

RBI CIRCULARS & UPDATES

AUGUST 2026

FOR IBPS PO MAINS 2026



1 RBI POSTPONES BASEL III DISCLOSURE FRAMEWORK IMPLEMENTATION TO APRIL 2027



RBI deferred implementation of the revised Basel Pillar III Disclosure Framework by **6 months**. It will now be effective from **1 April 2027**, instead of the earlier proposed date of the quarter ending **30 September 2026**.

Key Highlights



Reason for extension

Banks and stakeholders sought more time to upgrade IT systems, internal reporting mechanisms and validation processes.



Entities covered

Commercial Banks, Small Finance Banks (SFBs) and Payments Banks (PBs).



Aligned with

Expected Credit Loss (ECL) Framework and revised capital charge norms for credit risk under the Standardised Approach (both effective from **1 April 2027**).

Disclosure Timeline

Framework effective from	1 April 2027
First quarterly disclosures (for quarter ending)	30 June 2027
First half-yearly disclosures (from)	30 September 2027
First annual disclosures (for FY ending)	31 March 2028

Key Disclosures

Banks will have to disclose key prudential indicators:

- Common Equity Tier 1 (CET1) Capital
- Total Capital
- Risk-Weighted Assets (RWAs)
- Leverage Ratio
- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR)

Other Requirements

- Maintain a dedicated Regulatory Disclosure Section on official website.
- Archive Pillar III disclosure reports for at least **10 years**.

Exam Key Points

- Effective from: **1 April 2027**
- First quarterly disclosure: **30 June 2027**
- Entities: Commercial Banks, SFBs, PBs
- Key indicators: CET1, RWA, LCR, NSFR
- Archive period: **10 years**



2 RBI DIRECTS BANKS TO STRENGTHEN FAKE CURRENCY DETECTION AT BORDER BRANCHES



RBI instructed banks to strengthen mechanisms for detecting, impounding and reporting **Fake Indian Currency Notes (FICNs)**, especially at branches located in districts along India's international borders.

Key Directions



Authentication Machines

All border branches must be equipped with **Note Authentication/Sorting Machines**.



Examination of Notes

Under the April 2026 Master Direction, all banknotes received by banks must be examined for authenticity through authentication/sorting machines.



Impounding of Counterfeit Notes

Every counterfeit note detected must be **impounded**. It must neither be returned to the person who tendered it nor destroyed by the bank.

Staff Training Deadlines



Employees at branches in international border districts

By **15 September 2026**



All cash-handling staff

By **31 October 2026**



Infrastructure Support



Provide UV lamps and Note Authentication/Sorting Machines at branches and identified back offices.



Role of Forged Note Vigilance (ENV) Cells



- Analyse counterfeit-note data.
- Identify FICN hotspots and emerging trends.
- Undertake awareness, refresher-training and capacity-building programmes.



Exam Key Points

- Focus: Fake Indian Currency Notes (FICNs)
- Applicable at: Branches in international border districts
- Training deadlines: **15 September 2026** (border branches), **31 October 2026** (all cash staff)
- Machine: Note Authentication/Sorting Machines
- Notes must be **impounded**, not returned or destroyed
- FNV Cells: Analyse data, identify hotspots, conduct training



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FOR IBPS PO MAINS 2026



Stable
Secure
Stronger
India

3



RBI ALLOWS DIFFERENTIAL INTEREST RATES ON BULK DEPOSITS LINKED TO LCR RUN-OFF RATES

RBI issued the Reserve Bank of India (Commercial Banks – Interest Rate on Deposits) Second Amendment Directions, 2026, allowing banks to offer differential interest rates on bulk deposits based on their Liquidity Coverage Ratio (LCR) run-off rates.

Key Highlights

	Effective Date	Directions will be effective from 1 October 2026 .
	Deposits Covered	Applicable to Rupee Bulk Deposits and Non-Resident Rupee Bulk Deposits.
	Basis for Pricing	Banks can offer differential interest rates based on LCR run-off rates to reflect liquidity risk and funding stability.
	Uniformity Principle	Deposits of the same amount accepted on the same date must carry the same rate across branches and customers within the same category.
	Rate Disclosure	- Banks must publish applicable deposit rates (including bulk deposit rates) on their websites in advance. - Bulk deposit rates must be displayed every business day by 10:00 AM, with a maximum grace period of 10:10 AM.

Purpose of the Amendment

- To make deposit pricing more market-linked and risk-sensitive.
- To reflect liquidity risk associated with different categories of deposits.
- To improve transparency in deposit rate disclosures.

Exam Key Points

- ✓ Effective from: **1 October 2026**
- ✓ Based on: **LCR run-off rates**
- ✓ Applicable to: Rupee Bulk & Non-Resident Rupee Bulk Deposits
- ✓ Rate display time: **10:00 AM (max 10:10 AM)**
- ✓ Same amount, same date = same rate across branches



**“Transparent Banking.
Stronger Financial System.”**

4

RBI GRANTS PERPETUAL AD-II LICENCES TO NIYO FOREX AND GLOBALPAY



RBI granted perpetual Authorised Dealer Category-II (AD-II) licences to Niyo Forex (operated through Kanji Forex Pvt Ltd) and GlobalPay (WSFx Global Pay Limited) under the updated FEMA 2026 framework.



Niyo Forex
(Kanji Forex Pvt Ltd)

- Granted perpetual AD-II licence.
- Can expand forex operations including **trade remittances** and **family-maintenance remittances**.
- Can expand its branch network subject to applicable RBI rules.
- Perpetual licence eliminates the need for frequent renewals.



GlobalPay
(WSFx Global Pay Limited)

- Granted expanded **perpetual AD-II licence**.
- Can undertake **non-trade current-account** transactions (excluding gifts and donations).
- Can facilitate inward and outward **trade remittances** up to **₹25 lakh**.
- Can appoint forex **correspondent agencies** to expand the reach of its regulated forex services.

About AD-II Licence

- Authorised Dealer Category-II (AD-II) licence permits eligible non-bank entities to conduct specified foreign-exchange and cross-border payment transactions.
- It allows services such as foreign-currency exchange, remittances and other permitted current-account transactions.
- AD-II entities have a narrower scope of permissions compared to AD-I entities, which are typically banks.

Exam Key Points

- ✓ Niyo Forex: Perpetual AD-II licence (Kanji Forex Pvt Ltd)
- ✓ GlobalPay: Expanded perpetual AD-II licence (WSFx Global Pay Limited)
- ✓ GlobalPay trade remittance limit: **₹25 lakh**
- ✓ Permitted: Non-trade current-account transactions (excluding gifts/donations)
- ✓ Can appoint forex correspondent agencies
- ✓ Operates under: Updated FEMA 2026 framework



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RBI MONETARY POLICY

AUGUST 2026

KEY HIGHLIGHTS FOR IBPS PO MAINS 2026

RESERVE BANK OF INDIA



62nd MPC MEETING

- ✓ The 62nd and third bi-monthly Monetary Policy Committee (MPC) meeting of FY2026-27 was held on **3-5 August 2026**.
- ✓ Chaired by RBI Governor **Sanjay Malhotra**.
- ✓ MPC **unanimously** decided to keep the policy rates **unchanged**.



Growth remains resilient, inflation pressures are easing, but uncertainties persist. We remain focused on ensuring price stability while supporting growth.

– **Sanjay Malhotra**
RBI Governor



KEY POLICY RATES (UNCHANGED)

Policy Rate	Rate (%)
Repo Rate	5.25
Standing Deposit Facility (SDF)	5.00
Marginal Standing Facility (MSF)	5.50
Bank Rate	5.50
Monetary Policy Stance	Neutral



GDP GROWTH FORECAST (Real GDP)

FY2026-27

6.7%

(earlier 6.6%)

FY2027-28

(Q1)

7.3%

Quarter-wise Projection (FY2026-27)

Q1

7.0%

Q2

6.4%

Q3

6.5%

Q4

6.8%



INFLATION FORECAST (CPI)

FY2026-27

5.0%

(earlier 5.1%)

FY2027-28

(Q1)

5.3%

Quarter-wise Projection (FY2026-27)

Q2

4.7%

Q3

5.9%

Q4

5.5%



OTHER KEY TAKEAWAYS

- ✓ Core inflation was **3.9%** during May-June 2026.
- ✓ Core inflation (excluding precious metals) around **2.3-2.5%**.
- ✓ Growth supported by strong domestic demand and resilient macroeconomic fundamentals.
- ✓ RBI continues to monitor global uncertainties and geopolitical risks.
- ✓ Focus on maintaining price stability while supporting growth.
- ✓ Next MPC meeting scheduled on **5-7 October 2026**.



EXAM KEY POINTS

- ✓ Repo Rate: **5.25%** (unchanged)
- ✓ SDF: 5.00% | MSF: **5.50%** | Bank Rate: **5.50%**
- ✓ Policy Stance: **Neutral**
- ✓ GDP Growth (FY27): **6.7%** (Q1: 7.0%, Q2: 6.4%, Q3: 6.5%, Q4: 6.8%)
- ✓ CPI Inflation (FY27): **5.0%** (Q2: 4.7%, Q3: 5.9%, Q4: 5.5%)
- ✓ Q1 FY28 GDP: **7.3%**
- ✓ Q1 FY28 Inflation: **5.3%**
- ✓ Core Inflation (May-June 2026): **3.9%**
- ✓ Next MPC Meeting: **5-7 October 2026**
- ✓ MPC Meeting Dates: **3-5 August 2026**
- ✓ RBI Governor: **Sanjay Malhotra** (26th Governor)



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Regulate
Strengthen
Enable Growth



5 RBI IDENTIFIES 17 NBFCs IN UPPER LAYER FOR 2026-27 Under Scale-Based Regulation (SBR)

RBI identified **17 Non-Banking Financial Companies (NBFCs)** as **NBFC-Upper Layer (NBFC-UL)** for **2026-27** under the Scale-Based Regulation (SBR) framework, based on their financial position as of **31 March 2026**.

Key Points

	Criteria	Standalone NBFC with assets of ₹1 lakh crore or more qualifies for Upper Layer.
	SBR Layers	Four layers – Base Layer, Middle Layer, Upper Layer and Top Layer .
	Regulation Period	Once classified as NBFC-UL, an entity remains subject to enhanced regulation for at least 5 years , even if its asset size falls below the threshold.
	Govt.-owned Entities (4)	REC, Power Finance Corporation (PFC), IRFC and HUDCO.
	Continuing Entities	PNB Housing Finance and Sammaan Capital continue to be subject to Upper Layer requirements despite exclusion from the latest list due to the 5-year rule .

List of 17 NBFCs in Upper Layer (2026-27)

No.	NBFC Name	No.	NBFC Name
1	REC	10	Aditya Birla Capital
2	Power Finance Corporation (PFC)	11	HUDCO
3	Indian Railway Finance Corporation (IRFC)	12	Mahindra & Mahindra Financial Services
4	Bajaj Finance	13	L&T Finance
5	Shriram Finance	14	Bajaj Housing Finance
6	LIC Housing Finance	15	HDB Financial Services
7	Tata Capital	16	Piramal Finance
8	Tata Sons	17	(as per RBI list – 17 entities)
9	Muthoot Finance		

Note: List as per RBI August 2026 circular. (17 entities)

Exam Key Points

- ✓ Total NBFCs in Upper Layer: **17**
- ✓ Criterion: Assets $\geq$ **₹1 lakh crore**
- ✓ SBR Layers: Base, Middle, Upper, Top
- ✓ Govt. NBFCs: REC, PFC, IRFC, HUDCO
- ✓ Regulation period: Minimum **5 years**
- ✓ PNB Housing Finance & Sammaan Capital continue under UL



6 RBI PROPOSES RESTRICTIONS ON REVOLVING CREDIT BY NBFCs

Draft NBFC – Credit Facilities Amendment Directions, 2026

RBI released draft directions to strengthen lending practices in the NBFC sector. The draft proposes that NBFCs should generally provide **term loans only** and should not offer **revolving credit facilities**, except for NBFCs specifically authorised by RBI to issue **credit cards**.

Key Proposals

	General Restriction	NBFCs should not provide revolving credit facilities, except those specifically authorised to issue credit cards .
	Term Loan Defined	A fixed-amount credit facility, disbursed in one or more instalments, with a predetermined repayment schedule.
	No Automatic Replenishment	Once a borrower repays part of the loan, the sanctioned limit cannot be automatically restored or replenished.
	Revolving Credit Definition	Any fund-based credit facility that does not meet the prescribed characteristics of a term loan will be treated as revolving credit.
	Objective	To improve credit discipline, lending transparency, consumer protection and prudent lending practices in the NBFC sector.

Why This Move?

- Revolving credit can lead to higher borrower leverage and over-indebtedness.
- Ensures responsible lending and better risk management.
- Brings NBFC lending practices in line with regulatory expectations.
- Strengthens consumer protection and market conduct.

Exam Key Points

- ✓ Draft: NBFC – Credit Facilities Amendment Directions, 2026
- ✓ NBFCs to provide term loans only
- ✓ Revolving credit not allowed (except credit cards)
- ✓ Term loan: fixed amount, predetermined repayment schedule
- ✓ No automatic replenishment of sanctioned limit
- ✓ Aim: credit discipline, transparency, consumer protection



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Collections



7 RBI INTRODUCES NEW LOAN RECOVERY & RECOVERY AGENT FRAMEWORK

Revised Directions on Loan Recovery Practices and Engagement of Recovery Agents

The Reserve Bank of India (RBI) issued revised directions on loan recovery practices and engagement of recovery agents, aiming to ensure fair, transparent and customer-friendly recovery processes. The implementation has been postponed from **1 October 2026** to **1 January 2027**.



Effective Date



The revised framework will be implemented from **1 January 2027** (earlier 1 October 2026).



Entities Covered



Applicable to **Commercial Banks** (excluding Small Finance Banks, Payments Banks, Regional Rural Banks and Local Area Banks).



Recovery Agent Certification

- Recovery agencies can deploy only agents who have completed the prescribed **Debt Recovery Agents training programme** from IIBF or an institution tied up with IIBF.
- Existing agents newly brought under the certification requirement get a **one-year transition period**.



Pre-visit Intimation

- Banks must inform borrowers at least **one day before the first recovery visit**.
- Borrowers must also be notified when a recovery agency is changed or terminated.



Calling Guidelines

- All recovery-related calls must be recorded and preserved for at least **6 months**.
- Recovery agents must contact borrowers only between **8:00 AM and 7:00 PM**, unless otherwise requested by the borrower.



Identification & Conduct

- Recovery agents must properly identify themselves during all interactions.
- They must follow a respectful and professional approach.
- Harassment, undue pressure or unethical practices are strictly prohibited.



No Access to Sensitive Data

Banks and third-party recovery service providers **cannot** access **sensitive** device data such as:

- Contacts
- SMS
- Call logs
- Photographs
- Location history



Restrictions on Financed Devices

- For financed mobile devices, restrictions may begin only after the loan becomes **30 days overdue**, following due notice.
- Full restrictions can be imposed only after **60 days overdue**.
- Restrictions must be proportionate and in accordance with the due process.



Compensation for Wrongful Actions

If a device is wrongfully restricted or not restored within the prescribed time, the bank/third-party provider must pay compensation of **₹250 per hour**, capped at the amount of the loan disbursed.



Borrower Protection

- Ensures fair treatment of borrowers during recovery.
- Strengthens grievance redressal and transparency.
- Aims to prevent misuse of recovery practices.



Objective

- To promote responsible recovery practices.
- To protect borrower rights and ensure transparency.
- To maintain public trust in the financial system.



EXAM KEY POINTS

- Effective from: **1 January 2027**
- Applicable to: Commercial Banks (excl. SFBs, PBs, RRBs, LABs)
- Recovery agent training: **IIBF**
- Pre-visit intimation: **1 day before visit**
- Call recording period: **6 months**
- Calling time: **8:00 AM – 7:00 PM**
- Device restriction: **30 days** (start), **60 days** (full)
- Compensation: **₹250 per hour** (capped at loan amount)
- No access to: Contacts, SMS, call logs, photos, location history
- Existing agents: **1-year** transition period
- Objective: Fair, transparent and customer-friendly recovery

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Recovery
Stronger
Trust**

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Regulate
Stabilise
Grow

8 RBI PROPOSES REVISED CREDIT VALUATION ADJUSTMENT (CVA) FRAMEWORK FOR BANKS

To Make Capital Requirements More Risk-Sensitive

The Reserve Bank of India (RBI) has proposed a revised Credit Valuation Adjustment (CVA) framework for commercial banks. The proposals are based on the latest **Basel Committee on Banking Supervision (BCBS)** standards and aim to replace the existing CVA framework introduced in **2011**.

Key Highlights

	Effective Date	Proposed to be effective from 1 April 2027 .
	Approach	Eligible banks to calculate CVA capital charge using the Basic Approach for CVA (BA-CVA).
	Options Available	Full BA-CVA and Reduced BA-CVA .
	Simplified Approach	Banks with aggregate notional non-centrally cleared derivatives up to ₹10 lakh crore may use a simpler approach.
	Simpler Option	Under this option, the CVA capital charge can be equal to 100% of the Counterparty Credit Risk (CCR) capital charge.
	Objective	To make capital requirements more risk-sensitive and strengthen the resilience of the banking sector.

? What is CVA?

- **Credit Valuation Adjustment (CVA)** is an adjustment to the risk-free value of a derivative contract to account for the possibility of counterparty default.
- It reflects the potential loss arising from deterioration in the creditworthiness of the counterparty.

Exam Key Points

- ✓ CVA framework: Revised (Basel standards)
- ✓ Effective from: **1 April 2027**
- ✓ Approach: Basic Approach for CVA (**BA-CVA**)
- ✓ Threshold for simpler approach: **₹10 lakh crore**
- ✓ Simpler option: **100%** of CCR capital charge
- ✓ Earlier framework: **2011**



“Stronger Risk Assessment
for a Safer Banking System.”

9 RBI GRANTS MUTHOOT FINCORP PERPETUAL AD-II LICENCE

To Expand Forex and Cross-Border Payment Services

The Reserve Bank of India (RBI) has granted a perpetual Authorised Dealer Category-II (AD-II) foreign-exchange licence to **Muthoot FinCorp**. The perpetual licence eliminates the need for periodic renewal, subject to continued compliance with RBI's forex regulations.

Key Highlights

	Licence Type	Perpetual Authorised Dealer Category-II (AD-II) licence.
	Entity	Muthoot FinCorp .
	Permissions	Can provide foreign-currency exchange, multi-currency forex cards and remittances under the Liberalised Remittance Scheme (LRS) .
	Remittances Allowed	Can also facilitate family-maintenance remittances and trade-related remittances .
	Trade Remittance Limit	Under RBI's expanded AD-II framework, can facilitate trade-related remittances up to ₹25 lakh .
	Scope vs AD-I	AD-II entities have a narrower scope of forex permissions compared to AD-I entities, which are typically banks.

i About AD-II Licence

- Authorised Dealer Category-II (AD-II) licence permits eligible non-bank entities to conduct specified foreign-exchange and cross-border payment transactions.
- Covers both current account (specified) and capital account transactions as per RBI guidelines.
- Entities can open additional branches/appoint agents, subject to RBI's approval and compliance.

Exam Key Points

- ✓ Entity: **Muthoot FinCorp**
- ✓ Licence: **Perpetual AD-II**
- ✓ Services: Forex exchange, multi-currency cards, LRS remittances
- ✓ Also allowed: Family-maintenance & trade-related remittances
- ✓ Trade remittance limit: **₹25 lakh**
- ✓ No periodic renewal (perpetual)
- ✓ AD-II scope is narrower than AD-I (banks)



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10

RBI ALLOWS EXCLUSION OF ADVANCES AGAINST FRESH NRI DEPOSITS FROM ANBC FOR PSL CALCULATION

Support to Mobilise FCNR(B) and NRE Deposits

The Reserve Bank of India (RBI) has allowed banks to exclude certain advances backed by eligible fresh FCNR(B) and NRE deposits from Adjusted Net Bank Credit (ANBC) for the purpose of Priority Sector Lending (PSL) calculation.

Key Provisions

	FCNR(B) Deposits	- Eligible advances against fresh FCNR(B) deposits with maturity of 3–5 years. - Deposits must be mobilised between 8 June and 30 September 2026.
	NRE Deposits	- Eligible advances against fresh NRE term deposits with maturity of 3 years or more. - Deposits must be mobilised between 19 June and 30 September 2026.
	Renewed Deposits	Eligible renewed deposits can also be covered, subject to the specified conditions.
	Limit for Exclusion	The amount excluded from ANBC cannot exceed the eligible fresh FCNR(B)/NRE deposits receiving CRR and SLR exemption.

About ANBC and PSL

- Adjusted Net Bank Credit (ANBC) is the base used for calculating the Priority Sector Lending (PSL) targets.
- Commercial banks are generally required to lend **40%** of ANBC to priority sectors.

Objective

- To encourage mobilisation of long-term foreign currency and NRE deposits.
- To provide relief to banks and promote external inflows.

Exam Key Points

- FCNR(B) maturity: **3–5 years**
- NRE maturity: **3 years or more**
- Mobilisation period: **8 June – 30 September 2026** (FCNR(B)) & **19 June – 30 September 2026** (NRE)
- Excluded from: ANBC for PSL calculation
- ANBC = base for PSL (**40%**)
- Subject to CRR and SLR exemption



11

RBI's 101st SURVEY OF PROFESSIONAL FORECASTERS (SPF)

Projects 6.6% GDP Growth for FY27

The Reserve Bank of India (RBI) released its 101st Survey of Professional Forecasters (SPF) conducted in July 2026. The survey shows higher growth expectations for FY27 and FY28, along with stable inflation and manageable current account deficit.

Key Projections

Indicator	FY2026-27 (Projection)	FY2025-26 (Earlier)	FY2027-28 (Projection)	FY2026-27 Key Details
GDP Growth (Real GDP)	6.6%	6.5%	7.0%	Higher by 0.1 percentage point
Retail Inflation (CPI)	5.0%	4.9%	4.5%	Slightly higher than previous survey
Merchandise Export Growth	7.0%	–	–	For FY27
Merchandise Import Growth	9.9%	–	–	For FY27
Current Account Deficit (CAD) of GDP	1.4%	–	1.1%	Manageable level

Other Key Points

- FY28 GDP growth projected at **7.0%** (earlier 6.9%).
- FY27 inflation projected at **5.0%**; FY28 inflation retained at **4.5%**.
- Survey conducted in **July 2026** with inputs from professional forecasters.
- Shows continued optimism about India's growth prospects, supported by strong domestic demand.

Comparison with RBI's MPC Forecast (August 2026)

Indicator	RBI MPC (Aug 2026)	SPF (July 2026)
FY27 GDP Growth	6.7%	6.6%
FY27 CPI Inflation	5.0%	5.0%

Exam Key Points

- 101st Survey of Professional Forecasters
- FY27 GDP growth: **6.6%** (earlier 6.5%)
- FY28 GDP growth: **7.0%**
- FY27 inflation: **5.0%**
- FY28 inflation: **4.5%**
- CAD (FY27): **1.4%** of GDP | (FY28): **1.1%** of GDP
- Exports growth (FY27): **7.0%** | Imports growth: **9.9%**



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12 RBI PROPOSES REVISED LEVERAGE RATIO NORMS

Aligns with Latest Basel Committee Standards

The Reserve Bank of India (RBI) has proposed the Commercial Banks – Prudential Norms on Capital Adequacy (Eleventh Amendment) Directions, 2026, to align leverage ratio regulations with the latest Basel Committee standards.

Key Proposals

	Minimum Leverage Ratio	- D-SIBs: 4% - Other commercial banks: 3.5% - Indian branches of G-SIBs: 3.5% (plus any additional buffer prescribed by the home regulator)
	Applicability	Applies to all commercial banks (as per the proposed directions).
	Reporting	Banks will continue to report Basel III leverage ratios on a standalone and consolidated basis, on a quarterly basis.
	Consequences for G-SIB Branches	If an Indian branch of a G-SIB fails to maintain the required leverage ratio (including additional buffer), RBI may restrict capital distributions, including dividends.
	Effective Date	Proposed to be effective from 1 April 2027 .

What is Leverage Ratio?

- It is a non-risk based measure.
- Measures Tier 1 capital as a percentage of total exposure.
- Ensures banks maintain a minimum level of high-quality capital relative to their overall on-balance sheet and off-balance sheet exposures.

Objective

- To enhance the resilience of banks.
- To align with international (Basel Committee) standards.
- To maintain adequate Tier 1 capital and limit excessive leverage.

Exam Key Points

- ✓ **Regulation:** Prudential Norms on Capital Adequacy (11th Amendment) Directions, 2026
- ✓ **D-SIB leverage ratio:** **4%**
- ✓ **Other commercial banks:** **3.5%**
- ✓ **Indian branches of G-SIBs:** **3.5%** + additional buffer
- ✓ **Reporting:** Quarterly (standalone & consolidated)
- ✓ **Effective from:** **1 April 2027**



13 RBI PROPOSES UNIFIED LOAN PRICING & INTEREST RATE FRAMEWORK

Harmonising Regulations Across Regulated Entities

The Reserve Bank of India (RBI) has proposed a unified framework for loan pricing and interest rate practices across regulated entities to improve transparency, ensure consumer protection and bring consistency, while maintaining proportionality in regulation.

Key Proposals

	Entities Covered	NBFCs, All-India Financial Institutions, Regional Rural Banks (RRBs) and Cooperative Banks.
	Interest Rate Option	These entities may choose to provide floating-rate loans linked to an external benchmark to any category of borrower.
	Small Loans (≤ ₹50,000)	Interest rates should not be usurious. REs must specify a ceiling on the Annual Percentage Rate (APR) for microfinance and small-value loans.
	What is APR?	APR must capture the overall cost of borrowing, including interest, charges and fees.
	Agricultural Loans	For short-term agricultural loans to small and marginal farmers, total interest, charges and fees cannot exceed the principal amount.
	Existing Loans	Existing loans must be migrated through a one-time mapping exercise by 1 April 2029 .
	Conditions for Migration	- No separate migration charge. - Borrower consent is required. - Migration cannot lead to an immediate increase in the prevailing interest rate.

Related Updates

- The proposal does not require NBFCs to adopt the External Benchmark Linked Rate (EBLR) regime.
- RBI also plans to address operational issues associated with both the Marginal Cost of Funds Based Lending Rate (MCLR) and EBLR frameworks.
- It proposes standardising practices related to day-count conventions and benchmark reset dates.
- As per SBI report, 67.6% of bank loans are currently linked to the EBLR regime.
- Evolution of lending rates: PLR → Base Rate → MCLR (2016) → EBLR (2019).

Exam Key Points

- ✓ **Entities:** NBFCs, AIFIs, RRBs, Cooperative Banks
- ✓ **External benchmark:** Allowed for floating-rate loans
- ✓ **Small loans (≤ ₹50,000):** Not usurious, APR ceiling
- ✓ **APR includes:** Interest + charges + fees
- ✓ **Agri loans (short-term):** Total cost ≤ principal amount
- ✓ **Existing loan migration:** By **1 April 2029**
- ✓ **No separate migration charge:** borrower consent needed
- ✓ **67.6% of bank loans linked to EBLR (SBI report)**
- ✓ **Evolution:** PLR → Base Rate → MCLR (2016) → EBLR (2019)



RBI CIRCULARS & UPDATES

AUGUST 2026

FOR IBPS PO MAINS 2026

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14

RBI IMPOSES MONETARY PENALTIES ON FOUR ENTITIES

For Non-Compliance with Regulatory Directions

The Reserve Bank of India (RBI) imposed monetary penalties on four entities for non-compliance with its regulatory directions on various issues.



Details of Penalties

Entity	Penalty Amount	Reason for Penalty
 IndusInd Bank	₹59.20 lakh	Non-compliance with directions on Loans and Advances – Statutory and Other Restrictions.
 Northern Arc Capital Limited	₹6.20 lakh	Non-compliance with directions on Loans and Advances – Statutory and Other Restrictions.
 Fusion Microfinance Limited	₹2.70 lakh	Non-compliance with directions on 'Fair Practices Code for Lenders'.
 Muthoot MCred Limited	₹3.10 lakh	Non-compliance with directions on 'Know Your Customer (KYC)'.



Key Points

- Penalties are imposed under the powers conferred by Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949.
- These are for non-compliance with specific regulatory directions, not for the validity of any transaction or agreement.
- RBI regularly conducts supervisory assessments to ensure compliance and strengthen governance in the financial sector.



Objective

- To ensure adherence to regulatory guidelines.
- To promote fair and transparent lending practices.
- To protect customer interests and maintain stability in the financial system.



Exam Key Points

- IndusInd Bank penalty: **₹59.20 lakh**
- Northern Arc Capital: **₹6.20 lakh**
- Fusion Microfinance: **₹2.70 lakh**
- Muthoot MCred: **₹3.10 lakh**
- Regulating Act: Banking Regulation Act, 1949 (Section 47A)
- Reason: Non-compliance with RBI directions
- Purpose: Strengthen compliance and consumer protection



15

RBI ISSUES UNIFORM INTEREST RATE FRAMEWORK FOR BANKS

To Improve Transparency and Pass on Rate Changes Faster

The Reserve Bank of India (RBI) issued a uniform interest rate framework for banks to bring consistency across loan pricing, improve transparency and ensure faster transmission of policy rate changes to borrowers.



Key Features

	Framework Covers	Both domestic and foreign banks operating in India.
	External Benchmark	Loans to be priced based on an external benchmark such as the Repo Rate or a treasury bill rate .
	Pricing Components	Interest rate = Benchmark Rate + Spread (credit risk, tenor, operating cost, etc.).
	Information Disclosure	Lenders must clearly communicate the benchmark, spread and final interest rate to borrowers.
	Applicability	Applicable to all new floating-rate loans sanctioned from 1 October 2019 onward (and reaffirmed under the updated framework).
	Review & Reset	Reset of the interest rate at least once in 3 months .
	Migration of Existing Loans	Existing MCLR-linked loans to be migrated to the external benchmark framework by 1 April 2029 .



Current Status (As per RBI Data)

- As of June 2026, **67.6%** of total bank loans are linked to the External Benchmark Linked Rate (EBLR).
- Share of MCLR-linked loans has significantly declined.
- The framework enables faster transmission of policy rate changes to borrowers compared to the earlier MCLR regime.



Objectives

- To bring uniformity in loan pricing across banks.
- To ensure greater transparency and comparability.
- To strengthen the transmission of monetary policy.
- To protect the interests of borrowers.



Exam Key Points

- 67.6%** bank loans linked to EBLR (June 2026)
- Existing loans to be migrated by: **1 April 2029**
- Reset frequency: At least once every **3 months**
- Framework applies to: All domestic & foreign banks in India
- Key benefit: Faster policy rate transmission & transparency

RBI CIRCULARS & UPDATES

AUGUST 2026

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16

RBI EXTENDS MATURITY OF FCNR(B) DEPOSITS

More Flexibility for NRI Funds

The Reserve Bank of India (RBI) has extended the maximum maturity period for Foreign Currency **Non-Resident (Bank)** [FCNR(B)] deposits from 5 years to **10 years** to provide greater flexibility to Non-Resident Indians (NRIs) and attract more stable foreign currency inflows.

Key Details

	Previous maximum maturity	5 years
	Revised maximum maturity	10 years
	Eligible currency	All FCNR(B) currencies (USD, GBP, EUR, JPY, AUD, CAD, etc.)
	Objective	To provide greater flexibility to NRIs and attract long-term stable foreign currency inflows.

Exam Key Points

- ✓ FCNR(B) maturity extended to **10 years** (from 5 years)
- ✓ Purpose: Attract stable foreign currency inflows
- ✓ Eligible: All FCNR(B) currencies



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RBI RELEASES HOUSE PRICE INDEX (HPI) FOR 9 MAJOR CITIES

Tracks Residential Property Price Movements

The Reserve Bank of India (RBI) released the House Price Index (HPI) for 9 major cities to track residential property price movements and support data-driven policy decisions.

Key Highlights

	Cities Covered	Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai, Pune and Thiruvananthapuram.
	Base Year	2017-18 = 100
	Property Type	Residential properties (flats/apartments)
	Purpose	To measure price trends in the residential real estate sector and support monetary and financial stability analysis.

Exam Key Points

- ✓ RBI House Price Index (HPI): **9** major cities
- ✓ Base year: **2017-18 = 100**
- ✓ Covers: Residential properties
- ✓ Helps in: Monitoring real estate price trends



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OTHER IMPORTANT RBI UPDATES (AUGUST 2026)

Key Regulatory and Policy Announcements

	Co-Lending Model (CLM)	Revised directions to strengthen governance, risk management and customer protection.
	Digital Lending	Advised Regulated Entities (REs) to ensure transparency in digital lending apps and prevent misuse.
	Financial Frauds	Issued advisory to banks to strengthen systems for early detection, reporting and prevention of financial frauds.
	Card Tokenisation	Reiterated guidelines on card tokenisation to enhance security in digital payments.
	ATM Operations	Revised guidelines to improve ATM availability, uptime and customer service standards.
	KYC/CKYC	Issued instructions to simplify KYC process and promote CKYC for ease of customer onboarding.
	Master Directions Update	Minor amendments in Master Directions on Loans and Advances, Classification, Valuation and Operation of Investment Account.

Additional Highlights

- Strengthened monitoring of unsecured lending and credit card dues.
- Emphasis on customer service and grievance redressal.
- Focus on digitalisation, cybersecurity and fraud risk management.
- Directions align with broader objectives of financial stability and consumer protection.

Exam Revision Summary

- ✓ FCNR(B) maturity: **10 years** (from 5 years)
- ✓ House Price Index: **9 cities**, base year **2017-18 = 100**
- ✓ RBI penalties: **4** entities (Indusind, Northern Arc, Fusion Microfinance, Muthoot Mcred)
- ✓ Uniform interest rate framework for banks
- ✓ Revised CVA framework: Effective **1 April 2027**
- ✓ ANBC exclusion for PSL: FCNR(B) & NRE deposits
- ✓ Revised leverage ratio norms (Basel III)
- ✓ Other updates: Co-lending, digital lending, fraud monitoring, card tokenisation, ATM guidelines, KYC/CKYC, Master Directions

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