



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**

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RBI/2026-27/86

DOR.MRG.REC.No.74/00-00-001/2026-27

May 18, 2026

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

Please refer to paragraph 104 of [Reserve Bank of India \(Local Area Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025, dated November 28, 2025](#), on Investment Fluctuation Reserve (IFR). In view of the developments in the prudential frameworks governing market risk and investments for Local Area Banks, there is a need to amend the extant instructions.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (hereinafter called the Act) and all other laws enabling the Reserve Bank in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Local Area Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026.

(ii) These Amendment Directions shall come into effect from the date of issue.

4. The [Reserve Bank of India \(Local Area Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#), are amended as provided below.

(i) Paragraph 104 shall be substituted by the following, namely: -

“104. The requirement of Investment Fluctuation Reserve (IFR) has been discontinued w.e.f. May 18, 2026. The balance in the IFR as on May 17, 2026, shall be transferred ‘below the line’ to Statutory Reserve, General Reserve, or Balance of Profit & Loss Account.”.

(ii) Paragraphs 105 to 107 shall be deleted.

(Sunil T S Nair)  
Chief General Manager



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May 18, 2026

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

Please refer to paragraph 153 of [Reserve Bank of India \(Urban Co-operative Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025, dated November 28, 2025](#), on Investment Fluctuation Reserve (IFR). In view of certain operational constraints being faced by banks in the maintenance of IFR, there is a need to amend the extant instructions.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (hereinafter called the Act), read with Section 56 thereof, and all other laws enabling the Reserve Bank in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026.

(ii) These Amendment Directions shall come into effect from the date of issue.

4. The [Reserve Bank of India \(Urban Co-operative Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#), are amended as provided below.

(i) Paragraph 153.(4) shall be substituted by the following, namely: -

“153.(4) A UCB shall maintain minimum IFR of 5 per cent of the investment portfolio. This minimum requirement shall be assessed annually and shall be computed with reference to the book value of investments in HFT and AFS categories as of the

balance sheet date. A UCB may, at its discretion, build up a higher percentage of IFR depending on the size and composition of its portfolio, with the approval of its Board.”.

(ii) Paragraph 154.(1) shall be substituted by the following, namely: -

“154.(1) A UCB may, at its discretion, draw down the balance available in IFR in excess of 5 per cent of its investment in AFS and HFT for credit to the balance of profit / loss as disclosed in the Profit and Loss Account at the end of any accounting year.”.

(Sunil T S Nair)  
Chief General Manager



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May 18, 2026

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

Please refer to paragraph 115 of [Reserve Bank of India \(Rural Co-operative Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025, dated November 28, 2025](#), on Investment Fluctuation Reserve (IFR). In view of certain operational constraints being faced by banks in the maintenance of IFR, there is a need to amend the extant instructions.

2. Accordingly, in exercise of the powers conferred by Section 35A read with Section 56 of the Banking Regulation Act, 1949 (hereinafter called the Act) and all other laws enabling the Reserve Bank in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Rural Co-operative Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026.

(ii) These Amendment Directions shall come into effect from the date of issue.

4. The [Reserve Bank of India \(Rural Co-operative Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#), are amended as provided below.

(i) Paragraph 115.(1) shall be substituted by the following, namely: -

“115.(1) An RCB shall maintain IFR of not less than 5 per cent of its investment portfolio classified under the Current Category. This minimum requirement shall be assessed annually and shall be computed with reference to the book value of its investments in the Current Category as of the balance sheet date.”.

(Sunil T S Nair)  
Chief General Manager



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May 18, 2026

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

Please refer to paragraph 104 of [Reserve Bank of India \(Regional Rural Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025, dated November 28, 2025](#), on Investment Fluctuation Reserve (IFR). In view of certain operational constraints being faced by banks in the maintenance of IFR, there is a need to amend the extant instructions.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (hereinafter called the Act) and all other laws enabling the Reserve Bank in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Regional Rural Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026.

(ii) These Amendment Directions shall come into effect from the date of issue.

4. The [Reserve Bank of India \(Regional Rural Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#), are amended as provided below.

(i) Paragraph 104 shall be substituted by the following, namely: -

“104. An RRB shall create Investment Fluctuation Reserve (IFR) out of the realised gains on sale of investments, subject to the availability of net profit, until the amount of IFR is at least 2 per cent of the HFT and AFS portfolio. This minimum requirement shall be assessed annually and shall be computed with reference to the book value of investments in AFS and HFT categories as of the balance sheet date.”.

(Sunil T S Nair)  
Chief General Manager



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May 18, 2026

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

Please refer to paragraph 103 of [Reserve Bank of India \(Small Finance Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025, dated November 28, 2025](#), on Investment Fluctuation Reserve (IFR). In view of certain operational constraints being faced by banks in the maintenance of IFR, there is a need to amend the extant instructions.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (hereinafter called the Act) and all other laws enabling the Reserve Bank in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Small Finance Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026.

(ii) These Amendment Directions shall come into effect from the date of issue.

4. The [Reserve Bank of India \(Small Finance Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#), are amended as provided below.

(i) Paragraph 103 shall be substituted by the following, namely: -

“103. A bank shall create an Investment Fluctuation Reserve (IFR) out of the realised gains on sale of investments, subject to the availability of net profit, until the balance in IFR is at least two per cent of the AFS and FVTPL (including HFT) portfolio. This minimum requirement shall be assessed annually based on the AFS and FVTPL

(including HFT) portfolio values as of the balance sheet date. Transfer to IFR shall be made from net profit after mandatory appropriations.”.

(Sunil T S Nair)  
Chief General Manager



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

Please refer to paragraph 112 of [Reserve Bank of India \(Payments Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025, dated November 28, 2025](#), on Investment Fluctuation Reserve (IFR). In view of certain operational constraints being faced by banks in the maintenance of IFR, there is a need to amend the extant instructions.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (hereinafter called the Act) and all other laws enabling the Reserve Bank in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Payments Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026.

(ii) These Amendment Directions shall come into effect from the date of issue.

4. The [Reserve Bank of India \(Payments Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#), are amended as provided below.

(i) Paragraph 112 shall be substituted by the following, namely: -

“112. A bank shall create an Investment Fluctuation Reserve (IFR) out of the realised gains on sale of investments, subject to the availability of net profit, until the balance in IFR is at least two per cent of the AFS and FVTPL (including HFT) portfolio. This minimum requirement shall be assessed annually based on the AFS and FVTPL

(including HFT) portfolio values as of the balance sheet date. Transfer to IFR shall be made from net profit after mandatory appropriations.”.

(Sunil T S Nair)  
Chief General Manager



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

Please refer to paragraph 105 of [Reserve Bank of India \(Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025, dated November 28, 2025](#), on Investment Fluctuation Reserve (IFR). In view of the developments in the prudential frameworks governing market risk and investments for commercial banks, there is a need to amend the extant instructions.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (hereinafter called the Act) and all other laws enabling the Reserve Bank in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. (i) These Directions shall be called the Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio) Second Amendment Directions, 2026.

(ii) These Amendment Directions shall come into effect from the date of issue.

4. The [Reserve Bank of India \(Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#), are amended as provided below.

(i) Paragraph 105 shall be substituted by the following, namely: -

“105. The requirement of Investment Fluctuation Reserve (IFR) has been discontinued w.e.f. May 18, 2026. The balance in the IFR as on May 17, 2026, shall be transferred ‘below the line’ to Statutory Reserve, General Reserve, or Balance of Profit & Loss Account. For a foreign bank operating in India in branch mode, the balance in IFR shall

be transferred directly to 'statutory reserves kept in Indian books' or 'remittable surplus retained in Indian books which is not repatriable so long as the bank functions in India'.

(ii) Paragraphs 106 to 108 shall be deleted.

(Sunil T S Nair)  
Chief General Manager