



June 2026

## Reserve Bank of India permits bank financing for Real Estate Investment Trusts and streamlines lending guidelines for Infrastructure Investment Trusts

On June 10, 2026, the Reserve Bank of India (“**RBI**”) issued the Reserve Bank of India (Commercial Banks – Credit Facilities) Third Amendment Directions, 2026 (“**Third Amendment Directions**”), amending the Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025 (“**Directions**”). The Third Amendment Directions is a landmark development in India’s real estate and infrastructure financing landscape, formally permitting commercial banks to extend loans to Real Estate Investment Trusts (“**REITs**”) for the first time, while simultaneously overhauling the existing framework for bank lending to Infrastructure Investment Trusts (“**InvITs**”). The Third Amendment Directions become effective on October 1, 2026, or any earlier date if adopted by a bank in its entirety.

The Indian REIT market has witnessed substantial growth since its inception, with listed REITs managing significant portfolios of Grade A commercial real estate across the country. However, REITs have thus far been largely dependent on capital market instruments – bonds, debentures, and commercial paper – for their debt financing needs. The Third Amendment Directions seek to bridge this gap by introducing a comprehensive framework for bank lending to REITs, while also prescribing detailed prudential safeguards covering eligibility criteria, leverage ceilings, security coverage requirements, and end-use monitoring.

In parallel, the existing InvIT lending framework, which was previously contained in a single paragraph, has been substantially expanded and revised with enhanced safeguards, greater specificity, and alignment with the new REIT lending provisions.

### Salient features of the Third Amendment Directions

The Third Amendment Directions has introduced a new Section F in Chapter VIII of the Directions and replaced existing paragraph 137A in Chapter IX of the Directions. The salient features of the Third Amendment Directions are set out below:

1. **Core eligibility criteria:** Banks are permitted to lend only to REITs and InvITs which satisfy the following criteria:
  - a) The borrowing InvIT or REIT must be registered with and regulated by the Securities and Exchange Board of India (“**SEBI**”) and listed on recognised stock exchanges.

#### b) **Operational aspects:**

InvIT	REIT
At least 80% of its asset value must be invested in completed, revenue-generating infrastructure projects with a minimum 1 year positive operational cash flow history.	At least 80% of its underlying assets must be generating positive cashflows from operations for a period of not less than 1 year.

- c) Bank financing must not be used by an InvIT or a REIT to fund Special Purpose Vehicles (“SPVs”) that have existing loans from other regulated entities and are facing ‘financial difficulty’.

## 2. Repayment schedules and refinance:

- a) Bullet or ballooning repayment structures for the credit facilities has been prohibited. Repayments must be structured in line with projected cash flows to ensure that a disproportionate amount of principal is not concentrated at the terminal phase of the loan tenure. This restriction does not apply to bank exposures through investment in bonds, debentures, and commercial paper.
- b) Any refinancing of existing credit facilities of SPVs, to be restricted to legacy credit availed towards:
- i) in case of InvITs: projects that have achieved commercial operations; or
  - ii) in case of REITs: projects that have received Completion Certificate (“CC”), Occupancy Certificate (“OC”), or their equivalent.

## 3. Prudential ceilings on leverage and exposure:

- a) The overall leverage limit of REIT or InvIT must remain within the prudential ceiling prescribed by SEBI, or such lower limit as the bank’s board may determine.
- b) The aggregate exposure of all banks to a borrowing REIT or InvIT, including its underlying SPVs and holding companies—is strictly capped at 49% of the gross value of the relevant trust’s assets (determined on a gross basis, without netting cash and cash equivalents).

## 4. Security Coverage and Lender Protection:

- a) The loans must be fully secured by:
- i) mortgage over the underlying immovable property. Further, mortgages over immovable property must be an exclusive first charge, or a first pari passu charge governed by an inter-creditor agreement or similar arrangement, if multiple lenders are involved;
  - ii) assignment of rental cash flows and receivables; and
  - iii) pledge of the trust’s equity interests in the relevant SPV.
- b) Additionally for REITs:
- i) mortgage over the underlying immovable property is mandatory for any financing used by a REIT for acquisition or development of a property, or refinancing debt incurred in connection with such purposes;
  - ii) this security mandate applies on a strict look-through basis, requiring a physical asset mortgage even if the acquisition is structured indirectly through purchasing equity shares in a subsidiary SPV or holding company.
- c) The loan agreements must provide for robust protection of lenders, including:
- i) mandatory escrow arrangements for cash flow ring fencing;
  - ii) restrictions on the borrower and underlying SPVs such as debt-issuance restrictions on the trust/SPVs without existing lender consent; and
  - iii) step-in rights for lenders in case of early termination of the underlying projects.

5. **Acquisition Finance:** Any bank finance utilised by InvITs or REITs to acquire stakes in other entities, including SPVs or holding companies, will be subject to the relevant conditions stipulated under Chapter XI (*Acquisition Finance*) of the Directions. While RBI has provided targeted exemptions, such as waiving net-profit history requirements, non-financial target restrictions etc, to enable these trusts to seamlessly expand their asset portfolios, these relaxations strictly do not apply to direct acquisition financing extended at the SPV or holding company level.
6. **Transitional Provisions:** To ensure non-disruptive implementation, existing loans to InvITs that are not in conformity with the amendments as on the effective date of the Third Amendment Directions are permitted to run off till maturity. However, banks are not permitted to review, renew, or enhance the limits sanctioned prior to the effective date unless such loans comply with the amended framework, even if renewal is provided for in the contract.

## Analysis

The Third Amendment Directions represent a highly calibrated regulatory intervention that balances the expansion of institutional bank credit to listed REITs and InvITs with structural safety nets. For banks, this not only entails fresh lending to yield-generating platforms and scaling up acquisition finance for larger target asset pools but also removes ambiguities around lending to trusts. However, the framework comes with stringent compliance requirements, from board-approved policies and debt-service coverage ratio benchmarks to mandatory security coverage and end-use monitoring. Banks will need to invest in building specialised capabilities for underwriting and monitoring REIT and InvIT exposures, including developing appropriate valuation frameworks and covenant monitoring systems. The absolute ban on bullet or ballooning repayments for direct loans forces a transition to strict, cash-flow-matched amortisation schedules.

Further, the 49% aggregate bank exposure cap creates a regulatory inconsistency with SEBI's guidelines. While SEBI permits high performing InvITs to leverage up to 70% with unitholder approval, the RBI has firmly capped bank exposure across the entire trust ecosystem at 49% of gross assets. This ensures that any incremental, high-leverage financing must be sourced through other channels.

On the acquisition front, the framework significantly cuts corporate red tape by exempting REITs and InvITs from traditional acquisition rules but ensures that any direct financing at the individual SPV or holding company level remains tied to baseline acquisition finance caps.

Note that while the amendment harmonises the regulatory architecture for trust-based investment vehicles, it preserves infrastructure-specific carve-outs for InvITs, that reflect the distinct risk profile of the asset classes. The enhanced InvIT framework places additional emphasis on valuation methodology scrutiny and early termination risk mitigation, insulating bank capital from the unique contractual and concession-based volatilities inherent to infrastructure development.

Creation of pledges need to be created in compliance with the requirements of the Banking Regulation Act, 1949. Further, contractual arrangements for ensuring step-in rights for InvIT lenders as indirect lenders to project companies may need recognition from concessioning authorities like the National Highway Authority of India.

Reference to financing availed by REITs from overseas branches of Indian banks as part of syndication arrangements should be duly clarified, as its implications can be wide- ranging.

## Conclusion

The new framework is unequivocally positive for REITs, providing access to a critical funding channel that can complement existing capital market instruments and support portfolio growth, acquisition strategies, and refinancing of existing SPV-level debt. For InvITs, the revised framework brings enhanced clarity and more prescriptive safeguards, while the transitional provisions for existing non-conforming loans provide a reasonable glide path for

adjustment. However, the eligibility conditions, particularly the listing requirement and the 80% positive cashflow threshold may limit the pool of eligible borrowers in the near term since newly formed trusts or highly greenfield-dependent portfolios may be effectively locked out of bank credit.

Lenders on the other hand would be well-advised to begin formulating appropriate board-approved policies and internal exposure limits and devise compliance tracking and monitoring mechanisms well in advance of the October 1, 2026 effective date.

## Finance Practice

JSA has a widely recognised market leading banking & finance practice in India. Our practice is partner led and is committed to providing quality professional service combining domain knowledge with a constructive, consistent, comprehensive and commercial approach to issues. Clients trust our banking lawyers to take a practical and business-oriented approach to achieving their objectives. Our lawyers have a clear understanding of the expectations and requirements of both sides to a financing transaction and provide tailored advice to each client's needs. The practice is especially praised for its accessibility and responsiveness and its ability to work well with international firms and clients. We represent a variety of clients including domestic and global banks, non-banking finance companies, institutional lenders, multi-lateral, developmental finance and export credit institutions, asset managers, funds, arrangers and corporate borrowers in different sectors on a wide range of financing transactions.

Our full spectrum of services includes advising clients on corporate debt transactions (including term and working capital debt), acquisition finance, structured finance, project finance, asset finance, real estate finance, trade finance, securitisation, debt capital markets and restructuring and insolvency assignments.

Our practice has been consistently ranked in the top-tier for several years, and several of our partners are regarded highly, by international publications such as Chambers and Partners, IFLR, Asia Law, Legal 500, Asia Legal Business, IBLJ and Leaders League.

**This Prism has been prepared by:**



**Soumitra Majumdar**  
Partner



**Aradhana Dey**  
Principal Associate



19 Practices and  
40 Ranked Lawyers



8 Ranked Practices,  
22 Ranked Lawyers



15 Practices and  
20 Ranked Lawyers



13 Practices and  
49 Ranked Lawyers



20 Practices and  
24 Ranked Lawyers



8 Practices and  
15 Ranked Lawyers  
Highly Recommended in 5 Cities



**Regional Legal Expertise Awards  
(APAC) of the Year**  
Energy Firm Competition/  
Antitrust Firm



Among Best Overall  
Law Firms in India and  
14 Ranked Practices

9 winning Deals in  
IBLJ Deals of the Year

15 A List Lawyers in  
IBLJ A-List – 2026



Recognised in World's 100 best  
competition practices of 2026



Ranked Among Top 5 Law Firms in  
India for ESG Practice



Asia M&A Ranking  
2025 – Tier 1

For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

[www.jsalaw.com](http://www.jsalaw.com)



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this Prism disclaim all and any liability to any person who takes any decision based on this publication.

Copyright © 2026 JSA | all rights reserved