



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalaivar Kamarajar"

RBI PROPOSES 70% CAP ON FINANCING FOR ACQUISITIONS AND LIMITS ON CME

Published On: 11-11-2025

In October 2025, the Reserve Bank of India (RBI) issued the draft circular on acquisition financing that proposes to allow banks to finance as much as 70% of the acquisition value, provided the rest 30% comes from acquirer.

- The RBI also released a draft circular proposing limits on banks' exposure to capital markets and acquisition finance.

Funding Acquisitions

The draft framework, "RBI (Commercial Banks – Capital Market Exposure CME)) Directions, 2025" has proposed to allow banks to finance corporate acquisitions in India and abroad.

New Norms: Under the proposed framework, banks will be permitted to fund up to 70% of the acquisition value, with the remaining 30% to be contributed by the acquiring company.

- This means if the acquisition cost is Rs 10,000 crore (cr), banks can lend up to Rs 7,000 cr to fund the acquirer.

The RBI proposed that the framework is proposed to be made applicable to all Scheduled Commercial Banks (excluding Small Finance Banks (SFBs), Payment Banks (PBs), Regional Rural Banks(RRBs)) and All India Financial Institutions (AIFIs) with effect from April 1, 2027.

- The RBI proposed the framework, "The Capital Market Exposure Directions, 2025" seeking to redefine how banks engage with capital markets while ensuring prudential risk control. These directions will come into effect from April 1, 2026, or an earlier date when adopted by a bank in entirety.