भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-27/180
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Reserve Bank of India (Local Area Banks – Governance)
Amendment Directions, 2026

Please refer to the Reserve Bank of India (Local Area Banks - Governance) Directions, 2025 (hereinafter referred to as '**Directions**').

2. In an endeavour to enable bank Boards to utilize their time effectively and to facilitate a more focused and qualitative engagement on strategy and risk governance, it has been decided to undertake a review to rationalize the extant RBI directions/circulars on the matters required to be placed before the Board. Accordingly, 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 in this regard, the Reserve Bank of India, being satisfied that it is necessary and expedient in public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. The Amendment Directions modify the Directions as under:

3(1) Paragraph 15 of Chapter IV and paragraphs 20 and 21 of Chapter V shall be deleted.

3(2) Title of Chapter-V 'Calendar of Reviews and Board Meeting Procedures' stands amended to 'Matters to be placed before the Board'.

3(3) After paragraph 21, the following new paragraphs shall be inserted as under:

"*21A. Notwithstanding anything contained in extant RBI circulars or directions, the requirement for matters to be placed before the Board shall be as under:*

(i) Policies that are required to be placed before the Board for approval and those in respect of which such approval can be delegated, shall

*be as specified in **Appendix I**. Review of polices which are specified to be approved by Board may be delegated to Board Committees, with the Board approving only material amendments thereto.*

*(ii) Matters, other than policies, that are required to be placed before the Board for approval/review/information, shall be as specified in **Appendix II A**.*

*(iii) Matters, other than policies, that may be delegated at the discretion of the Board, shall be as specified in **Appendix II B**.*

21B. In addition to above, the matters to be placed before the Board may be determined based on the following key principles:

(i) The Board has ultimate responsibility for the bank's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, and risk management and compliance obligations. It may, however, delegate certain matters to the Board Committees / Management Committees, along with reporting requirements as may be necessary.

(ii) The Board shall clearly articulate the matters reserved for its approval or to be brought to its notice for information or reporting. The role and responsibilities of the Board prescribed under various statutes or regulations, shall be taken into account in determining such matters. However, the Board shall ensure that sufficient time is dedicated to strategy and risk governance.

(iii) The Chairperson of the Board shall have the primary responsibility for setting the agenda of the meeting.

(iv) The Board shall ensure that it receives sufficient information from the management to discharge its role effectively. It shall specify the nature and frequency of information required from the management. The Board may seek external reports, if needed.

(v) The Board shall periodically review the matters to be placed before it as well as the matters delegated to the Board Committees / Management Committees. The review shall also include the timeliness of circulation of agenda items, adequacy of information captured in the agenda, time allotted for important matters, etc."

4. These Amendment Directions shall come into force from October 01, 2026. Accordingly, the Directions / Circulars as specified in the appendices shall stand modified to the extent indicated therein with effect from October 01, 2026.

(Scenta Joy)
Chief General Manager

Appendix I

Polices to be placed before the Board for approval[1]

S. No.	Broader Policy Head	Aspects to be covered	Reference instruction(s) for Commercial Banks	Can be delegated (Yes[2]/No)
1.	**Credit Policy**	Credit Facilities	Paragraph 5 of Reserve Bank of India (Local Area Banks – Credit Facilities) Directions, 2025 Paragraph 7A (1), (2) and (3) Reserve Bank of India (Local Area Banks – Resolution of Stressed Assets) Second Amendment Directions, 2026	No Yes, in respect of 7A (3) only
		Transfer and acquisition of loan exposures	Paragraph 13 and 29 of Reserve Bank of India (Local Area Banks - Transfer and Distribution of Credit Risk) Directions, 2025	No
		Resolution of stressed assets	Paragraph 6, 7 and 32 of Reserve Bank of India (Local Area Banks – Resolution of Stressed Assets) Directions, 2025	No
		Aspects related to wilful defaulters and large defaulters	Paragraph 4 of Reserve Bank of India (Local Area Banks – Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025	No
		Income recognition, asset classification and provisioning norms[3]	Paragraph 8 and 87 of the Reserve Bank of India (Local Area Banks – Income Recognition, Asset Classification and Provisioning pertaining to Advances) Directions, 2025	No
2.	**Investment Policy**	Investments and related activities	Paragraph 6, 8, 10 and 17 of Reserve Bank of India (Local Area Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025	No
3.	**Risk Manageme**	Credit Risk Management	Paragraph 5 of Reserve Bank of India (Local Area Banks – Credit Risk Management) Directions, 2025	No

[1]a. The matters enlisted here may be read along with the respective RBI Directions. Multiple requirements to place matters before Board, relating to a similar aspect / matter have been listed only once.
b. Banks are free to regroup the policies as they deem fit, so long as the aspects above are captured in one or more policies.

[2] Yes may be read as "yes, at the discretion of the Board."

[3] Related aspects may be covered in Investment policy as well

[#] The directions/circulars shall stand modified w.e.f. October 1, 2026 in accordance with the stance indicated herein

S. No.	Broader Policy Head	Aspects to be covered	Reference instruction(s) for Commercial Banks	Can be delegated (Yes[2]/No)
	nt Policy of the bank	Concentration Risk Management[4]	Paragraph 6 of Reserve Bank of India (Local Area Banks – Concentration Risk Management) Directions 2025	No
		Market Risk management	Paragraphs 18 and 20 of Guidance Note on Market Risk Management dated November 28, 2025	No
		Operational Risk	Paragraph 25, 26, 27, 31, 64, 74, 77, 97 & Principle 3, 4 and 5, of Guidance Note on Operational Risk Management and Operational Resilience dated November 28, 2025. Paragraph 7(3) and 7(4) of Reserve Bank of India (Local Area Banks – Miscellaneous) Directions, 2025	No Yes, to any Committee of the Board#
		Liquidity Risk / ALM Management	Paragraph 6, 7, 9, 10, 11, 12, 13 and 14 of Reserve Bank of India (Local Area Banks – Asset Liability Management) Directions, 2025	Yes, in respect of paragraph 10,13, to Asset Liability Management Committee; in respect of paragraph 11,12, to Management Committee.
		Cyber Security	Paragraph 3 of Cyber Security Framework in Banks dated June 2, 2016	No
		Fraud Risk Management - Roles and responsibilities of Board / Board Committees & Senior Management	Paragraph 2.1.1 of annex to Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated July 15, 2024	No
4.	**Outsourcing Policy**	-	Paragraph 9, 10 of Reserve Bank of India (Local Area Banks – Managing Risks in Outsourcing) Directions, 2025	Yes, in respect of paragraph 10(iv) only, to any Committee of the Board

[4] Related aspects may be captured in market risk policy

S. No.	Broader Policy Head	Aspects to be covered	Reference instruction(s) for Commercial Banks	Can be delegated (Yes[2]/No)
5.	**IT Policy**	IT, Information Assets, Information Security, Business Continuity, Cyber Security	Paragraph 5(a) of Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 7, 2023	No
6.	**Policy on Digital Banking**	Prepaid Payment Instruments (PPIs) and its related activities	Paragraph 7.2, 7.9 (a), 7.11(a) and 15.2 of Master Directions on Prepaid Payment Instruments (PPIs) dated August 27, 2021	No
7.	**Responsible Business / Lending conduct including customer service**	Business conduct	Paragraph 5 of Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Directions, 2025.	Yes, to any Committee to which powers have been delegated by the Board
		Issuance of debit cards	Paragraph 7 of Reserve Bank of India (Local Area Banks – Debit Cards: Issuance and Conduct) Directions, 2025	Yes, to any Committee to which powers have been delegated by the Board#
		Credit Information Reporting	Paragraph 37 of Reserve Bank of India (Local Area Banks – Credit Information Reporting) Directions, 2025	No
		Acceptance of Form A2 in 'online' mode for outward remittance	Paragraph 3 of circular on Online submission of Form A2: Removal of limits on amount of remittance - A.P. (DIR Series) Circular No. 12 dated July 03, 2024 read with MD on Liberalised Remittance Scheme dated January 01, 2016, MD on Other Remittance Facilities dated January 01, 2016 and MD on Remittance of Assets dated January 01, 2016.	Yes, to any Committee to which powers have been delegated by the Board#
8.	**Authorization for Banking outlets / other banking channels and engaging**	Opening, merging, shifting, conversion and closure of banking outlets / offices / mobile banking facilities	Paragraph 6 (i), (ii), (iii), and (v) of Reserve Bank of India (Local Area Banks - Branch Authorisation) Directions, 2025	Yes, to any Committee to which powers have been delegated by the Board#

S. No.	Broader Policy Head	Aspects to be covered	Reference instruction(s) for Commercial Banks	Can be delegated (Yes[2]/No)
	with business agents	Engaging with Business Correspondents	Paragraph 6(iv) of Reserve Bank of India (Local Area Banks - Branch Authorisation) Directions, 2025	No
		Engaging with Forex Correspondents	Regulation 12 of Chapter VI of Foreign Exchange Management (Authorised Persons) Regulations, 2026	No
9.	**Policy on Deposits / other Liability products**	Gold Monetization scheme	Paragraph 1.2(iii) and 2.1.1(v) of Gold Monetization Scheme, October 22, 2015	Yes, to any Committee to which powers have been delegated by the Board[#]
10.	**Policy on appointment & remuneration of auditors**	Appointment / engagement of Auditors	Paragraph 10.1 of Guidelines for Appointment of SCAs / SAs of Commercial Banks dated April 27, 2021 Paragraph 4.1 and 4.1.1 of Annex to Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated July 15, 2024	Yes, to Audit Committee of the Board[#] No
11.	**Policy / criteria on Fit & Proper (F&P) assessment of Major Shareholders**	F&P assessment of major shareholder	Paragraph 6 of Reserve Bank of India (Local Area Banks – Acquisition and Holding of Shares or Voting Rights) Directions, 2025	No
12.	**Policy on Compensation**	Compensation of Directors/ Chief Executive Officers/ Material Risk Takers	Paragraph 26(1) and (2) of Reserve Bank of India (Local Area Banks - Governance) Directions, 2025	No
		Criteria for granting fixed remuneration to its NEDs	Paragraph 24(ii) of Reserve Bank of India (Local Area Banks - Governance) Directions, 2025	No
13.	**CSR Policy (donations etc)**	-	Paragraph 7(2) and 48 of Reserve Bank of India (Local Area Banks – Miscellaneous) Directions, 2025	No
14.	**Compliance Policy**	-	Paragraph 2.1 of Compliance functions in banks and Role of Chief	No

S. No.	Broader Policy Head	Aspects to be covered	Reference instruction(s) for Commercial Banks	Can be delegated (Yes[2]/No)
			Compliance Officer (CCO) dated September 11, 2020	
15.	**Policy on Protected Disclosure Scheme**	-	Paragraph 4 of Annex to Protected Disclosures Scheme for Private Sector and Foreign Banks dated April 18, 2007	No
16.	**Code of conduct/ Ethics policy**	-	Paragraph 16 of Guidance Note on Operational Risk Management and Operational Resilience dated November 28, 2025	No
17.	**Policy on Know Your Customer (KYC)**	-	Paragraph 5(1), 5(2), 5(3)(i),(ii),(iii),(iv),(v)(a),(v)(b), 9 and 10, of Reserve Bank of India (Local Area Banks – Know Your Customer) Directions, 2025	Yes, in all aspects except paragraph 5(3)(v)(a), to any Committee to which powers have been delegated by the Board
18.	**Policy on Interest rate on Deposits/ Advances**	-	Paragraph 6(1)(i), (ii), (iii), (iv) of Reserve Bank of India (Local Area Banks – Interest Rate on Deposits) Directions, 2025 Paragraph 5(1) and 27 of Reserve Bank of India (Local Area Banks - Interest Rates on Advances) Directions, 2025	Yes, to any Committee of the Board Yes in respect of paragraph 5(1) only, to any Committee of the Board

Appendix II - Matters other than policies[5]

IIA – To be placed before the Board for approval / review / information

S.No	Subject matter	Paragraph reference in extant directions/circulars
For Approval		
1.	Acquisition of Shares or Voting Rights	Paragraph 23 & 24 of Reserve Bank of India (Local Area Banks – Acquisition and Holding of Shares or Voting Rights) Directions, 2025
2.	Issuance of Regulatory Capital (PDI / RNCPS / RCPS / Basel III Tier 2 Debt Capital / Upper Tier 2 instruments and Lower Tier 2 instruments)	Paragraph 9(2), 10(1), 13(2), 14(3), and 15(1) Reserve Bank of India (Local Area Banks - Prudential Norms on Capital Adequacy) Directions, 2025
3.	Reclassifications between categories viz. Held till Maturity (HTM), Available for Sale (AFS) and Fair Value through Profit and Loss (FVTPL)	Paragraph 65 of Reserve Bank of India (Local Area Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025
4.	Declaration of Dividend	Paragraph 6 of Reserve Bank of India (Local Area Banks – Prudential Norms on Declaration of Dividends) Directions, 2025
5.	Approval by Board of Directors in case of Voluntary Amalgamation	Paragraph 7 and 9 of Reserve Bank of India (Local Area Banks – Voluntary Amalgamation) Directions, 2025
6.	RTGS membership	Annex V of the Master Direction on Access Criteria for Payment Systems dated January 17, 2017
7.	Appointment / Reappointment of Managing Director & CEO / PTC	Paragraph 28 (ii) of Reserve Bank of India (Local Area Banks - Governance) Directions, 2025
8.	Remuneration of WTD	Paragraph 29 of Reserve Bank of India (Local Area Banks – Governance) Directions, 2025
9.	Appointment of the Chief Compliance Officer (CCO)	Paragraph 2.5 of Compliance functions in banks and Role of Chief Compliance Officer (CCO) dated September 11, 2020
For Review		
10.	Business through brokers in excess of 5% limit	Paragraph 91(8) of Reserve Bank of India (Local Area Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025

[5] The matters enlisted here may be read along with the respective RBI Directions. Multiple requirements to place matters before Board, relating to a similar aspect / matter have been listed only once.
[#] The directions/circulars shall stand modified w.e.f. October 1, 2026 in accordance with the stance indicated herein

S.No	Subject matter	Paragraph reference in extant directions/circulars
For Information / Reporting		
11.	Compromise Settlements and Technical Write-offs	Paragraph 23 of the Reserve Bank of India (Local Area Banks – Resolution of Stressed Assets) Directions, 2025
12.	Customer Service aspects	Paragraph 18 of Reserve Bank of India (Local Area Banks- Credit Information Reporting) Directions, 2025
13.	Reporting of annual review of donations made by the bank	Paragraph 49 of Reserve Bank of India (Local Area Banks – Miscellaneous) Directions, 2025
14.	Fit and proper status of major shareholders	Paragraph 18(4), 19, 20 and 21 of Reserve Bank of India (Local Area Banks – Acquisition and Holding of Shares or Voting Rights) Directions, 2025
15.	Information Security Governance of Payment Aggregators and Payment Gateways	Paragraph 1.1 of Annexure 1 to Master Direction on Regulation of Payment Aggregator (PA) dated September 15, 2025
16.	Operational resilience of business units	Paragraph 55 of Guidance Note on Operational Risk Management and Operational Resilience dated November 28, 2025.
17.	Loans to Related Parties	Paragraph 16N of the Reserve Bank of India (Local Area Banks – Credit Risk Management) Directions, 2025
18.	Acquisition of Shares or Voting Rights - Monitoring mechanism to ascertain that a major shareholder has obtained prior RBI approval for acquiring shareholding rights	Paragraph 25 of Reserve Bank of India (Local Area Banks – Acquisition and Holding of Shares or Voting Rights) Directions, 2025
19.	Report on encumbrance of shares – ongoing monitoring of section 12B (5) of BR Act, 1949	Paragraph 28 of Reserve Bank of India (Local Area Banks – Acquisition and Holding of Shares or Voting Rights) Directions, 2025

IIB – May be delegated at the discretion of the Board

S.No	Subject matter	Paragraph reference in extant directions/circulars	May be delegated to
For Approval			
1.	Risk assessment methodology for RBIA	Paragraph 4.1 of guidance note on Risk-Based Internal Audit dated December 27, 2002	Audit Committee of the Board#
2.	Annual Audit Plan	Paragraph 5.1 of guidance note on Risk-Based Internal Audit dated December 27, 2002	Audit Committee of the Board#
3.	Sanction of loans to Directors / Directors of other banks and their relatives	Paragraph 16K of Reserve Bank of India (Local Area Banks – Credit Risk Management) Directions, 2025	Committee on Lending to Related Parties
4.	Operational manual highlighting the roles/responsibilities of the dealers/mid-office/back-office	Paragraph IV (xiv) of Constituents' Subsidiary General Ledger Account (CSGL) guidelines dated September 22, 2021	Any Committee to which powers have been delegated by the Board#
5.	Allotment of Special Assignments other than Statutory Audit	Paragraph 6.4 of the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021	Audit Committee of the Board
6.	Annual Banking Outlet Expansion Plan (ABOEP)	Paragraph 18 of Reserve Bank of India (Local Area Banks - Branch Authorisation) Directions, 2025	Any Committee to which powers have been delegated by the Board#
7.	Establishing new correspondent banking relationships	Paragraph 72 of Reserve Bank of India (Local Area Banks – Know Your Customer) Directions, 2025	Any Committee to which powers have been delegated by the Board#
8.	Authorisation and oversight of service providers, owned or controlled by Directors or key managerial personnel	Paragraph 12 (vi) of Reserve Bank of India (Local Area Banks - Managing Risks in Outsourcing) Directions, 2025	Any Committee of the Board
9.	Compromise settlements in respect of debtors classified as fraud or wilful defaulter (excluding cases originally sanctioned by the Management Committee of the Board)	Paragraph 7(5)(ii) of the Reserve Bank of India (Local Area Banks – Resolution of Stressed Assets) Directions, 2025	Management Committee of the Board#

S.No	Subject matter	Paragraph reference in extant directions/circulars	May be delegated to
For Review			
10.	Long Form Audit Report (LFAR) to be submitted to the Reserve Bank	Paragraph 5(c) of Long Form Audit Report (LFAR) – Review dated September 5, 2020	Audit Committee of the Board#
11.	Progress in Implementation of Cassette - Swaps in ATMs	Paragraph 3 of Cassette - Swaps in ATMs, dated March 31, 2022	Any Committee to which powers have been delegated by the Board#
12.	Investment Portfolio	Paragraphs 89(12)(i), 89(12)(ii) and 92 (1) of Reserve Bank of India (Local Area Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025	Risk Management Committee of the Board#
13.	Business Correspondent (BC) Model	Paragraph 7(2)(iii), (iv) and 51 of Reserve Bank of India (Local Area Banks - Branch Authorisation) Directions, 2025	Any Committee to which powers have been delegated by the Board#
14.	Review and Monitoring of Transactions in Banking Outlets	Paragraph 7(1)(ii),(iii) and (iv) of Reserve Bank of India (Local Area Banks - Branch Authorisation) Directions, 2025	Any Committee to which powers have been delegated by the Board#
15.	Review of scheme on doorstep banking services and its progress	Paragraph 7(3)(i) of Reserve Bank of India (Local Area Banks - Branch Authorisation) Directions, 2025 Paragraph 26 of Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Directions, 2025.	Any Committee to which powers have been delegated by the Board# Customer Service Committee of the Board#
16.	Review, reporting and compliance certificate in relation to all material outsourcing	Paragraph 11, 16(iii) of Reserve Bank of India (Local Area Banks - Managing Risks in Outsourcing) Directions, 2025	Any Committee to which powers have been delegated by the Board#
17.	Effectiveness of Risk-Based Internal Audit	Paragraph 8.2 of Guidance notes on Risk-Based Internal Audit dated December 27, 2002	Audit Committee of the Board
18.	Review of Cyber Security Risks / Reporting of significant cyber security incidents	Paragraph 24.d.vii of the Reserve Bank of India (Information Technology Governance, Risk, Controls and Assurance Practices) Directions, dated November 07, 2023 Paragraph 5 of the Sustained Assurance on Cyber Resilience Framework dated November 1, 2017	Risk Management Committee / IT sub-committee of the Board

S.No	Subject matter	Paragraph reference in extant directions/circulars	May be delegated to
19.	Base rate	Paragraph 13 of Reserve Bank of India (Local Area Banks - Interest Rates on Advances) Directions, 2025	Asset Liability Committees
20.	Marginal cost of funds	Paragraph 23 of Reserve Bank of India (Local Area Banks - Interest Rates on Advances) Directions, 2025	Any Committee to which powers have been delegated by the Board
21.	Review of NPAs above a threshold amount	Paragraph 30 (2) of the Reserve Bank of India (Local Area Banks - Transfer and Distribution of Credit Risk) Directions, 2025	Any Committee to which powers have been delegated by the Board
22.	Customer Service aspects	Paragraph 6 of Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Directions, 2025	Any Committee to which powers have been delegated by the Board
For Information / Reporting			
23.	Report by CIV on Vigilance Activities	Paragraph 3 of Annex Internal Vigilance in Private Sector/foreign Banks dated May 26, 2011	Any Committee of the Board#
24.	Analysis of incidents of operational risk failures & their impact	Paragraph 102 of Guidance Note on Operational Risk Management and Operational Resilience dated November 28, 2025	Any Committee of the Board#
25.	Results of review of Business Continuity Planning and its Testing	Paragraph 77 (1) and 82 of Guidance Note on Operational Risk Management and Operational Resilience dated November 28, 2025	Any Committee to which powers have been delegated by the Board#
26.	Assessments of the Operational Risk Management Framework by internal or external audit / risk management function	Paragraph 12 (3) (ii) (c), (d) and 52 of Guidance Note on Operational Risk Management and Operational Resilience dated November 28, 2025	Audit Committee of the Board#
27.	Report on Compliance risks	Paragraph 2.9(iv), 2.9(v) and 2.9(vi) of the Compliance functions in banks and Role of Chief Compliance Officer (CCO) dated September 11, 2020	Audit Committee of the Board#
28.	Review of Fraud risk incidents	Paragraph 2.1.4 of the Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated July 15, 2024	Audit Committee of the Board