Lex Favios
Advocates & Solicitors

RBI AMENDS CREDIT FACILITIES DIRECTIONS ACROSS BANKS, NBFCS, AIFIS AND UCBS TO CLARIFY PROJECT FINANCING AND POWER TRANSMISSION NORMS

The Reserve Bank of India ("RBI"), through five parallel Amendment Directions dated July 15, 2026, has amended the Credit Facilities Directions applicable to Commercial Banks, Small Finance Banks ("SFBs"), Non-Banking Financial Companies ("NBFCs"), All India Financial Institutions ("AIFIs") and Urban Cooperative Banks ("UCBs"). The amendments clarify the treatment of multi-unit project financing and the right of way requirement for transmission infrastructure linked to electricity generation projects.

ANALYSIS

- The amendments were issued as: the Commercial Banks (Fifth Amendment) Directions, 2026 (RBI/2026-27/181); the Small Finance Banks (Fourth Amendment) Directions, 2026 (RBI/2026-27/182); the NBFC (Second Amendment) Directions, 2026 (RBI/2026-27/183); the AIFI (Second Amendment) Directions, 2026 (RBI/2026-27/184); and the Urban Cooperative Banks (Second Amendment) Directions, 2026 (RBI/2026-27/185) all dated July 15, 2026 and effective immediately.

- Commercial Banks, SFBs and UCBs have been amended in exercise of powers under sections 21 and 35A (and, for UCBs, additionally section 56) of the Banking Regulation Act, 1949; NBFCs under sections 45JA, 45L and 45M of the RBI Act, 1934 read with the National Housing Bank Act, 1987 and the Factoring Regulation Act, 2011; and AIFIs under section 45L of the RBI Act, 1934.

- A new Explanation has been inserted permitting a bank/NBFC/AIFI to, at its discretion, finance independent viable units of a larger project as separate projects with their own financial closure, provided each unit is appraised ex-ante for standalone viability.

- A second new Explanation clarifies that for electricity generation projects where the scope covers both generation and transmission (evacuation infrastructure), the right of way requirement for the transmission component may be determined in accordance with the relevant sub-paragraph (3) of the base Directions.

- The paragraph numbering into which these Explanations are inserted differs across the five sets of Directions, reflecting the differing structure of each base Direction: paragraphs 78 and 80 (Commercial Banks and SFBs), paragraphs 70 and 72 (NBFCs), paragraphs 39 and 41 (AIFIs), and paragraphs 67 and 69 (UCBs).

KEY TAKEAWAYS

- RBI has harmonised project-financing flexibility across every category of credit-facility-granting regulated entity banks, SFBs, NBFCs, AIFIs and UCBs through simultaneous, identically worded amendments.

- Lenders now have explicit discretion to treat independently viable units within a larger project as standalone financings with separate financial closure, subject to ex-ante standalone viability appraisal.

- The clarification on right of way for transmission (evacuation) infrastructure tied to generation projects addresses a recurring bottleneck in appraising integrated power projects.

- All amendments are effective immediately, with no transition period specified.

- The notification is attached here in:

Click Here