



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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October 1, 2026

Reserve Bank of India (Local Area Banks - Acquisition and Holding of Shares or Voting Rights) Amendment Directions, 2026

The Reserve Bank had issued the [Reserve Bank of India \(Local Area Banks – Acquisition and Holding of Shares or Voting Rights\) Directions, 2025](#) (hereinafter referred as the ‘Master Direction’), on November 28, 2025, which mandates that any person seeking to make an initial acquisition of major shareholding in a banking company shall obtain prior approval of the Reserve Bank. Further, where such person’s aggregate shareholding, after the initial acquisition of major shareholding, falls below five percent at any point of time, prior approval of the Reserve Bank shall again be required before any subsequent acquisition of major shareholding. While obtaining prior approval shall continue to be mandatory for initial acquisition of major shareholding in a banking company, based on a review, it has now been decided to grant one-time approval for subsequent acquisitions of major shareholding in the same banking company by mutual funds, insurance companies and pension funds, subject to certain requirements.

2. Accordingly, in exercise of the powers conferred by Sections 12, 12B, and 35A of the Banking Regulation Act, 1949, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. These instructions shall be called the Reserve Bank of India (Local Area Banks - Acquisition and Holding of Shares or Voting Rights) Amendment Directions, 2026.

4. These Directions shall come into force with immediate effect.

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5. These Amendment Directions modify the Master Direction as under:

- (1) In Chapter I, Section C (Definitions), para 4, after item (viii) under Definition at sub-para (2), Explanation to item (viii) shall be inserted as under:

“Explanation: Acquisition by a client may not be treated as indirect acquisition by its portfolio manager if all the following conditions are met:

- (a) the client is the registered owner of the shares and is entitled to exercise the voting rights therein;*
- (b) the portfolio manager is acting as an advisor to the client providing only non-binding investment / divestment advice; and*
- (c) voting rights exercised by the portfolio manager in the banking company on behalf of the client, if any, is based on a specific mandate from the client.”*

- (2) In Chapter I, Section C (Definitions), para 4, after Definition at sub-para (6), Definitions (6A) and (6B) shall be inserted as under:

“(6A) ‘qualifying person’ in respect of an investee banking company means a person satisfying all the following conditions:

- (i) the person is a mutual fund registered with the Securities and Exchange Board of India, or a pension fund registered with the Pension Fund Regulatory and Development Authority, or an insurance company registered with the Insurance Regulatory and Development Authority of India; and*
- (ii) the person does not belong to the promoter group of the investee banking company.*

(6B) ‘qualifying person with one-time approval’ in respect of an investee banking company means a qualifying person, which has obtained one-time approval as detailed in paragraph 14 of these directions but does not have major shareholding in the investee banking company at a point of time.”

- (3) In Chapter II - Prior Approval for Acquisition, Paragraph 6(2) shall be amended by addition of “and for qualifying persons seeking one-time approval as mentioned in paragraph 14” after “For acquisition of 10 per cent or more in the banking company”.



- (4) In Chapter II - Prior Approval for Acquisition, Paragraph 14 shall be amended by addition of the following, namely:

“Provided that the Reserve Bank may, at its discretion and based on an application made through [PRAVAAH](#), grant one-time approval to qualifying persons, either individually or collectively, for subsequent acquisitions of major shareholding up to 10 per cent of the paid-up share capital or voting rights of a banking company, subject to the following:

- (1) The concerned banking company shall furnish its comments to the Reserve Bank in Form A1 in the same manner as specified in paragraph 10 above.*
- (2) The one-time approval shall be subject to conditions specified in the approval and all other applicable provisions of these directions.*
- (3) Such one-time approval granted to a qualifying person may be revoked by the Reserve Bank in the event of non-compliance with the terms and conditions of the approval, or if the qualifying person or any person associated with them is subsequently found to be not ‘fit and proper’.*

Explanation (1) The computation of major shareholding limit of up to 10 per cent of the paid-up share capital or voting rights under the one-time approval shall be on an ‘aggregate basis’ as per paragraph 4(2) of these directions.

Explanation (2) Application for such one-time approval can also be made by a bank on behalf of a qualifying person belonging to the promoter group or group of the bank.”

- (5) In Chapter III – Continuous Monitoring Arrangements, Paragraph 17(4) shall be inserted as under:

“17(4) qualifying persons with one-time approval”

- (6) In Chapter III – Continuous Monitoring Arrangements, Paragraph 18 shall be amended by substitution of all the references to “major shareholders / applicants” with “major shareholders / applicants / qualifying persons with one-time approval”.
- (7) In Chapter III – Continuous Monitoring Arrangements, Paragraphs 19 and 20 shall be amended by substitution of the references to “major shareholder” with “major shareholder / qualifying person with one-time approval”.



- (8) In Annex I - Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies, Paragraph 5A shall be inserted as under:

“5A. However, qualifying persons, as defined at paragraph 6A of the directions, can seek one-time approval, either individually or collectively, from the Reserve Bank for subsequent acquisitions of major shareholding up to 10 per cent of the paid-up share capital or voting rights of a banking company as per the following guidelines:

- (1) Qualifying persons are required to make an application, through [PRAVAAH](#), to the Reserve Bank along with the declaration in Form A. Application for such one-time approval can also be made by a bank on behalf of a qualifying person belonging to the promoter group or group of the bank.*
- (2) The one-time approval shall be subject to conditions specified in the approval and all other applicable provisions of these directions.*
- (3) Such one-time approval granted to a qualifying person may be revoked by the Reserve Bank in the event of non-compliance with the terms and conditions of the approval, or if the qualifying person or any person associated with them is subsequently found to be not ‘fit and proper’.*
- (4) The computation of major shareholding limit of up to 10 per cent of the paid-up share capital or voting rights under the one-time approval shall be on an ‘aggregate basis’ as per paragraph 4(2) of the directions.”*

- (9) In Annex I - Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies, Paragraph 9 shall be amended by insertion of “*or qualifying persons with one-time approval, as defined at paragraph 6B of the directions,*” after “*prior approval*”.

- (10) In Annex I - Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies, after para 9, Paragraph 9A shall be inserted as under:

“9A. After the initial acquisition of major shareholding, major shareholders who have obtained one-time approval and qualifying persons with one-time approval shall report decrease or increase of the aggregate holding to below or above five per cent of total paid-up share capital or voting rights of the



banking company, respectively, to the Reserve Bank and the concerned banking company within three working days of such an event.”

- (11) In Form A - Declaration to be submitted by the applicants, after S.No.31 and before S.No.32, the title shall be substituted by the following, namely:

“Additional information to be submitted by the applicants / persons / major shareholders intending to acquire aggregate holding of 10 percent or more in the banking company and by the qualifying persons seeking one-time approval / who have obtained one-time approval”.

(Scenta Joy)

Chief General Manager