an advance.

24. There is no restriction on transfer of loan accounts classified as fraud by banks. Banks can transfer such exposures to permitted transferees as per their board approved policies in compliance with Paragraph 41.

B. Transferor as servicing facility provider

25. The transferee(s) may engage a servicing facility provider, which may also be the transferor, to administer or service the acquired exposures.

26. If a bank, including a transferor, performs the role of a servicing facility provider for the transferee(s) after the loan transfer has occurred, it shall ensure that the following conditions are fulfilled:

(1) The nature, purpose, extent of the facility and all required standards of performance shall be clearly specified in a written agreement.

(2) The facility is provided on an 'arm's length basis' on market terms and conditions.

(3) Payment of any fee or other income arising from the role as a servicing facility provider is not subject to deferral or waiver in a way that would directly or indirectly provide credit enhancement or liquidity facility.

(4) The duration of the facility is limited to the earliest of the dates on which:

- (i) the underlying loans are completely amortised;
- (ii) all claims connected with the transferee(s)' economic interest in the underlying loans are paid out; or
- (iii) the lender's obligations as the servicing facility provider are otherwise terminated.

(5) There should not be any recourse to the lender beyond the fixed contractual obligations.

(6) The transferee(s) have the clear right to select an alternative party to provide the servicing facility.



(7) The bank should be under no obligation to remit funds to the transferee(s) until it has received funds generated from the underlying loans.

(8) The bank shall hold in trust, on behalf of the transferee(s), the cash flows arising from the underlying loans and shall avoid co-mingling of these cash flows with its own cash flows.

Provided that if the above conditions are not satisfied, the transferor bank shall maintain capital on the loans transferred as if the loans in respect of which servicing facility is being provided are held by it directly on its books.



Chapter III- Transfer of stressed loans

A. General Requirements

27. The instructions contained in this Chapter would cover transfer of stressed loans, including transfer to ARCs.

28. The transfer of stressed loans must be done through assignment or novation only; loan participation is not permitted in the case of stressed loans.

29. The Board approved policies of banks on transfer of stressed loans shall, inter alia, cover the following aspects:

(1) Norms and procedure for transfer of such loans;

(2) Valuation methodology to be followed to ensure that the realisable value of stressed loans, including the realisability of the underlying security interest, if available, is reasonably estimated;

(3) Delegation of powers to various functionaries for taking decision on the transfer of the loans;

30. The policy on transfer of stressed loans shall be based on the following principles:

(1) The process of identification of stressed loans beyond a specified value, as may be determined by a bank's policy, for transfer shall follow a top-down approach i.e., the head office/corporate office of the bank shall be actively involved in identification of stressed loans for transfer;

(2) At a minimum, all loans classified as NPA above a threshold amount decided by the Board/Board Committee shall be reviewed by the Board/Board Committee at periodic intervals and a view, with documented rationale, be taken on transfer or otherwise. The loans identified for transfer shall be listed for the purpose of transfer as indicated above.

31. Transferors should have clear policies with regard to valuation of loan exposures proposed to be transferred. The basis or the grounds which will determine the type of valuation used - internal or external - must be clearly specified in the policy. The discount rate used by the transferor in the internal valuation exercise shall also be spelt out in the policy. This may be either cost of equity or average cost of funds or



opportunity cost or some other relevant rate, subject to a floor of the contracted interest rate charged. However, in case the credit exposure being transferred (without netting for provisions), singly, jointly, or severally, is ₹100 crore or more, the transferor shall obtain two external valuation reports. The cost of valuation exercise, external or otherwise, shall be borne by the transferor.

32. In general, bank shall transfer stressed loans, including through bilateral sales, only to permitted transferees and ARCs.

33. The manner of transfer must be in terms of the Board approved policy of the transferor. Banks may also use e-auction platforms, wherever available, for transferring their loans.

34. However, when negotiated on a bilateral basis, such negotiations must necessarily be followed by an auction through Swiss Challenge method if the aggregate exposure (including investment exposure) of lenders to the borrower/s whose loan is being transferred is ₹100 crore or more. In all other cases, the bilateral negotiations shall be subject to the price discovery and value maximisation approaches adopted by the transferor as part of the Board approved policy described in Paragraph 29, which may also include Swiss Challenge method. The broad guidelines to be followed for the Swiss Challenge Method are given in paragraph 51 to paragraph 53.

35. The transferor shall ensure that subsequent to transfer of the stressed loans, they do not assume any operational, legal or any other type of risks relating to the transferred loans including additional funding or commitments to the borrower / transferee(s) with reference to the loan transferred. Subsequently, fresh exposure may be taken on the borrower after a cooling period laid down in the respective Board approved policy of the transferor, which in any case, shall not be less than 12 months from the date of such transfer.

36. The transferor(s) must provide adequate time for due diligence by prospective acquirers, which may vary as per the size of the loan.

37. The transferor(s) shall ensure that no transfer of a stressed loan is made at a contingent price whereby in the event of shortfall in the realization of the agreed price, the transferor(s) would have to bear a part of the shortfall.



38. The transferor shall transfer the stressed loans to transferee(s) other than ARCs only on cash basis. The entire transfer consideration should be received not later than at the time of transfer of loans, and the loan can be taken out of the books of the transferor only on receipt of the entire transfer consideration. If the transfer to transferee(s) other than ARCs is at a price below the net NBV at the time of transfer, the shortfall shall be debited to the profit and loss account of the year in which transfer has taken place. If the sale consideration is for a value higher than the NBV at the time of transfer, the excess provisions may be reversed.

39. In the case of ARC, the asset classification of stressed loans acquired by it and the associated provisions to be maintained shall be continued to be guided by the extant instructions as applicable to them in this regard.

B. Additional requirements for transfer of NPAs

40. The transferor shall continue to pursue the staff accountability aspects as per the existing instructions in respect of the NPAs transferred to other lenders.

C. Transfer of loans to Asset Reconstruction Companies

41. Subject to the provisions of the [Reserve Bank of India \(Asset Reconstruction Companies\) Directions, 2025](#) all stressed loans which are in default in the books of the transferors are permitted to be transferred to ARCs. This shall include loan exposures classified as fraud as on the date of transfer provided that the responsibilities of the transferor with respect to continuous reporting, monitoring, filing of complaints with law enforcement agencies and proceedings related to such complaints shall also be transferred to the ARC. The transfer of such loan exposures to an ARC, however, does not absolve the transferor from fixing the staff accountability as required under the extant instructions on frauds.

42. In case of specific stressed loans, where it is considered necessary, transferor(s) shall be free to enter into agreement with the ARC to share, in an agreed proportion, any surplus realised by the ARC from the concerned stressed loan. In such cases, the terms of transfer should provide for a report from the ARC to the transferor(s) on the value realised from the loan. Transferor(s) shall not account for the profit until it has materialised.



43. When the stressed loan is transferred to ARC at a price below the NBV at the time of transfer, bank shall debit the shortfall to the profit and loss account for the year in which the transfer has taken place. A bank is permitted to use countercyclical or floating provisions for meeting any shortfall on transfer of stressed loan when the transfer is at a price below the NBV.

44. On the other hand, when the stressed loan is transferred to an ARC for a value higher than the NBV at the time of transfer, bank shall reverse the excess provision on transfer to the profit and loss account in the year the amounts are received and only when the sum of cash received by way of initial consideration and / or redemption or transfer of Security Receipts (SR) / Pass Through Certificates (PTCs)/ other securities issued by ARCs is higher than the NBV of the loan at the time of transfer. Further, such reversal shall be limited to the extent to which cash received exceeds the NBV of the loan at the time of transfer.

(1) Notwithstanding the provisions contained in paragraph 44, the bank can reverse the entire excess provision [viz. sale consideration (-) NBV] to the Profit and Loss Account in the year of transfer if the sale consideration comprises only of cash and SRs guaranteed by the Government of India.

Provided that, the non-cash component of the excess provision [viz. excess provision (-) cash received at the time of transfer] shall be deducted from Tier 1 capital, and no dividends shall be paid out of this component.

45. Investments by lenders in SRs / PTCs / other securities issued by ARCs shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments.

Provided that when transferors invest in the SRs/PTCs issued by ARCs in respect of the stressed loans transferred by them to the ARC, the transferors shall carry the investment in their books on an ongoing basis, until its transfer or realization, at lower of the redemption value of SRs arrived based on the NAV as above, and the NBV of the transferred stressed loan at the time of transfer.

46. If the investment by the transferor in SRs issued against loans transferred by it is more than 10 percent of all SRs issued against the transferred asset, then the valuation of the SRs on the books of the transferor shall be the lower of the following:



- (1) value arrived at in terms of paragraph 45; and
- (2) face value of the SRs reduced by the notional provisioning rate applicable if the loans had continued on the books of the transferor.

Provided that in respect of valuation of investment in SRs outstanding in the books of Urban Cooperative Banks, as on September 24, 2021 ('specified SRs'), the following treatment shall be applicable:

- (i) The difference between the carrying value of such SRs and the valuation arrived at in terms of this clause, as on the next financial reporting date after the date of issuance of these directions, may be provided over a seven-year period starting with the financial year ending March 31, 2022 – i.e. from FY 2021-22 till FY 2027-28. However, any provisions already made for the specified SRs shall continue to be maintained.
- (ii) Subsequent valuation of investments in such SRs on an ongoing basis shall, however, be strictly in terms of the provisions of these directions.
- (iii) UCBs concerned shall put in place a board approved plan to ensure that the provisioning made in each of the financial years in compliance of sub-clause (a) above is not less than one fifth of the required provisioning on this count.
- (iv) Valuation of investments in SRs made by all lenders after the issuance of these directions shall be strictly in terms of the provisions of these directions.

47. (1) Notwithstanding the provisions contained in paragraph 46, or the proviso to paragraph 45, SRs guaranteed by the Government of India shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments.

- (2) However, any unrealized gain recognized in the Profit and Loss Account on account of fair valuation of such investments shall be deducted from Tier 1 capital, and no dividends shall be paid out of such unrealized gains.
- (3) Any SRs outstanding after the final settlement of the government guarantee or the expiry of the guarantee period, whichever is earlier, shall be valued at ₹1.
- (4) In the event of the SRs being converted to any other form of instruments as part of resolution, then the valuation and provisioning thereof, for such instruments shall be



governed by the provisions as laid down under [Reserve Bank of India \(Commercial Banks– Resolution of Stressed Assets\) Directions, 2025](#).

48. SRs/PTCs which are not redeemed as at the end of the resolution period (i.e., five years or eight years as the case may be) shall be treated as loss asset in books of the lender and fully provided for.

49. The valuation, classification and other norms applicable to investment in non-SLR instruments prescribed by RBI from time to time shall be applicable to lender's investment in debentures/ bonds/ SRs /PTCs issued by ARC. However, if any of the above instruments issued by ARC is limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the bank shall reckon the NAV obtained from ARC from time to time, for valuation of such investments.

50. Where stressed loans are taken over by ARCs as agents for recovery in exchange for a fee, the loans will not be removed from the books of the transferors but realisations as and when received shall be credited to the loan accounts. The transferors shall continue making provisions for the loan in the normal course.

D. Price Discovery through Swiss Challenge Method

51. Subject to the requirements under Paragraph 34, the bank shall put in place a board approved policy on adoption of Swiss Challenge Method for transfer of their stressed loans.

(1) The policy should specify the conditions under which bank(s) may opt for Swiss Challenge method, which could be based on parameters such as a tolerance limit for extent of haircut required by the lender(s) in the base-bid (as specified in Paragraph 53), for instance, or any objective parameter identified by the bank(s)' Board.

(2) The policy should also specify the minimum mark-up over the base-bid required for the challenger bid (as specified in Paragraph 53) to be considered by the bank(s), which in any case, shall not be less than five per cent and shall not be more than 15 per cent. For this purpose, mark-up shall be the difference between the challenger bid and the base-bid expressed as a percentage of the base-bid.

52. On an ongoing basis, the bank should identify the stressed loans which will be offered for transfer and an authenticated list of such loans shall be maintained by the



lenders. The list may, at the discretion of the lender, be disclosed to prospective bidder on entering into confidentiality agreement.

53. The broad contours of the Swiss Challenge Method are as under:

- (1) A prospective transferee interested in acquiring a specific stressed loan may offer a bid to the bank(s), which shall be termed as the base-bid.
- (2) The bank(s) shall then publicly call for counter bids from other perspective buyers, on comparable terms, by disclosing the essential elements of the base-bid and also clearly specifying the minimum mark-up (as specified in Paragraph 51) that would be acceptable.
- (3) If no counter bid crossed the minimum mark-up specified in the invitation, the base-bid becomes the winning bid.
- (4) If counter bid(s) cross the minimum mark-up specified in the invitation, the highest counter bid becomes the challenger bid. The prospective transferee who provided the base-bid is then invited to match the challenger bid. If the prospective transferee who provided the base-bid either matches the challenger bid or bids higher than the challenger bid, such bid shall become the winning bid; else, the challenger bid shall be the winning bid.
- (5) The bank(s) will then have the following two options:
 - (i) Transfer the loan to winning bidder, as determined above;
 - (ii) If the bank decides not to transfer the loan to winning bidder, the bank will be required to make immediate provision on the account to the extent of the higher of the following:
 - (a) The discount on the book value quoted in the challenger bid, and
 - (b) The provisioning required as per extant asset classification and provisioning norms.

E. Disclosures and Reporting

54. The banks should be guided by [Reserve Bank of India \(Urban Cooperative Banks– Financial Statements: Presentation and Disclosures\) Directions, 2025](#) for all disclosure related requirements.

55. Banks shall report each loan transfer transaction undertaken under these directions to a trade reporting platform as notified by the Reserve Bank. The detailed instructions in this regard will be issued separately. In anticipation of the same, bank



shall maintain a database of loan transfer transactions with adequate MIS concerning each transaction till the reporting platform is notified and the related instructions are issued.



PART B - OTHER TYPES OF LENDING AND RISK TRANSFER ARRANGEMENTS

Chapter I- Lending under Consortium / Multiple Banking Arrangements

56. The banks may evolve appropriate mechanism for adopting sole bank, multiple bank, consortium or syndication approach, by framing necessary ground rules on operational aspects. Banks shall strengthen its information back-up about the borrowers enjoying credit facilities from multiple lenders as under:

- (1) At the time of granting fresh facilities, bank shall obtain declaration from the borrowers about the credit facilities already enjoyed by them from other lenders in the format specified in Annex I. In the case of existing banks, all the banks shall seek a declaration from their existing borrowers availing sanctioned limits of rupees five crore and above or wherever, it is in their knowledge that their borrowers are availing credit facilities from other lenders and introduce a system of exchange of information with other lenders as indicated above.
- (2) Subsequently, banks shall exchange information about the conduct of the borrowers' accounts with other lenders (participating REs under consortium/ Multiple Banking Arrangements) in the format given in Annex II at least at quarterly intervals.
- (3) The bank shall obtain regular certification by a professional, preferably a Company Secretary / Cost Accountant / Chartered Accountant regarding compliance of various statutory prescriptions that are in vogue as per the format specified in Annex III.
- (4) Further, the bank shall make greater use of credit reports available from Credit Information Companies listed under [Reserve Bank of India \(Credit Information Companies\) Directions, 2025](#).
- (5) The bank shall also incorporate suitable clauses in the loan agreements in future (at the time of next renewal in the case of existing facilities) regarding exchange of credit information so as to address confidentiality issues.

57. Further, the consortium leader / bank having the largest exposure shall have the lead role in monitoring the unhedged foreign exchange exposure of entities.



PART C: REPEAL AND OTHER PROVISIONS

A. Repeal and saving

58. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Transfer and Distribution of Credit Risk as applicable to Urban Co-operative Banks stands repealed, as communicated vide [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.

59. 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

60. 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

61. 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.

(Vaibhav Chaturvedi)
Chief General Manager



Annex I

Minimum Information to be Declared by Borrowing Entities to Banks while Approaching for Finance under Multiple Banking Arrangement

A. Details of borrowing arrangements from other banks (institution-wise and facility-wise)

I.	Name and address of bank / institution	
II.	Facilities availed	
A.	<i>Fund-based credit facilities</i> (Indicate the nature of facilities e.g. working capital / demand loan / term loan / short term loan) / foreign currency loan, corporate loan / line of credit / Channel financing, bill discounting etc. amount and the purpose)	
B.	<i>Non-fund-based facilities other than derivatives</i> (Indicate the nature of facilities e.g. L/C, BG, DPG (I & F) etc. amount and the purpose)	
C.	<i>Derivatives contracts entered into with the bank</i> (Indicate the nature of the contract, maturity, amount and the purpose)	
III.	Date of sanction	
IV.	Present outstanding (In the case of derivatives contracts, negative MTM i.e which is not due for settlement may be indicated)	
V.	Overdues position, if any (In the case of derivatives contracts, the negative MTM i.e. amount payable to the bank under the contract but not yet paid may be indicated)	



VI.	Repayment terms (for demand loans, term loans, corporate loans, project - wise finance)	
VII.	Security offered (complete details of security both primary and collateral including specific cash flows assigned to project wise finance / loan raised & personal / corporate guarantee, to be furnished)	
VIII.	Requests for facilities which are under process	
[The information to be given for domestic and overseas borrowings from commercial banks, Financial Institutions and NBFCs]		

B. Miscellaneous Details

(Rs. in crore)

I.	CPs raised during the year and current outstanding	
II.	Details of financing outside banking system e.g. L/C Bills discounting	
III	Amount of un-hedged foreign currency exposures (please give currency-wise position in the format given below)	
(i)	<i>Short term exposures (less than one year)</i>	
(a)	Long positions	
(b)	Short positions	
(c)	Net Short term Exposure (a-b)	
(ii)	<i>Long term exposures (one year and beyond)</i>	
(a)	Long positions	
(b)	Short positions	
(c)	Net Long term exposure a-b)	
(iii)	Overall Net Position (i-ii) for each currency	
(iv)	Overall Net Position across all currencies	



III.	Main and allied activities with locations	
IV.	Territory of sales and market share	
V.	Details of financial aspects incl. DSCR Projections wherever applicable as per requirement of bank - Imp. Financial covenants, if any, agreed to / accepted with other lenders.	
VI.	CID A/Cs, within / outside financing Banks, being operated, if any	
VII.	Demands by statutory authorities / current status thereof	
VIII.	Pending litigations	
IX.	A declaration authorizing the bank to share information with other financing banks	



Annex II

Format for Credit Information Exchange

Part – I Bio Data of the Company

I.	Borrowing party's name and address	
II.	Constitution	
III.	Names of Directors / Partners	
IV.	Business activity	
	* Main	
	* Allied	
V.	Names of other financing Banks	
VI.	Net worth of Directors / Partners	
VII.	Group affiliation, if any	
VIII.	Date on associate concerns, if banking with the same bank	
IX.	Changes in shareholding and management from the previous report, if any	

Part - II Major credit quality indicators

I.	IRAC Classification	
II.	Internal Credit rating with narration	
III.	External Credit rating, if any	
IV.	Latest available Annual Report of the borrower	As on -----



Part – III
Exposure Details other than Derivatives

(Rs. in crore)

I.	Type of credit facilities, e.g. working capital loan / demand loan / term loan / short term loan / foreign currency loan, corporate loan / line of credit / Channel financing, contingent facilities like LC, BG & DPG (I & F) etc. Also, state L/C bills discounting / project wise finance availed).
II.	Purpose of loan
III.	Date of loan facilities (including temporary facilities)
IV.	Amount sanctioned (facility wise)
V.	Balance outstanding (facility wise)
VI.	Repayment terms
VII.	Security offered
*	Primary
*	Collateral
*	Personal / Corporate Guarantees
*	Extent of control over cash flow
VIII.	Defaults in term commitments / lease rentals / others
IX.	Any other special information like court cases, statutory dues, major defaults, adverse internal / external audit observations



Part - IV

Exposure Details – Derivatives Transactions

(Rs. in crore)

Sr. No.	Nature of the derivatives Transactions	Notional Amount of contracts	Weighted average maturity of contracts	Amount of positive MTM for the bank (Not due for settlement)	Amount of contracts classified as NPA	Notional Amount of outstanding contracts which have been restructured	Major reasons for restructuring (in brief)
A.	Plain Vanilla Contracts						
1.	Forex Forward contracts						
2.	Interest rate Swaps						
3.	Foreign Currency Options						
4.	Any other contracts (Please specify)						
B.	Complex derivatives including various types of option combinations designed as cost reduction/zero cost structures						
1.	Contracts involving <u>only</u> interest rate derivatives.						



2.	Other contracts including those involving foreign currency derivatives						
3.	Any other contracts (Please specify)						

Part – V

Un-hedged foreign currency exposures of the borrower with currency-wise details

(Rs. in crore)

I	Short term exposures (less than one year)	
(a)	Long positions	
(b)	Short positions	
(c)	Net short- term exposure (a-b)	
II	Long term exposures (one year and beyond)	
(a)	Long positions	
(b)	Short positions	
(c)	Net long-term exposure (a-b)	
III	Overall Net Position (I –II) for each currency (Please give Overall Net Position in this format for each currency)	
IV	Overall Net Position across all currencies	



Part – VI
Experience with the borrower

I.	Conduct of funded facilities (based on cash management / tendency to overdraw)	
II.	Conduct of contingent facilities (based on payment history)	
III.	Compliance with financial covenants	
IV.	Company's internal systems & procedures	
V.	Quality of management	
VI.	Overall Assessment	
(The above to be rated as good, satisfactory or below par only)		
(*) Broad guidelines for incorporating comments under this head is furnished in the next page		

**Broad Guidelines for Incorporating Comments under Part - VI
(Experience) of the Credit Information Report**

		Good	Satisfactory	Below Par
I.	Conduct of funded facilities			
	* Over-drawings (No. of times)	Upto 4 times	5 to 6 times	Above 6 times
	* Average period of adjustment	Within 1 month	Within 2 months	Beyond 2 months
	* Extent of overdrawings (% of limit)	Upto 10%	10 to 20%	Above 20%
II.	Conduct of contingent facilities (Other than Derivatives)			
	* No. of Defaults	Upto 2 times	3 to 4 times	Above 4 times
	* Average period of adjustment	Within week	1 Within 2 weeks	Beyond 2 weeks
III	Conduct of Derivatives Transactions			
	* No. of contracts where the positive MTM value due to the bank remained overdue for more than 30 days	<25% of total number of contracts	25-50% of total number of contracts	> 50% of total number of contracts



	* No. of contracts where the positive MTM value due to the bank remained overdue for more than 90 days and the account had to be classified as NPA (but later on regularized and is not NPA as on the date of exchange of information) Note: All cases where any of the contracts has been classified as NPA and continues to be NPA as on the date of the exchange of information should be shown as Below Par)	<1% of total number of contracts	1-5% of total number of contracts	> 5% of total number of contracts
	* No. of contracts restructured during the relevant period	<25% of total number of contracts	25-50% of total number of contracts	> 50% of total number of contracts
IV.	Compliance with financial covenants			
	* Stock statement / Financial data	Timely	Delay upto 15 days	Delay over 15 days
	* Creation of charge	Prompt	Delay upto 2 months	Delay over 2 months
V.	Company's internal systems and procedures			
	* Inventory Management	Adequate systems are in place	Adequate systems are in place but not adhered	Adequate systems are not in place
	* Receivables Management	- do -	- do -	- do -
	* Resource Allocation	- do -	- do -	- do -
	* Control over Information	- do -	- do -	- do -
VI.	Quality of management			
	* Integrity	Reliable	Nothing adverse	Cannot be categorized in previous columns



*	Expertise Competence / Commitments	Professional & visionary	Have necessary experience	-do-
*	Tract Record	Timely	Executions /	-do-



Annex III

Part: I

DILIGENCE REPORT

To,

The Manager,

_____ (Name of the Bank)

I/We have examined the registers, records, books and papers of
_____ Limited having its registered office
at..... as required to be
maintained under the Companies Act, 2013 (the Act) and the rules made
thereunder, the provisions contained in the Memorandum and Articles of
Association of the Company, the provisions of various statutes, wherever
applicable, as well as the provisions contained in the Listing Agreement/s, if
any, entered into by the Company with the recognized stock exchange/s for
the half year ended on..... In my/our opinion and to the best of
my/our information and according to the examination carried out by me/us
and explanations furnished to me/us by the Company, its officers and agents.

I/We report that in respect of the aforesaid period:

1. The management of the Company is carried out by the Board of Directors comprising of as listed in Annex, and the Board was duly constituted. During the period under review the following changes that took place in the Board of Directors of the Company are listed in the Annex, and such changes were carried out in due compliance with the provisions of the Companies Act, 2013.
2. The shareholding pattern of the company as on ----- was as detailed in Annex:

During the period under review the changes that took place in the shareholding pattern of the Company are detailed in Annex.....:

3. The company has altered the following provisions of



(i) The Memorandum of Association during the period under review and has complied with the provisions of the Companies Act, 2013 for this purpose.

(ii) The Articles of Association during the period under review and has complied with the provisions of the Companies Act, 2013 for this purpose.

4. The company has entered into transactions with business entities in which directors of the company were interested as detailed in Annex..... .

5. The company has advanced loans, given guarantees and provided securities amounting to Rs. _____ to its directors and/or persons or firms or companies in which directors were interested, and has complied with Companies Act , 2013.

6. The Company has made loans and investments; or given guarantees or provided securities to other business entities as detailed in Annexand has complied with the provisions of the Companies Act, 2013.

7. The amount borrowed by the Company from its directors, members, financial institutions, banks and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws. The break up of the Company's domestic borrowings were as detailed in Annex :

8. The Company has not defaulted in the repayment of public deposits, unsecured loans, debentures, facilities granted by banks, financial institutions and nonbanking financial companies.

9. The Company has created, modified or satisfied charges on the assets of the company as detailed in Annex.... Investments in wholly owned Subsidiaries and/or Joint Ventures abroad made by the company are as detailed in Annex

10. Principal value of the forex exposure and Overseas Borrowings of the company as on are as detailed in the Annex under"

11. The Company has issued and allotted the securities to the persons-entitled thereto and has also issued letters, coupons, warrants



and certificates thereof as applicable to the concerned persons and also redeemed its preference shares/debentures and bought back its shares within the stipulated time in compliance with the provisions of the Companies Act,2013 and other relevant statutes.

12. The Company has insured all its secured assets.
13. The Company has complied with the terms and conditions, set forth by the lending bank/financial institution at the time of availing any facility and also during the currency of the facility.
14. The Company has declared and paid dividends to its shareholders as per the provisions of the Companies Act, 2013.
15. The Company has insured fully all its assets.
16. The name of the Company and or any of its Directors does not appear in the defaulters' list of Reserve Bank of India.
17. The name of the Company and or any of its Directors does not appear in the Specific Approval List of Export Credit Guarantee Corporation.
18. The Company has paid all its Statutory dues and satisfactory arrangements had been made for arrears of any such dues.
19. The funds borrowed from banks/financial institutions have been used by the company for the purpose for which they were borrowed.
20. The Company has complied with the provisions stipulated in Section 372 A of the Companies Act in respect of its Inter Corporate loans and investments.
21. It has been observed from the Reports of the Directors and the Auditors that the Company has complied with the applicable Accounting Standards issued by the Institute of Chartered Accountants in India.
22. The Company has credited and paid to the Investor Education and Protection Fund within the stipulated time, all the unpaid dividends and other amounts required to be so credited.
23. Prosecutions initiated against or show cause notices received by the Company for alleged defaults/offences under various statutory provisions and also fines and penalties imposed on the Company and



or any other action initiated against the Company and /or its directors in such cases are detailed in Annex..... .

24. The Company has (being a listed entity) complied with the provisions of the Listing Agreement.

25. The Company has deposited within the stipulated time both Employees' and Employer's contribution to Provident Fund with the prescribed authorities.

Note : The qualification, reservation or adverse remarks, if any, are explicitly stated at the relevant paragraphs above place(s).

Place

Signature

Date

Name of the Company Secretary / Firm

C.P.No.:

Part : II

CERTIFICATIONS OF BORROWAL COMPANIES BY CHARTERED ACCOUNTANTS / COMPANY SECRETARIES / COST ACCOUNTANTS

- i. Terms of reference for stock audit are to be spelt out clearly by the Banks, so that the Chartered Accountants can give focused attention to such areas.
- ii. End-use verification of funds lent, if certified by Statutory Auditors, will be a good comfort to the Banks.
- iii. As Banks quite often deal with unlisted companies, disclosure requirements for such companies above a specific turnover shall be made akin to those for listed companies, viz. consolidated balance sheet, segmental reporting etc. Information on large shareholding also will be useful.
- iv. Further, the following additional certification either from Chartered Accountant or Company Secretary or Cost Accountants shall also be thought of :-
 - (a) Company Directors not figuring in defaulters list (RBI/ECGC)/willful



defaulters list etc.)

- (b) Details of litigation above a specified cut off limit.
- (c) A specific certificate, probably from the Company Secretary, regarding compliance with Sec. 372 (a) of the Companies Act.
- (d) Details of creation/ modification/satisfaction of charges on the assets of the company, position regarding insurance, show cause notices received, finds and penalties awarded.

v. As regards rotation of Auditors, for the sake of operational convenience, it is suggested they shall be changed once every 5 years instead of every 3 years.

vi. In order to avoid concentration, group companies shall have different Statutory/ Internal Auditors in case group turnover exceeds Rs.100 crores.