

# RBI issues revised draft norms for non-fund-based credit facilities

**The Reserve Bank of India (RBI) on Wednesday issued revised comprehensive draft norms regulating non-funds-based (NFBs) credit limits like letters of credit and guarantees across regulated entities (REs). The revision will also cover rules pertaining to partial credit enhancement (PCE) provided by REs to broaden the funding sources for infrastructure financing.**

The credit policy of the REs should have

provisions to issue NFB facilities that address aspects like limits granted, credit appraisal, controls, fraud prevention, overall monitoring mechanism, RBI said in draft norms released for feedback from stakeholders.

REs will issue a NFB facility only on behalf of a customer having business relationship with it. The customer is availing a funded credit facility or a deposit facility from the RE.

The guarantees and a counter-guarantee issued by an RE (guarantor) should be irrevocable. The contract should not have a clause allowing the guarantor to unilaterally cancel the same.

REs should avoid undue concentration of unsecured guarantees and put in place suitable internal aggregate/individual ceilings for issuance of unsecured guarantees.

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