All Scheduled Commercial Banks  
(Excluding Regional Rural Banks)  

Dear Sir/Madam,

Large Exposures Framework

Please refer to paragraph 7 (a) of the Statement on Developmental and Regulatory Policies dated August 7, 2019 on ‘Harmonisation of single counterparty exposure limit for banks’ exposures to a single NBFC with general single counterparty exposure limit’ (extract enclosed).

2. In terms of circular DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019 on “Large Exposures Framework (LEF)”, banks' exposures to a single NBFC is restricted to 15 percent of their available eligible capital base, while general single counterparty exposure limit is 20 percent, which can be extended to 25 percent by banks' Boards under exceptional circumstances.

3. It has been decided that a bank’s exposure to a single NBFC (excluding gold loan companies) will be restricted to 20 percent of that bank’s eligible capital base. Bank finance to NBFCs predominantly engaged in lending against gold will continue to be governed by limits prescribed in circular DBOD.BP.BC.No.106/21.04.172/2011-12 dated May 18, 2012.

Yours faithfully,

(Saurav Sinha)  
Chief General Manager-in-Charge
Extract from third Bi-monthly Monetary Policy Statement 2019 - 20 announced on August 7, 2019

It has now been decided to take following further measures to enhance credit flow to the NBFC sector:

7 (a) Harmonisation of single counterparty exposure limit for banks’ exposure to single NBFCs with general single counterparty exposure limit Under the revised guidelines on large exposure framework (LEF) that came into effect from April 1, 2019, a bank’s exposure to a single NBFC is restricted to 15 per cent of its Tier I capital, while for entities in the other sectors the exposure limit is, 20 percent of Tier I capital of the bank, which can be extended to 25 per cent by banks’ Boards under exceptional circumstances. As a step towards harmonisation of the counterparty exposure limit to single NBFC with that of the general limit, it has been decided to raise a bank’s exposure limit to a single NBFC to 20% of Tier-I capital of the bank.

Detailed guidelines on the above measures will be issued by the end of August 2019.