RBI/2026-27/255
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Reserve Bank of India (Local Area Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Second Amendment Directions, 2026

Please refer to Reserve Bank of India (Local Area Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025 dated November 28, 2025. Consequent upon the inclusion of a Local Area Bank in the Second Schedule to the Reserve Bank of India Act, 1934, it has been decided to amend the Reserve Bank of India (Local Area Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025 dated November 28, 2025 to incorporate the applicable provisions for the scheduled banks.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and pursuant to Section 42 of the Reserve Bank of India Act, 1934 and Sections 18 and 24 of Banking Regulation Act, 1949, as amended from time to time, and all other provisions / laws enabling the Reserve Bank of India in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. These Directions shall be called the Reserve Bank of India (Local Area Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Second Amendment Directions, 2026.

4. The provisions shall come into force with immediate effect.

5. These Amendment Directions modify the Reserve Bank of India (Local Area Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025 as under:

(i) The following para shall be inserted after para 7.

"B. Incremental CRR

7A. In terms of Section 42(1A) of RBI Act, 1934, the Reserve Bank may require the scheduled banks to maintain, in addition to the balances prescribed under Section 42(1) of the Act, an additional average daily balance, the amount of which shall not be less than the rate specified by the Reserve Bank in the notification published in the Gazette of India from time to time.

***Provided that** such additional balance shall be calculated with reference to the excess of the total NDTL of the bank as shown in the Returns referred to in Section 42(2) of the RBI Act, 1934 over the total of its NDTL at the close of the business on the date specified in the notification."*

(ii) In para 8, the word "*non-scheduled*" has been added before LAB.

(iii) The following paras shall be inserted after para 8.

"8A. Every scheduled bank shall maintain in India with the Reserve Bank, an average daily balance, the amount of which shall not be less than 3.75 per cent, 3.5 per cent, 3.25 per cent and 3.0 per cent of its net demand and time liabilities, as on the last day of the second preceding fortnight, effective from the reporting fortnight beginning September 6, October 4, November 1 and November 29, 2025, respectively."

"D. Maintenance of Minimum CRR on Daily Basis

8B. Every scheduled bank shall maintain minimum CRR of not less than 90 percent of the required CRR on all days during the reporting fortnight, in such a manner that the average of CRR maintained daily shall not be less than the CRR prescribed by the Reserve Bank."

(iv) In para 9, the words "*or Section 42 of the RBI Act, 1934 for scheduled banks*" have been added.

(v) The following para shall be inserted after para 15.

"15A. The calculation of the proportion of demand liabilities and time liabilities by scheduled banks in respect of their savings bank deposits on the basis of the position as at the close of business on 30th September and 31st March every year shall continue with interest application on savings bank deposits on a daily product basis".

(vi) The following paras shall be inserted after para 16.

*"**G. Exempted Categories***

16A. Scheduled Banks are exempted from maintaining CRR on the following liabilities:

(1) Net of liabilities to the banking system from the assets with the banking system defined in Section 42 (1) (d) of the RBI Act, 1934 as under:

(i) Liabilities to the banking system as computed under clause (d) of explanation to section 42(1) of the RBI Act, 1934.

The aggregate of the 'liabilities' of a scheduled bank to:

(a) the State Bank of India,

(b) a corresponding new bank constituted by Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and a corresponding new bank constituted by Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980,

(c) any Regional Rural Bank established under Section 3 of the Regional Rural Banks Act, 1976,

(d) a banking company as defined in Clause (c) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949),

(e) a co-operative bank as defined in Clause (cci) of Section 56 of the Banking Regulation Act, 1949, and

(f) any other financial institution notified by the Central Government in this behalf

shall be reduced by the aggregate of the liabilities of all such banks and institutions to the scheduled bank.

(2) Credit balances in Asian Clearing Union (ACU) (US$) Accounts.

(3) Funds Borrowed under market repo against Government securities; and

(vii) In paragraph 18, the words "*maintained with RBI by LABs*" will be subsitituted by "*maintained by LABs*".

(viii) In paragraph 23, the following sub-paragraph shall be inserted:

"(5) any balance maintained by a scheduled LAB with the Reserve Bank in excess of the balance required to be maintained by it under Section 42 of the Reserve Bank of India Act,1934 (2 of 1934)."

(ix) In paragraph 24, the following sub-paragraph shall be inserted:

"(5) Additionally, liabilities mentioned at paragraph 16A (3) are exempt from SLR requirement"

(x) A paragraph 37 shall be substituted with following paragraph:

"37. Every bank is liable to pay to the Reserve Bank, penal interest, if the daily balance of cash reserve (CRR) held by the bank during any fortnight is below the minimum prescribed by or under these Directions.

(1) Penal interest shall be recovered from scheduled LABs in the event of shortfall in maintenance of prescribed CRR on a daily basis for that day at the rate of three percent per annum above the Bank Rate on the amount by which the amount actually maintained falls short of the prescribed minimum on that day and if the shortfall continues on the next succeeding day/s, penal interest shall be recovered at the rate of five per cent per annum above the Bank Rate.

(2) In cases of shortfall in maintenance of CRR on average basis during a fortnight, penal interest will be recovered from the scheduled LAB as envisaged in sub-section (3) of Section 42 of Reserve Bank of India Act, 1934.

(3) A non-scheduled LAB shall be liable to pay to the Reserve Bank, penal interest as envisaged in sub-section (1-A) of Section 18 of B.R. Act, 1949, if the daily balance of CRR maintained by the banks fall below the prescribed minimum CRR."

(xi) The following para shall be inserted after para 38.

"38A. For a scheduled bank, under the provisions of Section 42(3A) of the RBI Act, 1934, penal interest at the increased rate of five percent above the Bank Rate become payable and if the default still continues during the next succeeding fortnight,

(1) Every Director, Manager or Secretary of the scheduled bank who is knowingly and willfully a party to the default, shall be punishable with fine which may extend to ₹500 and with a further fine which may extend to ₹500 for each subsequent fortnight during which default continues.

(2) The Reserve Bank may prohibit a scheduled bank from receiving any fresh deposit after the said fortnight, and if default is made by the bank in complying with the prohibition referred to in this clause, every director and officer of the bank who is knowingly and willfully a party to such default or who through negligence or otherwise contributes to such default shall in respect of each such default be punishable with fine which may extend to ₹500 and with a further fine which may extend to ₹500 for each day after the first, on which a deposit received in contravention of such prohibition is retained by the scheduled bank".

Yours faithfully,

(Manoranjan Padhy)
Chief General Manager