

Scale Based Regulations (SBR) for NBFC

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Introduction

The Reserve Bank of India (RBI) has undertaken a major regulatory reform by consolidating and reorganising its extensive body of circulars, guidelines, and directions issued over several decades. With the financial sector expanding and regulatory instructions accumulating across multiple entities and functions, compliance had become increasingly complex for Regulated Entities (REs).

To streamline this framework, RBI has consolidated more than **9,000** existing instructions into **238 function-wise Master Directions** covering **11 categories of regulated entities**, including Banks, NBFCs, AIFs, ARCs, CICs, and Co-operative Banks. This initiative aims to enhance clarity, improve accessibility, and significantly reduce compliance burden, thereby supporting ease of doing business.

The RBI vide **Press Release dated November 28, 2025**, has issued **244 Master Directions, including 34 relating to NBFCs**, serving as the single, comprehensive repository of regulations administered by the Department of Regulation and withdrawn **9,445 circulars** as part of this consolidation.

List of Master Directions as applicable to NBFCs

The Master Directions, that are applicable to the Non-Banking Financial Companies (NBFC) are as under:

1. Reserve Bank of India (Non-Banking Financial Companies – Acceptance of Public Deposits) Directions, 2025.
2. Reserve Bank of India (Non-Banking Financial Companies - Account Aggregator) Directions, 2025.
3. Reserve Bank of India (Non-Banking Financial Companies – Acquisition of Shareholding or Control) Directions, 2025.
4. Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025.
5. Reserve Bank of India (Non-Banking Financial Companies – Branch Authorisation) Directions, 2025.
6. Reserve Bank of India (Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025.
7. Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Directions, 2025.

List of Master Directions applicable to NBFCs

8. Reserve Bank of India (Non-Banking Financial Companies – Credit Cards: Issuance and Conduct) Directions, 2025.
9. Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025.
10. Reserve Bank of India (Non-Banking Financial Companies – Credit Information Reporting) Directions, 2025.
11. Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025.
12. Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.
13. Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025.
14. Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025.
15. Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025.

List of Master Directions as applicable to NBFCs

16. Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025.
17. Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025.
18. Reserve Bank of India (Non-Banking Financial Companies – Peer to Peer Lending Platform) Directions, 2025.
19. Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.
20. Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025.
21. Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.
22. Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025.

List of Master Directions as applicable to NBFCs

23. Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025.
24. Reserve Bank of India (Non-Banking Financial Companies – Securitisation Transactions) Directions, 2025.
25. Reserve Bank of India (Non-Banking Financial Companies – Transfer and Distribution of Credit Risk) Directions, 2025.
26. Reserve Bank of India (Non-Banking Financial Companies – Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025.
27. Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Directions, 2025.
28. Reserve Bank of India (Non-Banking Financial Companies – Voluntary Amalgamation) Directions, 2025.
29. Reserve Bank of India (Core Investment Companies) Directions, 2025.
30. Reserve Bank of India (Housing Finance Companies) Directions, 2025.

List of Master Directions as applicable to NBFCs

31. Reserve Bank of India (Mortgage Guarantee Companies) Directions, 2025.
32. Reserve Bank of India (Non-Banking Financial Companies – Microfinance Institution) Directions, 2025.
33. Reserve Bank of India (Non-Operative Financial Holding Companies) Directions, 2025.
34. Reserve Bank of India (Standalone Primary Dealers) Directions, 2025.

Non-Applicability of Master Directions

The following Master Directions shall not be applicable to NBFC-ICC in the Base Layer:

- ✓ Reserve Bank of India (Non-Banking Financial Companies - Account Aggregator) Directions, 2025.
- ✓ Reserve Bank of India (Non-Banking Financial Companies – Peer to Peer Lending Platform) Directions, 2025.
- ✓ Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.
- ✓ Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025.
- ✓ Reserve Bank of India (Core Investment Companies) Directions, 2025.
- ✓ Reserve Bank of India (Housing Finance Companies) Directions, 2025.
- ✓ Reserve Bank of India (Mortgage Guarantee Companies) Directions, 2025.
- ✓ Reserve Bank of India (Non-Banking Financial Companies – Microfinance Institution) Directions, 2025.
- ✓ Reserve Bank of India (Non-Operative Financial Holding Companies) Directions, 2025.
- ✓ Reserve Bank of India (Standalone Primary Dealers) Directions, 2025.

Non-Applicability of Master Directions

- ✓ Reserve Bank of India (Non-Banking Financial Companies – Securitisation Transactions) Directions, 2025.
- ✓ Reserve Bank of India (Non-Banking Financial Companies – Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025.
- ✓ Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025.

Note: The Master Direction – Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2016 has been repealed by the RBI vide Press Release dated November 28, 2025, however no new directions have been issued in its place.

DIRECTIONS APPLICABLE TO NBFC - BASE LAYER

(AVAILING PUBLIC FUNDS AND HAVING
CUSTOMER INTERFACE)

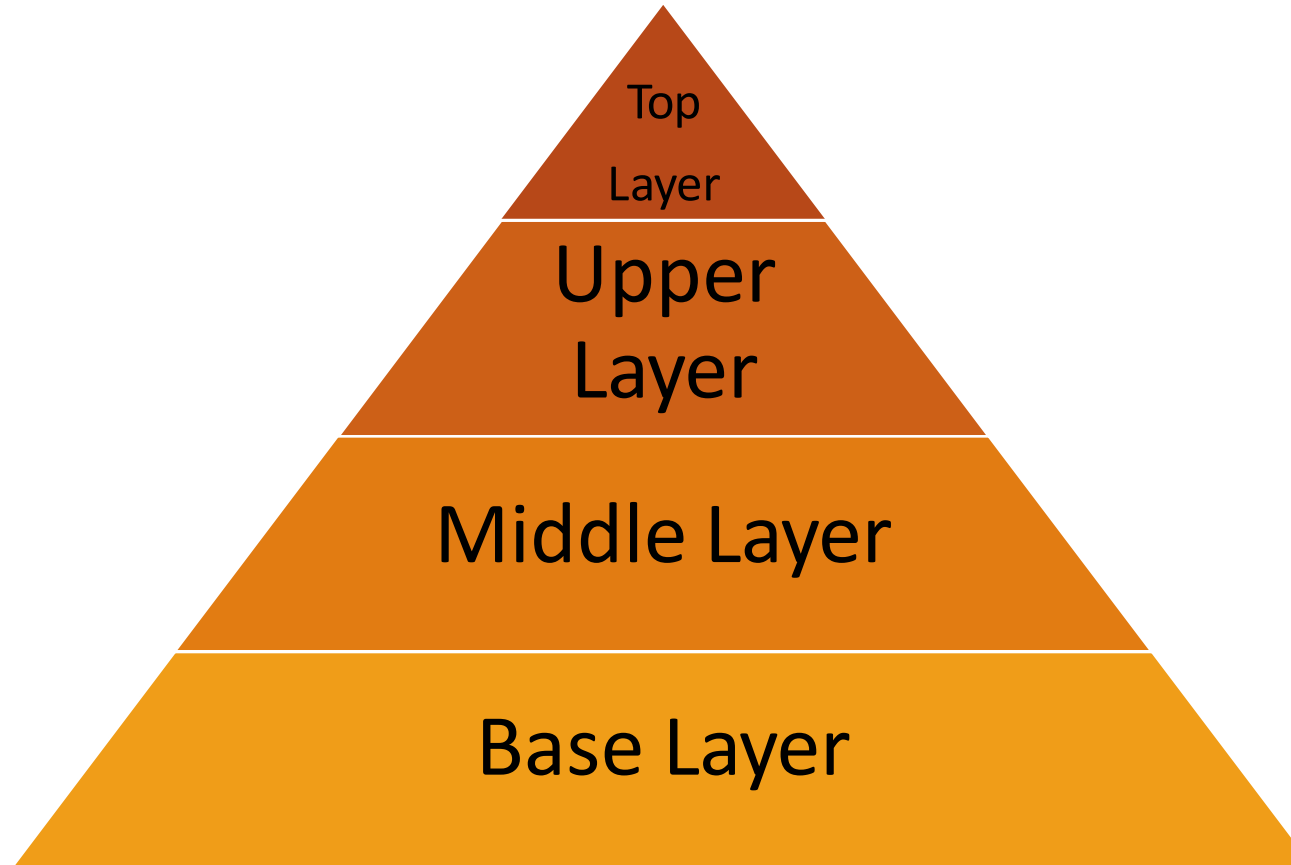
Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Definitions

- ❑ **‘Companies in the group’** means an arrangement involving two or more entities related to each other through any of the following relationships: Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter – Promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), common brand name, and investment in equity shares of 20 percent and above.
- ❑ **‘Customer Interface’** means interaction between the NBFC and its customers while carrying on its business.
- ❑ **‘NBFC-Investment and Credit Companies (NBFC-ICC)’** means any company which is a financial institution carrying on as its principal business - asset finance, the providing of finance whether by making loans or advances or otherwise for any activity other than its own and the acquisition of securities; and is not any other category of NBFCs as defined by the Reserve Bank in any of its Master Directions.
- ❑ **‘Public Funds’** includes funds raised either directly or indirectly through public deposits, inter-corporate deposits, bank finance and all funds received from outside sources such as funds raised by issue of Commercial Papers, debentures etc. but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding five years from the date of issue.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Categorization of NBFCs



Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Categorization of NBFCs

❑ Base Layer:

The Base Layer shall comprise of :

- Non-deposit taking NBFCs below the asset size of ₹1,000 crores;
- NBFC-Peer to Peer Lending Platform (NBFC-P2P);
- NBFC-Account Aggregator (NBFC-AA);
- Non-Operative Financial Holding Company (NOFHC); and
- NBFCs not availing public funds and not having any customer interface.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Categorization of NBFCs

❑ Middle Layer:

The Middle Layer shall consist of:

- All deposit taking NBFCs (NBFC-Ds), irrespective of asset size;
- Non-deposit taking NBFCs with asset size of ₹1,000 crores and above;
- Standalone Primary Dealers (SPDs);
- Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs);
- Core Investment Companies (CICs);
- Housing Finance Companies (HFCs); and
- Non-Banking Financial Company – Infrastructure Finance Companies (NBFC-IFCs).

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Categorization of NBFCs

Upper Layer:

The Upper Layer shall comprise of those NBFCs which are specifically identified by the Reserve Bank as warranting enhanced regulatory requirement based on the set of parameters and scoring methodology as provided in paragraphs 24 to 26 of these Directions.

Top Layer

The Top Layer will ideally remain empty. This layer can get populated if the Reserve Bank is of the opinion that there is a substantial increase in the potential systemic risk from specific NBFCs in the Upper Layer. Such NBFCs shall move to the Top Layer from the Upper Layer.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Categorization of NBFCs

It is hereby clarified that:

- NBFC-P2P, NBFC-AA, NOFHC and NBFC not availing public funds and not having any customer interface will always remain in the Base Layer of the regulatory structure.
- NBFC-D, CIC, NBFC-IFC and HFC will be included in the Middle or the Upper Layer and not in the Base Layer.
- SPD and IDF-NBFC will always remain in the Middle Layer of the regulatory structure.
- NBFC-ICCs, NBFC-MFIs and MGCs can be placed in any of the layers depending on the parameters of the Directions.
- Government owned NBFCs shall be placed in the Base or the Middle Layer.
- From October 01, 2022, all references to NBFC-ND (i.e., non-systemically important non-deposit taking NBFC) shall mean NBFC-BL, as the case may be.
- Existing NBFC – ND – SIs having asset size of Rs. 500 crore and above but below Rs. 1,000 crore (except that necessarily featuring in ML) will be in base layer.
- From October 01, 2022, all references to NBFC-D (i.e., deposit taking NBFC) and NBFC-ND-SI (systemically important non-deposit taking NBFC) shall mean NBFC-ML or NBFC-UL, as the case may be.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Multiple NBFCs in a Group

- ❑ NBFCs that are part of a common Group or are floated by a common set of promoters shall not be viewed on a standalone basis. The total assets of all the NBFCs in a Group shall be consolidated to determine the threshold for their classification in the Middle Layer
- ❑ If the consolidated asset size of the NBFCs in the Group is ₹ 1000 crore and above, then each NBFC-ICC, NBFC-MFI, NBFC Factor and MGC lying in the Group shall be classified as an NBFC in the Middle Layer.
- ❑ Statutory Auditors are required to certify the asset size (as on March 31) of all the NBFCs in the Group every year. The certificate shall be furnished to the Department of Supervision of the Reserve Bank under whose jurisdiction the NBFCs are registered.
- ❑ Once an NBFC reaches an asset size of ₹1000 crore or above, it shall be subject to the regulatory requirements as per Middle Layer despite not having such assets as on the date of last balance sheet.
- ❑ There may be situations where the asset size of an NBFCs can fall below ₹1000 crore in a given month, due to temporary fluctuations and not due to actual downsizing. In such a case the NBFC shall continue to meet the reporting requirements and shall comply with the extant directions as applicable to NBFC-ML, till the submission of its next audited balance sheet to the Reserve Bank and a specific dispensation from the Reserve Bank in this regard.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Registration Requirement

Principal Business Criteria

Any company which carries on the business of a non-banking financial institution as its principal business as defined in section 45I(c) read with section 45I(f) of the RBI Act, 1934 shall be treated as an NBFC and would be requiring registration under Section 45IA of the Act.

In terms of Press Release 1998-99/1269 dated April 08, 1999 and in order to identify a company as an NBFC, the following Principal Business Criteria is to be met:

*“A company will be treated as an NBFC, if its **financial assets are more than 50 per cent of its total assets (netted off by intangible assets)** and **income from financial assets is more than 50 per cent of its gross income**. Both these tests are required to be satisfied as the determinant factor for determining principal business of a company.”*

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Registration Requirement

Net Owned Fund Requirement

The minimum NOF requirement to carry on the business of non-banking financial institution for NBFC-ICC, NBFC-MFI and NBFC-Factor shall be Rs. 10 crore which shall be gradually achieved in the manner specified as under:

NBFCs	Current NOF	By 31 st March, 2025	By 31 st March, 2027
NBFC – ICC	Rs. 2 crore	Rs. 5 crore	Rs. 10 crore
NBFC – MFI	Rs. 5 crore (Rs. 2 crore in NE region)	Rs. 7 crore (Rs. 5 crore in NE Region)	Rs. 10 crore
NBFC – Factor	Rs. 5 crore	Rs. 7 crore	Rs. 10 crore

For NBFC-P2P, NBFC-AA, and NBFC not availing public funds and not having any customer interface, the NOF shall be Rs. 2 crore.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Registration Requirement

Computation of Net Owned Fund

Net-Owned Fund means Owned Funds as reduced by the following:

I. Investments in:

- Subsidiaries;
- Companies in the same group either directly or indirectly, through an Alternative Investment Fund (AIF); Provided the funds in the AIF (in company form) have come from NBFC to the extent of 50 per cent or more; or where the beneficial owner in the case of AIF (in trust form) is the NBFC and 50 per cent of the funds in the trust have come from the NBFC; and
- Other NBFCs

II. Loans to:

- Subsidiaries; and
- Companies in the same group;

in excess of 10 per cent of aggregate of the paid-up equity capital and free reserves.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Registration Requirement

Computation of Net Owned Fund

Notes:

“Beneficial ownership” shall mean holding the power to make or influence decisions in the trust and being the recipient of benefits arising out of the activities of the trust. In arriving at the NOF, the substance would take precedence over form.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Registration Requirement

Investment from FATF non-compliant jurisdictions

- Investments in NBFCs from FATF non-compliant jurisdictions shall not be treated at par with those from the compliant jurisdictions.
- New investors from or through non-compliant FATF jurisdictions, whether in existing NBFCs or in companies seeking CoR, should not be allowed to directly or indirectly acquire 'significant influence' in the investee.
- fresh investors (directly or indirectly) from such jurisdictions in aggregate should be less than the threshold of 20 per cent of the voting power (including potential voting power) of the NBFC.
- Investors in existing NBFCs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025

Registration Requirement

Investment from FATF non-compliant jurisdictions

Notes:

Potential voting power could arise from instruments that are convertible into equity, other instruments with contingent voting rights, contractual arrangements, etc. that grant investors voting rights (including contingent voting rights) in the future. In such cases, it should be ensured that new investments from FATF non-compliant jurisdictions are less than both (i) 20 percent of the existing voting powers and (ii) 20 percent of existing and potential voting powers assuming those potential voting rights have materialised.

Reserve Bank of India (Non-Banking Financial Companies – Acquisition of Shareholding or Control) Directions, 2025

Acquisition of Shareholding or Control of NBFCs

- ❑ An NBFC shall require prior written permission of RBI for the following:
 - Any takeover or acquisition of control of the NBFC, may or may not result in change of management;
 - Any change in the shareholding of the NBFC, including progressive increases over time, which would result in acquisition/ transfer of shareholding of 26 percent.

Provided that, prior approval would not be required in case of any shareholding going beyond 26 percent due to buyback of shares/reduction in capital where it has approval of a competent Court. However, the same is to be reported to the Reserve Bank not later than one month from its occurrence.

- ❑ An NBFC shall submit an application, through **PRAVAAH**, in the company's letter head, for obtaining prior approval of the Reserve Bank, along with the requisite documents, as prescribed.

Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025

Applicability

NBFCs with asset size of Rs. 100 Crore and above, as per their last audited Balance Sheet, shall have in place a Liquidity Risk Management Framework.

Role of the Board

- To have the overall responsibility for the implementation of Asset Liability Management (ALM) systems.
- To set up an Asset Liability Management Committee (ALCO) headed by the CEO / MD or the Executive Director (ED).
- To frame a liquidity risk management framework that ensures the maintenance of adequate liquidity, including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.
- To approve the internally defined limits for certain critical ratios used for liquidity risk management.
- To approve the prudential limits on individual Gaps for the prescribed maturity buckets for managing liquidity and interest rate risks.

Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025

Asset Liability Management Governance

- ❑ The ALM system of an NBFC shall offer a comprehensive and dynamic framework for measuring, monitoring, and managing liquidity, interest rate, equity, and foreign exchange risks.
- ❑ The system shall involve the identification and assessment of various types of risks and enable dynamic adjustment of balance sheet items (assets and liabilities) to manage these risks effectively.
- ❑ NBFC shall implement the ALM system based on following three pillars:
 - 1) ALM Information Systems comprising:
 - i. Management Information Systems (MIS); and
 - ii. Information availability, accuracy, adequacy and expediency.

Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025

Asset Liability Management Governance

- 2) ALM Organisation comprising:
 - i. Structure and responsibilities; and
 - ii. Level of top management involvement.
- 3) ALM Process comprising:
 - i. Liquidity risk management; and
 - ii. Interest rate risk management.

Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025

Liquidity Risk Management

- The Top Management of the NBFC shall develop a strategy to manage liquidity risk in accordance with such risk tolerance and ensure that the NBFC maintains sufficient liquidity.
- The process for identification, measurement, monitoring, and controlling liquidity risk should include a robust framework for comprehensive projection of cash flows arising from assets, liabilities, and off-balance sheet items over an appropriate set of time horizons.
- An NBFC shall conduct stress tests on regular basis for a variety of short-term and protracted NBFC-specific and marketwide stress scenarios (individually and in combination).
- In designing liquidity stress scenarios, the nature of the NBFC's business, activities, and vulnerabilities shall be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks to which the NBFC is exposed.

Maturity Profiling

An NBFC shall prepare a Maturity Profile to measure the future cash flows in different time buckets as provided in the Directions.

Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025

Liquidity Mismatch Management

- Within each time bucket, an NBFC shall monitor mismatches arising from cash inflows and outflows, including mismatches upto one year, which are early warning signals of impending liquidity problems.
- An NBFC shall monitor its cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits with the approval of the Board.
- It shall also adopt the above cumulative mismatch limits in the Structural Liquidity Statement for consolidated operations.

Liquidity Risk Measurement – Stock Approach

- An NBFC shall adopt a ‘stock’ approach to liquidity risk measurement and monitor certain critical ratios related to liquidity risk management by putting in place internally defined limits, as approved by its Board.
- The ratios and internal limits shall be based on an NBFC’s liquidity risk management capabilities, experience, and profile.

Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025

Interest Rate Risk (IRR) Management

- Interest rate risk from the 'earnings perspective' is the immediate impact of interest rate changes on NBFC's earnings (i.e., reported profits) by changing its Net Interest Income (NII).
- An NBFC shall implement appropriate systems to hedge Interest Rate Risk (IRR) arising from fluctuations in market interest rates.

Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025

Liquidity Risk Management

- ❑ The Board of an NBFC shall frame a liquidity risk management framework that ensures the maintenance of adequate liquidity, including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.
- ❑ The framework shall clearly mention the following:
 - Entity-level liquidity risk tolerance;
 - Funding strategies;
 - Prudential limits;
 - System for measuring, assessing and reporting / reviewing liquidity;
 - Framework for stress testing;
 - Liquidity planning under alternative scenarios / formal contingent funding plan;
 - Nature and frequency of management reporting; and
 - Periodical review of assumptions used in liquidity projection.

Reserve Bank of India (Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025

Accounting

- An NBFC covered by Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015, ('Ind AS') shall prepare its financial statements in accordance with Ind AS notified by the Government of India and shall comply with the regulatory guidance specified in the Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.
- Other NBFCs shall comply with the requirements of Accounting Standards notified under the Companies (Accounting Standards) Rules, 2021, as amended from time to time, insofar as they are not inconsistent with any of the Directions / Guidelines issued by the Reserve Bank.

Investment Policy

- An NBFC shall put in place a Board approved Investment Policy and shall implement the same.
- The criteria for classification of investments as per applicable accounting standards shall be spelt out by the Board of the company in the investment policy.
- Investments in securities shall be classified as per the applicable accounting standards, at the time of making each investment.

Reserve Bank of India (Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025

Transactions in Government Securities

An NBFC shall undertake transactions in Government Securities through its gilt account or its demat account or any other account, as permitted by the Reserve Bank.

Accounting for Investments

- Quoted current investments shall, for the purpose of valuation, be grouped into the following categories:
 - Equity shares;
 - Preference shares;
 - Debentures and bonds;
 - Government Securities including treasury bills;
 - Units of mutual fund; and
 - Others.

Reserve Bank of India (Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025

- Quoted current investments for each category shall be valued at cost or market value whichever is lower. For this purpose, the investments in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category.
- Unquoted equity shares in the nature of current investments shall be valued at cost or break-up value, whichever is lower. However, an NBFC may substitute fair value for the break-up value of the shares, if considered necessary. Where the Balance Sheet of the investee company is not available for two years, such shares shall be valued at ₹1 only.
- Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
- Investments in unquoted Government Securities or Government guaranteed bonds shall be valued at carrying cost.
- Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the Net Asset Value (NAV) declared by the mutual fund in respect of each particular scheme.
- Commercial Papers shall be valued at carrying cost.

Reserve Bank of India (Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025

- A long-term investment shall be valued in accordance with the applicable Accounting Standards.

Note: *Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.*

Income from Investments

- Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis.
- Provided that the income from dividend on shares of corporate bodies shall be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the NBFC's right to receive payment is established.
- Income from bonds and debentures of corporate bodies and from Government Securities / bonds shall be taken into account on accrual basis.
- Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

Reserve Bank of India (Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025

Transactions in Government Securities

- Income on securities of corporate bodies or public-sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

Investment in Alternative Investment Funds (AIFs)

Investments in AIFs shall be in accordance with the provisions of the Directions.

Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Directions, 2025

Owned Fund

“Owned Fund” means **aggregate** of:

- i. paid up equity capital,
- ii. preference shares which are compulsorily convertible into equity,
- iii. free reserves,
- iv. balance in share premium account, and
- v. capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset;

as reduced by:

- accumulated loss balance,
- book value of intangible assets, and
- deferred revenue expenditure, if any.

Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Directions, 2025

Tier-I Capital

“Tier 1 capital” for an NBFC is the sum of owned fund as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10 per cent of the owned fund.

Role of the Board

An NBFC in the base layer shall put in place comprehensive Board-approved policy on concentration risk management, which shall inter-alia include:

- Credit / investment concentration limits for both single borrower / party and single group of borrowers / parties.
- Limits in respect of various sub-segments under consumer credit, particularly limits for unsecured consumer credit exposures.

Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Directions, 2025

Credit / investment concentration norms

- An NBFC shall put in place an internal Board-approved policy for credit / investment concentration limits for both single borrower / party and single group of borrowers / parties.
- Computation of exposure shall be as under:
 - Aggregate exposure to a counterparty comprising both on and off-balance sheet exposures shall be calculated based on the method prescribed for capital computation under applicable Directions.
 - On-balance sheet exposures shall be reckoned at the outstanding amount (netting is allowed only for assets where provisions for depreciation or for bad and doubtful debts have been made)
 - Off-balance sheet exposures shall be converted into credit risk equivalent by applying the credit conversion factor prescribed under capital requirements.
 - In addition, the exposures shall also be offset cash margin / caution money / security deposit held as collateral on behalf of the borrower against the advances for which right to set off is available.
- NBFC shall put in place Board approved limits in respect of various sub-segments under consumer credit as may be considered necessary by the Board as part of prudent risk management.

Reserve Bank of India (Non-Banking Financial Companies– Credit Facilities) Directions, 2025

Demand/Call Loans

- An NBFC shall put in place a Board approved Policy on Demand/Call Loans.
- The NBFC granting demand / call loans shall comply with the following conditions:
 - A cut-off date within which the repayment of demand or call loan shall be demanded or called up.
 - The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut-off date for demanding or calling up such loan is stipulated beyond a period of one year from the date of sanction.
 - The rate of interest which shall be payable on such loans.
 - Interest on such loans, as stipulated shall be payable either at monthly or quarterly basis.
 - The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period.
 - A cut-off date, for review of performance of the loan, not exceeding six months commencing from the date of sanction.

Reserve Bank of India (Non-Banking Financial Companies– Credit Facilities) Directions, 2025

- Such demand or call loans shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.

Ceiling on IPO Funding

There shall be a ceiling of ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO). The NBFC can fix more conservative limits.

Loans against NBFC's own shares

The NBFC shall not lend against its own shares.

Loans and advances to Real Estate Sector

While appraising loan proposals involving real estate, the NBFC shall ensure that the borrowers have obtained prior permission from Government / local Government / other statutory authorities for the project, wherever required.

Reserve Bank of India (Non-Banking Financial Companies – Credit Information Reporting) Directions, 2025

Credit Information Companies (CICs)

The CICs registered with RBI are:

- CRIF High Mark Credit Information Services Private Limited
- Equifax Credit Information Services Private Limited
- Experian Credit Information Company of India Private Limited
- TransUnion CIBIL Limited

An NBFC shall become member of all the CICs registered with the RBI.

Reserve Bank of India (Non-Banking Financial Companies – Credit Information Reporting) Directions, 2025

Reporting Timelines and Updation

- An NBFC shall submit data on credit information of its borrowers (including historical data) to all CICs.
- An NBFC shall keep the credit information collected / maintained by it, updated regularly on a fortnightly basis (i.e., as on 15th and last day of the respective month).
- The fortnightly submission of credit information shall be ensured within seven calendar days of the relevant reporting fortnight.

Setting up of nodal points / officials

- An NBFC shall have a dedicated nodal point / official of contact for CICs for redress of customer grievances.
- Details of the nodal point / official along with email ID and telephone / mobile number shall be furnished by NBFC to CICs.
- An NBFC shall inform CICs of any changes in the nodal points / official within five calendar days of such a change.

Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025

Credit Risk Evaluation

- NBFCs shall carry out their independent and objective credit appraisal in all cases of lending and must not depend on credit appraisal reports prepared by outside consultants.
- NBFCs shall ascertain the source and quality of equity capital brought in by the promoters/shareholders.
- NBFCs shall verify as to whether the names of any of the directors of the companies appear in the list of defaulters.

Loans to Directors, Senior Officers and relatives of Directors

- An NBFC shall have a Board approved policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding which shall include a threshold beyond which loans to abovementioned persons shall be reported to the Board.

Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025

- An NBFC shall disclose in its Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per following template:

(₹ crore)		
	Current Year	Previous Year
Directors and their relatives		
Entities associated with directors and their Relatives		
Senior Officers and their relatives		

Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025

Legal Entity Identifier (LEI) for Borrowers

- An NBFC shall ensure that non-individual borrowers with aggregate exposure of ₹5 crore and above from banks and Financial Institutions (All India Financial Institutions and NBFCs (including HFCs)) obtain LEI codes.
- Explanation: 'Exposure' for this purpose shall include all fund based and non-fund based (credit as well as investment) exposure of banks / FIs to the borrower. Aggregate sanctioned limit or outstanding balance, whichever is higher, shall be reckoned for the purpose. Lenders shall ascertain the position of aggregate exposure based on information available either with them, or Central Repository of Information on Large Credits (CRILC) database or declaration obtained from the borrower.

Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025

Filing of Security Interest relating to Immovable (other than equitable mortgage), Movable, and Intangible Assets in CERSAI

- ❑ The following types of security interest on the CERSAI portal:
 - Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage other than mortgage by deposit of title deeds.
 - Particulars of creation, modification or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.
 - Particulars of creation, modification or satisfaction of security interest in intangible assets, being know how, patent, copyright, trademark, license, franchise or any other business or commercial right of similar nature.
 - Particulars of creation, modification or satisfaction of security interest in any ‘under construction’ residential or commercial or a part thereof by an agreement or instrument other than mortgage.
- ❑ An NBFC is advised to file the charges relating to all current transactions with CERSAI on an ongoing basis.

Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions

Experience of the Board

Considering the need for professional experience in managing the affairs of NBFCs, at least one of the directors shall have relevant experience of having worked in a bank/ NBFC.

Risk Management Committee

In order that the Board is able to focus on risk management, NBFCs shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and will report to the Board.

Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions

Change in Directors and / or Management

- An NBFC shall obtain prior written permission of RBI for any change in the management of the NBFC, which would result in change in more than 30 percent of the directors, excluding independent directors.
- Provided that, prior approval would not be required in case of directors who get re-elected on retirement by rotation.
- An NBFC shall submit an application for change in management, as stated above, on the company's letter head, for obtaining prior approval of RBI. Applications in this regard shall be submitted to RBI through **PRAVAAH** portal along with the documents indicated under the relevant process on the portal.

Note:

'Independent Director' shall be as defined in Section 149(6) of the Companies Act, 2013

Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

Prudence in Lending

- The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of dates of classification as special mention account (SMA) / non-performing asset (NPA), etc. shall be clearly specified in the loan agreement.
- An NBFC shall flag a borrower account as overdue, if so, as part of their day-end processes for the due date, irrespective of the time of running such processes.
- Classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run.

Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

Consumer Education

An NBFC shall implement the following instructions to increasing awareness among the borrowers:

- Place consumer education literature on its websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process;
- Consider displaying such consumer education literature in its branches by means of posters and / or other appropriate media;
- Ensure that front-line officers educate borrowers about all these concepts, with respect to loans availed by them, at the time of sanction / disbursal / renewal of loans.

Asset Classification

An NBFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease / hire purchase assets, loans and advances and any other forms of credit into such classes, as enumerated in the next slide.

Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

Asset Classification

Standard Asset

Assets in respect of which:

- no default in repayment of principal or payment of interest is perceived; and
- which does not disclose any problem or carry more than normal risk attached to the business

Sub - Standard Asset

- Assets which has been classified as NPA for period not exceeding 18 months; or
- An asset, where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

Doubtful Asset

- A lease asset;
- A term loan;
- A hire purchase asset;
- Any other asset;

Which remains a sub-standard asset for a period exceeding 18 months.

Loss Assets

- An asset which has been identified as loss asset by the NBFC or its auditor or by the RBI, to the extent it is not written off; or
- An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

Non-Performing Assets (NPA)

Non-Performing Asset (NPA) shall mean one or more of the following assets:

- An asset, in respect of which, interest has remained overdue for a period of more than 180 days;
- A term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 180 days or on which interest amount remained overdue for a period of more than 180 days;
- A demand or call loan, which remained overdue for a period of more than 180 days from the date of demand or call or on which interest amount remained overdue for a period of more than 180 days;
- A bill which remains overdue for a period of more than 180 days;
- The interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short-term loans / advances, which facility remained overdue for a period of more than 180 days;
- Any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 180 days;

Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

- The lease rental and hire purchase instalment, which has become overdue for a period of more than 180 days;
Provided that in the case of lease and hire purchase transactions, an applicable NBFC shall classify each such account on the basis of its record of recovery.
- In respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset.

The period of more than 180 days for NPA classification as stated above stands changed to the overdue period of more than 90 days for applicable NBFCs with the following glide path:

NPA Norms	Timeline
>150 days overdue	By March 31, 2024
>120 days overdue	By March 31, 2025
>90 days overdue	By March 31, 2026

The above glide path will not be applicable to NBFCs which are already required to follow the 90-day NPA norm.

Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

Provisioning Requirements

- For Standard Assets:** 0.25% of the outstanding, which shall not be reckoned for arriving at net NPAs.
- For Sub-Standard Assets:** General provision of 10% of total outstanding.
- For Doubtful Assets:**
 - For unsecured portion: 100%
 - For secured portion:
 - Upto 1 Year: 20%
 - 1-3 Years: 30%
 - More than 3 Years: 50%
- For Loss Assets:** The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for.

Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

Income Recognition

- The income recognition shall be based on recognised accounting principles.
- Income including interest / discount / hire charges / lease rentals or any other charges on NPA shall be recognised only when it is actually realised.
- Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed.
- In cases of loans where moratorium has been granted for repayment of interest, income may be recognised on accrual basis for accounts which continue to be classified as 'standard'.
- If loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalized interest corresponding to the interest accrued during such moratorium period need not be reversed.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Beneficial Owner

- ❑ Where the customer is a company, the beneficial owner is:
 - A natural person; and
 - Having a controlling ownership interest or who exercises control through other means, whether acting alone or together, or through one or more juridical persons.

Explanation:

‘Controlling ownership interest’ means ownership of / entitlement to more than 10 percent of the shares or capital or profits of the company.

‘Control’ shall include the right to appoint the majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

- ❑ Where no natural person is identified, the beneficial owner shall be the relevant natural person who holds the position of senior managing official.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Beneficial Owner

- Where the customer is a partnership firm, the beneficial owner is:
 - A natural person; and
 - Having ownership of / entitlement to more than 10 percent of capital or profits of the partnership or who exercises control through other means, whether acting alone or together, or through one or more juridical persons.

Explanation:

'Control' shall include the right to control the management or policy decision.

- Where no natural person is identified, the beneficial owner shall be the relevant natural person who holds the position of senior managing official.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Beneficial Owner

- ❑ Where the customer is an unincorporated association or body of individuals, the beneficial owner is:
 - A natural person; and
 - Having ownership of / entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals, whether acting alone or together, or through one or more juridical persons.

Explanation:

'Body of Individuals' includes societies.

- ❑ Where no natural person is identified, the beneficial owner shall be the relevant natural person who holds the position of senior managing official.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Beneficial Owner

- ❑ Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

Designated Director

- ❑ 'Designated Director' means a person whom the NBFC designates to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall include the Managing Director or a Whole-Time Director, whom the Board of Directors has duly authorised.

Explanation:

For the purpose of this clause, the terms 'Managing Director' and 'Whole-time Director' shall have the meaning assigned to them in the Companies Act, 2013.

- ❑ The NBFC shall communicate the name, designation, address and contact details of the Designated Director to the FIU-IND and RBI.
- ❑ The NBFC shall not nominate the Principal Officer as the 'Designated Director'.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Principal Officer

- 'Principal Officer' means a NBFC's nominated officer at the management level, responsible for furnishing information as per Rule 8 of the Rules.
- The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law / regulations.
- The NBFC shall communicate the name, designation, address, and contact details of the Principal Officer to the FIU-IND and RBI.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Suspicious Transaction

Suspicious transaction' means a 'transaction' as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

- a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b) appears to be made in circumstances of unusual or unjustified complexity; or
- c) appears to have no economic rationale or bona fide purpose; or
- d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds that the NBFC suspects are linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organisation or those who finance or are attempting to finance terrorism.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Transaction

‘Transaction’ means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- a) opening of an account;
- b) deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- c) the use of a safety deposit box or any other form of safe deposit;
- d) entering into any fiduciary relationship;
- e) any payment made or received, in whole or in part, for any contractual or other legal obligation; or
- f) establishing or creating a legal person or legal arrangement.

Customer

‘Customer’ means a person who is engaged in a financial transaction or activity with an NBFC and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

KYC Policy

- ❑ The NBFC shall have a Board approved KYC policy, which shall, inter-alia, include the following:
 - Customer Acceptance Policy;
 - Risk Management;
 - Customer Identification Procedures (CIP);
 - Monitoring of Transactions;
 - Periodic updation of KYC;
 - Exceptional measures for KYC updation;
 - Obtaining a copy of Officially Valid Document (OVD).

- ❑ NBFC's policy framework shall seek to ensure compliance with PML Act / Rules, including regulatory instructions in this regard and shall provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Compliance of KYC Policy

- ❑ The NBFC shall ensure compliance with KYC Policy through:
 - Specifying as to who constitute ‘Senior Management’ for the purpose of KYC compliance.
 - Allocation of responsibility for effective implementation of policies and procedures.
 - Independent evaluation of the compliance functions of the NBFC’s policies and procedures, including legal and regulatory requirements.
 - Concurrent / internal audit system to verify compliance with KYC / AML policies and procedures.
 - Submission of quarterly audit notes and compliance to the Audit Committee.

Record Management

The NBFC shall take necessary steps, as specified under the Directions, regarding maintenance, preservation and reporting of customer information, with reference to provisions of PML Act and Rules.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

Reporting Requirements to Financial Intelligence Unit – India

The NBFC shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), the information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in accordance with Rule 7 thereof.

Secrecy Obligations and Sharing of Information

- The NBFC shall maintain secrecy regarding the customer information that arises out of the contractual relationship between the NBFC and the customer.
- The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law,
 - ii. Where there is a duty to the public to disclose,
 - iii. Where the interest of the NBFC requires disclosure, and
 - iv. Where the disclosure is made with the express or implied consent of the customer.

Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

- In terms of provision of Rule 9(1A) of the PML Rules, the NBFC shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- Once KYC Identifier is generated by CKYCR, the NBFC shall ensure that the same is communicated to the individual as the case may be.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

Definition of Outsourcing

‘Outsourcing’ means use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) by an NBFC to perform activities on a continuing basis that would normally be undertaken by the NBFC itself, now or in the future. 'Continuing basis' shall include agreements for a limited period

Role of the Board

- ❑ An NBFC intending to outsource any of its financial activities shall put in place corresponding comprehensive Board approved outsourcing policy which shall incorporate, inter alia, the following:
 - i. criteria for selection of such activities and service providers;
 - ii. delegation of authority depending on risks, and materiality; and
 - iii. systems to monitor and review these activities.

- ❑ The Board or a Committee of the Board to which powers have been delegated, as applicable for financial outsourcing, shall be responsible for putting in place a framework to evaluate the risks and materiality of all existing and prospective outsourcing arrangements, laying down appropriate approval authorities depending on risks and materiality, and undertaking regular review.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

- ❑ The Board, or a Committee of the Board to which powers with respect to outsourcing of financial services have been delegated, shall be responsible, inter alia, for:
 - i. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing arrangements and the policies that apply to such arrangements;
 - ii. laying down appropriate approval authorities for outsourcing depending on risks and materiality;
 - iii. setting up suitable administrative framework of Senior Management;
 - iv. undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness;
 - v. deciding on business activities of a material nature to be outsourced, and approving such arrangements;
 - vi. approving a policy for outsourcing financial services to a group entity; and
 - vii. reviewing records of all material outsourcing on half yearly basis, in which case the delegation should be to Risk Management Committee only.

- ❑ The Audit Committee of the Board (ACB) of an NBFC shall:
 - i. monitor the system of internal audit of all outsourced activities; and
 - ii. review the ageing analysis of entries pending reconciliation with outsourced vendors and make efforts to reduce the old outstanding items therein at the earliest.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

Material Outsourcing

‘Material Outsourcing’ means arrangements, which if disrupted, have the potential to significantly impact the business operations, reputation or profitability or customer service. ‘Materiality’ of outsourcing shall be based on the:

- i. level of importance to the NBFC of the activity being outsourced as well as the significance of the risk posed by the same;
- ii. potential impact of the outsourcing on the NBFC on various parameters such as earnings, solvency, liquidity, funding, capital, and risk profile;
- iii. likely impact on the NBFC’s reputation and brand value, and ability to achieve its business objectives, strategy, and plans, should the service provider fail to perform the service;
- iv. cost of the outsourcing as a proportion of total operating costs of the NBFC;
- v. aggregate exposure to that particular service provider, in cases where the NBFC outsources various functions to the same service provider; and
- vi. significance of activities outsourced in the context of customer service and protection.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

Activities that shall not be outsourced

An NBFC which chooses to outsource financial services shall however not outsource core management functions including Internal Audit, strategic and compliance functions, and decision-making functions such as management of investment portfolio.

Provided that for an NBFC in a group / conglomerate, these functions may be outsourced within the group subject to compliance with the Directions.

Authorisation, Accountability, and Oversight

- The outsourcing of any activity by an NBFC shall not diminish its obligations including to RBI, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. The NBFC shall retain ultimate control of the outsourced activity.
- An NBFC shall ensure that:
 - i. all relevant laws, regulations, rules, guidelines and conditions of approval, licensing or registration have been considered when performing due diligence in relation to outsourcing;

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

- ii. outsourcing, whether the service provider is located in India or outside, does not impede RBI in carrying out its supervisory functions and objectives, or diminish the ability of an NBFC to fulfil its obligations to the regulator / supervisor;
- iii. outsourcing, whether the service provider is located in India or outside, does not impede or interfere with the ability of an NBFC to effectively oversee and manage its activities, and fulfil its obligations;
- iv. outsourcing would not result in the compromise or weakening of an NBFC’s internal control, business conduct, or reputation;
- v. the service provider employs the same high standard of care in performing the services as would be employed by the NBFC, if the activities were conducted within the NBFC and not outsourced; and
- vi. the service provider, if not a group company of the NBFC, shall not be owned or controlled by any director of the NBFC, or their relatives having the same meaning as assigned under Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

- ❑ An NBFC shall be responsible for making Currency Transactions Reports (CTRs) and Suspicious Transactions Reports (STRs) to FIU or any other competent authority in respect of its customer related activities carried out by the service providers.

Role of Senior Management

The Senior Management of an NBFC shall, inter alia, be responsible for:

- evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board or a Committee of the Board;
- developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope, and complexity of the outsourcing;
- reviewing periodically the effectiveness of policies and procedures;
- communicating information pertaining to material outsourcing risks to the Board in a timely manner;
- ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

- v. ensuring that there is independent review and audit for compliance with set policies; and
- vi. undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

Evaluation of Risk

An NBFC shall evaluate and guard against the following key risks when entering into outsourcing arrangement:

- i. Strategic Risk;
- ii. Reputation Risk;
- iii. Compliance Risk;
- iv. Operational Risk;
- v. Legal Risk;
- vi. Exit Strategy Risk; and
- vii. Contractual Risk.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

Confidentiality and Security of Information

An NBFC shall review and monitor the security practices and control processes of its service providers on a regular basis and require the service provider to disclose security breaches.

Outsourcing Process

An NBFC shall perform the following process while entering into an Outsourcing Agreement:

- Service Provider Evaluation;
- Outsourcing Agreement;
- Monitoring and Control of Outsourced Activities;
- Business Continuity and Management of Disaster Recovery Plan; and
- Termination.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

Outsourcing within a Group / Conglomerate

In a group structure, an NBFC may have back-office and service arrangements or agreements with group entities such as sharing of premises, legal and other professional services, hardware and software applications and centralized back office functions; outsourcing certain financial services to other group entities. Before entering into such arrangements with group entities, an NBFC shall have a policy approved by the Board or a Committee of the Board and also Service Level Agreements (SLAs) with its group entities, which shall also cover demarcation of sharing resources, e.g., premises, and personnel.

Non-Applicability

The provisions of these Directions shall not apply to:

- activities unrelated to financial services like usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records, etc.
- any maintenance service (including security patches, and bug fixes) for IT infrastructure or licensed products, provided by the Original Equipment Manufacturer (OEM) themselves, in order to ensure continued usage of the same by the NBFC.

Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

- applications provided by financial sector regulators or institutions such as Clearing Corporation of India Limited (CCIL), National Stock Exchange (NSE), and Bombay Stock Exchange (BSE);
- platforms provided by entities such as Reuters, Bloomberg, and Society for Worldwide Interbank Financial Telecommunication (SWIFT);
- any other off-the-shelf products (e.g., anti-virus software, and email solutions) subscribed to by an NBFC, wherein only a license is procured with no or minimal customisation;
- services obtained by an NBFC as a sub-member of a Centralised Payment System (CPS) from another RE;
- Business Correspondent (BC) services, payroll processing, and statement printing

Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025

Declaration of Dividend

- The Board of Directors, while considering the proposals for dividend, shall take into account the following aspects:
 - Qualifications in the auditors' report to the financial statements; and
 - Long term growth plans.

- An NBFC shall comply with the following before declaration of dividend:
 - It shall comply with the provisions of Section 45IC of the Reserve Bank of India Act, 1934.
 - An NBFC shall be compliant with the prevailing regulations / guidelines issued by the Reserve Bank. The Reserve Bank should not have placed any explicit restrictions on declaration of dividend.

- Proposed dividend shall include dividend on both equity shares and compulsorily convertible preference shares eligible for inclusion in Owned Fund.

Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025

Declaration of Dividend

- In case the net profit for the relevant period includes any exceptional and / or extra-ordinary profits / income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an over-statement of net profit, the same shall be reduced from net profit while determining the dividend payout ratio.
- The maximum Dividend Pay-Out Ratio for NBFCs is 50%

Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025

Declaration of Dividend

- An NBFC declaring dividend shall report details of dividend declared during the Quarter/Half-Year/Financial-Year as per the following format within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank, under whose jurisdiction it is registered:

Details of dividend declared during the financial year beginning on April 1, 20_____

Name of the NBFC: _____

Accounting Period	Net profit for the accounting period (in ₹ crore)	Rate of Dividend (in %)	Amount of dividend (in ₹ crore)	Dividend payout Ratio (in %)

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Role of the Board

- ❑ An NBFC shall have in place the following Board approved policies and review mechanisms to ensure responsible business conduct:
 - Fair Practices Code
 - Grievance redressal mechanism
 - Internal principles and procedures in determining interest rates and processing, penal and other charges.
- ❑ A consolidated report of the periodical review of compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism shall be submitted to the Board at regular intervals.

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Fair Practices Code

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- Loan application forms shall include necessary information which affects the interest of the borrower.
- NBFCs shall devise a system of giving acknowledgement for receipt of all loan applications.
- NBFCs shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the following:
 - Amount of loan sanctioned;
 - Terms and conditions including annualised rate of interest; and
 - Method of application thereof.

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Fair Practices Code

- NBFCs shall keep the acceptance of these terms and conditions by the borrower on its record.
- NBFCs shall mention the penalties charged for late repayment in bold in the loan agreement.
- NBFCs shall furnish a copy of the loan agreement as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.
- NBFCs shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions of the loan agreement.
- NBFCs shall also ensure that changes in interest rates and charges are effected only prospectively.
- Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- NBFC shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan.
- The Fair Practices Code shall be put up on the website of the NBFC.

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Interest Rate Model

- The Board of an NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.
- The rates of interest and the approach for gradation of risks shall also be made available on the website of the NBFC.
- The rate of interest must be annualised rate.

Key Facts Statement (KFS)

- NBFC shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract.
- Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that they have understood the same.
- The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Penal Charges in Loan Accounts

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.
- There shall be no capitalisation of penal charges, i.e., no further interest computed on such charges.
- NBFC may charge interest on unpaid interest (including on unpaid EMI) at the contracted rate of interest till the date of remediation, and not at the penal rate of interest.
- Penal charges shall be reasonable and levied by the lenders only on the amount under default in a non-discriminatory manner as per their Board approved policy.
- Additional / fresh penal charges cannot be levied on the earlier outstanding amount of penal charges.

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Pre-Payment Charges on Loan

An NBFC shall adhere to the following directions regarding levy of pre-payment charges on loans and advances (term loans as well as demand loans) sanctioned or renewed on or after January 1, 2026:

- For all floating rate loans granted for purposes other than business to individuals, with or without co-obligant(s), an NBFC shall not levy pre-payment charges.
- In case of term loans, pre-payment charges, if levied by the NBFC, shall be based on the amount being prepaid.
- In case of cash credit/ overdraft facilities, pre-payment charges on closure of the facility before the due date shall be levied on an amount not exceeding the sanctioned limit.
- In case of cash credit/ overdraft facilities, no pre-payment charges shall be applicable if the borrower intimates the NBFC of his/ her/ its intention not to renew the facility before the period as stipulated in the loan agreement, provided that the facility gets closed on the due date.
- An NBFC shall not levy any charges where pre-payment is effected at the instance of the NBFC.

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

- The applicability or otherwise of pre-payment charges shall be clearly disclosed in the sanction letter and loan agreement and in the KFS.
- No pre-payment charges which have not been disclosed shall be charged by the NBFC.
- The NBFC shall not levy any charges / fees retrospectively at the time of prepayment of loans, which were waived off earlier by the NBFC.

Release of Movable / Immovable Property Documents

An NBFC shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.

Rounding off of transactions to the Nearest Rupee

All transactions of the NBFC, including payment of interest on deposits/ charging of interest on advances, shall be rounded off to the nearest rupee, i.e., fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise shall be ignored.

Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Directions, 2025

Investments in Alternative Investment Funds (AIFs)

- An NBFC's investment policy shall have suitable provisions governing its investments in an AIF Scheme, compliant with extant law and regulations.
- An NBFC shall not individually contribute more than 10 percent of the corpus of an AIF Scheme.
- The aggregate contribution in any AIF Scheme shall not be more than 20 percent of the corpus of that scheme.

Entry into Insurance Business

- Where an NBFC contributes more than five percent of the corpus of an AIF Scheme that has downstream investment (excluding equity instruments) in a debtor company of the NBFC, the NBFC shall be required to make 100 percent provision to the extent of its proportionate investment in the debtor company through the AIF Scheme, subject to a cap equivalent to NBFC's direct loan and / or investment exposure to the said debtor company.
- NBFC's contribution in the form of subordinated units, the entire investment shall be deducted from capital funds—proportionately from both Tier-1 and Tier-2 capital.

Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Directions, 2025

Opening Subsidiary / Joint Venture / or Undertaking Investment Abroad

An NBFC shall obtain prior approval of the RBI for opening of subsidiary / joint venture or undertaking investment abroad. The application from the NBFC seeking No Objection shall be considered subject to compliance with general and specific conditions prescribed in the said Directions.

Expansion of activities through automatic route

An NBFC receiving Foreign Direct Investment (FDI) under the automatic route shall be permitted to undertake only those activities that are permissible under the automatic route and shall comply with the conditions prescribed in the said Directions.

Entry into Insurance Business

An NBFC shall make an application for entry into the insurance business, along with necessary particulars duly certified by its statutory auditors, through **PRAVAAH** Portal to the Department of Regulation (DoR), Central Office, RBI and shall comply with the conditions prescribed in the said Directions.

Reserve Bank of India (Non-Banking Financial Companies - Voluntary Amalgamation) Directions, 2025

No Objection Certificate (NOC) / Approval by RBI

NBFCs, before approaching any Court or Tribunal, shall seek No Objection Certificate (NOC) / prior approval of RBI, for the following:

Amalgamation of one NBFC with another NBFC

- Both the entities shall seek NOC of RBI.
- The amalgamated NBFC shall surrender its Certificate of Registration for cancellation post-amalgamation.
- The amalgamating NBFC shall also seek prior approval of RBI if such an amalgamation satisfies any one or all of the conditions:
 - change in its control; or
 - change in shareholding of 26 percent or more of the paid up equity capital; or
 - change in its management which would result in change in more than 30 percent of the directors (excluding independent directors).

Reserve Bank of India (Non-Banking Financial Companies - Voluntary Amalgamation) Directions, 2025

No Objection Certificate (NOC) / Approval by RBI

Amalgamation of an NBFC with non-NBFC

- The amalgamating NBFC shall seek prior approval of RBI and surrender its Certificate of Registration for cancellation post-amalgamation.
- The amalgamated entity shall approach RBI to seek registration as an NBFC, if it is likely to meet Principal Business Criteria post-amalgamation.

Reserve Bank of India (Non-Banking Financial Companies - Voluntary Amalgamation) Directions, 2025

No Objection Certificate (NOC) / Approval by RBI

Amalgamation of non-NBFC with an NBFC

- The NBFC shall seek NOC of RBI.
- The NBFC shall also seek prior approval of RBI if such an amalgamation satisfies any one or all of the conditions:
 - change in its control; or
 - change in shareholding of 26 percent or more of the paid up equity capital; or
 - change in its management which would result in change in more than 30 percent of the directors (excluding independent directors).

Provided that the amalgamated NBFC shall continue to fulfil the Principal Business Criteria after amalgamation to be eligible to hold the Certificate of Registration as an NBFC as per the relevant guidelines / directions, as amended from time to time.

Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025

Information with respect to change of address, directors, auditors, etc.

NBFCs shall communicate to the Regional Office of the Department of Supervision of the Reserve Bank, not later than one month from the occurrence of any change in:

- the complete postal address, telephone number/s and fax number/s of the registered/ corporate office;
- the names and residential addresses of the directors of the company;
- the names and the official designations of its principal officers;
- the names and office address of the auditors of the company; and
- the specimen signatures of the officers authorised to sign on behalf of the company

Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025

NBFCs not be partners in partnership firms

- No NBFC shall contribute to the capital of a partnership firm or become a partner of such firm.
- Partnership firms shall also include Limited Liability Partnerships (LLPs).
- The aforesaid prohibition shall also be applicable in respect of Association of persons, these being similar in nature to partnership firms.
- NBFCs which had already contributed to the capital of a partnership firm/LLP/Association of persons or are a partner of a partnership firm/LLP or member of an Association of persons shall seek early retirement from the partnership firm/LLP/Association of persons.

Non-Reckoning of Fixed Deposits with banks as Financial Assets

- Investments in fixed deposits shall not be treated as financial assets and receipt of interest income on fixed deposits with banks shall not be treated as income from financial assets.
- Bank deposits can be used only for temporary parking of idle funds, and/or in cases where the funds are parked in fixed deposits initially to fulfil the requirement of registration as NBFC, i.e., NOF of ₹10 crore, till commencement of NBF business.

Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025

Use of electronic payment system

NBFCs shall take proactive steps for increasing the use of electronic payment systems, elimination of post-dated cheques and gradual phase-out of cheques in their day-to-day business transactions which would result in more cost-effective transactions and faster and accurate settlements.

Migration of Post-Dated Cheques (PDCs) / Equated Monthly Instalment (EMI) Cheques to National Automated Clearing House (NACH)(Debit)

NBFCs are advised not to accept fresh/ additional PDCs or EMI cheques from their customers. Cheques shall be obtained in locations, where the facility of NACH is not available.

Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025

Applicability

The provisions of Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025 shall not apply to an NBFC not accepting / holding any public deposit.

Provided that such NBFC shall pass in the meeting of its board of directors, within thirty days of the commencement of the next financial year and each subsequent financial year, a resolution to the effect that the company has neither accepted public deposit nor would accept any public deposit during the year.

Reserve Bank of India (Non-Banking Financial Companies – Branch Authorisation) Directions, 2025

Applicability

NBFCs intending to open or close branches abroad shall comply with the provisions of Reserve Bank of India (Non-Banking Financial Companies – Branch Authorisation) Directions, 2025.

Reserve Bank of India (Non-Banking Financial Companies – Credit Cards: Issuance and Conduct) Directions, 2025

Applicability

NBFCs intending to enter into the business of issuing issue credit cards shall comply with the provisions of Reserve Bank of India (Non-Banking Financial Companies – Credit Cards: Issuance and Conduct) Directions, 2025.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

- ❑ NBFCs are required to make disclosures in their financial statements in accordance with the guidelines in these Directions, applicable accounting standards, laws and regulations.
- ❑ NBFCs shall separately disclose in its balance sheet the provisions made as per the Directions without netting them from the income or against the value of assets.
- ❑ The provisions shall be distinctly indicated under separate heads of account as under:
 - provisions for bad and doubtful debts; and
 - provisions for depreciation in investments.

Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the NBFCs.

Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them.

- ❑ Individual NBFCs may omit those line items/disclosures which are not applicable/not permitted or with no exposure/ no transaction both in the current year and previous year.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

- NBFCs shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. Further, NBFCs shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.
- The Schedule to the Balance Sheet of an NBFC shall be in terms of Annexure I of the Directions.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Loans against gold and silver collateral

Details of loans extended against eligible gold and silver collateral

Particulars	Loans Outstanding		Average ticket size	Average LTV Ratio	Gross NPA
	₹ Crore	As a % of total loans	(₹ crore)	(numbers)	(%)
1. Opening balance of the FY [(a)+(b)]					
(a) Consumption loans of which bullet repayment loans					
(b) Income generating loans					
2. New loans sanctioned and disbursed during the FY [(c)+(d)]					
(c) Consumption loans of which bullet repayment loans					
(d) Income generating loans					
3. Renewals sanctioned and disbursed during the FY					
4. Top-up loans sanctioned and disbursed during the FY					
5. Loans repaid during the FY [(e)+(f)]					
(e) Consumption loans of which bullet repayment loans					
(f) Income generating loans					100

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Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Loans against gold and silver collateral

Details of loans extended against eligible gold and silver collateral

Particulars	Loans Outstanding		Average ticket size	Average LTV Ratio	Gross NPA
	₹ Crore	As a % of total loans	(₹ crore)	(numbers)	(%)
6. Non-Performing Loans recovered during the FY [(g) + (h)]					
(g) Consumption loans of which bullet repayment loans					
(h) Income generating loans					
7. Loans written off during the FY [(i) + (j)]					
(i) Consumption loans of which bullet repayment loans					
(j) Income generating loans					
8. Closing balance at the end of FY [(k) + (l)]					
(k) Consumption loans of which bullet repayment loans					
(l) Income generating loans					

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Loans against gold and silver collateral

Note:

- i. The NBFC shall be guided by the Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025, as amended from time to time.
- ii. Information may be disclosed separately for loans against gold collateral and loans against silver collateral
- iii. Average LTV ratio is calculated as ratio of sum of LTVs of loans at the time of sanction to total number of such loans.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Loans against gold and silver collateral

Details of gold and silver collateral and auctions

Sr. No.	Particulars	Amount (in crores)
(a)	Unclaimed gold or silver collateral at the end of the financial year (in grams)	
(b)	Number of loan accounts in which auctions were conducted	
(c)	Total outstanding in loan accounts mentioned in (b)	
(d)	Gold or silver collateral acquired during the FY due to default in loan (in grams)	
(e)	Gold or silver collateral auctioned during the FY (in grams)	
(f)	Recovery made through auctions during the FY (in ₹ crore)	
(g)	Recovery percentage:	
(h)	as % of value of gold or silver collateral	
(i)	as % of outstanding loan	

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure related to Project Finance

An NBFC shall make appropriate disclosures related to project finance, on a quarterly basis beginning from October 1, 2025 as below:

Sl. No	Item Description	Number of accounts	Total outstanding(in ₹ crore)
1	Projects under implementation accounts at the beginning of the quarter.		
2	Projects under implementation accounts sanctioned during the quarter.		
3	Projects under implementation accounts where DCCO has been achieved during the quarter		
4	Projects under implementation accounts at the end of the quarter. (1+2-3)		
5	Out of '4' – accounts in respect of which resolution process involving extension in original / extended DCCO, as the case may be, has been invoked.		
5.1	Out of '5' – accounts in respect of which Resolution plan has been implemented.		
5.2	Out of '5' – accounts in respect of which Resolution plan is under implementation.		
5.3	Out of '5' – accounts in respect of which Resolution plan has failed.		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure related to Project Finance

Sl. No	Item Description	Number of accounts	Total outstanding(in ₹ crore)
6	Out of '5', accounts in respect of which resolution process involving extension in original / extended DCCO, as the case may be, has been invoked due to change in scope and size of the project.		
7	Out of '5', account in respect of which cost overrun associated with extension in original / extended DCCO, as the case may be, was funded		
7.1	Out of '7', accounts where SBCF was sanctioned during financial closure and renewed continuously		
7.2	Out of '7', accounts where SBCF was not pre-sanctioned or renewed continuously		
8	Out of '4' – accounts in respect of which resolution process not involving extension in original / extended DCCO, as the case may be, has been invoked.		
8.1	Out of '8' – accounts in respect of which Resolution plan has been implemented.		
8.2	Out of '8' – accounts in respect of which Resolution plan is under implementation.		
8.3	Out of '8' – accounts in respect of which Resolution plan has failed		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Non-Fund Based (NFB) Credit Facility

An NBFC shall disclose the details of NFB credit facilities in the format given below:

As at 31st March 20XX	As at 31st March 20XX	Previous Year	Previous Year
Secured* Portion	Unsecured Portion	Secured* Portion	Unsecured Portion
I	Outstanding Guarantees (₹ crore)		
i) In India			
ii) Outside India			
II	Acceptances, Endorsements and other Obligations (₹ crore)		
III	Other NFB Credit facilities (₹ crore)		

* Secured portion is as defined under the Reserve Bank of India (Non-Banking Financial Companies– Credit Facilities) Directions, 2025.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure on Co-Lending Arrangements (CLA)

- a) In addition to the applicable disclosure requirements, an NBFC shall also prominently disclose on their website, a list of all active CLA partners.
- b) An NBFC shall also make appropriate disclosures in their financial statements, under ‘Notes to Accounts’, relating to necessary details of CLAs on an aggregate basis. The details may inter alia include quantum of CLAs, weighted average rate of interest, fees charged / paid, broad sectors in which CLA was made, performance of loans under CLA, details related to default loss guarantee, if any, etc. The disclosure shall be done on quarterly/annual basis.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure relating to Securitisation

- The originators should indicate the outstanding amount of securitised assets as per books of the Special Purpose Entities (SPEs) and total amount of exposures retained by the originator as on the date of balance sheet to comply with the Minimum Retention Requirement (MRR).
- These figures shall be based on the information duly certified by the SPE's auditors obtained by the originator from the SPE. These disclosures should be made in the format given in the following table:

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure relating to Securitisation

Sl. No.	Particulars	(Number / Amounts in ₹ crore)	
		Mar 31(Current Year)	Mar 31(Previous Year)
1	No of SPEs holding assets for securitisation transactions originated by the originator (only the SPVs relating to outstanding securitisation exposures to be reported here)		
2	Total amount of securitised assets as per books of the SPEs		
3	Total amount of exposures retained by the originator to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	• First loss		
	• Others		
	b) On-balance sheet exposures		
	• First loss		
	• Others		
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	• First loss		
	• Others		
	ii) Exposure to third party securitisations		
	• First loss		
	• Others		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure relating to Securitisation

Sl. No.	Particulars	Mar 31(Current Year)	Mar 31(Previous Year)
	b) On-balance sheet exposures i) Exposure to own securitisations <ul style="list-style-type: none"> • First loss • Others ii) Exposure to third party securitisations <ul style="list-style-type: none"> • First loss • Others 		
5	Sale consideration received for the securitised assets and gain / loss on sale on account of securitisation		
6	Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.		
7	Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided.(a) Amount paid(b) Repayment received(c) Outstanding amount		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure relating to Securitisation

Sl. No.	Particulars	Mar 31(Current Year)	Mar 31(Previous Year)
8	Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc		(may mention average default rate of previous 5 years)
9	Amount and number of additional / top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans, etc.		
10	Investor complaints(a) Directly / Indirectly received and;(b) Complaints outstanding		

Note – An NBFC shall provide table separately for ‘Simple, Transparent and Comparable’ (STC) and non-STC transactions.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure of transfer of loan exposure

- A lender shall make appropriate disclosures related to the total amount of loans not in default / stressed loans transferred and acquired to / from other entities as prescribed below, on a quarterly basis.
- In respect of loans not in default that are transferred or acquired, the disclosures should cover, inter alia, aspects such as weighted average maturity, weighted average holding period, retention of beneficial economic interest, coverage of tangible security coverage, and rating-wise distribution of rated loans.
- Specifically, a transferor should disclose all instances where it has agreed to replace loans transferred to transferee(s) or pay damages arising out of any representation or warranty.
- The disclosures should also provide breakup of loans transferred / acquired through assignment / novation and loan participation.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure of transfer of loan exposure

In the case of stressed loans transferred or acquired, the following disclosures should be made:

Details of stressed loans transferred during the year (to be made separately for loans classified as NPA and SMA)			
(all amounts in ₹ crore)	To Asset Reconstruction Companies (ARCs)	To permitted transferees	To other transferees (please specify)
No: of accounts			
Aggregate principal outstanding of loans transferred			
Weighted average residual tenor of the loans transferred			
Net book value of loans transferred (at the time of transfer)			
Aggregate consideration			
Additional consideration realized in respect of accounts transferred in earlier years			
Details of loans acquired during the year			

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure of transfer of loan exposure

Details of stressed loans transferred during the year (to be made separately for loans classified as NPA and SMA)		
(all amounts in ₹ crore)	From Scheduled Commercial Banks, Regional Rural Bank, Cooperative Banks, All India Financial Institutions, Small Finance Banks and Non-Banking Finance Companies including Housing Finance Companies	From ARCs
Aggregate principal outstanding of loans acquired		
Aggregate consideration paid		
Weighted average residual tenor of loans acquired		

The transferor(s) should also make appropriate disclosures with regard to the quantum of excess provisions reversed to the profit and loss account on account of sale of stressed loans. Also, the lenders should disclose the distribution of the SRs held by them across the various categories of Recovery Ratings assigned to such SRs by the credit rating agencies.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure on restructuring of advances – For NBFC-ND with asset size less than ₹ 500 crore

Sl. No.	Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total							
	Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total		
	Details																							
1	Restructured Accounts as on April 1 of the FY (opening figures) *	No. of borrowers																						
		Amount outstanding																						
		Provision thereon																						
2	Fresh restructuring during the year	No. of borrowers																						
		Amount outstanding																						
		Provision thereon																						
3	Upgradations to restructured standard category during the FY	No. of borrowers																						
		Amount outstanding																						
		Provision thereon																						

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure on restructuring of advances – For NBFC-ND with asset size less than ₹ 500 crore

Sl. No.	Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total						
	Asset Classification	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total		
	Details																						
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers																					
		Amount outstanding																					
		Provision thereon																					
5	Down gradation of restructured accounts during the FY	No. of borrowers																					
		Amount outstanding																					
		Provision thereon																					
6	Write-offs of restructured accounts during the FY	No. of borrowers																					
		Amount outstanding																					
		Provision thereon																					
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers																					
		Amount outstanding																					
		Provision thereon																					

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Particulars of Resolution Plan and restructuring

An NBFC covered by the 'Prudential Framework for Resolution of Stressed Assets' issued vide the Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025 shall make appropriate disclosures in its financial statements relating to resolution plans implemented.

Acquisition of shares due to conversion of debt to equity during a restructuring process shall be exempted from regulatory ceilings / restrictions on Capital Market Exposures, investment in Para-Banking activities and intra-group exposure. However, details of the same shall be disclosed by an NBFC in the 'Notes to Accounts' to Annual Financial Statements.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Exposure to Real Estate Sector

(Amount in ₹ crore)

Category	Current Year	Previous Year
<p>i) Direct exposure</p> <p>a) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Exposure would also include non-fund based (NFB) limits.</p> <p>b) Commercial Real Estate – Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multifamily residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.</p> <p>c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures –</p> <p>i. Residential</p> <p>ii. Commercial Real Estate</p> <p>ii) Indirect Exposure Fund based and non-fund-based exposures on National Housing Bank and Housing Finance Companies.</p>		
Total Exposure to Real Estate Sector		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Exposure to Capital Market

(Amount in ₹ crore)

Particular*	Current Year	Previous Year
i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt		
ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds		
iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security		
iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances		
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Exposure to Capital Market

(Amount in ₹ crore)

Particular	Current Year	Previous Year
vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources		
vii) Bridge loans to companies against expected equity flows / issues		
viii) Underwriting commitments taken up by the NBFCs in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds		
ix) Financing to stockbrokers for margin trading		
x) All exposures to Alternative Investment Funds: (i) Category I (ii) Category II (iii) Category III		
Total exposure to capital market		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Sectoral Exposure

(Amount in ₹ crore)

Sectors	Current Year			Previous Year		
	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
1. Agriculture and Allied Activities						
2. Industry i... ii... Total of Industry (i+ii+...+Others)						
3. Services i... ii.... Total of Services(i+ii+...+Others)						

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Sectoral Exposure

(Amount in ₹ crore)

Sectors	Current Year			Previous Year		
	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
4. Personal Loans i.... ii... Total of Personal Loans (i+ii+...+Others)						
5. Others, if any (please specify)						

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Sectoral Exposure

Notes:

- The disclosures as above shall be based on the sector-wise and industry-wise bank credit (SIBC) return submitted by scheduled commercial banks to the Reserve Bank and published by Reserve Bank as ‘Sectoral Deployment of Bank Credit’.
- If within a sector, exposure to a specific sub-sector/industry is more than 10 per cent of Tier I Capital of a NBFC, the same shall be disclosed separately within that sector. Further, within a sector, if exposure to specific sub-sector/industry is less than 10 per cent of Tier I Capital, such exposures shall be clubbed and disclosed as “Others” within that sector.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Intra-group Exposure

NBFCs shall make the following disclosures for the current year with comparatives for the previous year:

- i. Total amount of intra-group exposures
- ii. Total amount of top 20 intra-group exposures
- iii. Percentage of intra-group exposures to total exposure of the NBFC on borrowers/customers.

Unhedged foreign currency exposure

NBFCs shall disclose details of its unhedged foreign currency exposures. Further, it shall also disclose their policies to manage currency induced risk.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Related Party Disclosure

(Amount in ₹ crore)

Items \ Related Party	Parent (as per ownership or control)		Subsidiaries		Associates / Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Others*		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Borrowings#														
Deposits#														
Placement of deposits#														
Advances#														
Investments#														
Purchase of fixed/other assets														
Sale of fixed/other assets														
Interest paid														
Interest received														
Others*														

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Related Party Disclosure

- What constitute Related Party?
 - As per AS 18
 - As per IND AS 24
 - As per Section 2(76) of the Companies Act, 2013
 - Trusts and other bodies in which the NBFC can directly or indirectly (through its related parties) exert control or significant influence.

- KMP – Section 2(51) of the Companies Act, 2013

- Relatives – Section 2(77) of the Companies Act, 2013 read with rules prescribed thereunder

- Disclosures for directors and relatives of directors should be made separately in separate columns from other KMPs and relatives of other KMPs.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure of Complaints

Summary information on complaints received by an NBFC from customers and from the Offices of Ombudsman

Sl.No	Particular	Current Year	Previous Year
Complaints received by the NBFC from its customers			
1.	Number of complaints pending at beginning of the year		
2.	Number of complaints received during the year		
3.	Number of complaints disposed during the year 3.1. Of which, number of complaints rejected by the NBFC		
4.	Number of complaints pending at the end of the year		
Maintainable complaints received by the NBFC from Office of Ombudsman			
5.*	Number of maintainable complaints received by the NBFC from Office of Ombudsman 1. Of 5, number of complaints resolved in favour of the NBFC by Office of Ombudsman 2. Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman 3. Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the NBFC		
6.*	Number of Awards unimplemented within the stipulated time (other than those appealed)		

* Applicable to NBFCs which are included under 'Reserve Bank – Integrated Ombudsman Scheme, 2021'.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure of Complaints

Top five grounds of complaints received by the NBFCs from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Current Year					
Ground – 1					
Ground – 2					
Ground – 3					
Ground – 4					
Ground – 5					
Others					
Total					
Previous Year					
Ground – 1					
Ground – 2					
Ground – 3					
Ground – 4					
Ground – 5					
Others					
Total					

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Disclosure of Complaints

The list of grounds of complaints given below are indicative only.

1. Credit Cards	2. Difficulty in operation of accounts	3. Mis-selling	4. Recovery Agents/ Direct Sales Agents
5. Loans and advances	6. Levy of charges without prior notice/ excessive charges/ foreclosure charges	7. Non-observance of fair practices code	8. Staff behaviour
9. Facilities for customers visiting the office/ adherence to prescribed working hours, etc.	10. Others		

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Loans to Directors, senior officers and relatives of Directors

(₹ crore)		
	Current Year	Previous Year
Directors and their relatives		
Entities associated with directors and their relatives		
Senior Officers and their relatives		

Currency Futures

Disclosures shall be made in the balance sheet relating to transactions undertaken in the currency futures market, in accordance with the guidelines issued by SEBI.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Liquidity

The following requirements are applicable to non-deposit taking NBFCs with asset size of ₹100 crore and above, Core Investment Companies and all deposit taking NBFCs.

An NBFC shall publicly disclose information as given below on a quarterly basis on the official website and in the annual financial statements as 'Notes to Accounts'.

➤ Funding Concentration based on significant counterparty (both deposits and borrowings)

Sr No.	Number of Significant Counterparties	Amount (₹ crore)	% of Total deposits	% of Total Liabilities

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Liquidity

- Top 20 large deposits (amount in ₹ crore and percent of total deposits)
- Top 10 borrowings (amount in ₹ crore and percent of total borrowings)
- Funding Concentration based on significant instrument / product

Sr. No.	Name of the instrument/product	Amount (₹ crore)	% of Total Liabilities

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Liquidity

➤ Stock Ratios

- i. Commercial papers as a percent of total public funds, total liabilities and total assets.
- ii. Non-convertible debentures (original maturity of less than one year) as a percent of total public funds, total liabilities and total assets.
- iii. Other short-term liabilities, if any as a percent of total public funds, total liabilities and total assets.
- iv. Institutional set-up for liquidity risk management.

Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

Credit Default Swaps (CDS)

An NBFC shall disclose following details in its 'Notes to Accounts':

		(₹ crore)
1	No. of transactions during the year	
2	Amount of protection bought during the year	
3	No. of transactions where credit event payment was received during the year	
	a) pertaining to current year's transactions	
	b) pertaining to previous year(s)' transactions	
4	Outstanding transactions as on March 31	
	a) No. of Transactions	
	b) Amount of protection	
5	Net income / profit (expenditure / loss) in respect of CDS transactions during year-to-date	
	a) premium paid	
	b) Credit event payments received (net of value of deliverable obligation).	

Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies)

Applicability

The provisions of these Directions shall, unless otherwise provided, apply to all Non-Banking Financial Companies in the Base Layer with asset size of Rs. 500 Crore and above.

Governance Structure for Fraud Risk Management

There shall be a Board approved Policy on Fraud Risk Management which shall at minimum include:

- Roles and responsibilities of Board / Board Committees and Senior Management of the NBFC.
- Measures for ensuring compliance with principles of natural justice specifically in relation to serving a notice, giving an opportunity to submit a representation before classifying Persons / Entities as fraud and passing a reasoned order.
- System for issuance of Show Cause Notice (SCN) and examination of the responses / submissions made by the Persons/Entities prior to declaring such Persons / Entities as fraudulent.
- Passing of reasoned Order containing relevant facts / circumstances relied upon, submission made against the SCN and the reasons for classification as fraud or otherwise.

The Policy shall be reviewed at least once in three years

Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies)

Special Committee of the Board for Monitoring and Follow-up of cases of Frauds

- NBFCs shall constitute a Committee of the Board to be known as 'Special Committee of the Board for Monitoring and Follow-up of cases of Frauds (SCBMF)'.
- The SCBMF shall consist of minimum of three members of the Board, consisting of:
 - Chief Executive Officer; and
 - Two Independent Directors.

Note: In case the Chief Executive Officer is not a Whole-Time Director, a Managing Director to be appointed as member of the SCBMF.

- NBFCs in the Base Layer, shall have the option of constituting a Committee of the Executives (CoE).
- The CoE shall have a minimum of three members.
- At least one member of CoE shall be a Whole-time director or equivalent rank Official who shall perform the roles and responsibilities of SCBMF

Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies)

Roles and Responsibilities of SCBMF

- To oversee the effectiveness of the fraud risk management in the NBFC
- To review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds.

Roles and Responsibilities of Senior Management

- To oversee implementation of the fraud risk management policy approved by the Board of the NBFC.
- To place before the Board/Audit Committee a periodic review of incidents of fraud.

Whistle Blower Policy

NBFCs shall put in place a Whistle Blower Policy to facilitate a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately.

Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies)

Disclosure

NBFCs shall disclose the amount related to fraud reported in the company for the year in the Notes to Accounts of the Financial Statements.

Reporting of Fraud

- NBFCs shall immediately report the incidents of fraud to appropriate Law Enforcement Agencies (LEAs) viz. State Police authorities, etc.
- NBFCs shall establish suitable nodal point(s) / designate officer(s) for reporting incidents of fraud to LEAs and for proper coordination .
- NBFCs shall also report the incidents of fraud to RBI through Fraud Monitoring Returns (FMRs).
- NBFCs shall also report frauds perpetrated in their group entities to RBI separately, if such entities are not regulated / supervised by any financial sector regulatory / supervisory authority. The group entities will have to comply with the principles of natural justice before declaration of fraud.
- NBFCs may withdraw FMR / remove name(s) of perpetrator(s) from FMR, with due justification and with the approval of an official at least in the rank of a director.

Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies)

Reporting Cases of Theft, Burglary, Dacoity and Robbery

- NBFCs shall report instances of theft, burglary, dacoity and robbery, including attempted cases, to Fraud Monitoring Group (FMG), Department of Supervision, Central Office, Reserve Bank of India, immediately and not later than seven days from their occurrence.
- NBFCs shall also submit a quarterly Return (RBR) on theft, burglary, dacoity and robbery to RBI using online portal, covering all such cases during a quarter, within 15 days from the end of the quarter to which it relates.

Master Direction - Information Technology Framework for the NBFC Sector

Applicability

The Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 07, 2023, is applicable only to NBFCs in the Top Layer, Upper Layer and Middle Layer. However, it has been expressly provided in the said Directions that the Master Direction - Information Technology Framework for the NBFC Sector dated June 08, 2017 have been repealed only for the said layers.

Therefore for NBFCs in the Base Layer are required to comply with the provisions of the Master Direction - Information Technology Framework for the NBFC Sector dated June 08, 2017.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

IT Governance Structure



Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

IT Strategy Committee

- NBFCs are required to form an IT Strategy Committee at executive level, consisting of:
 - Independent Director acting as Chairman of the Committee;
 - CIO;
 - CTO; and
 - Such other members, as decided by the Board.
- Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings.
- The Committee shall carry out review and amend the IT strategies in line with the corporate strategies.
- The Committee shall also review the Board Policy, cyber security arrangements and any other matter related to IT Governance.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

Roles and Responsibilities of IT Strategy Committee

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

IT Policy

- NBFCs may formulate a Board approved IT Policy, in line with the objectives of their organisation comprising the following:
- An IT organizational structure commensurate with the size, scale and nature of business activities carried out by the NBFC.
- NBFCs may designate a senior executive as the Chief Information Officer (CIO) or in-Charge of IT operations whose responsibility is to ensure implementation of IT Policy
- To ensure technical competence, IT training requirements should be formulated to ensure that sufficient, competent and capable human resources are available.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

Information and Cyber Security

Information Security (IS)

NBFCs must have a Board approved IS Policy with the following basic tenets:

- Confidentiality.
- Integrity.
- Availability.
- Authenticity.
- IS Framework, consisting of:
 - ❖ Identification and Classification of Information Assets.
 - ❖ Segregation of Functions.
 - ❖ Role based Access Control.
 - ❖ Personnel Security.
 - ❖ Physical Security.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

Information and Cyber Security

- ❖ Maker-Checker.
- ❖ Incident Management.
- ❖ Trails.
- ❖ Public Key Infrastructure (PKI).

Cyber Security

- The Cyber Security Framework of an NBFC shall consist of:
- A Board approved Cyber Security Policy.
- Vulnerability Management.
- Cyber security preparedness indicators.
- Cyber Crisis Management Plan.
- Sharing of information on cyber-security incidents with RBI.
- Cyber-security awareness among stakeholders / Top Management / Board.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

Information and Cyber Security

- Digital Signatures.
- IT Risk Assessment.
- Mobile Financial Services.
- Social Media Risks.
- Training.

IT Operations

IT Operations should support processing and storage of information, such that the required information is available in a timely, reliable, secure and resilient manner. The Board or Senior Management should take into consideration the risk associated with existing and planned IT operations and the risk tolerance and then establish and monitor policies for risk management. The IT Operations consists of the following activities:

- Acquisition and Development of Information Systems (New Application Software) and Change Management.
- Realignment of IT Systems on a regular basis.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

- IT Enabled Management Information System.
- To put in place MIS that assist the Top Management as well as the business heads in decision making.
- MIS for Supervisory requirements.

IS Audit

IS Audit should form an integral part of Internal Audit system of the NBFC. The objective of the IS Audit is to provide an insight on the effectiveness of controls that are in place to ensure confidentiality, integrity and availability of the NBFC's IT infrastructure. IS Audit shall identify risks and methods to mitigate risk arising out of IT infrastructure such as server architecture, local and wide area networks, physical and information security, telecommunications etc.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

Business Continuity Planning (BCP) and Disaster Recovery

- NBFC should adopt a Board approved BCP Policy.
- The functioning of BCP shall be monitored by the Board by way of periodic reports.
- The CIO shall be responsible for formulation, review and monitoring of BCP to ensure continued effectiveness.
- The BCP may have the following salient features:
 - Business Impact Analysis.
 - Recovery strategy/ Contingency Plan.
 - Setting-up Back-up sites.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

IT Services Outsourcing

NBFCs shall have in place a Board approved Policy on Outsourcing of IT Services. The Board of Directors of NBFCs is responsible for effective due diligence, oversight and management of outsourcing and accountability for all outsourcing decisions. The Board and IT Strategy committee have the responsibility to institute an effective governance mechanism and risk management process for all IT outsourced operations.

The role of IT Strategy Committee in respect of outsourced operations shall include:

- a) Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner;
- b) Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing;
- c) Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
- d) Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
- e) Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size above Rs. 500 Crore

IT Services Outsourcing

- f) Periodically reviewing the effectiveness of policies and procedures;
- g) Communicating significant risks in outsourcing to the NBFC's Board on a periodic basis;
- h) Ensuring an independent review and audit in accordance with approved policies and procedures;
- i) Ensuring that contingency plans have been developed and tested adequately;
- j) NBFC should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. NBFCs are expected to adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size below Rs. 500 Crore

Recommendations

- To develop basic IT systems mainly for maintaining the database.
- To have in place a Board approved Information Technology policy/Information system policy.
- To have in place adequate IT Systems, which should be progressively scaled up as the size and complexity of NBFC's operations increases.
- The IT system shall at least consist of:
 - Basic security aspects such as physical/ logical access controls and well defined password policy;
 - A well-defined user role;
 - A Maker-checker concept to reduce the risk of error and misuse and to ensure reliability of data/information;
 - Information Security and Cyber Security;
 - Requirements as regards Mobile Financial Services, Social Media and Digital Signature Certificates;
 - System generated reports for Top Management summarising financial position including operating and non-operating revenues and expenses, cost benefit analysis of segments/verticals, cost of funds, etc.;

Master Direction - Information Technology Framework for the NBFC Sector – For NBFCs with asset size below Rs. 500 Crore

- Adequacy to file regulatory returns to RBI;
- A BCP policy duly approved by the Board ensuring regular oversight of the Board by way of periodic reports;
- Arrangement for backup of data with periodic testing.

Master Direction – Reserve Bank of India (Filing of Supervisory Returns)

Directions - 2024

S. No.	Name of the Return	Periodicity	Due Date
1.	<p>DNBS02 – Important Financial Parameters</p> <p>[Components of assets and liabilities, profit and loss account, etc. as well as for complying with various prudential norms.]</p>	<p>Quarterly</p> <p>[31st March / 30th June / 30th September / 31st December]</p>	<p>Within 21 days from the end of each quarter.</p>
2.	<p>DNBS04A – Short Term Dynamic Liquidity (STD L)</p> <p>[Data on Asset Liability Mismatches (ALM) and Interest Rate Sensitivity (IRS), liquidity risk of exposures.]</p> <p>Applicable only on NBFC-BL with asset size of ₹100 crore and above solely or at Group level. [excluding Type-I NBFCs, and Non-Operative Financial Holding Companies (NOFHCs), P2Ps, AAs, and Mortgage Guarantee Companies.]</p>	<p>Quarterly</p> <p>[31st March / 30th June / 30th September / 31st December]</p>	<p>Within 21 days from the end of each quarter.</p>

Master Direction – Reserve Bank of India (Filing of Supervisory Returns)

Directions - 2024

S. No.	Name of the Return	Periodicity	Due Date
3.	<p>DNBS4B – Structural Liquidity & Interest Rate Sensitivity</p> <p>[Data on Asset Liability Mismatches (ALM) and Interest Rate Sensitivity (IRS), liquidity risk of exposures.]</p> <p>Applicable only on NBFC-BL with asset size of ₹100 crore and above solely or at Group level. [excluding Type-I NBFCs, and Non-Operative Financial Holding Companies (NOFHCs), P2Ps, AAs, and Mortgage Guarantee Companies.]</p>	<p>Monthly</p> <p>[31st March/30th April/31st May/30th June/31st July/31st August/30th September/31st October/30th November/31st December/31st January/28th or 29th February]</p>	<p>Within 15 days from the end of each month.</p>

Master Direction – Reserve Bank of India (Filing of Supervisory Returns)

Directions - 2024

S. No.	Name of the Return	Periodicity	Due Date
4.	<p>DNBS08 – CRILC-Main</p> <p>[Credit information in respect of borrowers who are having aggregate exposure of ₹5 Crore and above with NBFCs. In case, any entity to whom the return is applicable does not have any borrower with aggregate exposure of ₹5 crores and above for a reporting month, it shall submit a 'NIL' return.]</p> <p>Applicable on NBFC-BL which are NBFC-ICC, NBFC-MFI, NBFC Factors having asset size of ₹500 crore and above solely or at group level.</p>	<p>Monthly</p> <p>[31st March/30th April/31st May/30th June/31st July/31st August/30th September/31st October/30th November/31st December/31st January/28th or 29th February]</p>	<p>Within 15 days from the end of each month.</p>

Master Direction – Reserve Bank of India (Filing of Supervisory Returns) Directions - 2024

S. No.	Name of the Return	Periodicity	Due Date
5.	DNBS09 – CRILC Weekly – RDB [Information on large borrowers (having aggregate exposure of ₹5 crores and above with them), who have defaulted during a week or moved out of the default position, through this return on each Friday. In case, any entity to whom the return is applicable does not have any large borrower with default move-in/ move-out positions during the week, it shall submit a 'NIL' return.] Applicable on NBFC-BL which are NBFC-ICC, NBFC-MFI, NBFC Factors having asset size of ₹500 crore and above solely or at group level.	Weekly	Friday of the week.

Master Direction – Reserve Bank of India (Filing of Supervisory Returns)

Directions - 2024

S. No.	Name of the Return	Periodicity	Due Date
6.	<p>DNBS10 – Statutory Auditor Certificate (SAC)</p> <p>[All NBFCs shall enable their Statutory Auditors to submit ‘DNBS10 - Statutory Auditor’s Certificate (SAC) Return’ every year. The certificate shall be based on audited books of accounts of the applicable entity, for the preceding financial year.]</p>	<p>Yearly</p> <p>[31st March]</p>	<p>Within 5 working days from the date of signing of the Auditor’s report, but not later than December 31st of same year, in any case.</p>
7.	<p>DNBS13 – Overseas Investment Details</p> <p>[All the NBFCs shall submit information on their overseas investment and returns on a quarterly basis. In case, there are no overseas investments during the reporting quarter, a ‘NIL’ return shall be submitted.]</p>	<p>Quarterly</p> <p>[31st March / 30th June / 30th September / 31st December]</p>	<p>Within 21 days from the end of each quarter.</p>

Master Direction – Reserve Bank of India (Filing of Supervisory Returns)

Directions - 2024

S. No.	Name of the Return	Periodicity	Due Date
8.	<p>Form A Certificate</p> <p>[Certificate to be submitted by NBFCs regarding appointment of Statutory Central Auditor (SCA)/ Statutory Auditor (SA) in prescribed format.]</p>	<p>Yearly</p> <p>[31st March]</p>	<p>Within one month from the date of appointment of Statutory Central Auditor (SCA)/Statutory Auditor (SA).</p>
9.	<p>Financial Soundness Indicators (FSI)</p> <p>[A special return for furnishing consolidated FSIs: 1. Balance Sheet 2. Income and Expense Statement 3. Select financials, 4. Loans by sectoral distribution.]</p>	<p>Quarterly</p> <p>[31st March / 30th June / 30th September / 31st December]</p>	

THANK YOU