

RBI directs Regulated Entities (REs) under Co-Lending Arrangements (CLA) to retain at least 10% of individual loans and maintain borrower-level asset classification for exposures under CLA

The Reserve Bank of India (RBI) vide its **Notification No. RBI/DOR/2025-26/139 DOR.STR.REC.44/13.07.010/2025-26 dated August 06, 2025**, has provided a comprehensive framework of Co-Lending Arrangements (CLA) governing co-lending between regulated entities (REs), including commercial banks (excluding SFBs, RRBs, LABs), All-India Financial Institutions, and NBFCs (including Housing Finance Companies).

Effective from January 1, 2026 (or earlier as per internal policy), the new directions supersede the earlier guidelines focused on priority sector lending; however, these directions shall not apply to loans sanctioned under multiple banking, consortium lending, or syndication. The framework also clarifies that co-lending involves formal agreements between an originating RE and a partner RE to jointly fund loan portfolios with risk and revenue sharing.

The key updates from the guidelines are as follows:

1. Each RE under a CLA shall be required to retain a minimum 10% share of the individual loans in its books, and its credit policy must specify the internal limit for the proportion of its lending portfolio under CLAs and target borrower segments. Additionally, the agreement to be entered into between the CLA partners shall specify the criteria for selection of borrowers, specific product lines and areas of operation, and fees payable for lending services. The loan agreement signed with the borrower shall also make an upfront disclosure regarding the segregation of the roles and responsibilities. The REs engaging in the CLA for loans eligible to be classified under priority sector lending in terms of the Master Directions – RBI (Priority Sector Lending – Targets and Classification) Directions, 2025, can claim priority sector status in respect of their share of credit under CLA.
2. As regards the interest rate, it is directed by the RBI that the fees/ interest on the underlying loans charged to the borrower shall be based on the contractual agreement, subject to the regulatory norms applicable to the REs, and 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 REs, as per their internal lending policies and risk profile of the same or similar borrower. Any change in rates by respective REs under CLA must be communicated to the borrower, and fees payable by the borrower in addition to the blended interest rate shall be incorporated in the computation of the annual percentage rate (APR).
3. As regards operational arrangements, the CLA shall entail an irrevocable commitment on the part of partner RE to take into its books its share of the individual loans as originated by the originating RE, and 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. The originating RE shall also ensure that it transfers the loan under CLA only to the partner RE. If the originating RE fails to transfer the share of the exposure to the partner RE under CLA within 15 calendar days, then the

loan 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).

4. All the transactions 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), which will go through statutory audit in each RE, who 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.
5. The originating RE may provide a default loss guarantee up to 5% of loans outstanding in respect of loans under CLA, and 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 apply to the exposure of the other RE to the borrower under CLA.

Link

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/139MDBC1C6C3662194F5DB74A31255E5134F3.PDF>