

Reserve Bank of India (Small Finance Banks - Undertaking of Financial Services) (Amendment) Directions, 2025

The Reserve Bank of India vide its Notification No. RBI/DOR/2025-26/136 dated December 05, 2025, has revised definitions and guidelines for agency business and referral services, specifying that banks can act as agents for regulated third-party products but cannot handle referral processes directly.

The amendment clarifies that certain financial services, such as mutual funds, insurance, pension fund management, investment advisory, portfolio management, and broking, must be undertaken through a group entity under a Non-Operating Financial Holding Company (NOFHC), not departmentally. The notification also revises equity investment limits for banks, including individual and aggregate investment caps, investment conditions, and reporting requirements.

Further, restrictions on sponsorship of Asset Reconstruction Companies (ARCs) and investment in Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs), and Infrastructure Investment Trusts (InvITs) are outlined, along with timelines for compliance. Additional provisions include professional clearing member eligibility and prudential criteria for derivative markets.

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