



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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Reserve Bank of India (Co-Lending Arrangements) Directions, 2025

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Introduction

The regulated entities (REs) enter into several co-lending arrangements (CLAs), apart from sourcing arrangements, for extension of credit to the borrowers. While there are separate guidelines covering some of these arrangements, for example digital lending¹, co-lending by banks with NBFCs to priority sector², as well as applicable guidelines on outsourcing of financial services, such regulatory frameworks do not cover all the possible categories of co-lending arrangements.

Accordingly, a comprehensive market enabling draft framework has been prepared to specify the regulatory norms and guidance for all such CLAs, in general, while addressing certain prudential issues. The draft framework is being proposed for consultation to finalise the final Directions which will be issued in exercise of the powers conferred by the Sections 21 and 35A of the Banking Regulation Act, 1949 read with Section 56 of the Act *ibid*; Chapter IIIB of the Reserve Bank of India Act, 1934; and Sections 30A, 32 and 33 of the National Housing Bank Act, 1987.

Short title and commencement

1. These Directions shall be called Reserve Bank of India (Co-Lending Arrangements) Directions, 2025.
2. These Directions shall come into force with effect from their date of final issuance.

I. Applicability

3. These Directions shall be applicable to the following regulated entities (hereafter referred to as '**permitted REs**'):
 - a. All Commercial Banks (excluding Small Finance Banks, Local Area Banks and Regional Rural Banks)
 - b. All All-India Financial Institutions
 - c. All Non-Banking Financial Companies (including Housing Finance Companies)

¹ Circular No. DOR.CRE.REC.66/21.07.001/2022-23 dated September 02, 2022

² Circular No. FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020

4. These Directions shall apply to all co-lending arrangements, subject to the following:
 - a. Digital lending arrangements, shall continue to be governed by the Guidelines on Digital Lending dated September 02, 2022 (**DLG**) as amended from time to time.

Provided that, any digital lending arrangement involving co-lending by the REs shall, without derogation to the DLG, be guided by the provisions of these Directions.
 - b. Engagement of Business Correspondents by scheduled commercial banks shall continue to be guided by the Master Circular on Branch Authorisation dated July 1, 2014 as amended from time to time.
 - c. Loan Participation transactions, shall continue to be guided in terms of the Master Direction on Transfer of Loan Exposures dated September 24, 2021 (**MD-TLE**) as amended from time to time.
 - d. Peer to Peer lending shall continue to be guided by the Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 as amended from time to time.
 - e. These Directions shall not apply to loans exceeding ₹100 Crores, sanctioned under multiple banking, consortium lending, or syndication.
5. Save as otherwise permitted in terms of extant guidelines as specified at paragraph 4, or specifically permitted by the Reserve Bank:
 - a. Permitted REs shall not enter into any other co-lending arrangement which is not compliant with these Directions;
 - b. REs other than 'permitted REs' shall not enter into any form of lending arrangement with other REs or non-REs.
6. The provisions of these Directions shall also apply *mutatis mutandis* to lending arrangements involving sourcing of loans by REs from other REs or non-REs under an outsourcing agreement, without involvement of any fund or non-fund commitments.

II. Definitions

7. For the purpose of these Directions, following definitions apply:
 - (i) Co-lending arrangement (CLA), refers to an arrangement, formalised through an *ex ante* legal agreement, among the permitted REs to jointly

fund a loan portfolio in a pre-agreed proportion, involving revenue and risk sharing with or without sourcing and management arrangement.

(ii) Sourcing arrangement refers to an arrangement wherein an RE, or a non-RE sources loans (sourcing entity), in compliance with extant guidelines, for another RE (funding entity) on a fee basis i.e., without any reference to profit sharing agreement, with the exposure being entirely booked by the funding entity, *ab-initio*.

8. All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or any statutory modification or re-enactment thereto or any other relevant regulation or as used in commercial parlance, as the case may be.

III. General Guidelines

9. The credit policies of REs shall suitably incorporate provisions relating to CLAs including, the internal limit for the proportion of their lending portfolio under CLAs; target borrower segments; due diligence of the partner entities; customer service and grievance redressal mechanisms.

10. The agreement to be entered among the CLA partners shall include detailed terms and conditions of the arrangement; the criteria for selection of borrowers; specific product lines and areas of operation; fees payable for lending services³, if any; provisions related to segregation of responsibilities; customer interface and customer protection issues.

11. In addition, the loan agreement signed by borrower with funding RE(s) shall make an upfront disclosure regarding the segregation of the roles and responsibilities (such as sourcing, funding, and servicing) of concerned partners, including entity having customer interface. Any subsequent change in customer interface shall only be done after taking explicit consent from the borrower. The loan-agreement shall also appropriately disclose suitable provisions related to customer protection, and grievance redress mechanism.

³ For the purpose of these Directions, lending service shall refer to the set of activities related to lending such as customer acquisition, underwriting, pricing, servicing, monitoring, and recovery of specific loan or loan portfolio, etc. performed by permitted REs or the agents on behalf of the permitted REs (in conformity with extant outsourcing guidelines issued by the Reserve Bank)

12. All required details of CLA shall be disclosed appropriately to the concerned borrower as laid down under RBI Circular on 'Key Facts Statement (KFS) for Loans & Advances' dated April 15, 2024 as amended from time to time.
13. The banks engaging in the CLA for loans eligible to be classified under priority sector lending in terms of Master Directions – Priority Sector Lending (PSL) – Targets and Classification (as amended from time to time), can claim priority sector status in respect of their share of credit under the said arrangement made under CLA.
14. NBFCs shall adhere to the applicable accounting standards, while booking of unrealised profit under CLAs. However, unrealised profits, if any, arising out of such CLAs, shall be deducted from CET 1 capital or net owned funds for meeting regulatory capital adequacy requirement till the maturity of such loans.

IV. Interest Rate and Other Fees/Charges

15. The interest rate and any other fees/ charges on the underlying loans charged to the borrower shall be based on the contractual agreement, subject to the regulatory norms applicable to the REs. Specifically, the final interest rate charged to the borrower shall be the blended interest rate which is calculated as an average rate of interest derived from the interest rates charged by respective funding REs, as per their internal lending policies and risk profile of the same or similar borrower, weighted by the proportionate funding share of concerned REs under CLA.
16. The Board approved policy shall lay down the objective criteria for fees/charges payable to sourcing or servicing entity depending upon relevant factors such as the nature of service provided, quantum of loan, etc. Such fees/charges shall not involve, directly or indirectly, any element of credit enhancement⁴/default loss guarantee⁵ unless permitted otherwise.
17. Any fee/charges payable to the sourcing or servicing entity shall be part of a separate arrangement and shall not be included in the calculation of blended

⁴ Credit enhancement means a contractual arrangement in which an entity provides some degree of added protection to other parties to a transaction to mitigate the credit risk of their acquired exposures;

⁵ Default loss guarantee is a contractual arrangement, called by whatever name, between the sourcing RE and funding RE, under which the former guarantees to compensate the latter, loss due to default up to a certain percentage of the loan portfolio of the RE, specified upfront. Any other implicit guarantee of similar nature linked to the performance of the loan portfolio of the RE and specified upfront, shall also be covered under the definition of DLG

interest rate. All such additional charges, together with the blended interest rate charged to the borrower, shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the KFS as prescribed in the paragraph 12 of these Directions.

V. Operational Arrangements

18. REs shall maintain each borrower's account individually for their respective exposures.

19. All transactions (disbursements/ repayments) between the REs, as well as with the borrower, shall be routed through an escrow account maintained with a bank (which could also be one of the REs involved in CLA). The agreement shall clearly specify the manner of appropriation between the REs.

Provided that in respect of sourcing arrangements, all loan servicing, repayment, etc., shall be executed by the borrower directly in the RE's bank account without any pass-through account/ pool account of any third party.

20. Each single loan under the arrangement shall be shared among the funding REs right from the time of first disbursement. This shall be done on the basis of a non-discretionary *ex ante* Inter Creditor Agreement with joint nature of rights.

21. The loans under the CLA shall be included in the scope of internal/statutory audit within the REs to ensure adherence to their respective internal guidelines, terms of the agreement and applicable regulatory requirements.

22. The REs shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans, in the event of termination of CLA between the REs.

23. The REs involved in the CLA shall be individually responsible for compliance with the provisions of Master Direction - Know Your Customer (KYC) Direction, 2016 as amended from time to time.

24. As regards business conduct and customer service, the regulatory guidelines applicable to the RE with greater funding share shall apply to the partner RE as well. Any complaint registered by a borrower shall be dealt with within 30 days, failing which the borrower shall have the option to escalate the same at the Complaint Management System (CMS)/ Centralised Receipt and Processing Centre (CRPC), RBI against the concerned RE/s.

VI. Reporting to credit information companies (CICs)

25. Each RE shall adhere to the extant requirements of reporting to CICs for their share of the loan account, as per the provisions of the Credit Information Companies (Regulation) Act, 2005 and the Rules and Regulations issued by RBI therein, from time to time.

VII. Default Loss Guarantee

26. Permitted REs, involved in a particular CLA transaction either as sourcing or funding entity, shall be allowed to provide default loss guarantee up to five per cent of loans outstanding in respect of loans under CLA or sourcing arrangement. Provision of such default loss guarantee shall be governed *mutatis mutandis* in terms of the guidelines on default loss guarantee issued for digital lending vide circular dated June 08, 2023 as amended from time to time.

27. Unless specifically permitted by the Reserve Bank, default loss guarantee in any form by other REs or non-REs shall not be permitted.

VIII. Asset Classification Norms

28. Since the borrower in such multi-lender arrangement remains the same, asset classification by the REs for their respective exposures under all such arrangements shall be applicable at the borrower level. This implies that if any of the REs classifies their exposure as SMA/NPA, the same classification shall be applicable to the exposure of other REs as well.

29. Further, instructions contained in circular dated September 14, 2020 on 'Automation of Income Recognition, Asset Classification and Provisioning processes in banks', as amended from time to time, shall be strictly adhered to by all REs. Any delay in recognition of repayment and income or stress/asset classification in a borrowal account due to any operational/process lags shall be viewed as non-adherence to the said guidelines.

IX. Transfer of Loan Exposures

30. Any subsequent transfer of loan exposures originated under CLA to third parties, or any inter-se transfer of such loan exposures between REs, shall be strictly in compliance with the provisions of MD-TLE.

Provided that, transfer of their respective exposures by the REs to a third party can be done only with the mutual consent of both the REs.

X. Loan Sourcing/ Servicing Arrangements

31. REs may engage an RE or a non-RE to source and/or service the loans in compliance with relevant outsourcing guidelines. Such arrangements shall be additionally subject to the following:

1. The nature, purpose, extent of the facility and all required standards of performance should be clearly specified in a written agreement;
2. The sourcing/servicing facility is provided on an 'arm's length' basis, on market linked terms and conditions.
3. Payment of any fee/charges for sourcing/servicing shall not be subject to deferral or waiver in a way that would directly or indirectly provide credit enhancement or liquidity facility.
4. The duration of the facility is limited to the earliest of the dates on which:
 - i. the underlying loans are completely amortised;
 - ii. all claims connected with the funding RE(s)' economic interest in the underlying loans are paid out;
 - iii. the servicer's obligations as the servicing facility provider are otherwise terminated.
5. There should not be any recourse to the entity sourcing/servicing the loans beyond the fixed contractual obligations.
6. The servicing entity shall be under no obligation to remit funds to the RE(s) until it has received funds generated from the underlying loans.

XI. Disclosures

32. The concerned REs shall prominently disclose on their website the following:
- a. List of CLA partners for various arrangements
 - b. Indicative range of blended interest rates and fees/charges charged to the borrowers under different CLAs
33. The REs shall also make appropriate disclosures in their financial statements, under 'Notes to Accounts', relating to necessary details of CLAs with respective CLA and sourcing partners. The details may *inter alia* include quantum of CLAs, weighted average rate of interest, fees charged/paid, broad sectors in which

CLA was made, performance of loans under CLA, details related to default loss guarantee, if any, etc. The disclosure shall be done on quarterly basis.

XII. Repeal Provisions

34. The following circular shall stand repealed with the issuance of this Framework:

S. No.	Subject	Reference	Date
1	Co-Lending by Banks and NBFCs to Priority Sector*	FIDD.CO.Plan.BC.No.8/04.09.01/2020-21	November 05, 2020

*Outstanding loans in terms of the circular ibid would continue to be classified under priority sector till their repayment or maturity, whichever is earlier.