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Reserve Bank of India (Commercial Banks – Credit Facilities) Second Amendment Directions, 2026 – Draft for Comments

Please refer to the [Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025](#) (hereinafter referred to as '**Directions**').

2. On a review, and in exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949 and all other provisions / laws enabling the Reserve Bank of India in this regard, the Reserve Bank of India, being satisfied that it is necessary and expedient in public interest so to do, hereby, issues the Second Amendment Directions hereinafter specified.

3. The Second Amendment Directions modify the Directions as under:

3(1) In paragraph 5 of Chapter II, the following sub-paragraph shall be inserted, namely:

"5(17) Exposures to Real Estate Investment Trusts (REITs)."

3(2) After paragraph 133 of Chapter VIII, the following new Section F, its sub-sections, and paragraphs shall be inserted as under:

"F. Lending to Real Estate Investment Trusts (REITs)

133A.   Banks shall be permitted to lend to REITs which are registered with and regulated by SEBI.

133B.   Overseas branches may lend to REITs constituted overseas if an effective insolvency / bankruptcy mechanism, either statutory or regulatory, is available in the relevant jurisdiction.

133C.   As REITs are trusts, the bank shall be mindful of the legal provisions in respect of these entities especially those regarding enforcement of security. Specifically, the bank shall establish that the borrowing by the trustee is well within the powers allowed under the respective trust deed.

133D.   A bank shall strictly monitor the end use of funds lent to REITs to ensure that this route is not being used to finance activities which are not permitted, such as land acquisition, even where such acquisition forms part of a project.

F1. General Conditions

133E.   A bank shall put in place a Board approved policy on lending to REITs, which shall, *inter alia*, cover appraisal mechanism, sanctioning conditions, underwriting norms, including metrics such as the debt service coverage ratio (DSCR) and their corresponding benchmark levels, internal limits for individual exposures as well as the aggregate portfolio, and monitoring mechanisms, including stipulation of appropriate covenants.

133F.   A bank may lend only to a REIT which satisfies the following conditions:

(i)   REIT is listed;

(ii)   REIT has completed minimum three years of operations, with a positive 'net distributable cash flows' in the preceding two financial years.

(iii)   REIT should not have been subject to any material adverse regulatory action during the previous three years.

(iv)   None of the underlying SPVs under the REIT is facing 'financial difficulty' as defined in the [Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025](#).

133G.   Where bank financing is for the purpose of refinancing of existing term loans of SPVs, it shall be ensured that it is undertaken only in respect of completed projects that have received a Completion Certificate (CC), Occupancy Certificate (OC), or their equivalent.

133H.   Lending to a REIT by a bank shall only be by way of loans not involving bullet or ballooning principal repayments.

F2. Prudential Ceiling on Leverage

133I.   Without prejudice to generality, a bank shall undertake assessment of all critical parameters including sufficiency of cash flows at REIT level to ensure timely debt servicing.

133J.   The aggregate credit exposure of all banks to the borrowing REIT and its underlying SPVs/ holdcos taken together, shall not exceed 49% of the value of the REIT's assets as on March 31st of the previous financial year, or such lower limit as may be decided by the bank's Board based on the credit rating of the REIT or otherwise.

F3. Security Coverage

133K.   Bank finance to REITs shall be fully secured by way of mortgage of identified assets. The financing against a specified property across all banks shall be extended either at the REIT level or at the SPV/holdco level, but not at both levels. Where a facility is extended at the REIT level against a specified property, any existing loan at the SPV or holding company level in respect of such property shall be fully liquidated.

133L.   The bank shall also create a charge over receivables from the underlying properties and / or establish an escrow mechanism to prevent diversion of cash flows."

3(3) In 'Chapter IX – Infrastructure Financing' of the Directions, paragraph 137A shall be substituted with the following paragraph, namely:

"137A. Lending to InvITs:

(1) Banks shall be permitted to lend to InvITs which are registered with and regulated by SEBI.

(2) As InvITs are trusts, the bank shall be mindful of the legal provisions in respect of these entities especially those regarding enforcement of security.

Specifically, the bank shall establish that the borrowing by the trustee is well within the powers allowed under the respective trust deed.

(3) A bank shall strictly monitor the end use of funds lent to InvITs to ensure that this route is not being used to finance activities which are not permitted, such as land acquisition, even where such acquisition forms part of a project.

(4) General Conditions:

(i) A bank shall put in place a Board approved policy on lending to InvITs, which shall, *inter alia*, cover appraisal mechanism, sanctioning conditions, underwriting norms, including metrics such as the debt service coverage ratio (DSCR) and their corresponding benchmark levels, internal limits for individual exposures as well as the aggregate portfolio, and monitoring mechanisms, including stipulation of appropriate covenants.

(ii) A bank shall lend to only those InvITs where none of the underlying SPVs is facing 'financial difficulty' as defined in the [Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Directions, 2025](#).

(iii) Bank finance to InvITs for acquiring equity of other entities shall be subject to the relevant conditions given in Chapter XI – Acquisition Finance.

(iv) Lending to an InvIT by a bank shall only be by way of loans not involving bullet or ballooning principal repayments.

(v) A bank may lend only to an InvIT which satisfies the following conditions:

a) InvIT is listed;

b) InvIT has completed minimum three years of operations, with a positive 'net distributable cash flows' in the preceding two financial years.

c) InvIT should not have been subject to any material adverse regulatory action during the previous three years.

(5) Prudential Ceiling on Leverage:

(i) Without prejudice to generality, a bank shall undertake assessment of all critical parameters including sufficiency of cash flows at InvIT level to ensure timely debt servicing.

(ii) Overall leverage of the borrowing InvIT shall be within the prudential ceiling prescribed by SEBI, or such lower limit as may be decided by the bank's Board.

(iii) The aggregate credit exposure of all banks to the borrowing InvIT and its underlying SPVs/ holdcos taken together, shall not exceed 49% of the value of the InvIT assets, or such lower limit as may be decided by a bank's Board based on the credit rating of the InvIT or otherwise.

(6) Security Coverage

(i) Bank finance to InvITs shall be fully secured by way of a charge on identified assets. The financing against a specified asset across all banks and AIFIs shall be extended either at the InvIT level or at the SPV/holdco level, but not at both levels. Where a facility is extended at the InvIT level against a specified asset, any existing loan at the SPV or holding company level in respect of such asset shall be fully liquidated.

(ii) The bank shall also create a charge over receivables from the underlying assets and / or establish an escrow mechanism to prevent diversion of cash flows."

4. These Directions shall come into force from **July 1, 2026**, or an earlier date when adopted by a bank in entirety.

(Vaibhav Chaturvedi)
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