

## RBI REVISES CAPITAL MARKET EXPOSURE NORMS:

### A GAME-CHANGER FOR BANK LENDING IN CAPITAL MARKETS

The Reserve Bank of India, in its press release dated October 01, 2025, announced significant reforms to liberalise bank lending, boost operational flexibility, and strengthen risk management in capital market exposures.

#### **Key Highlights – Review of Capital Market Exposures Guidelines for banks:**

##### **A. Bank Finance for Share Acquisitions**

- **New Framework:** RBI is set to issue a framework that will allow Indian corporates to borrow from banks for the acquisition of shares.
- **Impact:** Previously prohibited, this move opens avenues for strategic acquisitions, market consolidation, and restructuring shareholding patterns.

##### **B. Lending Against Securities – Liberalisation**

- **Expanded Scope:** Banks can lend against a wider range of assets:
  - a. Equity shares
  - b. REITs (Real Estate Investment Trusts)
  - c. InvITs (Infrastructure Investment Trusts)
- **Higher Lending Limits:** Regulatory caps on lending against listed debt securities have been removed.
- **Impact:** Provides banks more flexibility in capital market financing and could increase liquidity in these instruments.

##### **C. Principle-based Framework for Intermediary Financing**

- **Shift in Approach:** RBI is moving from strict, rule-based lending norms to a principle-driven framework.
- **Scope:** Financing of capital market intermediaries, such as brokers and NBFCs involved in capital markets.
- **Impact:** Greater flexibility for banks to structure financing while adhering to broad regulatory principles rather than rigid rules.

**[Note:** Draft guidelines on these frameworks are expected to be issued shortly.]

These reforms open new financing avenues and flexibility for corporates and intermediaries, making strategic advisory, structured financing, and regulatory compliance essential.

The press release dated October 01, 2025 can be accessed [here](#).

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