

Recent RBI Master Circulars from IA/ CA Perspective

Shashank Patki

Full day Seminar on Cooperatives - 23rd December 2025

Organised by: Internal Audit Standards Board, ICAI jointly with
Committee on Commercial Laws, Economic Advisory & NPO
Cooperative ICAI

Changes

- 244 recently issued 'consolidated' Master Directions
- Around 9446 old master circulars subsumed / repealed. New Repeal mechanism
- Master Directions re-arranged as per type of bank (Entity specific)
E.g. Commercial Banks, Urban Cooperative Banks, Rural Cooperative Banks, Payment Banks etc.



Changing Perspective

- Concurrent Auditor (CA) and/or Internal Auditor (IA) role has been evolving over the years: From **Checker to Change-agent**
- Collaborative role – Non-combative role
- Defense mechanism



1. Credit Risk Management Amendment

RBI/2025-26/146

DOR.CRE.REC.352 /
07-02-005 / 2025-26
December 11, 2025

Comprehensive, standalone Chapter VIIIA - Maintenance of Cash Credit Accounts, Current Accounts and Overdraft Accounts by Banks

- CC accounts can be operated without restrictions but exposure-based eligibility introduced.
 - Aggregate exposure to banking system ₹10 crore or less – No restriction
 - Aggregate exposure to banking system **₹10 crore or more** –
 - Account can be maintained if the bank has either
 - i. A minimum 10 per cent share in banking system's aggregate exposure to the borrower; or
 - ii. A minimum 10 per cent share in banking system's aggregate fund-based exposure to the borrower
- Banks not meeting eligibility criteria may maintain only collection accounts, with strict rules on fund routing and remittance timelines.
- FEMA and other govt. designated accounts are exempted from above

1. Credit Risk Management Amendment

RBI/2025-26/146

DOR.CRE.REC.352/07-02-
005/2025-26
December 11, 2025

- Extensive provisions mandate Regular compliance monitoring, account flagging in CBS.
- Restrictions on unauthorised third-party transactions, and increased discipline in utilisation of funds – Term Loans to be remitted directly to the beneficiary account rather than routing through borrower's account
- The amendments come into force on 1st April 2026, with optional early adoption.

2. Credit Facilities

RBI/DOR/2025-26/277
DOR.CRE.REC.196/07-
01-005/2025-26
November 28, 2025

Loan against Gold and Silver Collateral

- Banks have been permitted to lend against the collateral security of gold jewellery, ornaments and coins for **meeting the short-term financing** needs of borrowers
- **Detailed credit assessment**, including assessment of borrower's repayment capacity:
 - In case the total loan amount is above ₹2.5 lakh to a borrower.
 - In case of Bullet repayment loans, the threshold loan amount for detailed credit assessment shall be the 'total amount payable at maturity'.
- Multiple or frequent sanctions - to the same borrower to be identified as a part of the transaction monitoring under the anti-money laundering (AML) framework
- LTV is defined on the basis of amount of 'consumption' loans
 - Consumption loan: Any permissible loan that does not fit the definition of 'income-generating loan'

2. Credit Facilities

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DOR.CRE.REC.196/07-
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Microfinance

A collateral-free loan given to a household having an annual household income up to ₹3,00,000.

- Methodology for computing household income
- No lien marking for deposit with the bank

Housing Finance/ CRE / Loans to Builders – Contractors

- Specific examples of fraud-prone areas:
 - Valuation – **Incorrectly** value the land – As the discounted value of the property after it is developed, less the cost of development
 - Disbursement of the total amount of loans sanctioned before completion of the building instead of on a phase-wise basis
- Precautions
 - Fraudsters obtain multiple bank finance against the same property by preparing a number of sets of the original documents
 - Fabricated salary certificates of employees of certain PSU for availing higher amounts of loan

3. **DEAF**

RBI/DoR/2025-26/294
DoR.SOG(SPE).REC.No.
213/13-04-001/2025-26
November 28, 2025

DEAF: Disclosure in Notes to Accounts

- A bank shall disclose all unclaimed liabilities (where amount due has been transferred to Fund as also the amounts transferred to Fund in its financial statements and / or under the Notes to Accounts as specified in Reserve Bank of India (Urban Cooperative Banks – Financial Statements: Presentation and Disclosures) Directions, 2025.
- **Audit**
- All entries related to Fund are audited pre and post submission, signed by both authorized signatories and the bank's auditors (internal / concurrent).
 - With respect to interest bearing deposits: On the date of transferring the amount to the Fund, a bank should maintain customer-wise details verified by the concurrent auditors, including payment of up-to-date interest accrued, that has been credited to the deposit account till the date of transfer to the Fund,
 - With respect to non-interest bearing deposits and other credits transferred to the Fund: Customer-wise details, duly audited, shall be maintained with the bank.

3. **DEAF**

RBI/DoR/2025-26/294
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213/13-04-001/2025-26
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- The concurrent auditors shall also verify and certify that, as per the banks' books, the returns have been correctly compiled by the bank in the monthly and yearly returns submitted to RBI.
- The above returns shall also be verified by the statutory auditors at the time of annual audit.

- Preservation of records or documents:
 - Permanently to be maintained: Details of all accounts and transactions that are required to be credited to the Fund
 - For a period of at least five years: Where refund has been claimed from the Fund, to preserve records or documents in respect of such accounts and transactions -- from the date of refund from the Fund.

4.

Miscellaneous

RBI/DoR/2025-26/294
DoR.SOG(SPE).REC.No.
213/13-04-001/2025-26
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- **KYC:**
 - The banks are advised to organize camps and launch intensive campaigns, including special camps, focusing on periodic updation of KYC, especially in rural and semi-urban branches and branches having large pendency in periodic updation of KYC
- A **Mahila bank** shall not enrol male members as 'A' category or nominal members except as nominal members for the purpose of standing as sureties for the borrowers from the bank. In case of other type of organisations, the majority should be women members
- **Donations**
 - Normal donations made during a year by a bank, in aggregate, shall be restricted to a ceiling of one per cent of the published profits of the bank for the previous year.
 - No donation in case of accumulated losses
 - A bank is prohibited from giving donations to trusts and institutions, where directors, and / or their relatives hold positions or are interested, even within the permissible ceiling

4. Miscellaneous

RBI/DoR/2025-26/294
DoR.SOG(SPE).REC.No.
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- **Compulsory Leave**
 - The employees posted in sensitive positions or areas of operation shall be compulsorily sent on leave for a few days (not less than 10 working days) in a single spell every year, without giving any prior intimation to these employees, thereby maintaining an element of surprise. (A list of sensitive positions to be prepared by Board).
- **Regular Audits**
 - Regular audits, at least annually, by either the internal auditors or external auditors of a bank shall assess the **adequacy of the risk management practices** adopted in overseeing and managing the outsourcing arrangement, the bank's compliance with its risk management framework, and the requirements of these Directions.

Shashank
Patki

#7767810349



Thank you