RESERVE BANK OF INDIA (CO-LENDING ARRANGEMENTS) DIRECTIONS, 2025

The Reserve Bank of India (RBI), has issued the **Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 ("Directions")** attached as **Annexure A**, providing a comprehensive regulatory framework for co-lending arrangements (CLAs) between regulated entities (REs), **effective January 1, 2026, or an earlier date as decided by an RE under its internal policy.** They set out uniform standards for governance, risk sharing, and customer protection in all co-lending transactions. The framework also prescribes minimum exposure ratios to be maintained by each party, asset classification and provisioning norms in line with prudential requirements, and mandates a common agreement defining roles in loan origination, servicing, recovery, and recognition of income.

APPLICABILITY

The Directions apply to:

- Commercial Banks (excluding Small Finance Banks, Local Area Banks, and Regional Rural Banks),
- All India Financial Institutions, and
- **NBFCs** (including Housing Finance Companies).

DEFINITIONS

Co-Lending Arrangement refers to an arrangement, formalized 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.

GENERAL GUIDELINES

Minimum Retention Requirement:	Each RE under a CLA shall be required to retain a **minimum 10 per cent** share of the individual loans in its books.
Credit Policy Framework:	REs must incorporate specific provisions related to CLAs in their credit policies.
Co-Lending Agreement Requirements:	The agreement between CLA partners must clearly define: • Detailed terms and conditions of the arrangement • Borrower selection criteria • Product lines and operational areas • Lending service fees (if applicable) • Segregation of responsibilities • Information sharing timelines • Customer interface responsibilities • Customer protection and grievance redressal provisions
Loan Agreement Disclosures :	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.
Borrower Disclosures:	Full details of the CLA must be disclosed to the borrower in line with the RBI's circular on the Key Facts Statement (KFS) for Loans & Advances dated April 15, 2024, and any subsequent amendments.
Priority Sector Lending (PSL):	REs participating in CLAs for loans qualifying under the Priority Sector Lending norms (as per the RBI Master Directions, 2025) may classify their share of credit under the CLA as PSL.
Accounting and Capital Adequacy:	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.
Asset Classification	Under CLA, borrower-level asset classification shall be uniform across all REs, with SMA/NPA status by one RE binding on others. Information must be shared in near real-time, and no later than the next working day.
Default Loss Guarantee (DLG)	The originating RE may extend a DLG of up to **5% of the outstanding loan amount** under CLA. This must be in accordance with the **Master Directions on Default Loss Guarantee (MD-DLD)**, as amended from time to time.
Disclosures	**Website Disclosure:** REs must prominently display the list of all active CLA partners on their official websites. **Financial Statement Disclosure:** Appropriate disclosures related to CLAs must be made under the "Notes to Accounts" in financial statements, on a **quarterly or annual basis**.
Operational Framework	**1.** The loan share of each RE must be reflected in its books within **15 calendar days** of disbursement by the originating RE. **2.** All transactions, including disbursements and repayments, must be routed through an escrow account held with a bank (which may be one of the REs involved in CLA). The agreement shall clearly specify the manner of appropriation between the originating and partner REs.