**CERTIFIED CREDIT PROFESSIONAL**

**RBI Notifications during the period 1st July 2019 to 31st December 2019**

**RBI/2019-20/60 DBR.No.BP.BC.18/21.01.003/2019-20 September 12, 2019**

All Scheduled Commercial Banks (Excluding Regional Rural Banks)

**Large Exposures Framework**

Please refer to paragraph 7 (a) of the [Statement on Developmental and Regulatory Policies dated August 7, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47819) on ‘Harmonisation of single counterparty exposure limit for banks’ exposures to a single NBFC with general single counterparty exposure limit’ ([extract enclosed](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11685&Mode=0#AN1)).

2. In terms of circular [DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11573&Mode=0) on “Large Exposures Framework (LEF)”, banks’ exposures to a single NBFC is restricted to 15 percent of their available eligible capital base, while general single counterparty exposure limit is 20 percent, which can be extended to 25 percent by banks’ Boards under exceptional circumstances.

3. It has been decided that a bank’s exposure to a single NBFC (excluding gold loan companies) will be restricted to 20 percent of that bank’s eligible capital base. Bank finance to NBFCs predominantly engaged in lending against gold will continue to be governed by limits prescribed in circular [DBOD.BP.BC.No.106/21.04.172/2011-12 dated May 18, 2012](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7222&Mode=0).

--------------------------

**RBI/2019-20/39 FIDD.CO.Plan.BC.7/04.09.01/2019-20 August 13, 2019**

The Chairman/ Managing Director & CEOs All Scheduled Commercial Banks (Excluding Regional Rural Banks and Small Finance Banks)

**Priority Sector Lending – Lending by banks to NBFCs for On-Lending**

In order to boost credit to the needy segment of borrowers, it has been decided that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories subject to the following conditions:

1. **Agriculture:** On-lending by NBFCs for ‘Term lending’ component under Agriculture will be allowed up to ₹ 10 lakh per borrower.
2. **Micro & Small enterprises:** On-lending by NBFC will be allowed up to ₹ 20 lakh per borrower.
3. **Housing:** Enhancement of the existing limits for on-lending by HFCs vide para 10.5 of our Master Direction on Priority Sector lending, from ₹ 10 lakh per borrower to ₹ 20 lakh per borrower.

2. Under the above on-lending model, banks can classify only the fresh loans sanctioned by NBFCs out of bank borrowings, on or after the date of issue of this circular. However, loans given by HFCs under the existing on-lending guidelines will continue to be classified under priority sector by banks.

3. Bank credit to NBFCs for On-Lending will be allowed upto a limit of five percent of individual bank’s total priority sector lending on an ongoing basis. Further, the above instructions will be valid for the current financial year upto March 31, 2020 and will be reviewed thereafter. However, loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

4. The existing guidelines on bank loans to MFIs for on-lending as detailed in para 19 of Master Directions on Priority Sector Lending will continue to be applicable for NBFC-MFIs.

5. The guidelines shall come into effect from the date of the issuance of this Circular.

-------------------------------------------------

**RBI/2019-20/66 FIDD.CO.Plan.BC.12/04.09.01/2019-20 September 20, 2019**

The Chairman/Managing Director & CEOs All SCBs including SFBs (Excluding Regional Rural Banks)

**Priority Sector Lending (PSL) – Classification of Exports under priority Sector**

In order to boost credit to export sector, it has been decided to effect following changes in para 8 of the [“Master Direction on Priority Sector Lending-targets and Classification” dated July 7, 2016 (updated as on December 4, 2018)](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10497) pertaining to export credit.

1. Enhance the sanctioned limit, for classification of export credit under PSL, from ₹ 250 million per borrower to ₹ 400 million per borrower.
2. Remove the existing criteria of ‘units having turnover of up to ₹ 1 billion’

2. The existing guidelines for domestic scheduled commercial banks to classify ‘Incremental export credit over corresponding date of the preceding year, upto 2 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher’ under PSL will continue to be applicable subject to the criteria mentioned at (i) above.

3. There is no change in the present instructions in respect of foreign banks.

----------------------------------------

**RBI/2019-20/53 DBR.DIR.BC.No.14/13.03.00/2019-20 September 04, 2019**

All Scheduled Commercial Banks (excluding RRBs)/ All Small Finance Banks/ All Local Area Banks

**External Benchmark Based Lending**

As you are aware, Reserve Bank had constituted an Internal Study Group (ISG) to examine various aspects of the marginal cost of funds-based lending rate (MCLR) system. The final report of the ISG was published in [October 2017](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=41863) for public feedback. The ISG observed that internal benchmarks such as the Base rate/MCLR have not delivered effective transmission of monetary policy. The Study Group had, therefore, recommended a switchover to an external benchmark in a time-bound manner.

2. As a step in that direction, it was announced in the fifth bi-monthly Monetary Policy Statement for 2018-19 under [‘Statement on Developmental and Regulatory Policies’ dated December 05, 2018](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=45658), that all new floating rate personal or retail loans and floating rate loans to Micro and Small Enterprises extended by banks from April 1, 2019 shall be linked to external benchmarks. Subsequently, it was announced in the first bi-monthly Monetary Policy Statement for 2019-20 under [‘Statement on Developmental and Regulatory Policies’ dated April 04, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46724) to hold further consultations with stakeholders and work out an effective mechanism for transmission of rates. Based on the consultations with stakeholders, it has now been decided to link all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks with effect from October 01, 2019 to external benchmarks.

3. Accordingly, RBI instructions contained in Master Direction on Interest Rate on Advances issued vide [DBR.Dir.No.85/13.03.00/2015-16 dated March 03, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10295&Mode=0) are amended as under:

3.1 The existing paragraph No. 7 of the aforesaid Master Direction stands replaced as under:

(a) All new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks from October 01, 2019 shall be benchmarked to one of the following:

 - Reserve Bank of India policy repo rate

 - Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)

- Government of India 6-Months Treasury Bill yield published by the FBIL

- Any other benchmark market interest rate published by the FBIL.

(b) Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

(c) In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category.

3.2 A new paragraph No.8(e) is added to the aforesaid Master Direction as given below:

**Spread under External Benchmark**

Banks are free to decide the spread over the external benchmark. However, credit risk premium may undergo change only when borrower’s credit assessment undergoes a substantial change, as agreed upon in the loan contract. Further, other components of spread including operating cost could be altered once in three years.

3.3 A new paragraph No. 9(ii) is added to the aforesaid Master Direction as given below:

**Reset of Interest Rates under External Benchmark**

The interest rate under external benchmark shall be reset at least once in three months.

3.4 A new paragraph No. 11(ii) is added to the aforesaid Master Direction as given below:

**Transition to External Benchmark from MCLR/Base Rate/BPLR**

Existing loans and credit limits linked to the MCLR/Base Rate/BPLR shall continue till repayment or renewal, as the case may be.

**Provided** that floating rate term loans sanctioned to borrowers who, in terms of extant guidelines, are eligible to prepay a floating rate loan without pre-payment charges, shall be eligible for switchover to External Benchmark without any charges/fees, except reasonable administrative/ legal costs. The final rate charged to this category of borrowers, post switchover to external benchmark, shall be same as the rate charged for a new loan of the same category, type, tenor and amount, at the time of origination of the loan.

**Provided** that other existing borrowers shall have the option to move to External Benchmark at mutually acceptable terms.

**Provided** that the switch-over shall not be treated as a foreclosure of existing facility.

4. The existing paragraph No. 2 of the aforesaid Master Direction is applicable for Small Finance Banks and Local Area Banks and the para is amended accordingly.

5. The existing paragraph No. 3(a)(iv) of the aforesaid Master Direction stands amended as under:

External benchmark rate means the reference rate which includes:

1. Reserve Bank of India policy Repo Rate
2. Government of India 3-Months and 6-Months Treasury Bill yields published by Financial Benchmarks India Private Ltd (FBIL)
3. Any other benchmark market interest rate published by FBIL.

6. Some of the sub-paragraphs of para 4(a) of the aforesaid Master Direction stands amended as given hereunder:

(ii) All floating rate loans, except those mentioned in Section 13, shall be priced with reference to the benchmark indicated in chapter III.

(iv) When the floating rate advances are linked to an internal benchmark rate, banks shall determine their actual lending rates by adding the components of spread to the internal benchmark rate.

(vi) Interest rates on fixed rate loans of tenor below 3 years shall not be less than the benchmark rate for similar tenor and shall be as per directions contained in Section 13(d)(v).

7. A new paragraph No. 4(a)(xi) is added to the aforesaid Master Direction as indicated below:

There shall be no lending below the benchmark rate for a particular maturity for all loans linked to that benchmark.

8. The existing paragraph No. 6(a)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed between July 1, 2010 and March 31, 2016 shall be priced with reference to the Base Rate which will be the internal benchmark for such purposes.

9. The existing paragraph No. 6(b)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed w.e.f. April 1, 2016 shall be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purposes subject to the provisions contained in paragraph 7 of this Master Direction.

10. A new paragraph No. 9 (i)(d) is added to the aforesaid Master Direction as indicated below:

The periodicity of the reset under MCLR shall correspond to the tenor/maturity of the MCLR to which the loan is linked.

11. The following part of the sub-paragraphs (a), (b), (c) of para 13 of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be exempted from being linked to Base rate/MCLR as the benchmark for determining interest rate’’

12. The following part of the paragraph 13(d) of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be priced without being linked to Base rate/MCLR as the benchmark for determining interest rate’’

------------------------------