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

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Introduction

Regulated entities (REs) can enter into a lending arrangement with other REs for extension of credit to the borrowers, subject to compliance with the extant prudential regulations. While there is no generic regulatory framework for such lending arrangements, co-lending involving banks and NBFCs has gained traction in the wake of a specific regulatory framework being prescribed for the purpose of priority sector lending in terms of circular FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 5, 2020.

In view of this and to broaden the scope of co-lending, comprehensive revised Directions on co-lending arrangements (CLA) are now being issued with the objective of providing specific regulatory clarity on the permissibility of such arrangements, while addressing some of the prudential as well as conduct related aspects. These Directions are 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 from January 1, 2026, or from any earlier date as decided by a RE as per its internal policy ("effective date"). Any new CLA entered into after the effective date shall be in compliance with these Directions.
3. Existing CLAs (i.e., the lending arrangements executed before the date of issuance of these Directions) and new CLAs entered into prior to the effective date shall be in compliance with the extant regulations.

Applicability

4. These Directions shall be applicable to CLAs entered into by the following REs:
 - a) Commercial Banks (excluding Small Finance Banks, Local Area Banks and Regional Rural Banks);
 - b) All-India Financial Institutions; and,

- c) Non-Banking Financial Companies (including Housing Finance Companies).
5. Digital lending arrangements shall continue to be governed by the Reserve Bank of India (Digital Lending) Directions, 2025 (MD-DLD) as amended from time to time.

Provided that, any digital lending arrangement involving co-lending by the REs shall, without derogation to the MD-DLD, be guided by the provisions of these Directions.

6. These Directions shall not apply to loans sanctioned under multiple banking, consortium lending, or syndication.
7. Save as otherwise permitted in terms of these Directions, no RE shall enter into any CLA which is not compliant with these Directions.

Definitions

8. For the purpose of these Directions, CLA refers to an arrangement, formalised through an *ex-ante* agreement, between a RE which is originating the loans ('originating RE') and another RE which is co-lending ('partner RE'), to jointly fund a portfolio of loans, comprising of either secured or unsecured loans, in a pre-agreed proportion, involving revenue and risk sharing.
9. 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.

General Guidelines

10. Each RE under a CLA shall be required to retain a minimum 10 per cent share of the individual loans in its books.
11. The credit policy of a RE 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 mechanism.

12. The agreement to be entered between 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 services¹, if any; provisions related to segregation of responsibilities; time-frame for exchanging critical information; customer interface and customer protection issues and grievance redressal mechanism.
13. The loan agreement signed with the borrower shall make an upfront disclosure regarding the segregation of the roles and responsibilities (such as sourcing, and servicing) of concerned REs, including clear identification of the entity being the single point of interface with the customer. Any subsequent change in customer interface shall only be done after prior intimation to the borrower. The loan-agreement shall also appropriately disclose suitable provisions related to customer protection, and grievance redressal mechanism.
14. 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.
15. REs engaging in the CLA for loans eligible to be classified under priority sector lending in terms of [Master Directions - Reserve Bank of India \(Priority Sector Lending – Targets and Classification\) Directions, 2025](#) (as amended from time to time), can claim priority sector status in respect of their share of credit under CLA.
16. NBFCs shall adhere to the applicable accounting standards, while booking of unrealised profit under CLAs, if applicable. However, such profits, shall be deducted from CET 1 capital or net owned funds for meeting regulatory capital adequacy requirement till the maturity of such loans.

Interest Rate and Other Fees/ Charges

17. 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

¹ 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 the REs or their agents (in conformity with extant outsourcing guidelines issued by the Reserve Bank).

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 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.

18. Any change in rates by respective REs under CLA will be made as per their credit policy and extant regulatory norms, and the same shall be reflected in the updated blended rate and communicated to the borrower.
19. Any fees / charges payable by the borrower in addition to the blended interest rate shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the KFS as prescribed in the paragraph 14 of these Directions.
20. As part of the credit policy, the RE shall lay down the objective criteria for fees/ charges payable for lending services, 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 enhancement²/ default loss guarantee³ unless permitted otherwise.

Operational Arrangements

21. The CLA shall entail an irrevocable commitment on the part of partner RE to take into its books, on back to back basis, its share of the individual loans as originated by the originating RE.
22. The CLA shall ensure that the respective shares of the REs are reflected in the books of both REs without delay after disbursement by the originating RE to the borrower, in any case not later than 15 calendar days from the date of disbursement.

² 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;

³ Default loss guarantee is a contractual arrangement, called by whatever name, between the originating RE and partner RE, under which the former guarantees to compensate the latter, for 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

23. Originating RE shall also ensure that it transfers the loan under CLA only to the partner RE, as per the *ex-ante* agreement and as specified in the KFS at the time of sanction of loan.
24. If the originating RE is unable to transfer the share of the exposure to the partner RE under CLA within 15 calendar days for any reason, then the loan/s shall remain on the books of the originating RE and can be transferred to other eligible lenders only under the provisions of Master Directions – Transfer of Loan Exposure, 2021 (MD-TLE).
25. Each RE shall maintain a borrower's account individually for its respective share.
26. 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 originating and partner REs.
27. The loans under the CLA shall be included in the scope of internal/ statutory audit in each RE to ensure adherence to their respective internal guidelines, terms of the agreement and applicable regulatory requirements.
28. 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.
29. A RE involved under CLA shall comply with the prescribed norms under the [Master Direction - Know Your Customer \(KYC\) Direction, 2016](#) as amended from time to time. Partner RE may rely upon the originating RE for "Customer Identification Process" as per the provisions of the said Master Directions on KYC.
30. REs shall be guided by the fair practice code and grievance redressal mechanism as applicable to them.

Reporting to credit information companies (CICs)

31. 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.

Default Loss Guarantee

32. Originating RE may provide default loss guarantee up to five per cent of loans outstanding in respect of loans under CLA. Provision of such default loss guarantee shall be governed *mutatis mutandis* in terms of the MD-DLD as amended from time to time.

Asset Classification Norms

33. REs shall apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if either of the REs classifies its exposure to a borrower under CLA as SMA / NPA on account of default in the CLA exposure, the same classification shall be applicable to the exposure of the other RE to the borrower under CLA. REs shall put in place a robust mechanism for sharing relevant information in this regard on a near-real time basis, and in any case latest by end of the next working day.

Transfer of Loan Exposures

34. 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. Such transfers to a third party, however, can be done only with the mutual consent of both the originating and partner REs.

Disclosures

35. In addition to the applicable disclosure requirements under extant regulations, REs shall also prominently disclose on their website, a list of all active CLA partners.
36. REs shall also make appropriate disclosures in their financial statements, under 'Notes to Accounts', relating to necessary details of CLAs on an aggregate basis. 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/annual basis, as applicable to the concerned REs.

Repeal Provisions

37. The following circular shall be repealed with the issuance of these Directions, without prejudice to provisions of paragraph 3 of these Directions.

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