



GRC BULLETIN

AUGUST - 2025, VOLUME: II

RBI

Reserve Bank of India (Non-Fund Based Credit Facilities)
Directions, 2025

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CORPORATE LAWS

Authority

Reserve Bank of India (RBI)

Circular Date

Aug 06, 2025

Circular Number

RBI/DOR/2025-26/140 | DOR.STR.REC.45/13.07. 010/2025-26

Effective Date

Apr 01, 2026

RBI NOTIFIES RESERVE BANK OF INDIA (NON-FUND BASED CREDIT FACILITIES) DIRECTIONS, 2025

Applicability: These Directions apply to the following Regulated Entities (REs) for all Non-Fund Based (NFB) exposures such as guarantees, letters of credit, and co-acceptances:

- Commercial Banks (including Regional Rural Banks & Local Area Banks)
- Primary (Urban) Co-operative Banks / State Co-operative Banks
 / Central Co-operative Banks
- All India Financial Institutions (AIFIs)

NBFCs & HFCs in the Middle Layer and above — only for issuing Partial Credit Enhancement (PCE) under Chapter IV.

Purpose

- RBI has consolidated and harmonized guidelines on NFB facilities like guarantees, LCs, and co-acceptances to ensure uniformity across all regulated entities.
- Also aims to broaden funding options for infrastructure and improve credit market access.

Key Provisions

1. General Rules

- REs must have a Board-approved credit policy for issuing NFB facilities, covering risk controls, security, fraud prevention, and monitoring.
- Generally, NFB facilities can only be issued to customers who already have a funded credit relationship with the RE, with some exceptions.

2. Guarantees

- Must be irrevocable, unconditional, and payable on demand.
- Limits on unsecured guarantees (e.g., co-operative banks capped at 1.25% of total assets).
- Specific provisions for electronic guarantees with robust SOPs, tech integration, and audit trails.

3. Co-acceptances

 Allowed only for genuine trade bills with strict monitoring and record-keeping.

4. Partial Credit Enhancement (PCE)

- SCBs, AIFIs, and eligible NBFCs/HFCs may provide PCE to corporate, municipal, and NBFC/HFC bonds.
- PCE capped at 50% of bond issue size (per RE & aggregate).

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CORPORATE LAWS • Bonds must have a minimum "BBB-" pre-enhancement rating from at least two accredited agencies.

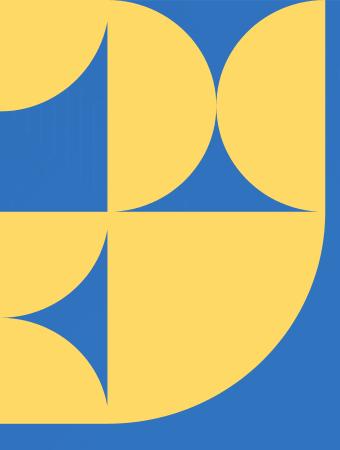
5. Exclusions & Repeal

- FEMA and other RBI exposure norms continue to apply.
- Several old circulars on guarantees, co-acceptances, and PCE have been repealed.

6. Impact

- Creates a unified, transparent framework for NFB facilities.
- Tightens risk management while allowing flexibility for infrastructure and corporate funding.
- Enhances investor confidence in bond markets via PCE.

SOURCE: Click here for more details





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