भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/DOR/2025-26/373

DOR.FIN.REC.No.292/03-10-119/2025-26 November 28, 2025

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

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In exercise of the powers conferred under sections 45JA, 45K, 45L and 45M of the Reserve Bank of India Act, 1934 (Act 2 of 1934), section 3 read with section 31A and section 6 of the Factoring Regulation Act, 2011 (Act 12 of 2012), and Sections 30, 30A, 32 and 33 of the National Housing Bank Act, 1987 (Act 53 of 1987), and of all powers enabling it in this behalf, the Reserve Bank having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Reserve Bank to regulate the financial system to the advantage of the country and to prevent the affairs of any Non-Banking Financial Company (NBFC) from being conducted in a manner detrimental to the interest of investors and depositors or in any manner prejudicial to the interest of such NBFCs, hereby issues the Directions hereinafter specified.

Chapter-I Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025.

2. These Directions shall come into effect on the day they are placed on the website of the Reserve Bank.

B. Applicability

3. The applicability of these Directions is as follows

(1) These Directions shall be applicable to the following Non-Banking Financial Companies (hereinafter collectively referred to as 'NBFCs' and individually as 'an NBFC'), subject to layer-wise applicability, unless stated otherwise:

- (i) NBFCs classified under the Base Layer (NBFC-BL) shall be required to comply with the provisions of Chapter II and NBFCs in the Middle Layer (NBFC-ML) or above layers shall comply with Chapters II and III, unless stated otherwise.
- (ii) The provisions given in Chapter II and III shall apply to the following, subject to layer-wise applicability, unless specified otherwise:
  - (a) NBFC-D registered with the RBI under the provisions of the RBI Act, 1934;
  - (b) NBFC-ICC registered with the RBI under the provisions of the RBI Act, 1934;
  - (c) NBFC-Factor registered with the RBI under the provisions of the Factoring Regulation Act, 2011;

(d) NBFC-MFI registered with the RBI under the provisions of the RBI Act, 1934;

(e) NBFC-IFC registered with the RBI under the provisions of the RBI Act, 1934;

(f) IDF-NBFC registered with the RBI under the provisions of the RBI Act, 1934.

(iii) The provisions contained in paragraphs 6 to 22 and paragraphs 24 to 27, shall be applicable to HFC registered with the RBI under the provisions of the NHB Act, 1987.

(iv) The provisions contained in paragraphs 6, 7, 14, 15, 25 and 26 shall be applicable to MGC registered with RBI under the scheme of Registration of Mortgage Guarantee Companies.

(v) The provisions contained in paragraphs 6, 7, 8, 14, 15, 25 and 26 shall be applicable to SPD registered with the RBI as NBFC under the provisions of the RBI Act, 1934.

(vi) The provisions contained in paragraph 6, 7, 14, 15, 25 and 26 shall be applicable to NBFC-P2P registered with the RBI under the provisions of the RBI Act, 1934.

(vii) The provisions contained in paragraph 6, 7, 25 and 26 shall be applicable to NBFC-AA registered with the RBI under the provisions of the RBI Act, 1934.

(viii) The provisions contained in paragraphs 6, 7, 9 to 20, and 25 to 27, shall be applicable to CIC registered with the RBI under the provisions of the RBI Act, 1934.

(ix) The provisions contained in Chapter IV shall be applicable to NBFC-Factor registered with the RBI under the provisions of the Factoring Regulation Act, 2011 and NBFC-ICC registered with the RBI under the provisions of the Factoring Regulation Act, 2011.

(x) The provisions contained in Chapter V shall be applicable to IDF-NBFC registered with the RBI under the provisions of the RBI Act, 1934.

(2) These Directions are not applicable to the following:

(i) NOFHC registered with the RBI as NBFC under the provisions of the RBI Act, 1934.

Note: The applicability under these Directions is in line with the regulatory structure for NBFCs as set out in Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

C. Definitions

4. In this Chapter, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them and as defined in the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

5. The words or expressions used in these Directions but not defined herein and defined in the Reserve Bank of India Act, 1934 (Act 2 of 1934), or the Banking Regulation Act, 1949 (Act 10 of 1949) shall have the same meaning as assigned to them under the said Acts. Any other words or expressions not defined in the said Acts shall have the same meaning as assigned to them in the Companies Act, 1956 or Companies Act, 2013.

A. Information with respect to change of address, auditors, etc., to be submitted

6. NBFCs shall communicate, 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 to the Regional Office of the Department of Supervision of the Reserve Bank under whose jurisdiction it is registered and to the Department of Regulation, Central Office, Reserve Bank.

7. NBFCs shall communicate, not later than one month from the occurrence of any change in:

(1) the names and residential addresses of the directors of the company;
(2) the names and the official designations of its principal officers;
(3) the names and office address of the auditors of the company; and
(4) the specimen signatures of the officers authorised to sign on behalf of the company.

to the Regional Office of the Department of Supervision of the Reserve Bank under whose jurisdiction it is registered.

B. Appointment of Statutory Central Auditors/Statutory Auditors

8. NBFCs shall adhere to the instructions contained in circular titled 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated April 27, 2021, as amended from time to time. However, non-deposit taking NBFCs with asset size below ₹1,000 crore have the option to continue with their extant procedure.

C. Raising Money through Private Placement by NBFCs

9. NBFCs shall follow the guidelines on private placement of Non-Convertible Debentures (NCDs) given as under. The provisions of Companies Act, 2013 and Rules framed thereunder shall be applicable wherever not contradictory.

C.1 Guidelines on Private Placement of NCDs (maturity more than one year) by NBFCs

10. NBFCs shall put in place a Board approved policy for resource planning which, inter-alia, shall cover the planning horizon and the periodicity of private placement.

11. The issues shall be governed by the following instructions:

(1) The minimum subscription per investor shall be ₹20,000 (Rupees Twenty thousand);

(2) The issuance of private placement of NCDs shall be in two separate categories, those with a maximum subscription of less than ₹1 crore and those with a minimum subscription of ₹1 crore and above per investor;

(3) There shall be a limit of 200 subscribers for every financial year, for issuance of NCDs with a maximum subscription of less than ₹1 crore, and such subscription shall be fully secured;

(4) There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of ₹1 crore and above; the option to create security in favour of subscribers shall be with the issuers. Such unsecured debentures shall not be treated as public deposits as defined in Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025.

(5) An NBFC shall issue debentures only for deployment of funds on its own balance sheet and not to facilitate resource requests of group entities/parent company/ associates.

(6) An NBFC shall not extend loans against the security of its own debentures (issued either by way of private placement or public issue).

12. Tax exempt bonds offered by NBFCs are exempted from the applicability of the circular.

13. For NCDs of maturity upto one year, instructions contained in 'Master Direction – Reserve Bank of India (Commercial Paper and Non-Convertible Debentures of original or initial maturity upto one year) Directions, 2024' dated January 03, 2024 (as amended from time to time), issued by Financial Markets Regulation Department of the Reserve Bank, shall be applicable

D. Technical Specifications for all participants of the Account Aggregator ecosystem

14. The NBFC-Account Aggregator (NBFC-AA) consolidates financial information, as defined in Reserve Bank of India (Non-Banking Financial Companies - Account Aggregator) Directions, 2025 of a customer held with different financial entities, spread across financial sector regulators adopting different IT systems and interfaces. In order to ensure that such movement of data is secured, duly authorised, smooth and seamless, it has been decided to put in place a set of core technical specifications for the participants

of the AA ecosystem. Reserve Bank Information Technology Private Limited (ReBIT), has framed these specifications and published the same on its website (www.rebit.org.in).

15. NBFCs acting either as Financial Information Providers or Financial Information Users are expected to adopt the technical specifications published by ReBIT, as updated from time to time.

E. NBFCs not to be partners in partnership firms

16. No NBFC shall contribute to the capital of a partnership firm or become a partner of such firm.

17. Partnership firms shall also include Limited Liability Partnerships (LLPs).

18. The aforesaid prohibition shall also be applicable in respect of Association of persons, these being similar in nature to partnership firms.

19. An NBFC which had already contributed to the capital of a partnership firm /LLP / Association of persons or is 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.

F. Ratings of financial products of NBFCs

20. NBFCs with asset size of ₹100 crore and above shall furnish information about downgrading / upgrading of assigned rating of any financial product issued by them, within fifteen days of such a change in rating, to the Regional Office of the Reserve Bank under whose jurisdiction their registered office is functioning.

G. Non-Reckoning of Fixed Deposits with banks as Financial Assets

21. 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 as these are not covered under the activities mentioned in the definition of “financial Institution” in section 45-I(c) of the RBI Act, 1934. Besides, bank deposits constitute near money and 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 NBFI business.

H. Use of electronic payment system

22. 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.

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

23. Considering the protection available under section 25 of the Payment and Settlement Systems Act, 2007 which accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic funds transfer instructions on grounds of insufficiency of funds as are available under section 138 of the Negotiable Instruments Act, 1881, there shall be no need for NBFCs to take additional cheques, if any, from customers in addition to NACH (Debit) mandates. Accordingly, NBFCs have been advised not to accept fresh/ additional PDCs or EMI cheques from their customers. Cheques complying with CTS-2010 standard formats alone shall be obtained in locations, where the facility of NACH is not available.

J. Disbursal of loan amount in cash

24. NBFCs shall ensure compliance with the requirements under sections 269SS and 269T of the Income Tax Act, 1961, as amended from time to time.

K. Customer Due Diligence for Transactions in Virtual Currencies (VC)

25. It has come to our attention through media reports that regulated entities have cautioned their customers against dealing in virtual currencies by making a reference to the RBI circular DBR.No.BP.BC.104/08.13.102/2017-18 dated April 06, 2018. Such references to the above circular by regulated entities are not in order as this circular was set aside by the Hon'ble Supreme Court on March 04, 2020 in the matter of Writ Petition (Civil) No.528 of 2018 (Internet and Mobile Association of India v. Reserve Bank of India). As such, in view of the order of the Hon'ble Supreme Court, the circular is no longer valid from the date of the Supreme Court judgement, and therefore cannot be cited or quoted from.

26. NBFCs, may, however, continue to carry out customer due diligence processes in line with regulations governing standards for Know Your Customer (KYC) prescribed in Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025, Anti-Money Laundering (AML), Combating of Financing of Terrorism

(CFT) and obligations of regulated entities under Prevention of Money Laundering Act, (PMLA), 2002 in addition to ensuring compliance with relevant provisions under Foreign Exchange Management Act (FEMA) for overseas remittances.

L. Rounding off of transactions to the Nearest Rupee

27. 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. It shall be ensured that cheques/drafts issued by clients containing fractions of a rupee shall not be rejected by them.

M. Provision of Safe Deposit Locker Facility by NBFCs

28. Providing safe deposit locker facility is a fee-based service and shall not be reckoned as part of the financial business carried out by NBFCs. NBFCs offering safe deposit locker facility or intending to offer it, shall disclose to their customers that the activity is not regulated by the Reserve Bank.

N. Attempt to defraud using fake bank guarantee - Modus Operandi

29. Instances of fraud have been brought to the notice of the Reserve Bank wherein Bank Guarantees (BGs) purportedly issued by a couple of bank branches in favour of different entities were presented for confirmation by other commercial banks / individuals representing some beneficiary firms. The BGs were submitted along with Confirmation Advice / Advice of Acceptance. One of the beneficiaries was the reporting bank's customer. The remaining beneficiaries and applicants were neither the customers of the bank nor were they known to the bank branch officials.

30. A scrutiny of the said BG revealed that these bank guarantees were fake and the signatures of the bank officials appearing on the BG were forged. The bank branches purported to have issued the BGs also confirmed that they had not issued the same. Even the format of the BGs and their serial numbers did not match with that of the bank.

31. NBFCs shall take notice of the above facts in order to exercise due caution while handling such cases.

Chapter-III Miscellaneous Instructions applicable to NBFCs in Middle Layer

A. Licensing as Authorised Dealer- Category II

32. In order to increase the accessibility and efficiency of forex services extended to the members of the public for their day-to-day non-trade current account transactions, non-deposit taking NBFC-ICC shall be eligible for Authorized Dealer- Category II (AD Cat II) license, subject to meeting the following conditions:

(1) an NBFC offering such services shall have a 'minimum investment grade rating'.

(2) an NBFC offering such services shall put in place a board approved policy on:

- (i) managing the risks, including currency risk, if any, arising out of such activities; and
- (ii) handling customer grievances arising out of such activities.

33. A monitoring mechanism, at least at monthly intervals, shall be put in place for such services.

34. The eligible NBFC desirous of undertaking AD-Cat II activities shall approach the Reserve Bank, Foreign Exchange Department, Central Office, Mumbai for the AD-Cat II licence.

Chapter-IV Specific directions applicable to NBFC-Factors and NBFC-ICCs registered under the Factor Regulation Act, 2011

35. The instructions contained in this Chapter for NBFC-Factors and NBFC-ICCs registered under the Factoring Regulation Act, 2011 are in addition and not in substitution to the other relevant instructions issued by the Reserve Bank for NBFCs.

A. Registration

36. Every company intending to undertake factoring business shall make an application to the Reserve Bank for grant of CoR as NBFC-Factor under section 3 of the Factoring Regulation Act, 2011 and shall ensure to comply with the principal business as mentioned in paragraph 42 of these Directions.

37. Any existing NBFC-ICC intending to undertake factoring business, shall make an application to the Reserve Bank for grant of CoR under the Factoring Regulation Act, 2011, if it satisfies the following eligibility criteria:

(1) Not accepting or holding public deposits;

(2) Total assets of ₹1,000 crore and above, as per the last audited balance sheet;

(3) Meeting the NOF requirement as prescribed in Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

(4) Regulatory compliance.

38. Any existing NBFC-ICC which does not satisfy the above conditions but intends to undertake factoring business, shall approach the Reserve Bank for conversion from NBFC-ICC to NBFC-Factor. Such NBFC-ICCs shall comply with the principal business as specified in paragraph 42 of these Directions.

39. Application for conversion described at paragraph 38 above shall be submitted, through PRAVAAH portal, with all supporting documents meant for new registration as NBFC-Factor, together with surrender of original CoR issued by the Reserve Bank to the NBFC-ICC under section 45-IA of the RBI Act, 1934.

40. An entity not registered with the Reserve Bank under the Factoring Regulation Act, 2011 may conduct the business of factoring, if it is an entity mentioned in section 5 of the Factoring Regulation Act, 2011, i.e., a bank or a body corporate established under an Act of Parliament or State Legislature, or a Government Company.

41. NBFC-Factor or NBFC-ICC which has been granted CoR by the Reserve Bank under the Factoring Regulation Act, 2011 shall commence factoring business within six months from the date of grant of CoR.

B. Principal Business for NBFC-Factors

42. An NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least 50 per cent of its total assets and its income derived from factoring business is not less than 50 per cent of its gross income.

C. Conduct of business and prudential regulations

43. NBFC-Factors or NBFC-ICCs which have been granted CoR under the Factoring Regulation Act, 2011 shall conduct the factoring business in accordance with the Factoring Regulation Act, 2011 and the rules and regulations framed under it or the directions and guidelines issued by the Reserve Bank from time to time.

D. Asset Classification

44. In addition to the Asset Classification norms contained in Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025, for NBFC-Factors or an NBFC-ICC which have been granted CoR under the Factoring Regulation Act, 2011, a receivable acquired under factoring which has remained overdue for following mentioned period of due date as applicable, shall be treated as NPA irrespective of when the receivable was acquired by the NBFC-Factor or whether the factoring was carried out on "with recourse" basis or "without-recourse" basis:

	NPA Norms
NBFC-Factors with asset size of less than ₹500 crore	more than 180 days
NBFC-Factors with asset of size of ₹500 crore and above or an NBFC-ICC which have been granted CoR under the Factoring Regulation Act, 2011	more than 90 days

45. The period of more than 180 days for NPA classification as in paragraph 44 stands changed to the overdue period of more than 90 days for applicable NBFCs with the glide path as prescribed in Paragraph 44 of Reserve Bank of India (Non-Banking Financial

Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025.

46. The entity on which the exposure was booked shall be shown as NPA and provisioning made accordingly.

E. Reckoning of Exposure

47. Exposure norms shall be reckoned as under:

(1) In case of factoring on "with-recourse" basis, the exposure shall be reckoned on the assignor.

(2) In case of factoring on "without-recourse" basis, the exposure shall be reckoned on the debtor, irrespective of credit risk cover/protection provided, except in cases of international factoring where the entire credit risk has been assumed by the import Factor.

F. Risk Management

48. Proper and adequate control and reporting mechanism shall be put in place before factoring business is undertaken by an NBFC-Factor or eligible NBFC-ICC which has been granted CoR under the Factoring Regulation Act, 2011.

49. An NBFC-Factor shall carry out a thorough credit appraisal of the debtors before entering into any factoring arrangement or prior to establishing lines of credit with the export Factor.

50. Factoring services shall be extended in respect of invoices which represent genuine trade transactions.

51. Since under "without recourse" factoring transactions, the NBFC is underwriting the credit risk on the debtor, there shall be a clearly laid down board-approved limit for all such underwriting commitments.

52. NBFC-Factors and banks shall share information about common borrowers. For the purpose of exchange of information, the assignor will be deemed to be the borrower. An NBFC-Factor shall ensure to intimate the limits sanctioned to the borrower to the concerned banks / NBFCs and details of debts factored so as to avoid double financing.

G. Export/Import Factoring

53. Foreign Exchange Department (FED) of the Reserve Bank gives authorization to Factors under FEMA, 1999.

54. An NBFC-Factor or NBFC-ICC which has been granted CoR under the Factoring Regulation Act, 2011, intending to deal in foreign exchange through export/ import factoring, shall make an application to FED for necessary authorization under FEMA,1999 to deal in foreign exchange and adhere to the terms and conditions prescribed by FED of the Reserve Bank and all the relevant provisions of the FEMA or Rules, Regulations, Notifications, Directions or Orders made thereunder from time to time.

Chapter-V Specific directions applicable to Infrastructure Debt Funds – Non-Banking Financial Company (IDF-NBFCs)

55. The instructions contained in this Chapter for IDF-NBFCs are in addition and not in substitution to the other relevant instructions contained in these Directions.

56. The IDF shall be set up either as a trust or as a company.

57. A trust based IDF is registered as IDF-Mutual Fund (MF) and is regulated by SEBI whereas a company based IDF is registered as an IDF-NBFC and is regulated by the Reserve Bank.

A. Raising of funds

58. An IDF-NBFC shall be permitted to raise funds through issue of either rupee or dollar denominated bonds of minimum five-year maturity.

59. With a view to facilitate better asset-liability management (ALM), an IDF-NBFC can raise funds through shorter tenor bonds and commercial papers (CPs) from the domestic market to the extent of up to 10 percent of their total outstanding borrowings.

60. In addition to the bond route, an IDF-NBFC can also raise funds through loan route under external commercial borrowings (ECBs).

Provided that such borrowings shall be subject to minimum tenor of five years and the ECB loans should not be sourced from foreign branches of Indian banks.

61. Regarding ECBs, an IDF-NBFC shall also be required to adhere to the guidelines issued by the Foreign Exchange Department of the Reserve Bank.

B. Guidelines governing sponsorship of IDF-MFs by NBFCs

62. An NBFC shall be eligible to sponsor (sponsorship as defined by SEBI Regulations for Mutual Funds) IDF-MFs with prior approval of the Reserve Bank subject to the following conditions (based on the audited financial statements), in addition to those prescribed by SEBI:

(1) The NBFC shall have a minimum NOF of ₹300 crore and CRAR of 15 per cent;

(2) Its net NPAs shall be less than three per cent of the net advances;

(3) It shall have been in existence for at least five years;

(4) It shall be earning profits for the last three years and its performance shall be satisfactory;

(5) The CRAR of the NBFC post investment in the IDF-MF shall not be less than the regulatory minimum prescribed for it;

(6) The NBFC shall continue to maintain the required level of NOF after accounting for investment in the proposed IDF-MF;

(7) There shall be no supervisory concerns with respect to the NBFC.

63. An NBFC that fulfils the eligibility criteria as above shall approach, through PRAVAAH portal, the Department of Regulation of the Reserve Bank, for prior approval to sponsor IDF-MFs.

Chapter-VI Repeal and Other Provisions

A. Repeal and saving

64. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Miscellaneous aspects as applicable to Non-Banking Financial Companies stand repealed, as communicated vide circular DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

65. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

a. any right, obligation or liability acquired, accrued, or incurred thereunder;
b. any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
c. any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

66. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

67. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect

of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(J P Sharma)
Chief General Manager