भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/DOR/2025-26/351

DOR.CRE.REC.270/07-03-008/2025-26 November 28, 2025

Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Directions, 2025 (Updated as on April 01, 2026)

Table of Contents

Introduction

The concentration of exposures to a single counterparty or a group of connected counterparties poses significant risks. The Reserve Bank of India (RBI), while adopting a proportionate approach, recognized the imperative of robust risk management and therefore advised applicable non-banking finance companies (NBFCs) to address concentration of credit / investment by imposing certain regulatory restrictions, fix internal exposure limits to avoid any undesirable concentration in specific geographical locations, and reckon exposure norms as per regulatory prescriptions. Building upon proportionate regulatory approach, the RBI later extended large exposure framework to NBFCs in upper layer.

Accordingly, in exercise of the powers conferred by Chapter III B of the Reserve Bank of India Act, 1934, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest so to do, 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 - Concentration Risk Management) Directions, 2025.

2. These Directions shall come into effect immediately upon issuance.

B. Applicability

3. (1) These Directions shall be applicable to the following Non-Banking Financial Companies (hereinafter collectively referred to as 'NBFCs' and individually as an 'NBFC'):

(i) NBFC-D registered with the RBI under the provisions of the RBI Act, 1934;
(ii) NBFC-ICC registered with the RBI under the provisions of the RBI Act, 1934;
(iii) NBFC-Factor registered with the RBI under the provisions of the Factoring Regulation Act, 2011;
(iv) NBFC-MFI registered with the RBI under the provisions of the RBI Act, 1934;
(v) NBFC-IFC registered with the RBI under the provisions of the RBI Act, 1934;
(vi) IDF-NBFC registered with the RBI under the provisions of the RBI Act, 1934;

(2) (i) The provisions given in these Directions except paragraph 7, 14, 16, 19, 22 and 23 shall apply to HFC registered with the RBI under the provisions of the NHB Act, 1987;

(ii) The provisions given in Chapter IV shall apply to MGC registered with RBI under the scheme of Registration of Mortgage Guarantee Companies, categorized in Upper layer;

(iii) The provisions given in Paragraph 24 shall apply to SPD registered with the RBI as NBFCs under the provisions of the RBI Act, 1934.

(3) The Directions shall be applicable to NBFCs in Base Layer (NBFC - BL), Middle Layer (NBFC - ML), and Upper Layer (NBFC – UL) subject to category-wise applicability specified in the respective chapters.

Note: The Directions applicable to NBFC-BL shall also apply to NBFC-ML and NBFC-UL, and those applicable to NBFC-ML shall further apply to NBFC-UL, unless stated otherwise.

(4) These Directions are not applicable for the following:

(i) NBFC-P2P registered with the RBI under the provisions of the RBI Act, 1934;
(ii) NBFC-AA registered with the RBI under the provisions of the RBI Act, 1934;
(iii) CIC registered with the RBI under the provisions of the RBI Act, 1934;
(iv) NOFHC registered with the RBI as NBFC under the provisions of the RBI Act, 1934.
(v) 'NBFC not availing public funds and not having any customer interface', and
(vi) 'NBFCs-BL having customer interface but not availing public funds'.

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 these Directions, unless the context states otherwise, the terms herein shall bear the meaning assigned to them in the ensuing paragraphs.

(1) "**Control**" means the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders' agreements or voting agreements or in any other manner (Clause (27) of Section 2 of the Companies Act, 2013).

(2) "**Eligible capital base**" means Tier 1 capital as defined at paragraph 4(8) of these Directions.

(3) "**Group of connected counterparties**" means two or more (natural or legal) persons who satisfy at least one of the following conditions:

(i) **Control relationship:** one person directly or indirectly, has control over the other(s), or such persons are under the common control of a third party (irrespective of whether the NBFC has exposure to the third party or not). Control relationship criteria is automatically satisfied if one entity owns more than 50 per cent of the voting rights of the other entity.

(ii) **Economic interdependence:** In establishing connectedness based on economic interdependence, an NBFC shall consider, at a minimum, the following criteria:

(a) Where 50 per cent or more of one counterparty's gross receipts or gross expenditure (on an annual basis) is derived from transactions with the other counterparty.

(b) Where one counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant that the guarantor is likely to default if a claim occurs.

(c) Where a significant part of one counterparty's production / output is sold to another counterparty, which cannot easily be replaced by other customers.

(d) When the expected source of funds to repay the loans of both counterparties is the same and neither counterparty has another independent source of income from which the loan may be serviced and fully repaid.

(e) Where it is likely that the financial problems of one counterparty would cause difficulties for the other counterparties in terms of full and timely repayment of liabilities.

(f) Where the insolvency or default of one counterparty is likely to be associated with the insolvency or default of the other(s).

(g) When two or more counterparties rely on the same source for the majority of their funding and, in the event of the common provider's default, an alternative provider cannot be found, in this case the funding problems of one counterparty are likely to spread to another due to a one-way or two-way dependence on the same main funding source.

(h) In order to avoid cases where a thorough investigation of economic interdependencies will not be proportionate to the size of the exposures, an NBFC is expected to identify possible connected counterparties on the basis of economic interdependence in all cases where the sum of all exposures to one individual counterparty exceeds five per cent of the eligible capital base, and not in other cases.

(4) "**Infrastructure lending**" means a credit facility extended by an NBFC to a borrower, by way of term loan, project loan subscription to bonds/debentures/preference shares/equity shares in a project company acquired as a part of the project finance package such that subscription amount to be "in the nature of advance" or any other form of long term funded facility for exposure in the infrastructure sub-sectors as notified by the Department of Economic Affairs, Ministry of Finance, Government of India, from time to time.

[1][*Provided that* infrastructure lending to projects that meet all the following criteria shall be classified as lending to 'high-quality infrastructure projects'

(i) The infrastructure project has completed at least one year of operations post achievement of the date of completion of commercial operations, without breach of any material covenants stipulated by the lenders.

(ii) The exposure is classified as 'standard' in the books of the lender.

(iii) The borrower's revenue depends on rights granted under concession / contract by the Central Government, a State Government, a public sector entity, or a statutory or regulatory body, and the contractual provisions provide for protection of these rights for the entire period of concession/ contract as long as the borrower fulfils its obligations under the contract.

(iv) The concession / contractual provisions provide for a high degree of protection for a lender, which shall, at a minimum, include: (i) provisions of an escrow / Trust and Retention Account mechanism for ringfencing the cash flows; (ii) pari-passu charge in favour of the lender over all movable and immovable assets; and (iii) mitigation of

[1] *Inserted with effect from April 01, 2026 consequent to the Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Amendment Directions, 2026 dated January 1, 2026*

risk for lenders in case of early termination (eg. step-in rights for the lenders, minimum termination payments etc).

(v) The borrower has sufficient internal or external financial arrangements to cover current and future working capital and other funding requirements of the project as per the assessment of the lender.

(vi) The borrower is restricted from acting to the detriment of the lender, eg. being restricted from issuing additional debt against or further encumbering the cashflows and assets of the project without consent of the existing lenders.]

(5) "**Large Exposure**" means the sum of all exposure values of a NBFC-UL measured in terms of paragraph 41, to a counterparty and / or a group of connected counterparties, if it is equal to or above 10 per cent of the NBFC-UL's eligible capital base.

(6) "**NOFHC**" means a non-deposit taking NBFC referred to in the Reserve Bank of India (Non-Operative Financial Holding Company) Directions, 2025, issued by the Reserve Bank, which holds the shares of a banking company and the shares of all other financial services companies in its group, whether regulated by the Reserve Bank or by any other financial regulator, to the extent permissible under the applicable regulatory prescriptions.

(7) [2]["**Owned Fund**" shall have the same meaning as given in Chapter II of the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.]

(8) [3]["**Tier 1 capital**" shall have the same meaning as given in Chapter II of the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025. However, for the purpose of concentration norms, the NBFC shall obtain an external auditor's certificate on completion of the augmentation of capital and submit the same to the Department of Supervision of the RBI before reckoning the additions to capital funds.]

5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India

---

[2] *Inserted with effect from March 10, 2026, vide Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Second Amendment Directions, 2026 dated March 10, 2026.*

[3] *Inserted with effect from March 10, 2026, vide Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Second Amendment Directions, 2026 dated March 10, 2026.*

Act, 1934 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Guidelines Applicable to NBFC – Base Layer

A. Role of the Board

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

(1) Credit / investment concentration limits for both single borrower / party and single group of borrowers / parties.

(2) Limits in respect of various sub-segments under consumer credit, particularly limits for unsecured consumer credit exposures.

B. Credit / investment concentration norms

7. An NBFC which is held by an NOFHC shall not

(1) have any exposure (credit and investments including investments in the equity / debt capital instruments) to the Promoters / Promoter Group entities or individuals associated with the Promoter Group or the NOFHC;

(2) make investment in the equity / debt capital instruments in any of the financial entities under the NOFHC; and

(3) invest in equity instruments of other NOFHCs.

Explanation: For the purposes of this paragraph, the expression, 'Promoter' and 'Promoter Group' shall have the meanings assigned to those expressions in the Reserve Bank of India (Non-Operative Financial Holding Company) Directions, 2025.

8. 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 on similar lines as that for NBFC-ML as given at Chapter III.

B.1 Strengthening credit standards

9. An NBFC shall review its extant sectoral exposure limits for consumer credit and 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. In particular, limits shall be prescribed for all unsecured consumer credit exposures. The limits

so fixed shall be strictly adhered to and monitored on an ongoing basis by the Risk Management Committee.

10. All top-up loans extended by an NBFC against movable assets which are inherently depreciating in nature, such as vehicles, shall be treated as unsecured loans for credit appraisal, prudential limits and exposure purposes.

B.2 Ceiling on IPO Funding

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

Chapter III - Guidelines Applicable to NBFC – Middle Layer

A. Role of the Board

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

(1) Internal limits for sensitive sector exposure (SSE) separately for capital market and commercial real estate exposures.

(2) Fixing of various sub-limits, at the discretion of the Board, within the overall SSE internal limits subject to conditions

B. Credit / investment concentration Norms (not applicable to NBFC-UL)

13. An NBFC [except (Non-Banking Financial Company-Infrastructure Finance Company (NBFC-IFC)] shall not have exposure (credit / investment taken together) exceeding

(1) 25 per cent of its Tier 1 capital to a single party; and

(2) 40 per cent of its Tier 1 capital to a single group of parties,

Provided that an NBFC may exceed the exposure norm specified above, by five per cent for any single party and by 10 per cent for a single group of parties, if the additional exposure is on account of infrastructure loan and / or investment.

14. NBFC-IFC shall not have exposure (credit / investment taken together) exceeding

(1) 30 per cent of its Tier 1 capital to a single party; and

(2) 50 per cent of its Tier 1 capital to a single group of parties.

(3) [4][The applicable Tier 1 Capital for compliance with the norms stated in paragraphs 13 and 14 above, shall be determined based on the NBFC's latest available financial statements (audited or subject to limited review).]

(4) [5][The term "Tier 1 Capital" in this context shall be as defined in paragraph 10 of the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025."]

---

[4] *Inserted with effect from March 10, 2026, vide Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Second Amendment Directions, 2026 dated March 10, 2026.*

[5] *Inserted with effect from March 10, 2026, vide Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Second Amendment Directions, 2026 dated March 10, 2026.*

15. The ceiling on the investment in shares of another company shall not be applicable to an NBFC in respect of investment in the equity capital of an insurance company up to the extent specifically permitted, in writing, by the RBI.

16. Exposure norms shall not apply to any NBFC not accessing public funds in India, either directly or indirectly and not issuing guarantees.

17. Exposure norms shall not apply to:

(1) investments of an NBFC in shares of

(i) its subsidiaries;

(ii) companies in the same group,

to the extent they have been reduced from Owned Funds for the calculation of NOF; and

(2) the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with –

(i) subsidiaries of the NBFC; and

(ii) companies in the same group,

to the extent they have been reduced from Owned Funds for the calculation of NOF.

(3) The exposures listed below shall also be exempt from exposure norms:

(i) Exposure to the Government of India and State Governments which are eligible for zero per cent risk weight under capital regulations applicable to an NBFC.

Note: To the extent of State Government guarantee used for offsetting exposures by NBFC-ML, the exposure shall shift to the State Government with applicable risk weight of 20 per cent. No cap has been fixed for shifting of exposure on the State Government.

(ii) Exposure where the principal and interest are fully guaranteed by the Government of India.

18. An NBFC shall formulate a policy in respect of exposures to a single party / a single group of parties.

19. A Government NBFC set up to serve specific sectors may approach the RBI for exemptions, if any.

C. Computation of exposure – Credit Risk Transfer Instruments (not applicable to

NBFC-UL)

20. Aggregate exposure to a counterparty comprising both on and off-balance sheet exposures shall be calculated based on the method prescribed for capital computation in the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025 / applicable Directions; i.e., 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) while the off-balance sheet exposures shall be converted into credit risk equivalent by applying the credit conversion factor prescribed under capital requirements. Further, Credit Default Swaps are allowed as credit risk transfer instruments for offsetting exposure to the underlying counterparty in terms of the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025. In addition, the exposures shall also be offset with credit risk transfer instruments listed below:

(1) 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;

(2) Central Government guarantees which attract zero per cent risk weight for capital computation;

(3) State Government guarantees will attract 20 per cent risk weight for capital computation. To the extent that a State Government guarantee is used for offsetting exposures by NBFC-ML, the exposure shall shift to the State Government with applicable risk weight of 20 per cent. No cap has been fixed for shifting of exposure on the State Government); and

(4) Guarantees issued under the Credit Guarantee Schemes of CGTMSE, CRGFTLIH and individual schemes under NCGTC subject to meeting the conditions as specified in the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.

Provided that to be eligible as a credit risk transfer instrument, guarantees in respect of paragraphs 20 (2) 20 (3)and 20 (4)above shall be direct, explicit, irrevocable and unconditional.

21. These ceilings shall be applicable to the exposure by an NBFC to companies / firms / entities in its own group as well as to the borrowers / investee entity’s group.

D. Factoring transactions

22. In case of factoring on 'with-recourse' basis, the exposure shall be reckoned on the assignor.

23. 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.

E. Sensitive Sector Exposure (SSE)

24. Exposure to capital market (direct and indirect) and commercial real estate shall be reckoned as sensitive exposure for an NBFC, who shall fix Board-approved internal limits for SSE separately for capital market and commercial real estate exposures. An NBFC may consider dynamic vulnerability assessments of various sectors and their likely impact on business, as evaluated periodically, for determining such internal exposure limits. While the Board is free to determine various sub-limits within the overall SSE internal limits, the following are specifically prescribed:

(1) A sub-limit within the commercial real estate exposure ceiling shall be fixed internally for financing land acquisition.

(2) Ceiling on IPO Funding at ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO). An NBFC may fix more conservative limits.

Chapter IV - Guidelines Applicable to NBFC – Upper Layer

A. Role of the Board

25. NBFCs in the upper layer shall put in place comprehensive Board-approved policy on concentration risk management, which shall inter-alia include:

(1) Conditions under which exposure beyond 20 per cent (for NBFCs other than IFCs) / 25 per cent (for IFCs) to a single counterparty.

(2) Policy to determine the existence of a group of connected counterparties.

(3) Internal exposure limits (in addition to SSE internal limits) on other important sectors to which credit is extended.

(4) Limits for exposure to the NBFC sector.

B. Large Exposure Framework (LEF)

26. Prudential guidelines on exposure norms aim at addressing credit risk concentration in an NBFC. These instructions set out to identify large exposures, refine the criteria for grouping of connected counterparties and put in place reporting norms for large exposures.

B.1 Scope of application

27. The guidelines shall be applicable to an NBFC, both at the solo level and at the consolidated (group) level.

28. Exposure shall comprise both on and off-balance sheet exposures by the NBFC.

B.2 Scope of counterparties and exemptions

29. An NBFC's exposure to all its counterparties and groups of connected counterparties, excluding the exposures listed below, shall be considered for exposure limits. The exposures that are exempted from the LEF are listed below:

(1) exposure to the Government of India and State Governments which are eligible for zero per cent risk weight under capital regulations applicable to the NBFC;

(2) exposure where the principal and interest are fully guaranteed by the Government of India;

(3) the NBFC's exposure to group entities that is deducted from its Owned Funds to arrive at the NOF; and

(4) investment in the equity capital of the insurance company to the extent specifically permitted in writing by the RBI.

30. Exposures shall be permitted to be offset with credit risk transfer instruments as per principle indicated at paragraph 41 and the indicative list of such instruments is provided below:

(1) Cash margin / caution money / security deposit against which right to set off is available, held as collateral against the advances;

(2) Central Government guarantees which attract zero per cent risk weight for capital computation;

(3) State Government guarantees which attract 20 per cent risk weight for capital computation; and

(4) Guarantees issued under the CGTMSE, CRGFTLIH and individual schemes under NCGTC subject to meeting the conditions as specified in the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.

Provided that to be eligible as a credit risk transfer instrument, guarantees in respect of paragraphs 30(2), 30(3) and 30(4)above shall be direct, explicit, irrevocable and unconditional.

(5) For corporate bonds held in current category and hedged by Credit Default Swap (CDS), where there is no mismatch between the CDS and the hedged bond, the credit protection has been permitted to be recognised to a maximum of 80 per cent of the exposure hedged. The remaining 20 per cent of the exposure shall be recognised on the original counterparty. For corporate bonds held in permanent category and hedged by CDS where there is no mismatch between the CDS and the hedged bond, the NBFC can recognise full credit protection for the underlying asset. The exposure of the original counterparty shall stand fully substituted by the exposure to the protection seller.

(6) Except for paragraphs 30(1) and 30(2) in all other cases where exposure to the original counterparty is reduced on account of an eligible credit risk transfer instrument provided by another counterparty for that exposure, it needs to be recognized as an exposure to that extent on the credit risk transfer instrument provider.

31. Where two (or more) entities falling outside the scope of the sovereign exemption are controlled by or are economically dependent on an entity that falls within the scope of the sovereign exemption (paragraph 29(1)), and are otherwise not connected, those entities will not be deemed to constitute a group of connected counterparties.

32. The NBFC's exposure to an exempted entity which is hedged by a credit derivative shall be treated as an exposure to the counterparty providing the credit protection notwithstanding the fact that the original exposure is exempted.

B.3 The Large Exposure Limits

B.3.1 Single Counterparty

33. The sum of all the exposure values of an NBFC to a single counterparty shall not be higher than 20 per cent of the NBFC's available eligible capital base at all times.

34. Board of the NBFC may allow additional 5 per cent exposure beyond 20 per cent but at no time higher than 25 per cent of the NBFC's eligible capital base, subject to the following conditions:

(1) NBFC has a policy approved by its board of directors setting out conditions under which exposure beyond 20 per cent may be considered; and

(2) NBFC shall record in writing the exceptional reasons for which exposure beyond 20 per cent is being allowed in a specific case.

Provided that an NBFC-IFC may further exceed the exposure limit by five per cent of Tier 1 capital for exposure to a single counterparty.

Provided further that an NBFC may exceed the exposure limit by five per cent of its Tier 1 capital for exposure to a single counterparty, if the additional exposure is on account of infrastructure 'loan and / or investment'. However, single counterparty limit shall not exceed 25 per cent in any case for NBFC (other than IFC) and 30 per cent for NBFC-IFC.

B.3.2 Groups of Connected Counterparties

35. The sum of all exposure values of an NBFC to a group of connected counterparties shall not be higher than 25 per cent of the NBFC's available eligible capital base at all times.

Provided that an IFC may exceed the exposure limit by 10 per cent of its Tier 1 capital for exposure to a group of connected counterparties.

Provided further that an NBFC may exceed the exposure limit by 10 per cent of its Tier 1 capital for exposure to a group of connected counterparties, if the additional exposure is on account of infrastructure 'loan and / or investment'.

36. An NBFC shall frame a policy approved by its board to determine the existence of a group of connected counterparties. The policy framed, and assessments made under such a policy shall be subject to supervisory scrutiny.

37. In exceptional cases, if an NBFC demonstrates to the RBI that despite control being established, such control does not necessarily result in the entities concerned constituting a group of connected counterparties (e.g., existence of control between counterparties due to specific circumstances and corporate governance safeguards), then it is not required to classify the entities as a group of connected counterparties.

38. In exceptional cases, if an NBFC can demonstrate to the RBI that a counterparty which is economically closely related to another counterparty may overcome financial difficulties, or even the second counterparty's default, by finding alternative business partners or funding sources within an appropriate time period, then it is not required to classify the entities as a group of connected counterparties.

39. A summary of the LEF limits for NBFC is given below:

		(as per cent of eligible capital base)
	NBFC (Other than IFC)	**NBFC (IFC)**
Single Counterparty	20 per cent additional five per cent with Board approval additional five per cent if exposure towards Infrastructure loan / investment (Single counterparty limit shall not exceed 25 per cent in any case)	25 per cent additional five per cent with Board approval
Group of connected Counterparties	25 per cent additional 10 per cent if exposure towards Infrastructure loan / investment	35 per cent

B.3.3 Relation between interconnectedness through control and interconnectedness through economic dependency

40. There may be situations where the control relationship and economic interdependence are interlinked. Therefore, one group of connected counterparties could include both types of factors in such a way that all relevant counterparties constitute a single risk for the NBFC. Risk of contagion is present irrespective of type of connectedness (i.e.

control or economic interdependence) between counterparties. NBFC should assess counterparties with a view to identifying the chain of contagion leading to possible default of all entities.

B.4 Values of exposures

41. An exposure to a counterparty shall constitute both on and off-balance sheet exposures which shall be calculated according to the method prescribed for capital computation in the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025; i.e., 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) while the off-balance sheet exposures shall be converted into credit risk equivalent by applying the credit conversion factor prescribed under capital requirements. The exposures shall be permitted to be offset with credit risk transfer instruments permitted in these Directions.

B.4.1 Exposures to Central Counterparties

42. The exposures to Central Counter Parties (CCPs), on account of derivatives trading and securities financing transactions outstanding against them shall be assigned zero exposure value. However, these exposures will be subject to the regulatory reporting requirements as specified in paragraph 48.

43. Amount of the collaterals with CCPs shall be reckoned for arriving at the exposure limit.

44. **Other exposures:** Other types of exposures such as equity stake, funding facilities, credit facilities, guarantees etc., shall be measured according to the rules set out in these Directions, as for any other type of counterparty. These exposures shall be added together and be subjected to the LE limit.

B.4.2 Breach

45. Any breach of Large Exposure limits shall be under exceptional conditions beyond the control of the NBFC, and it shall be reported to the RBI (DOS, CO) immediately and rapidly rectified.

46. The NBFC cannot undertake any further exposure (at the entity or group level, as the case may be) until it is brought down within the limit.

47. Failure to comply with the exposure limit may lead to imposition of penalties on the NBFC by the supervisor.

B.5 Regulatory reporting

48. An NBFC shall report its Large Exposures to the RBI (DOS, CO) as per the reporting template given in **Annex - I**. The LEF reporting shall cover the following:

(1) all exposures, meeting the definition of large exposure;

(2) all other exposures, measured as specified in paragraphs 41 to 44 of these Directions without offsetting exposure value with credit risk transfer instruments, where values stand equal to or above 10 per cent of the NBFC's eligible capital base;

(3) all the exempted exposures with values equal to or above 10 per cent of the NBFC's eligible capital base; and

(4) 10 largest exposures included in the scope of application, irrespective of the values of these exposures relative to the NBFC's eligible capital base.

C. Internal Exposure Limits

49. In addition to the internal limits on SSE as specified in paragraph 24 of these Directions, the Board of NBFC shall also determine internal exposure limits on other important sectors to which credit is extended. Further, the NBFC shall put in place an internal Board-approved limit for exposure to the NBFC sector.

Chapter V - Repeal and other provisions

A. Repeal and saving

50. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Concentration Risk Management 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.

51. 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:

(1) any right, obligation or liability acquired, accrued, or incurred thereunder;

(2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;

(3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or 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

52. 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

53. 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.

(Vaibhav Chaturvedi)
Chief General Manager

Annex - I

Return on Large Exposures

Name of the NBFC	
Return for the Month	
Eligible Capital base (Tier 1)	(₹. crore)

A. NBFC's 10 Largest Exposures to counterparties (single as well as group of connected counterparties) irrespective of their values relative to NBFC's eligible capital base				
Sl No	Name of the Counterparty	Whether Single (S) or Group (G) of connected Counterparties	Exposure Amount	Exposure as per cent of Tier 1 Capital
1.				
2.				
3.				
--				
--				
18.				
19.				
20.				

B. NBFC's exposures with values equal to or above 10 per cent of Tier I Capital				
Sl No	Name of the Counterparty	Whether Single (S) or Group (G) of connected Counterparties	Exposure Amount	Exposure as per cent of Tier 1 Capital
1.				
2.				
--				
n				

C. NBFC's other exposures (measured without offsetting credit transfer instruments) with values equal to or above 10 per cent of Tier 1 capital (not including exposures reported in B already)				
Sl No.	Name of the Counterparty	Whether Single (S) or Group (G) of connected Counterparties	Exposure Amount	Exposure as per cent of Tier 1 Capital
1.				
2.				
--				
n.				

D. NBFC’s exempted exposures with values equal to or above 10 per cent of Tier 1 Capital				
SI No	**Name of the Counterparty**	**Whether Single (S) or Group (G) of connected Counterparties**	**Exposure Amount**	**Exposure as per cent of Tier 1 Capital**
1.				
2.				
--				
n.				