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# Regulatory Updates

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## **May 06, 2026 : Issuance of Foreign Exchange Management (Authorised Persons) Regulations, 2026**

### **Tags:**

Foreign Exchange Management, Money Changing Activities, Remittance Facilities

### **Summary:**

The Reserve Bank of India (RBI) has issued new Foreign Exchange Management (Authorised Persons) Regulations, 2026, aimed at streamlining the authorization framework for entities involved in foreign exchange services, while also reducing compliance burdens. Key updates include the cessation of new franchisee arrangements for money changing activities and a requirement for existing arrangements to be phased out within two years. This regulation impacts all existing authorized persons, such as Full-Fledged Money Changers (FFMCs) and non-bank Authorized Dealers (ADs) Category II, necessitating specific balance sheet and forex turnover submissions, and supersedes several previous directives.

### **Insights:**

- Authorised persons must discontinue existing franchisee arrangements within two years from May 06, 2026, as per the new regulation on authorised persons.
- FFMCs/non-bank ADs Category-II must submit their annual audited balance sheets to the Reserve Bank's regional office along with net worth and forex turnover certificates by specified deadlines, replacing earlier directives.
- All regulated entities should cease using instructions from previously active circulars, including A.P. (DIR Series) Circular No. 20 (2000) and several others specified, as they are now superseded.
- The Master Direction on Money Changing Activities is amended, eliminating several sections, while reinserting and modifying certain paragraphs to align with updated compliance requirements.
- Entities involved in foreign exchange transactions should adhere to the newly issued Master Direction for clarity on authorised activities and transition from superseded guidelines.

### **Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13445&Mode=0>

## **May 06, 2026 : Foreign Exchange Management (Authorised Persons) Regulations, 2026**

### **Tags:**

Forex Turnover, Net Worth Requirements, Forex Correspondent Scheme

### **Summary:**

The Reserve Bank of India has issued the Foreign Exchange Management (Authorised Persons) Regulations, 2026, aimed at governing the authorization and operations of entities dealing in foreign exchange. Notable updates include segmented authorization under AD Category-I, II, and III, each with specific eligibility criteria and permitted activities, such as the requirement for companies to maintain specific net worth thresholds. Affected stakeholders include banks, NBFCs, and Full-Fledged Money Changers, who must adapt to new authorization processes, turnover requirements, and operational conditions, with provisions for appeal and transition from existing franchise arrangements to Forex Correspondent roles.

### **Insights:**

- All existing Full Fledged Money Changer (FFMC) franchise arrangements must be discontinued within two years from the regulation's enforcement date, and franchisees can be transitioned to Forex Correspondent (FxC) status.
- Entities applying for Authorised Dealer (AD) Categories II and III need to ensure their Memorandum of Association includes foreign exchange-related activities for desired authorizations.
- The Reserve Bank mandates an ongoing 'fit and proper' status for directors and Key Managerial Personnel, requiring entities to report any changes or deviations immediately.
- Non-bank authorised dealers must adhere to 'Managing Risks on Outsourcing' directions provided in Reserve Bank of India guidelines for appointing Forex Correspondents.
- Applications for new FFMC authorizations will not be considered unless under process as of the regulation's effective date and must submit additional information within 30 days.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13444&Mode=0>

## **May 08, 2026 : Reserve Bank of India (Payments Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026**

### **Tags:**

Capital Adequacy, Common Equity Tier 1 (CET1), Quarterly Profits

### **Summary:**

The Reserve Bank of India (RBI) has issued the Second Amendment Directions for Payments Banks pertaining to Prudential Norms on Capital Adequacy, effective immediately as of May 08, 2026. This amendment modifies the calculation of Common Equity Tier 1 (CET1) capital by allowing Payments Banks to include current financial year's quarterly profits under specific conditions, such as audited financial statements and a defined profit formula. Payments Banks are directly impacted by these changes, necessitating compliance with the updated capital adequacy requirements.

### **Insights:**

- Payments Banks must audit or subject their financial statements to limited review quarterly to include quarterly profits in CET1 capital calculation.
- The amendment necessitates the use of the formula  $EPT = NPT - 0.25 * D * t$  for calculating eligible profit (EPT) for CET1, which affects capital adequacy computation.
- Payments Banks need to fully deduct the cumulative net loss up to the quarter end from CET1 capital for accurate capital adequacy reporting.
- The changes modify Paragraph 9(x) of the existing Reserve Bank of India (Payments Banks – Prudential Norms on Capital Adequacy) Directions, 2025, implying that the previous calculation methodology is now obsolete.
- The new directives are effective immediately, requiring Payments Banks to quickly adjust systems and processes for upcoming quarterly reports.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13448&Mode=0>

## **May 08, 2026 : Reserve Bank of India (Small Finance Banks - Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026**

### **Tags:**

Capital Adequacy, CET1 Capital, Quarterly Profits, Prudential Norms

### **Summary:**

The Reserve Bank of India has issued the Reserve Bank of India (Small Finance Banks - Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026, which amends the guidelines for inclusion of quarterly profits in Common Equity Tier 1 (CET1) capital for Small Finance Banks. A key update is the introduction of a formula for calculating eligible profit on a quarterly basis, provided financial statements are audited or subjected to limited review quarterly. These changes directly impact Small Finance Banks by altering their capital adequacy calculation processes.

### **Insights:**

- Small Finance Banks must conduct quarterly audits or limited reviews to include profits in CET1 capital calculations immediately.
- The formula  $E_{Pt} = N_{Pt} - 0.25 * D * t$  must be used to calculate eligible quarterly profits, crucial for CAP adequacy calculations.
- All cumulative net losses up to a quarter must be deducted from CET1 capital, highlighting the importance of loss management.
- This amendment replaces Paragraph 11(x) of the 2025 Master Direction, ensuring stakeholders update compliance policies accordingly.
- Immediate implementation of these directions underscores the need for rapid adaptation by Small Finance Banks to the new norms.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13447&Mode=0>

## **May 08, 2026 : Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Fifth Amendment Directions, 2026**

### **Tags:**

Capital Adequacy, Common Equity Tier 1 (CET1), Quarterly Profits

### **Summary:**

The Reserve Bank of India has issued the Fifth Amendment to the 'Prudential Norms on Capital Adequacy' for commercial banks, effective immediately. This amendment modifies the existing framework by allowing banks to include quarterly profits in the Common Equity Tier 1 (CET1) capital calculation, conditional upon audited or reviewed financial statements and a specific formula that considers net profits and dividends. This regulation impacts commercial banks, requiring them to adjust their capital adequacy calculations as per the new guidelines.

### **Insights:**

- Commercial banks must ensure quarterly audited or limited review of financial statements for accurate CRAR calculation as per the amended guidelines.
- The amendment introduces a formula to calculate eligible quarterly profit, impacting banks' CET1 capital and necessitating updated financial reporting processes.
- Banks are required to adjust their capital adequacy practices to align with the new formula, incorporating average dividends from the last three years into the CRAR calculation.
- These changes are effective immediately, so banks must swiftly integrate these adjustments to ensure compliance with the updated capital adequacy norms.
- This amendment modifies paragraph 12(x) of the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions 2025, requiring a review of current compliance frameworks.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13446&Mode=0>

## **May 13, 2026 : Operating framework for facilitating Outward Remittance services by non-bank entities through Authorized Dealer (Category I) banks in India**

### **Tags:**

Outward Remittance, Non-bank Entities, Cross-border Transactions, Customer Data Privacy

### **Summary:**

The Reserve Bank of India (RBI) has revised its framework for outward remittance services by non-bank entities through Authorized Dealer (Category I) banks, eliminating the need for prior RBI approval for tie-ups, and providing detailed compliance guidelines. Updated requirements include transparency in foreign exchange rates, customer grievance mechanisms, and data handling practices, which now need to be prominently displayed to customers. These changes impact Authorized Dealers, third-party entities providing online remittance platforms, and customers engaging in non-trade current account transactions, ensuring enhanced compliance and consumer protection.

### **Insights:**

- Authorized Dealers must discontinue the process of obtaining RBI approval for third-party tie-ups for outward remittance services, as per para 10 deletion of Master Direction - Miscellaneous dated January 1, 2016.
- ADs are required to prominently display all fee components and FX rates, including interbank and mark-up, to ensure transparency for customers using third-party services.
- The compliance and KYC checks for transactions facilitated through third-party entities must align with A.P. DIR Series Circular No. 16 dated November 28, 2025, as updated.
- Any agreement with third-party entities must include comprehensive clauses addressing data privacy and safety, complying with confidentiality obligations under the DPDP Act.
- ADs must guarantee that remittances via third-party platforms do not pass through or settle in third party accounts in India, ensuring funds' security from insolvency risks.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13449&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Local Area Banks – Financial Statements: Presentation and Disclosures) Third Amendment Directions, 2026**

### **Tags:**

Local Area Banks, Presentation and Disclosures, Revenue Reserves, Non-Performing Investments

### **Summary:**

The Reserve Bank of India (RBI) has issued the third amendment to the Reserve Bank of India (Local Area Banks – Financial Statements: Presentation and Disclosures) Directions, 2025, effective immediately. The amendment clarifies the definition of 'Revenue Reserves' by excluding amounts for asset depreciation or known liabilities, and specifies reporting changes for provisions related to non-performing investments (NPIs). This regulatory update impacts Local Area Banks, necessitating adjustments in their financial statement presentations and disclosures.

### **Insights:**

- Local Area Banks must now distinguish between 'Revenue Reserve' and 'Capital Reserve' as per amended Schedule 2(IV) guidelines and adjust classifications accordingly.
- Financial statements must now include detailed movements for provisions related to non-performing investments (NPIs) using the specified tabular format.
- Entities need to ensure compliance with revised definitions of reserves, excluding retained amounts for known liabilities and depreciation as per the updated notes.
- Effective immediately, amendments in Reserve Bank of India Directions for Local Area Banks impact Schedule 2(IV) and Paragraph 10(3)(vi), requiring operational recalibrations.
- Review the November 28, 2025 guidelines, as they are modified; ensure all future disclosures align with the 2026 Amendment Directions.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13459&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) Sixth Amendment Directions, 2026**

### **Tags:**

Presentation and Disclosures, Revenue Reserves, Non-performing Investments

### **Summary:**

The Reserve Bank of India issued the Sixth Amendment Directions, 2026, to update the guidelines for the presentation and disclosures of financial statements by commercial banks, as previously outlined in 2025. Key changes include a new definition for 'Revenue Reserve' under Schedule 2(IV) and updated protocols for reporting the movement of provisions for non-performing investments (NPIs). These directions impact all commercial banks, requiring them to adjust their financial disclosures in line with the revised definitions and reporting instructions.

### **Insights:**

- Ensure that 'Revenue Reserve' interpretation aligns with the updated definition, excluding any amounts retained for asset depreciation or known liabilities, as per the revised guidelines under Schedule 2(IV).
- Banks must update their financial statement disclosures to reflect the new format for non-performing investments (NPIs) provisions, as detailed in paragraph 10(3)(vi).
- With immediate effect from May 18, 2026, banks are required to adopt the Sixth Amendment Directions into their financial reporting, superseding any previous interpretations from the 2025 Directions.
- Evaluate current financial disclosures related to NPIs to comply with the new directives, highlighting any 'write off' or 'write back' adjustments mandated under the updated paragraph 10(3)(vi).

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13458&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Sixth Amendment Directions, 2026**

### **Tags:**

Capital Adequacy, Commercial Banks, Prudential Norms, Investment Portfolio

### **Summary:**

The Reserve Bank of India's Sixth Amendment Directions, 2026, focuses on revising the Prudential Norms on Capital Adequacy for commercial banks, with amendments deleting Sub-paragraph 21(i)(b) from the previous 2025 directions. These updates are issued under Section 35A of the Banking Regulation Act, 1949, following a reassessment post the Commercial Banks - Investment Portfolio Second Amendment Directions, 2026. The directive affects commercial banks, specifically altering compliance guidelines on capital adequacy standards.

### **Insights:**

- Regulated entities must eliminate any procedures related to Sub-paragraph 21(i)(b) from their capital adequacy compliance protocols as it has been deleted in the 2026 amendment.
- Ensure immediate implementation of the 2026 amendment directives as these changes become effective from the date of issuance, May 18, 2026.
- Review the Reserve Bank of India (Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio) Second Amendment Directions, 2026 for aligned compliance with investment valuation and operation standards.
- Align capital adequacy norms with the revised guidelines from the RBI's 2025 Prudential Norms as specific provisions have now been revoked or amended.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13457&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Regional Rural Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026**

### **Tags:**

Investment Fluctuation Reserve (IFR), Classification, Valuation, Investment Portfolio

### **Summary:**

The Reserve Bank of India (RBI) amends the Reserve Bank of India (Regional Rural Banks - Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025, specifically regarding the Investment Fluctuation Reserve (IFR). The amendment mandates that Regional Rural Banks (RRBs) must create an IFR from realized gains on investment sales, contingent on net profit availability, ensuring the IFR is at least 2% of the HFT and AFS portfolio, to be assessed annually. This regulation impacts all Regional Rural Banks in maintaining investment portfolios and requires adherence to these updated terms effective immediately.

### **Insights:**

- Regional Rural Banks must establish an Investment Fluctuation Reserve (IFR) from realized gains on investment sales until it reaches at least 2% of their HFT and AFS portfolios.
- IFR compliance must be assessed annually and computed based on the book value of HFT and AFS investments as of the balance sheet date.
- This amendment supersedes the previous stipulations outlined in paragraph 104 of the RBI Directions, 2025, requiring immediate adaptation by RRBs.
- RRBs must ensure the availability of net profit when creating IFR to meet the regulatory requirement.
- The amendments are effective immediately from May 18, 2026, requiring RRBs to promptly adjust their operational and accounting practices.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13456&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Urban Co-operative Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026**

### **Tags:**

Investment Fluctuation Reserve, Urban Co-operative Banks, IFR Amendment, Portfolio Valuation

### **Summary:**

The Reserve Bank of India (RBI) has amended the guidelines for Urban Co-operative Banks (UCBs) concerning the maintenance of the Investment Fluctuation Reserve (IFR). The key changes include a mandatory minimum IFR requirement of 5% of the investment portfolio, assessed annually, with UCBs given discretion to increase this percentage with board approval. Additionally, UCBs can utilize the IFR balance in excess of 5% for credit towards profit/loss at the year's end, directly impacting their financial management and investment strategies.

### **Insights:**

- Urban Co-operative Banks (UCBs) must maintain a minimum Investment Fluctuation Reserve (IFR) of 5% of their investment portfolio annually, assessed at the balance sheet date.
- UCBs should compute the IFR requirement based on the book value of investments in HFT and AFS categories by the end of the fiscal year.
- Banks can build a higher IFR percentage with Board approval, allowing for flexibility based on portfolio size and composition.
- Excess IFR beyond 5% may be utilized to offset profit/loss balances as shown in the Profit and Loss Account at the year's close.
- Amendments in the 2026 directions replace certain clauses from the 2025 directions, specifically impacting paragraphs 153.(4) and 154.(1).

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13454&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Local Area Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026**

### **Tags:**

Investment Fluctuation Reserve, Local Area Banks, Prudential Frameworks

### **Summary:**

The Reserve Bank of India (RBI) has issued an amendment to the 2025 Directions regarding the classification, valuation, and operation of investment portfolios for Local Area Banks. Key changes include the discontinuation of the requirement for an Investment Fluctuation Reserve (IFR) as of May 18, 2026, with balances as of May 17, 2026, required to be transferred to statutory reserves, general reserves, or profit and loss accounts. This amendment directly impacts Local Area Banks by altering the handling of their investment portfolios and related reserve requirements.

### **Insights:**

- Local Area Banks must immediately stop maintaining an Investment Fluctuation Reserve (IFR) as this requirement is discontinued from May 18, 2026.
- Any existing balance in the IFR as of May 17, 2026, must be transferred to the Statutory Reserve, General Reserve, or Balance of Profit & Loss Account promptly.
- The guidelines specified in Paragraphs 105 to 107 of the 2025 RBI Directions are now deleted and should no longer be referenced in operational procedures.
- Banks should update their investment portfolio management processes to reflect the changes mandated by the Amendment Directions, 2026.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13453&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Rural Co-operative Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026**

### **Tags:**

Rural Co-operative Banks, Investment Fluctuation Reserve, Investment Portfolio Amendment

### **Summary:**

The Reserve Bank of India (RBI) has amended the Reserve Bank of India (Rural Co-operative Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025, specifically addressing the Investment Fluctuation Reserve (IFR). The key update mandates that Rural Co-operative Banks (RCBs) must now maintain an IFR of at least 5% of their investment portfolio under the Current Category, assessed annually based on the book value as of the balance sheet date. This amendment impacts RCBs, requiring them to adjust their financial practices in maintaining IFR in accordance with the revised guidelines.

### **Insights:**

- Rural Co-operative Banks (RCBs) must ensure that their Investment Fluctuation Reserve (IFR) is at least 5% of their investment portfolio under the Current Category annually.
- The calculation of the minimum IFR requirement should be based on the book value of investments in the Current Category as of the balance sheet date, necessitating accurate valuation processes.
- RCBs need to review compliance with periodic assessments of their IFR against the amended guidelines, replacing the provisions in paragraph 115 of the previous 2025 Directions.
- Regulated entities must update their operational procedures to adhere to the new amendment Directions effective from May 18, 2026, ensuring immediate implementation.
- Entities should cross-reference these amendments with the existing RBI guidelines, particularly the Reserve Bank of India (Rural Co-operative Banks - Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025, for updating compliance frameworks.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13455&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Payments Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026**

### **Tags:**

Investment Fluctuation Reserve, Section 35A Banking Regulation Act, Investment Portfolio Amendment,

### **Summary:**

The Reserve Bank of India (RBI) has issued an amendment to the Directions on Payments Banks' investment portfolios to address operational constraints in maintaining the Investment Fluctuation Reserve (IFR). The regulation mandates banks to allocate gains from investment sales to IFR, ensuring the reserve reaches at least two percent of the AFS and FVTPL portfolio annually, with transfers made from net profits post mandatory appropriations. This update impacts payment banks by adjusting IFR maintenance requirements to stabilize investment valuations.

### **Insights:**

- Payments Banks must annually ensure their Investment Fluctuation Reserve (IFR) meets the minimum requirement of two percent of the AFS and FVTPL portfolio values by transferring from net profit after mandatory appropriations.
- The new guidelines, effective immediately, replace paragraph 112 of the 2025 Directions, requiring attention to updated IFR creation procedures based on realized gains from investments.
- Compliance officers should review operational constraints impacting IFR maintenance and adjust strategies to align with the amended directions under Section 35A of the Banking Regulation Act, 1949.
- Payments Banks need to revise portfolio valuation protocols for the IFR before the balance sheet finalization, addressing constraints noted in previous communications.
- Enhance financial reporting systems to reflect the transition in regulatory requirements as per the Reserve Bank of India's Amendment Directions, 2026, ensuring IFR assessments are integrated into annual audits.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13452&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Small Finance Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026**

### **Tags:**

Investment Fluctuation Reserve, Small Finance Banks, Classification and Valuation, IFR Compliance

### **Summary:**

The Reserve Bank of India (RBI) issued an amendment to the 2025 Directions for Small Finance Banks regarding the classification, valuation, and operation of their investment portfolios, effective immediately. The amendment mandates the creation of an Investment Fluctuation Reserve (IFR) from realized gains on the sale of investments, requiring banks to maintain this reserve at a minimum of two percent of their AFS and FVTPL (including HFT) portfolio annually, ensuring it is funded from net profits after mandatory appropriations. This regulation directly impacts small finance banks, affecting their financial management and reserve maintenance practices.

### **Insights:**

- Small Finance Banks are required to create an Investment Fluctuation Reserve (IFR) from realised gains on investment sales, aligned with paragraph 103 of the 2026 Amendment.
- Banks must ensure the IFR balance reaches a minimum of 2% of the AFS and FVTPL portfolios annually, as assessed on the balance sheet date.
- Transfers to the IFR are mandated to be made from net profit after necessary appropriations, revising the prior guidelines from the 2025 Directions.
- The updated RBI guideline requires immediate operational adjustments to investment portfolios to comply with the new IFR maintenance rule effective from May 18, 2026.
- The amendment under Section 35A of the Banking Regulation Act, 1949, necessitates Small Finance Banks to reassess their investment strategies considering IFR obligations.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13451&Mode=0>

## **May 18, 2026 : Reserve Bank of India (Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio) Second Amendment Directions, 2026**

### **Tags:**

Investment Fluctuation Reserve, Market Risk Framework, Statutory Reserve Transfer

### **Summary:**

The Reserve Bank of India announces the discontinuation of the Investment Fluctuation Reserve (IFR) for commercial banks as per the Second Amendment Directions, 2026, effective May 18, 2026. The IFR balance as of May 17, 2026, is to be reallocated to Statutory Reserve, General Reserve, or the Profit & Loss account, while foreign banks operating in India must transfer their IFR balance to statutory reserves or remittable surplus retained in Indian books. This regulatory change impacts commercial banks and foreign banks operating in India, specifically pertaining to their investment portfolio management.

### **Insights:**

- Investment Fluctuation Reserve is eliminated as of May 18, 2026; banks should transfer IFR balances to statutory or general reserves immediately.
- Banks need to update their systems and processes to reflect the deletion of paragraphs 106 to 108 from the RBI's 2025 Investment Directions.
- Foreign banks operating in India under branch mode must transfer IFR balances to statutory reserves in Indian books as per the new amendment.
- Compliance teams should review the implications of removing IFR requirements on their investment portfolio strategies and adjust accordingly.
- Banks should align with the new guidelines by May 18, 2026, to ensure proper internal reserve management and avoid regulatory discrepancies.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13450&Mode=0>

## **May 22, 2026 : Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Removal of 7 Entries**

### **Tags:**

UNSC Compliance, UAPA Act, ISIL (Da'esh) & Al-Qaida Sanctions, Financial Institutions, De-listing Process

### **Summary:**

The regulation addresses the implementation of Section 51A of the UAPA, 1967, in relation to the removal of seven entries from the UNSC's ISIL (Da'esh) and Al-Qaida Sanctions List, as communicated by the Ministry of External Affairs. Entities such as commercial banks, small finance banks, and non-banking financial companies must ensure compliance with Chapter IX of the RBI's Know Your Customer Directions, 2025, and the updated UAPA Order dated February 02, 2021. The document emphasizes that regulated entities take appropriate actions and stay informed on delisting procedures to ensure adherence to international agreements.

### **Insights:**

- Regulated entities must update their systems to remove the specified individuals from the sanctions list as per the UNSC update on May 21, 2026, ensuring compliance with Section 51A of UAPA, 1967.
- Entities are required to follow the updated procedure in the UAPA Order dated February 02, 2021, amended on April 22, 2024, for handling de-listing requests.
- Intricately comply with Chapter IX of the RBI Directions, 2025, and with the integration of updates from international agencies.
- Forward any de-listing request electronically to Joint Secretary (CTCR), MHA, as per the new cross-reference directive.
- Entities must frequently consult the updated ISIL, Al-Qaida, and Taliban sanctions lists through the provided UN URLs to remain compliant.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13460&Mode=0>

## **May 25, 2026 : Reserve Bank of India (Rural Co-operative Banks - Governance) Amendment Directions, 2026**

### **Tags:**

Rural Co-operative Banks, Director Tenure, Governance Amendment, Cooling-Off Period

### **Summary:**

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Rural Co-operative Banks - Governance) Amendment Directions, 2026, modifying the governance framework for State Co-operative Banks (StCBs) and Central Co-operative Banks (CCBs). The regulation mandates a cooling-off period of three years for directors who have served a continuous tenure of ten years on the board of the same Rural Co-operative Bank (RCB), preventing circumvention of tenure limits by brief resignations. This update affects directors of RCBs, ensuring compliance with statutory provisions and encouraging governance integrity, while allowing them to serve on boards of other banks if eligible.

### **Insights:**

- Rural Co-operative Banks must ensure directors do not exceed a continuous tenure of ten years effective immediately, in compliance with the amended guidelines.
- Post completion of a ten-year tenure, directors must observe a three-year cooling-off period before reappointment to the same bank, necessitating operational adjustments for board succession planning.
- During the cooling-off period, directors can only maintain their role as members or customers, impacting their operational involvement with the same RCB.
- CBs should amend their governance policies to reflect the updated continuous tenure limits and cooling-off requirements, ensuring alignment with the new 2026 guidelines.
- The updated tenure guidelines supersede provisions mentioned in the November 2025 directive, requiring banks to review historical compliance records and align them with the new mandates.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13462&Mode=0>

## **May 25, 2026 : Reserve Bank of India (Urban Co-operative Banks - Governance) Amendment Directions, 2026**

### **Tags:**

Urban Co-operative Banks, Director Tenure, Cooling-off Period, Board Appointment Regulations

### **Summary:**

The Reserve Bank of India (RBI) has issued an amendment to the governance framework for Urban Co-operative Banks (UCBs), specifically addressing the tenure of directors on their Boards. The amendment extends the maximum continuous tenure of directors from eight years to ten years and mandates a minimum cooling-off period of three years before a director can be re-appointed. During the cooling-off period, the director cannot hold any position in the UCB, but may serve on the Board of another bank. This regulation affects UCB directors and aims to prevent circumvention of tenure restrictions.

### **Insights:**

- UCBs must implement a mandatory cooling-off period of three years for directors who have completed a continuous ten-year tenure, effective immediately as per RBI Amendment Directions, 2026.
- UCBs should ensure that any director stepping down to circumvent tenure limits does not count a brief interruption towards the cooling-off period requirement, according to the amended Section 10A(2A)(i) of the Banking Regulation Act, 1949.
- From August 1, 2025, UCBs must update their governance policies to reflect the increased continuous tenure of directors from eight years to ten years, aligning with the Banking Laws (Amendment) Act, 2025.
- UCBs are required to abide by the new clause 7A, ensuring directors post-tenure are not associated with the same bank in any non-member or non-customer capacity during the cooling-off period.
- Operational procedures must be updated by UCBs to ensure directors are appointed to another bank's board post-tenure, aligning with the eligibility criteria outlined in the new RBI directions.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=13461&Mode=0>