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RBI

Master Direction- Reserve Bank of India (Investment in
AIF) Directions, 2025

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CORPORATE LAWS

Authority

Reserve Bank of
India

Circular Date

Oct 24, 2025

Circular Number

RBI/DOR/2025-
26/138
DOR.STR.REC.43/21.0
4.048/2025-26

Effective Date

Jan 01, 2026

RBI - MASTER DIRECTION- RESERVE BANK OF INDIA (INVESTMENT IN AIF) DIRECTIONS, 2025

Applicability: Commercial Banks (Public, Private, Small Finance Banks, Local Area Banks, RRBs)

- *Co-operative Banks (Primary, State, and Central)*
- *All-India Financial Institutions (AIFIs like NABARD, EXIM Bank, etc.)*
- *Non-Banking Financial Companies (NBFCs), including Housing Finance Companies (HFCs)*

Introduction

The Reserve Bank of India (RBI) has issued fresh rules for how banks and financial institutions can invest in Alternative Investment Funds (AIFs).

These new directions replace the old circulars from December 2023 and March 2024, and aim to make AIF investments safer, more transparent, and better regulated.

They were updated after reviewing industry feedback and SEBI's latest norms on due diligence and investor protection.

Simply put, these guidelines outline the maximum investment limits for banks and NBFCs in AIFs, the risks they must mitigate, and which AIFs are exempt from specific limits.

Key Highlights

1. Investment Limits:

- A single regulated entity (RE) cannot invest more than 10% of an AIF's total corpus.
- All REs together cannot hold more than 20% of an AIF's corpus.

2. Exposure to Debtor Companies:

- If an AIF invests in a company that has taken a loan or investment from the same RE in the last 12 months (called a debtor company), and if the RE holds more than 5% in that AIF, then the RE must make a 100% provision for that investment.
- This means the RE must set aside money to cover potential risk, like treating it as a possible loss.

3. Subordinated Units (High Risk):

- If an RE invests in subordinated units (which are riskier), it must deduct the full investment from its capital (Tier 1 and Tier 2) instead of just provisioning.



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4. Exemptions:

- Old investments approved by the RBI before these Directions are not affected.
- RBI may also exempt certain government-backed AIFs, for example, the SWAMIH Fund (Special Window for Affordable and Mid-Income Housing) listed in the Annex.

5. Repeal of Earlier Circulars:

- The earlier AIF circulars dated December 19, 2023, and March 27, 2024, are now repealed.
- Ongoing commitments will continue to follow the old rules until they are completed.

6. General Requirement:

- All REs must include AIF investment guidelines in their internal investment policy and ensure full compliance with RBI and SEBI norms.

Conclusion

RBI's 2025 AIF Investment Directions make it clear that banks and NBFCs must invest in AIFs cautiously, with limits on exposure and mandatory risk provisioning.

These rules aim to prevent indirect lending risks, protect public deposits, and ensure transparency in how financial institutions support private investment funds.

In short, from 2026, banks and NBFCs can still invest in AIFs, but with stricter limits, cleaner disclosures, and stronger capital safety norms.

SOURCE: [Click Here for more details](#)



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