

“GUIDANCE ON REGULATORY PRINCIPLES FOR MODEL RISK MANAGEMENT”: DRAFT RELEASED BY RBI

On **24 June 2026**, the Reserve Bank of India (RBI) issued a **draft “Guidance on Regulatory Principles for Model Risk Management”** for public consultation. The guidance aims to establish a comprehensive framework for managing risks arising from the use of models across financial institutions.

OBJECTIVE:

- Financial institutions are increasingly relying on models for business decisions, risk assessment, operations, and regulatory compliance.
- Use of **Artificial Intelligence (AI)** and **Machine Learning (ML)** models has expanded significantly.
- Weak governance, inadequate validation, or poor oversight of models can create:
 - ♦ Financial risks
 - ♦ Operational risks
 - ♦ Compliance risks
 - ♦ Reputational risks

PURPOSE:

The draft guidance seeks to:

- Establish regulatory expectations for **model risk management (MRM)**.
- Cover the **entire model lifecycle**, including development, implementation, validation, monitoring, and retirement.
- Apply to **all models**, including:
 - ♦ Traditional statistical models
 - ♦ AI/ML-based models
 - ♦ Third-party/vendor models

COVERAGE:

The guidance is proposed to apply to the following RBI-regulated entities:

1. Commercial Banks
2. Small Finance Banks
3. Payments Banks
4. Local Area Banks
5. Regional Rural Banks
6. Urban Co-operative Banks
7. Rural Co-operative Banks

8. All India Financial Institutions
9. Non-Banking Financial Companies (NBFCs)
10. Asset Reconstruction Companies (ARCs)
11. Credit Information Companies (CICs)

BASIS:

The guidance builds upon:

- RBI’s draft **“Regulatory Principles for Management of Model Risks in Credit”** issued on **5 August 2024**.
- Recommendations of the **Committee on Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI)** published on **13 August 2025**.

The draft guidance represents RBI’s move from a **credit-model-focused approach** to a **broader enterprise-wide model risk management framework**. It signals greater regulatory emphasis on governance, validation, monitoring, and accountability for all models—including AI/ML models—used by banks, NBFCs, and other financial institutions.

[RBI-issued-the-Draft-Guidance-on-Regulatory-Principles-for-Model-Risk-Management-Jun242026.pdf](#)

INDIAAI MISSION STRENGTHENS CITIZEN TRUST THROUGH SECURE, FAIR AND RESPONSIBLE AI SOLUTIONS

IndiaAI Mission: India’s AI policy is based on Prime Minister’s vision of democratizing technology. It is aimed at creating economic opportunities and employment for youth, while addressing risks associated with AI.

Accordingly, the Government approved the IndiaAI Mission in March 2024 with an outlay of ₹10,371 crore over five years to build a comprehensive AI ecosystem in the country.

The Mission comprises seven pillars viz. IndiaAI Compute, Foundation Models, AIKosh, IndiaAI Application Development Initiative, FutureSkills, Startup Financing, and Safe & Trusted AI.

Progress under IndiaAI mission till date:

AI models: Government of India is supporting Indian startups and institutions to develop large language models. 20 indigenous sovereign model proposals have been identified for support, comprising 12 LLMs and 8 SLMs. Notable successes so far include:

- Sarvam AI’s Sarvam 30 billion parameter and 105 billion parameter models
- Gnani.AI’s speech-to-speech model
- BharatGen’s multilingual foundation models
- Avataar AI’s video generation model

Domain-specific SLMs, including specialized models and AI frameworks addressing healthcare, language technologies and agentic AI systems are at various stages of development and deployment.

Affordable compute:

- Compute service providers empanelled: 15
- Number of projects supported: 237
- GPU hours sanctioned: 93 lakh GPU hours

Application Development:

- 12 National-level Hackathons/Innovation Challenges launched
- Supported the development of 62 AI prototypes and 20 AI solutions deployment

Talent development:

- 686 fellowships have been awarded across undergraduate, postgraduate and doctoral programmes in 178 institutions.
- YUVA AI for All programme has been completed by over 26 lakh individuals.

IndiaAI labs:

- 27 India Data and AI Labs have been established, which has supported training for more than 2500 students
- Work ongoing on additional 188 labs

AI Centres of Excellence:

58 Artificial Intelligence Centres of Excellence (AI-CoEs) being established across States and Union Territories in collaboration with the respective State/UT Governments and industry partners.

Safe & Trusted AI pillar:

At the same time, the Government is also cognizant of the risks associated with AI. The Safe & Trusted AI pillar of the IndiaAI Mission aims to promote the responsible development, deployment and adoption of AI through indigenous governance frameworks, standards, tools and evaluation mechanisms.

13 Responsible AI projects have been approved in educational institutions across the country. These include topics such as bias mitigation, machine unlearning, privacy-preserving AI, explainability, deepfake detection and AI risk assessment.

Key initiatives include:

- Saakshya, multi-agent framework developed by IIT Jodhpur & IIT Madras for deep fake detection
- AI Vishleshak for improving Audio-Visual forgery detection system
- IIT Kharagpur's project on Real-Time Voice Deepfake Detection System

GOOGLE RELEASES EARTH AI DATASET TO MAP HIDDEN NATURE ASSETS ACROSS UK FARMLAND

Google has released a new Earth AI dataset designed to make overlooked natural features across UK farmland visible, measurable, and usable for climate and biodiversity planning.

The vectorized dataset converts high-resolution ecological maps into an actionable inventory of hedgerows, stone walls, copses, and other fine-scale landscape features. These features often sit between fields, beside boundaries, or across working farms.

The release builds on Farmscapes 2020, the first large-scale, high-resolution map of overlooked woody features across England. Google developed that project with the Leverhulme Centre for Nature Recovery at the University of Oxford.

The latest dataset moves the work beyond pixels. It gives landowners, conservation groups, policymakers, and researchers more precise vector data. That matters for project design, carbon accounting, biodiversity monitoring, and nature restoration.

Google Releases Earth AI Dataset to Map Hidden Nature Assets Across UK Farmland - ESG News

META EXITS RE100 AS GAS POWERS DATA CENTER GROWTH

Meta has withdrawn from the RE100 renewable electricity initiative as its accelerating data center expansion drives new investment in natural gas generation.

The move removes one of the world's largest technology companies from a corporate coalition built around sourcing electricity from renewable power. It also raises a broader question for the technology sector. Rapid growth in artificial intelligence and cloud infrastructure is increasing electricity demand faster than many grids can add clean generation.

Meta Exits RE100 as Gas Powers Data Center Growth - ESG News

AI TERMINOLOGY

1. **Retrieval-Augmented Generation (RAG):** Letting the AI read private company files to give exact, correct answers.
2. **Agentic Process Automation (APA):** It involves AI systems making decisions and performing tasks independently through enterprise agents. Think of it as the next level up from robotic process automation (RPA).
3. **Cognitive Computing:** Cognitive computing is a type of AI, and it's similar to AI where it simulates human intelligence.
4. **Agentic commerce:** It refers to a new era of digital interaction where AI agents independently research, plan, and complete purchases on behalf of users. Instead of customers manually searching and comparing options across various sources before they buy, AI agents handle the entire process.