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Summary of New Regulations issued by Reserve Bank of India in respect of Non Banking Finance Companies.

Effective from 28-11-2025

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Introduction

Non-Banking Financial Companies (NBFCs) are a key pillar of India's credit and financial intermediation system, and the Reserve Bank of India has issued new regulations & also amended most of the existing regulations of NBFCs, Commercial Banks, Small Finance Banks, Payments Banks, Local Area Banks, Regional Rural Banks, Urban Co-operative Banks, Rural Co-operative Banks, All India Financial Institutions, ARCs. New Regulations are to provide a comprehensive, harmonized regulatory framework for this diverse sector. These NBFC regulations consolidate earlier scattered circulars and notifications into a single set of binding instructions on prudential norms, governance, conduct of business and risk management, issued in exercise of RBI's powers under the Reserve Bank of India Act, 1934 and other applicable statutes to safeguard financial stability, protect depositors and investors, and ensure that NBFCs are run in a sound and transparent manner; the present regulations are applicable with effect from 28 November 2025. Summary of new regulations issued are provided as under.

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

The Reserve Bank of India issued the Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation Directions, 2025 to strengthen oversight of NBFCs. The Directions introduce a four-layer regulatory structure—Base, Middle, Upper and Top Layer—based on size, activity and systemic risk. It defines applicability for various NBFC categories and prescribes specific compliance requirements for each layer. The framework also revises registration norms, including enhanced Net Owned Fund (NOF) criteria, principal business tests, and rules relating to investments through Alternative Investment Funds and from FATF non-compliant jurisdictions. Several institutions such as insurance companies, stock exchanges, AIFs, chit companies, and microfinance Section 8 entities meeting specific criteria are granted exemptions from certain RBI Act provisions. The Directions consolidate regulatory instructions, specify reporting obligations, and repeal earlier guidelines while protecting actions already taken. These measures aim to ensure a more risk-sensitive, transparent and robust NBFC regulatory ecosystem in India.

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

These Directions regulate acquisition and transfer of shareholding or control in Non-Banking Financial Companies (NBFCs). They apply to all types of NBFCs such as NBFC-ICC, NBFC-MFI, NBFC-D, HFCs, IDF-NBFC, CIC, NBFC-P2P and NBFC-AA. Prior written approval of RBI is required for any takeover or change in control, or when acquisition of equity reaches or exceeds 26% of paid-up capital. For HFCs accepting public deposits, approval is required when foreign investors acquire 10% or more. SPDs must obtain approval for any change in capital structure. NBFCs must submit applications with required declarations, shareholder details, financial sources, and banker reports. A public notice in national and local newspapers must be issued 30 days prior to change in ownership/control. Investments from FATF non-compliant jurisdictions are restricted, preventing them from gaining significant influence (20% voting power). Previous guidelines on this subject stand repealed; RBI retains authority for interpretation.

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

The RBI (Non-Banking Financial Companies – Voluntary Amalgamation) Directions, 2025 govern mergers involving NBFCs in the public interest. These Directions apply to all NBFCs across all regulatory layers. Amalgamation refers to the merger of one or more entities with another under a legally approved scheme. The framework covers three scenarios: mergers between two NBFCs, between an NBFC and a non-NBFC, and vice versa. Before seeking approval from the National Company Law Tribunal (NCLT) under the Companies Act, 2013, NBFCs must obtain a No Objection Certificate (NOC) or prior approval from RBI. Where an NBFC merges into another NBFC or non-NBFC, the amalgamated NBFC must surrender its Certificate of Registration (CoR). Approval is required if the amalgamation results in change of control, 26% or more shareholding change, or change of management exceeding 30% of directors. The merged entity must continue to satisfy Principal Business Criteria to operate as an NBFC.

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

The Reserve Bank of India (NBFC – Branch Authorisation) Directions, 2025 lay down regulatory guidelines for opening, closing and managing branches or offices of Non-Banking Financial Companies (NBFCs), including Housing Finance Companies (HFCs). Deposit-taking NBFCs may open branches based on their Net Owned Funds (NOF) and credit rating, with higher-rated and well-capitalised NBFCs permitted to expand nationwide. HFCs must inform the National Housing Bank before opening any branch in India and are prohibited from opening branches abroad. NBFC-Investment and Credit Companies engaged in gold lending require prior RBI approval to exceed 1,000 branches. As a general rule, NBFCs are not allowed to open branches abroad, except those already operating such branches with prior intimation. The Directions also mandate procedures for branch closure, including a three-month public notice. Opening representative offices abroad requires prior RBI approval and is restricted to liaison activities only. Earlier guidelines stand repealed, with existing rights and actions preserved.

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

The Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Directions, 2025 provide a comprehensive regulatory framework governing how NBFCs, CICs, and HFCs may undertake various financial services. The Directions set eligibility norms, capital requirements, and approvals needed for overseas investments, including establishing subsidiaries or joint ventures abroad, with strict conditions to prevent complex structures and ensure financial soundness. Clear rules regulate NBFC and CIC entry into the insurance sector, defining permissible risk participation, investment limits, and mandatory IRDAI compliance. The Directions also outline conditions for NBFCs distributing mutual funds, undertaking PoP services for NPS, or acting as MTSS sub-agents. AIF-related investment rules emphasize limits, provisioning, and restrictions to prevent evergreening. The framework also details guidelines for Infrastructure Debt Funds and foreign direct investment activities. Previous instructions on these subjects stand repealed, while rights and ongoing actions remain protected under the saving provisions.

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

The Reserve Bank of India (NBFC–Governance) Directions, 2025 establish a unified governance framework for all NBFCs, including HFCs, based on their regulatory layer. The Directions outline the responsibilities, composition, and functioning of Boards, emphasising independence, diversity, and accountability. They set criteria for the appointment, tenure, and performance evaluation of directors, including Fit and Proper requirements and restrictions on directorships. Key governance committees—Audit, Risk Management, Nomination & Remuneration, and CSR—are mandated with clearly defined roles. The Directions strengthen oversight through policies on related-party transactions, remuneration, succession planning, and confidentiality of information. Requirements for enhanced disclosures, conflict-of-interest management, and whistle-blower mechanisms have been formalised. Senior management duties are also detailed to ensure ethical conduct and compliance. The Directions repeal earlier governance circulars but protect past actions under them. Overall, the framework aims to ensure transparent, risk-aligned, and responsible governance practices across NBFCs, supporting financial stability and stakeholder trust.

7. Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025:

The RBI's Prudential Norms on Capital Adequacy Directions, 2025 establish a uniform regulatory framework for capital requirements across various categories of NBFCs, based on the Scale-Based Regulatory structure. The Directions prescribe minimum Tier 1 capital, CRAR, and CET1 thresholds applicable according to the NBFC layer, including stricter norms for Upper Layer and Top Layer entities. They define the components of CET1, Tier 1, and Tier 2 capital, along with detailed adjustments such as treatment of deferred tax assets, unrealised gains, sub-ordinated debt, and exposures through AIFs. The guidelines outline computation of Risk-Weighted Assets, securitisation exposure norms, leverage ratio limits, and capital charges for credit default swaps. NBFCs in the Middle Layer and above must also implement an Internal Capital Adequacy Assessment Process (ICAAP) aligned with Pillar 2 principles. The Directions repeal earlier capital adequacy guidelines while ensuring continuity of previous actions and clarifying that all other laws remain applicable.

8. The RBI (NBFC–Acceptance of Public Deposits) Directions, 2025:

Provide a comprehensive regulatory framework governing how NBFCs can accept, renew, maintain, and manage public deposits. The Directions apply to all deposit-taking NBFCs, specifying eligibility criteria, prudential limits, and conditions under which deposits may be mobilised. They define key terms such as public deposits, liquid assets, credit rating requirements, and permissible deposit tenures. NBFCs accepting deposits must maintain minimum credit ratings, comply with caps on deposit amounts relative to Net Owned Funds, and follow strict procedures for advertisement and solicitation of deposits. Mandatory maintenance of liquid assets, reporting of deposit positions, submission of returns, and adherence to fair practices norms are emphasised. Provisions also cover premature repayment, joint deposits, nomination requirements, and treatment of unclaimed deposits. The Directions repeal earlier guidelines on public deposits while preserving actions already taken, thereby ensuring a uniform, safer, and more transparent deposit acceptance framework for NBFCs.

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

The RBI (NBFC– Credit Facilities) Directions, 2025 establish a consolidated regulatory framework governing how NBFCs extend credit, manage exposures, and handle specific lending scenarios. The Directions define prudential norms for grant of loans and advances, including restrictions on lending against shares, loans to directors and related parties, and financing for sensitive sectors such as real estate and capital markets. Clear guidelines are provided on limits for single and group borrower exposures, connected lending, and arm's-length requirements. NBFCs must conduct robust due diligence, maintain transparent loan documentation, and ensure fair lending practices. The Directions also prescribe rules for gold-loan NBFCs, including valuation, collateral security, and auction procedures. Provisions on restructuring, provisioning, and classification of credit facilities align with broader prudential norms. Financing against NCDs, inter-corporate loans, and lending to non-compliant entities is subject to strict conditions. Earlier circulars on credit facilities stand repealed, with past actions protected under saving clauses.

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

The RBI (NBFC– Credit Cards: Issuance and Conduct) Directions, 2025 regulate the issuance and management of credit cards by NBFCs. The guidelines mandate prior RBI approval, robust board-approved policies, transparent customer on-boarding, explicit consent for card activation, and prohibition of unsolicited cards. They emphasize responsible underwriting, clear disclosure of charges, and transparency in EMI conversions. Interest must only apply to outstanding dues, with detailed explanations of APR and minimum payments. Cardholders may modify billing cycles and request closure within seven working days. Misuse, harassment during recovery, and unilateral upgrades are prohibited. Co-branding arrangements require due diligence and risk management. trict data confidentiality, adherence to KYC, AML, and cybersecurity norms, and responsible outsourcing practices are mandated. Card issuers must establish strong grievance redressal mechanisms with compensation for delays. The directions supersede previous guidelines while preserving prior actions, and RBI retains authority to clarify, exempt, or extend compliance requirements.

11. Reserve Bank of India (Commercial Banks – Credit Risk Management) Directions:

The RBI's *Commercial Banks – Credit Risk Management Directions, 2025* establish a comprehensive framework for banks to identify, evaluate, and control credit risk. The guidelines require every bank to implement Board-approved policies covering credit appraisal, sectoral exposure limits, valuation of properties, country risk, unhedged foreign currency exposure (UFCE), and opening of current/CC/OD accounts. Banks must conduct independent credit assessments, verify the quality of promoter equity, and use Credit Information Reports. Strict statutory prohibitions apply to lending against a bank's own shares and to directors or their related entities. Regulatory rules restrict loans to relatives of directors and senior officers to avoid conflicts of interest. Additional chapters mandate country risk assessment, provisioning for UFCE, mandatory LEI codes for large borrowers, standardized property valuation, filing of security interests in CERSAI, and disciplined management of current accounts and working capital. The directions aim to strengthen risk governance and safeguard the banking system.

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

The RBI (NBFC–Concentration Risk Management) Directions, 2025 aim to mitigate concentration risk by imposing prudential exposure norms across NBFCs in the Base, Middle, and Upper Layers. NBFCs must establish comprehensive Board-approved policies to manage credit/investment limits for single borrowers and groups, with stricter controls on sensitive sectors like consumer credit, capital markets, commercial real estate, and IPO funding (capped at ₹1 crore per borrower). Middle and Upper Layer NBFCs have defined exposure ceilings linked to Tier 1 capital, with additional limits permitted for infrastructure lending. Upper Layer NBFCs must follow the Large Exposure Framework (LEF), reporting exposures above specified thresholds and identifying connected counterparties. Exemptions apply to exposures backed by government guarantees and intra-group exposures deducted from Owned Funds. Breaches must be rectified promptly. Existing guidelines are repealed, but previous actions remain valid. RBI may issue clarifications, and the Directions complement other applicable laws.

13. Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025:

The RBI (NBFC–Transfer and Distribution of Credit Risk) Directions, 2025 regulate how NBFCs transfer or distribute credit risk through instruments like credit derivatives, loan sales, and securitization. Applicability varies by NBFC layer, focusing on maintaining financial stability. NBFCs must establish Board-approved policies detailing eligible assets, risk transfer mechanisms, and monitoring procedures. Only standard, performing assets can be transferred, with transparent due diligence and accurate valuation. Credit enhancement or synthetic structures must avoid excessive risk retention. NBFCs must ensure true sale in loan transfer and comply with capital adequacy norms post-transfer. They are prohibited from providing implicit support to transactions or re-originating transferred assets. Detailed reporting to RBI is mandatory, including transaction structure and risk assessment. Existing guidelines are repealed, but past actions remain valid. These Directions ensure responsible risk management, promote transparency, protect investors, and align NBFC practices with global standards on credit risk transfer.

14. Reserve Bank of India (Non-Banking Financial Companies – Securitisation Transactions) Directions, 2025:

The RBI (NBFC– Securitisation Transactions) Directions, 2025 lay down regulatory guidelines for securitisation by NBFCs to promote transparency, protect investors, and support financial stability. Only standard, performing assets can be securitised, while risky structures such as re-securitisation, synthetic transactions, revolving credit (including credit card receivables), and certain short-term or bullet payment loans are prohibited. NBFCs must retain a specified minimum stake and hold assets for a minimum period before securitisation.

They must provide comprehensive loan-level data and ongoing performance reports to investors. Transaction structure must ensure clear cash flow priorities, robust documen-tation, and proper risk mitigation mechanisms. Credit enhance-ments are permitted only at initiation and may be reset under specific conditions, subject to rating stability and investor consent. NBFCs must carry out stress testing, monitor exposures regularly, and maintain appropriate capital as per prudential norms.

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

The Directions provide a regulatory framework for NBFCs regarding classification, valuation, and management of their investment portfolios. All NBFCs must follow applicable accounting standards (Ind AS or AS) and establish a Board-approved investment policy defining asset classification criteria. Investments are to be valued prudently, with quoted current investments assessed at cost or market value, whichever is lower, while long-term investments follow accounting standards. Rules govern inter-class transfers, transparency in government securities transactions, and reporting timelines for corporate bond trades. Income recognition must align with accrual or cash principles based on instrument type and servicing status. Investments in Alternative Investment Funds (AIFs) face strict limitations, especially concerning exposures linked to debtor companies and subordinated units with priority distribution, which may require full capital deduction. NBFCs are permitted limited participation in currency and interest rate derivatives solely for hedging. These Directions supersede previous guidelines, preserving past actions.

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

These Directions establish a framework for effective asset-liability management (ALM) across NBFCs, emphasising liquidity risk, interest rate risk, and structural balance sheet monitoring. NBFCs must adopt a robust Board-approved ALM policy outlining risk appetite, funding strategies, governance, stress testing, and contingency planning. A dedicated Asset Liability Management Committee (ALCO) is required for strategic oversight. NBFCs must prepare maturity buckets, monitor negative mismatches, and comply with Liquidity Coverage Ratio (LCR) norms where applicable. Stress testing and early warning indicators must be implemented to assess resilience under adverse conditions. Cash flow projections, funding concentration analysis, and diversification targets are mandatory. Reporting to the Board and RBI must be timely and comprehensive. Breaches must be addressed with corrective action plans. The Directions reinforce alignment with overall risk management frameworks and supersede earlier ALM guidelines while preserving prior regulatory actions and allowing the RBI to issue further clarifications.

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

The Directions provide a regulatory framework for NBFCs regarding classification, valuation, and management of their investment portfolios. All NBFCs must follow applicable accounting standards (Ind AS or AS) and establish a Board-approved investment policy defining asset classification criteria. Investments are to be valued prudently, with quoted current investments assessed at cost or market value, whichever is lower, while long-term investments follow accounting standards. Rules govern inter-class transfers, transparency in government securities transactions, and reporting timelines for corporate bond trades. Income recognition must align with accrual or cash principles based on instrument type and servicing status. Investments in Alternative Investment Funds (AIFs) face strict limitations, especially concerning exposures linked to debtor companies and subordinated units with priority distribution, which may require full capital deduction. NBFCs are permitted limited participation in currency and interest rate derivatives solely for hedging. These Directions supersede previous guidelines, preserving past actions.

18. Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025:

The Directions establish a unified framework for early identification and resolution of stressed assets by NBFCs. NBFCs must implement a Board-approved policy outlining timelines, restructuring mechanisms, monitoring strategy, and escalation procedures. Special Mention Accounts (SMA) classification is required for early warning, followed by formulation of a resolution plan within specified periods. Resolution options include restructuring, sale, change in ownership, or recovery, subject to viability assessment and independent validation. Provisioning norms apply based on delay and resolution efficacy, with higher provisioning mandated for failure to implement a plan within time. Negotiated settlements must follow transparent and approved methodologies. NBFCs must record all resolution actions and submit periodic reports to RBI. Prudential norms continue to apply during resolution period. The Directions supersede earlier guidelines while preserving past regulatory actions. RBI retains authority for clarification and may impose supervisory measures for non-compliance.

19. Reserve Bank of India (Non-Banking Financial Companies – Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025:

The Directions provide a uniform framework for identifying, reporting, and acting against wilful and large defaulters. A borrower is classified as a wilful defaulter if they deliberately avoid repayment despite capacity, divert funds, siphon assets, or misuse funds. NBFCs must establish a committee to examine such cases and provide the borrower an opportunity to respond before final classification. Once declared, entities and their promoters are restricted from further credit facilities and restructuring. Names must be reported to credit information companies and shared across lenders. Large defaulters are identified based on exposure thresholds and may be considered for stringent monitoring and resolution measures. NBFCs must maintain detailed records, conduct periodic reviews, and follow escalation procedures. Guarantees invoked and unpaid may result in guarantors also being classified as wilful defaulters. The framework aims to enhance credit discipline, ensure accountability, and support early corrective action.

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

The Directions standardize the format, presentation, and disclosure requirements for NBFC financial statements to ensure transparency and comparability. NBFCs must prepare financial statements in accordance with the applicable accounting framework (Ind AS or Accounting Standards), ensuring consistency with regulatory reporting norms. The Board is responsible for approving financial statement formats, disclosure policies, and compliance monitoring. Key disclosures include capital adequacy, asset quality, provisioning, liquidity ratios, exposure to sensitive sectors, concentration risks, and off-balance sheet items. NBFCs must report details on related-party transactions, investments, credit concentration, maturity profiles, and regulatory breaches. Cash flow statements, notes to accounts, and management estimates must be presented clearly. Disclosure of penalties or supervisory actions is mandatory. Segment reporting is required where applicable. Comparative figures and significant policy changes must be highlighted transparently. These Directions supersede earlier disclosure norms but retain validity of past actions, allowing RBI to issue clarifications.

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

The Directions provide regulatory guidelines for NBFCs on dividend declaration to ensure financial stability and prudent capital management. Only NBFCs meeting minimum capital adequacy, leverage, and provisioning standards over the last three financial years may declare dividends. The net NPA ratio must be below 6%, and there must be no supervisory restrictions or unresolved audit qualifications. Dividend payout ceilings are specified—50% for most NBFCs, 60% for CICs and SPDs, with no ceiling for NBFCs that neither accept public funds nor have customer interface. Exceptional or extraordinary income must be excluded from profits while computing payout ratios. Entities not fully meeting eligibility but satisfying current-year parameters may declare dividends at a reduced cap of 10%. SPDs face stricter conditions tied to CRAR thresholds. Dividend reporting in prescribed formats is mandatory within 15 days of declaration. Previous guidelines stand repealed, preserving past regulatory actions.

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

These Directions mandate NBFCs to implement a comprehensive KYC framework to prevent money laundering, terrorist financing, and related risks. NBFCs must adopt a Board-approved KYC policy based on customer acceptance, identification, risk assessment, and transaction monitoring. Customers must be verified using Aadhaar (optional except for government benefit recipients), officially valid documents, or digital KYC/V-CIP methods. Risk-based categorisation into low, medium, and high-risk profiles is essential, with enhanced due diligence for high-risk customers. Ongoing monitoring, periodic KYC updates (2 years for high-risk, 8 years for medium, 10 years for low-risk), record retention, and reporting of suspicious transactions to FIU-IND are mandatory. Simplified accounts may be opened with restrictions for financially underserved individuals. NBFCs must ensure group-wide AML/CFT compliance, protect confidentiality, and avoid tipping-off customers. Outsourcing decision-making on KYC is prohibited. Accounts must be monitored closely, with stringent controls on non-face-to-face onboarding.

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

These Directions mandate NBFCs to adopt responsible business conduct, ensuring fairness, transparency, and customer protection. NBFCs must implement Board-approved policies covering Fair Practices Code, grievance redressal, interest rate determination, lending against gold/silver, and conduct towards microfinance borrowers. Loan terms must be clearly communicated in a language understood by borrowers, including Key Facts Statement detailing APR, charges, and repayment schedule. Penal charges must be reasonable, non-capitalized, and levied only on the defaulted amount. Borrowers must be given options during floating interest rate resets and allowed prepayment without penalty in specified cases. Loan agreements must detail repossession procedures and ensure equitable treatment of vulnerable groups. Robust procedures are required for lending against gold/silver, including standardized assaying, storage, documentation, transparent auction, and compensation for delays or loss. Recovery practices must avoid harassment, and staff and agents must be trained to handle customers sensitively.

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

These Directions establish a framework for NBFCs to manage risks arising from outsourcing of financial and operational activities. Outsourcing must not compromise internal controls, customer interests, or regulatory compliance. Core management functions cannot be outsourced, and ultimate responsibility remains with the NBFC’s Board. A robust outsourcing policy is required, covering risk assessment, due diligence, performance monitoring, confidentiality, and exit strategies. NBFCs must evaluate service providers’ financial soundness, data protection capabilities, and regulatory adherence. Contracts must clearly define roles, responsibilities, confidentiality clauses, audit access, termination rights, and business continuity requirements. Customer data must remain protected, with no un-authorized access or sharing. Critical functions like KYC, credit appraisal, and decision-making cannot be delegated entirely. NBFCs must ensure grievance redress mechanisms, maintain audit trails, and notify RBI of material outsourcing arrangements. Cloud services are permitted with stringent data localization and cybersecurity measures.

25. Reserve Bank of India (Non-Banking Financial Companies – Climate Finance and Management of Climate Change Risks) Directions, 2025:

These Directions aim to help NBFCs integrate climate risk management into their frameworks and facilitate responsible climate finance. NBFCs raising green deposits must implement Board-approved policies covering issuance, allocation, external verification, and impact reporting. Proceeds must be used only for eligible green activities such as renewable energy, energy efficiency, clean transportation, climate adaptation, water management, pollution control, green buildings, sustainable resource use, and biodiversity conservation. Financing of fossil fuel projects, nuclear power, landfill projects, and certain harmful industries is excluded. NBFCs must adopt a Financing Framework with processes for project evaluation, monitoring, allocation, and temporary use of funds in high-quality liquid assets. Annual third -party verification and impact assessment reports must be published. The Board must review green initiatives annually. Reporting must include fund allocation and environmental impact metrics. The Directions supersede previous guidelines but protect actions already undertaken.

26. Reserve Bank of India (Non-Banking Financial Companies – Microfinance Institution) Directions, 2025:

These Directions provide a regulatory framework for NBFC-MFIs to ensure responsible delivery of microfinance services. NBFC-MFIs must maintain at least 60% of total assets as qualifying microfinance loans and comply with registration and governance norms under RBI's scale-based regulation. The Board must approve key policies, including geographical exposure limits and operational risk management. Capital adequacy of at least 15% is mandatory, with Tier 2 capital capped at 100% of Tier 1. Microfinance loans become non-performing if overdue beyond 90 days, and provisioning must meet minimum standards based on overdue duration. NBFC-MFIs must comply with norms on resolution of stressed assets, asset-liability management, outsourcing risk, responsible business conduct, KYC, credit facilities, securitisation, and treatment of wilful defaulters. They must also join at least one Self-Regulatory Organization (SRO) and adhere to its code of conduct. Existing guidelines are repealed but past actions remain valid.

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

These Directions cover miscellaneous regulatory requirements applicable to NBFCs across different layers. NBFCs must promptly inform the RBI of any changes in address, directors, auditors, or authorized signatories. They are required to follow RBI guidelines on appointing statutory auditors and private placement of debentures. NBFCs must adopt technical specifications for Account Aggregator operations, avoid participation in partnership firms, and report rating changes of financial products. Investments in fixed deposits are not considered financial assets. NBFCs must promote electronic payment systems and shift from cheques to NACH mandates. Cash loan disbursals must comply with Income Tax Act provisions. References to the invalidated 2018 virtual currency circular are prohibited, but NBFCs must continue KYC and AML/CFT compliance. Rounding of transactions and clear disclosure regarding unregulated locker services is required. Caution is advised against fraudulent bank guarantees. Layer-specific directions apply to NBFC-Factors, ICCs, and IDF-NBFCs. Previous guidelines stand repealed.

28. Reserve Bank of India (Credit Information Companies) Directions, 2025:

These Directions set a regulatory framework for Credit Information Companies (CICs) to ensure accurate, secure, and reliable credit data services. CICs must operate with RBI authorization and maintain high standards of data integrity, confidentiality, and cybersecurity. They are required to collect, process, and share credit information only with consent and for legitimate purposes. Member institutions must provide timely and complete data updates. CICs must maintain transparency in dispute resolution, enabling individuals to access their credit reports and request corrections without delay. A robust grievance redressal system and periodic system audits are mandatory. Data retention, reporting formats, and risk controls must comply with RBI standards. CICs are prohibited from providing services that result in conflict of interest or misuse of credit data. They must follow fit-and-proper criteria for management, ensure compliance monitoring, and preserve records for regulatory inspection. Prior actions remain valid despite the repeal of earlier guidelines.

29. Reserve Bank of India (Credit Information Companies – Managing Risks in Outsourcing) Directions, 2025:

These Directions mandate Credit Information Companies (CICs) to establish strong governance, risk management, and oversight mechanisms when outsourcing Information Technology (IT) services. The Board holds ultimate responsibility and must approve a robust outsourcing policy covering service selection, risk assessment, monitoring, continuity planning, and exit strategies. CICs must maintain data confidentiality, security, and full control over outsourced operations, ensuring service providers uphold regulatory standards. Contracts must clearly define roles, performance expectations, audit rights, data protection, incident reporting, business continuity, and termination procedures. Cloud services and SOC outsourcing require additional control measures, ensuring data segregation, resilience, and access governance. CICs must assess concentration risk and continuously monitor service providers through audits, due diligence, and incident reporting. Cross-border outsourcing is allowed only with adequate legal enforceability and confidentiality safeguards. Customer grievance redressal remains the CIC's responsibility. Prior outsourcing regulations remain superseded, though previous actions retain validity.

Conclusion:

The revised RBI regulatory framework for NBFCs marks a decisive shift towards a more resilient, transparent and harmonised financial system, aligning NBFC oversight with that of banks while recognising the sector's diversity and systemic importance. By consolidating multiple directions into a single, scale-based architecture covering registration, governance, prudential norms, customer protection, climate and outsourcing risks, the new regime strengthens financial stability, enhances depositor and investor confidence, and promotes responsible innovation in credit delivery. Effective from 28 November 2025, these regulations place clear accountability on Boards and senior management, encourage better risk management and disclosures, and are expected to support sustainable growth of NBFCs as inclusive and trustworthy intermediaries in India's evolving financial landscape.

THANK YOU....

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Competence Credibility Commitment