

GRC BULLETIN

AUGUST - 2025, VOLUME: II

RBI

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

[Click Here to Read Full Bulletin](#)



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).



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

- 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](#)



Head Quarters:

Vasudha, 2nd Floor, No. 2, 38th Main Rd,
Rose Garden, JP Nagar Phase 6, J. P. Nagar,
Bengaluru, Karnataka 560078

Ph: 080 41673023

Email: info@ricago.com

Website: www.ricago.com

Subscribe to the Newsletter:

Subscribe

Disclaimer: This newsletter is prepared by Clonect Solutions Pvt. Ltd. and contains information about the statutory compliance updates for general information only. No claim is made as to warrant or represent that the information contained in this document is correct. Also, it should not be considered as legal or financial advice and under no circumstances Clonect Solutions Pvt. Ltd. shall be held responsible for any kind of damages arising there to.

#Trusted Compliance Partner