

## **RBI fastens the ceiling on the Regulated Entities' contribution to Alternative Investment Funds**

The Reserve Bank of India (RBI) vide its **Notification No. RBI/DOR/2025-26/138 dated July 29, 2025**, has reviewed and revised its existing circulars, which prescribe the regulatory guidelines in respect of investment by the Regulated Entities (REs) such as Commercial Banks, Co-operative Banks, All-India Financial Institutions, and NBFCs, in Alternative Investment Funds (AIFs). Through this revision, the RBI has erected a ceiling on investments and provisioning by directing that from January 01, 2026 onwards:

- i) No RE shall individually contribute more than 10% of the corpus of an AIF Scheme, and collective contribution by all REs in any AIF Scheme shall not be more than 20% of the corpus of that scheme. However, this contribution limit will not apply to outstanding investments or commitments of a RE, if it was made with prior approval from the RBI under the provisions of its Master Direction (Financial Services provided by Banks) 2016.
- ii) If a RE contributes more than five per cent of the corpus of an AIF Scheme, which also has downstream investment (excluding equity instruments) in a debtor company of the RE, then the RE shall be required to make 100% provision to the extent of its proportionate investment in the debtor company through the AIF Scheme, subject to a maximum of the direct loan and/ or investment exposure of the RE to the debtor company.
- iii) If a RE's contribution is in the form of subordinated units, then it shall deduct the entire investment from its capital funds proportionately from both Tier-1 and Tier-2 capital.

Additionally, the Central Bank has emphasized that Circulars concerning investment in AIFs, namely [DOR.STR.REC.58/21.04.048/2023-24 dated December 19, 2023](#), and [DOR.STR.REC.85/21.04.048/2023-24 dated March 27, 2024](#), shall stand repealed from the effective date of the instant directions, and any new commitment by a RE for contribution to an AIF scheme, made after the effective date, shall be governed in terms of the revised Directions.

However, the Regulator made it clear that outstanding investment by a RE, on the date of issuance of these Directions, in an AIF Scheme in which it has fully honoured its commitment, shall be governed by the provisions of the existing circulars.

### **Link**

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/138MD290720253B76DC1ABD824BD890EE6B4FF49C74F9.PDF>