



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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**Reserve Bank of India (Non-Banking Financial Companies – Classification,
Valuation, and Operation of Investment Portfolio) Directions, 2025 (Updated as
on July 01, 2026)**

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In exercise of the powers conferred by Sections 45JA, 45K, 45L, and 45M of the Reserve Bank of India Act, 1934, Sections 30, 30A, 32, and 33 of the National Housing Bank Act, 1987, Section 3 read with Section 31A and Section 6 of the Factoring Regulation Act, 2011, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, the 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 – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025.
2. These Directions shall come into effect from the date of issue.

B. Applicability

3. (1) These Directions shall be applicable to 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;



- vii. HFC registered with the RBI under the provisions of the NHB Act, 1987; and
 - viii. CICs registered with the RBI under the provisions of the RBI Act, 1934.
- (2) NBFCs classified under the Base Layer (NBFCs-BL) shall be required to comply with the provisions of Chapter II, NBFCs in the Middle Layer (NBFCs-ML), and NBFCs placed in the Upper Layer (NBFCs-UL) shall comply with Chapters II and III.
- (3) These Directions are not applicable for the following Non-Banking Financial Companies:
- i. MGC registered with RBI under the scheme of Registration of Mortgage Guarantee Companies;
 - ii. NBFC-P2P registered with the RBI under the provisions of the RBI Act, 1934;
 - iii. NBFC-AA registered with the RBI under the provisions of the RBI Act, 1934;
 - iv. SPD registered with the RBI as NBFCs under the provisions of the RBI Act, 1934;
 - v. NOFHC registered with the RBI as NBFC under the provisions of the RBI Act, 1934;
 - vi. ¹[NBFC holding Certificate of Registration as 'Type I NBFC']; and
 - vii. 'NBFCs in Base layer having customer interface but not availing public funds'.

Provided that paragraphs 11 to 13, and paragraphs 28 to 29, shall be applicable to ²[NBFC holding Certificate of Registration as 'Type I NBFC'], and '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](#)

¹ Substituted with effect from July 01, 2026 vide [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Amendment Directions, 2026](#) dated April 29, 2026.

² Substituted with effect from July 01, 2026 vide [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Amendment Directions, 2026](#) dated April 29, 2026.



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 meanings assigned to them below:
 - (1) '**Carrying Cost**' means book value of the assets and interest accrued thereon but not received.
 - (2) '**Current Investment**' means an investment which is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made.
 - (3) '**Long Term Investment**' means an investment other than a current investment.
 - (4) '**Priority distribution model**' shall have the same meaning as specified in the SEBI circular SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the BR Act, the RBI Act, rules / regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.



Chapter II: Regulations applicable for NBFC-BL

A. Accounting

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

B. Investment Policy

7. The Board of Directors (Board) of an NBFC shall frame investment policy for the company and shall implement the same.
8. The criteria for classification of investments as per applicable accounting standards shall be spelt out by the Board of the company in the investment policy.
9. Investments in securities shall be classified as per the applicable accounting standards, at the time of making each investment.
10. For a non-Ind AS NBFC, in case of inter-class transfer:
 - (1) There shall be no such transfer on ad-hoc basis.
 - (2) Such transfer, if warranted, shall be affected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board.
 - (3) The investments shall be transferred scrip-wise, from current to long term or vice-versa, at book value or market value, whichever is lower.
 - (4) The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored.



- (5) The depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of such inter-class transfer, even in respect of the scrips of the same category.

C. Transactions in Government Securities

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

D. Operative instructions relating to Government Securities Transactions

12. An NBFC shall follow the guidelines on transactions in Government Securities as provided in the circulars 'Transactions in Government Securities' dated March 29, 2004, 'Sale of securities allotted in Primary issues', 'Government Securities Transactions – T+1 Settlement', both dated May 11, 2005, and Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018.

E. Reporting Platform for Corporate Bond Transactions

13. An NBFC shall report its secondary market OTC trades in corporate bonds within 15 minutes of the trade on any of the stock exchanges (NSE, BSE, and MCX-SX). The provisions of the circular 'FIMMDA's Trade Reporting and Confirmation platform for OTC transactions in Corporate Bonds and Securitised Debt Instruments' dated February 24, 2014, as amended from time to time, shall be adhered to in this regard.

F. Accounting for Investments for non-Ind AS NBFC

14. Quoted current investments shall, for the purpose of valuation, be grouped into the following categories, viz.,
- (1) Equity shares;
 - (2) Preference shares;
 - (3) Debentures and bonds;
 - (4) Government Securities including treasury bills;
 - (5) Units of mutual fund; and
 - (6) Others.



15. Quoted current investments for each category shall be valued at cost or market value whichever is lower. For this purpose, the investments in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category. If the aggregate market value for the category is less than the aggregate cost for that category, the net depreciation shall be provided for or charged to the Profit and Loss Account. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored. Depreciation in one category of investments shall not be set off against appreciation in another category.
16. Unquoted equity shares in the nature of current investments shall be valued at cost or break-up value, whichever is lower. However, an NBFC may substitute fair value for the break-up value of the shares, if considered necessary. Where the Balance Sheet of the investee company is not available for two years, such shares shall be valued at ₹1 only.
17. Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
18. Investments in unquoted Government Securities or Government guaranteed bonds shall be valued at carrying cost.
19. Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the Net Asset Value (NAV) declared by the mutual fund in respect of each particular scheme.
20. Commercial Papers shall be valued at carrying cost.
21. A long-term investment shall be valued in accordance with the applicable Accounting Standards.

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

G. Income from Investments

22. Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis.



Provided that the income from dividend on shares of corporate bodies shall be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the NBFC's right to receive payment is established.

23. Income from bonds and debentures of corporate bodies and from Government Securities / bonds shall be taken into account on accrual basis.

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

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

H. Investments in Alternative Investment Funds (AIFs)

25. Prohibition on investments linked to debtor companies:

- (1) An NBFC shall not invest in any scheme of an AIF which has downstream investments, either directly or indirectly, in its debtor company.

Provided that downstream investments in equity shares of the debtor company shall be excluded from this prohibition; however, all other forms of investments, including investments in hybrid instruments, shall be covered.

Explanation: For this purpose, the debtor company shall mean any company to which the NBFC currently has or previously had a loan or investment exposure anytime during the preceding 12 months.

- (2) Where an AIF scheme, in which an NBFC is already an investor, makes a downstream investment in a debtor company of the NBFC, the NBFC shall liquidate its investment in such scheme within 30 days from the date of such downstream investment by the AIF. An NBFC shall forthwith arrange to advise the AIFs suitably in the matter.

- (3) Where an NBFC is not able to liquidate its investment within the period specified under sub-paragraph (2) above, the NBFC shall make 100 per cent provision on such investments.



Provided that such provisioning shall be required only to the extent of investment by the NBFC in the AIF scheme which is further invested by the AIF in the debtor company, and not on the entire investment of the NBFC in the AIF scheme.

26. Treatment of investment in subordinated units of AIFs with 'priority distribution model':

- (1) Investment by an NBFC in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction from capital funds of the NBFC. Such deduction from capital shall take place equally from both Tier 1 and Tier 2 capital;
- (2) The provisions of this paragraph shall apply only where the AIF does not have any downstream investment in a debtor company of the NBFC; and
- (3) Where an NBFC invests in subordinated units of an AIF scheme, which also has downstream exposure to the debtor company, the NBFC shall be required to comply with paragraph 25 above, in addition to paragraph 26(1).

Explanation: The reference to investment in subordinated units of AIF Scheme includes all forms of subordinated exposures, including investment in the nature of sponsor units.

27. Investment by an NBFC in AIFs through intermediaries such as fund of funds or mutual funds are not included in the scope of paragraphs 25 and 26 of these Directions.

I. Currency Futures

28. An NBFC shall participate in the designated currency futures exchanges recognized by SEBI as clients, subject to RBI's (Financial Market Regulation Department) guidelines in the matter, only for the purpose of hedging its underlying forex exposures. Disclosures shall be made in the Balance Sheet relating to transactions undertaken in the currency futures market, in accordance with the guidelines issued by SEBI.

J. Interest Rate Futures

29. An NBFC can participate in the designated interest rate futures (IRF) exchanges recognized by SEBI, as client, subject to adherence to instructions



contained in Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019, for the purpose of hedging its underlying exposures. An NBFC participating in IRF exchanges shall submit the data in this regard half yearly, in the prescribed format, to the Regional Office of the Department of Supervision of the Reserve Bank in whose jurisdiction its company is registered, within a period of one month from the close of the half year.



Chapter III: Regulations applicable for NBFC-ML and NBFC-UL

30. Regulatory instructions specified in this Chapter shall be applicable to NBFC-ML and NBFC-UL in addition to those contained in Chapter II above, unless stated otherwise.

A. Ready Forward Contracts in Corporate Debt Securities

31. A Non-deposit taking NBFC shall be eligible to participate in repo transactions in corporate debt securities, subject to compliance with the Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018, and the following provisions:

(1) Capital Adequacy

Risk weights for credit risk for assets that are the collateral for such transactions as well as risk weights for the counterparty credit risk shall be assigned in accordance with the provisions applicable to the issuer/counterparty under [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).

(2) Classification of balances in the accounts

Balances in repo account, reverse repo account, and other related accounts shall be classified in the relevant schedules of the financial statements, in the same manner as applicable to banks.

32. In all other matters related to repo transactions in corporate debt securities, a non-deposit taking NBFC, shall follow the Directions and guidelines issued by Financial Markets Regulation Department (FMRD) of RBI.

B. Participation in Currency Options

33. A Non-deposit taking NBFC shall be eligible to participate in the designated currency options exchanges recognized by SEBI, as client, subject to the guidelines of FMRD, RBI, only for the purpose of hedging its underlying forex exposures. Such an NBFC shall make appropriate disclosures in the Balance Sheet regarding transactions undertaken, in accordance with the guidelines issued by SEBI.



C. Participation in Interest Rate Futures

34. A Non-deposit taking NBFC shall be eligible to participate in the interest rate futures market permitted on recognized stock exchanges as a trading member, subject to adherence to instructions contained in Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019.



Chapter IV: Repeal and Other Provisions

A. Repeal and Saving

35. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Classification, Valuation, and Operation of Investment Portfolio 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 instructions and guidelines already repealed shall continue to remain repealed.
36. 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

37. 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

38. 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.

(Sunil T S Nair)

Chief General Manager