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RESERVE BANK OF INDIA

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**Reserve Bank of India (Non-Banking Financial Companies – Undertaking of
Financial Services) Directions, 2025 (Updated as on July 01, 2026)**

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In exercise of the powers conferred by Sections 45JA, Section 45K, 45L, and 45M of the Reserve Bank of India Act, 1934, Section 3 read with Section 31A and Section 6 of Factoring Regulation Act, 2011 and Section 30, 30A, 32 and 33 of NHB Act 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 – Undertaking of Financial Services) Directions, 2025.
2. ¹These Directions shall come into force with immediate effect.

B. Applicability

3. These Directions shall be applicable to the following Non-Banking Financial Companies (hereinafter collectively referred to as 'NBFCs' and individually as 'an NBFC'):
 - (1) The provisions given in Paragraphs 6 to 19, 23 to 33, 50 to 51 and 53 to 57 shall apply to deposit taking NBFC (NBFC-D) registered with the RBI under the provisions of the RBI Act, 1934;
 - (2) The provisions given in Paragraphs 6 to 19, 23 to 33 and 50 to 57 shall apply to the following, subject to specified layer-wise applicability:
 - (i) NBFC-Investment and Credit Company (NBFC-ICC) registered with the RBI under the provisions of the RBI Act, 1934;

Provided that,

Paragraphs 7 to 14 are not applicable for NBFC-Base Layer (NBFC-BL) having 'customer interface but not availing public funds'.

¹ Modified w.e.f January 01, 2026.



Paragraphs 6 to 14, 20 to 22 and 34 to 57 are not applicable for ²[NBFC holding Certificate of Registration as 'Type I NBFC'].

- (ii) NBFC-Factor registered with the RBI under the provisions of the Factoring Regulation Act, 2011;
- (iii) NBFC-Micro Finance Institution (NBFC-MFI) registered with the RBI under the provisions of the RBI Act, 1934;
- (iv) Non-Banking Financial Company-Infrastructure Finance Company (NBFC-IFC) registered with the RBI under the provisions of the RBI Act, 1934;
- (3) The provisions contained in paragraphs 6 to 19, 23 to 33 and 50 to 52 shall be applicable to NBFCs of the above-mentioned categories in sub-para (2) for all layers;
- (4) The provisions contained in paragraphs 53 to 57 shall be applicable to NBFCs of the above-mentioned categories in sub-para (2) for Middle Layer and above;
- (5) The provisions contained in paragraphs 58 to 60 shall be applicable to Infrastructure Debt Fund-Non-Banking Financial Company (IDF-NBFC) only;
- (6) The provisions contained in Paragraph 6, Paragraphs 7 to 14 and 40 to 49 shall be applicable to Housing Finance Company (HFC) registered with the RBI;
- (7) The provisions contained in Paragraphs 26 to 33 and 50 to 51 shall be applicable to NBFC- Standalone Primary Dealer (NBFC-SPD) registered with the RBI;
- (8) The provisions contained in Paragraphs 7 to 14, 20 to 22 and 34 to 39 shall be applicable to NBFC-Core Investment Company (NBFC-CIC) registered with the RBI.

These Directions are not applicable for the following:

- (1) MGC registered with RBI under the scheme of Registration of Mortgage Guarantee Companies;

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.



- (2) NBFC-P2P registered with the RBI under the provisions of the RBI Act, 1934;
- (3) NBFC-AA registered with the RBI under the provisions of the RBI Act, 1934;
- (4) 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 these directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
 - (1) **‘Debtor company’** means any company to which the NBFC currently has or previously had a loan or investment exposure (excluding equity instruments) anytime during the preceding twelve months;
 - (2) **‘Equity instrument’** means equity shares, compulsorily convertible preference shares (CCPS) and compulsorily convertible debentures (CCD);
 - (3) **‘Financial Services Company’** means a company engaged in the ‘business of financial services’.

Explanation: The ‘business of financial services’ shall include:

- (i) the forms of business enumerated in clauses (a), (c), (d), (e) of sub-Section (1) of Section 6 of the Banking Regulation Act, 1949 and notified under clause (o) of sub-Section (1) of Section 6 of the Banking Regulation Act, 1949;
- (ii) the forms of business enumerated in clause (c) and clause (f) of Section 45 I of Reserve Bank of India Act, 1934;
- (iii) business of credit information as provided under the Credit Information Companies (Regulation) Act, 2005;
- (iv) operation of a payment system as defined under the Payment and Settlement Systems Act, 2007;
- (v) operation of a stock exchange, commodity exchange, derivatives exchange or other exchange of similar nature;
- (vi) operation of a depository as provided under the Depositories Act, 1996;



- (vii) business of an asset reconstruction company as provided under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
 - (viii) business of a merchant banker, portfolio manager, stock broker, sub-broker, share transfer agent, trustee of trust deeds, registrar to an issue, merchant banker, underwriter, debenture trustee, investment adviser and such other intermediary as provided in the Securities and Exchange Board of India Act, 1992 and the regulations made thereunder;
 - (ix) business of a credit rating agency as defined in the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999;
 - (x) business of a collective investment scheme as defined under the Securities and Exchange Board of India Act, 1992;
 - (xi) business of managing a pension fund;
 - (xii) business of an authorised person as defined under the Foreign Exchange Management Act, 1999; and
 - (xiii) such other business as may be specified by RBI from time to time.
- (4) **‘Infrastructure Debt Fund-NBFC (IDF-NBFC)’** shall have the same meaning as defined in the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Guidelines, 2025;
- (5) **‘Joint Venture’** shall have the same meaning as defined in terms of the Accounting Standards of the Institute of Chartered Accountants of India;
- (6) **‘Mutual Fund’** shall have the same meaning as defined in SEBI (Mutual Funds) Regulations, 1996;
- (7) **‘Non-Financial Services Company’** means a company engaged in businesses other than those specified in clause (3) above; and
- (8) **‘Subsidiary’** means a subsidiary as defined in terms of the Accounting Standards of the Institute of Chartered Accountants of India.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1934, or any statutory modification or re-enactment thereto, or Glossary of Terms published by RBI or as used in commercial parlance, as the case may be.



Chapter II – General Guidelines

A. Role of the Board

6. The Board of an NBFC intending to undertake distribution of mutual fund products shall approve a comprehensive policy regarding undertaking mutual funds distribution, customer appropriateness and suitability as well as grievance redressal mechanism in addition to fulfilling the other terms and conditions as prescribed in paragraphs 50 and 51. A comprehensive Board approved policy regarding undertaking insurance distribution by HFC, whether under the agency or the broking model should be formulated and services should be offered to customers in accordance with this policy as prescribed in paragraph 45.

B. Investments in Alternative Investment Funds (AIFs)

B.1 General Requirements

7. An NBFC's investment policy shall have suitable provisions governing its investments in an AIF Scheme, compliant with extant law and regulations.

B.2 Limits on Investments and Provisioning

8. An NBFC shall not individually contribute more than 10 percent of the corpus of an AIF Scheme.
9. The aggregate contribution by all regulated entities (REs) in any AIF Scheme shall not be more than 20 percent of the corpus of that scheme.

In this context, 'RE' shall mean:

- (1) Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks);
 - (2) Urban Co-operative Banks;
 - (3) State Co-operative Banks / Central Co-operative Banks;
 - (4) All-India Financial Institutions; and
 - (5) Non-Banking Financial Companies (including Housing Finance Companies)
10. Where an NBFC contributes more than five percent of the corpus of an AIF Scheme that has downstream investment (excluding equity instruments) in a debtor company of the NBFC, the NBFC shall be required to make 100 percent provision to the extent of its proportionate investment in the debtor company



through the AIF Scheme, subject to a cap equivalent to NBFC's direct loan and / or investment exposure to the said debtor company.

11. Notwithstanding the provisions of paragraph 10 above, where an NBFC's contribution is in the form of subordinated units, it shall deduct the entire investment from its capital funds—proportionately from both Tier-1 and Tier-2 capital (wherever applicable).

B.3 Exemptions

12. ³The RBI may, in consultation with the Government of India, by way of a notification, exempt certain AIFs (**Annex I**) from the scope of these Directions on AIF contained in Part B of Chapter II, except for paragraph 7 above.
13. [Deleted]⁴.
14. [Deleted]⁵.

³ Modified w.e.f. January 01, 2026.

⁴ Deleted w.e.f. January 01, 2026.

⁵ Deleted w.e.f. January 01, 2026.



Chapter III – Financial Services

A. Opening Subsidiary / Joint Venture / or Undertaking Investment Abroad

A.1 Overseas Investment by NBFCs (other than NBFC-CIC)

A.1.1 General Instructions

15. These Directions shall be read in conjunction with the guidelines issued by the Foreign Exchange Department (FED) of the RBI and shall apply to an NBFC intending to open a, subsidiary, joint venture, or undertake investment abroad.
16. An NBFC shall obtain prior approval of the RBI for opening of subsidiary / joint venture or undertaking investment abroad. The application from the NBFC seeking No Objection shall be considered subject to compliance with general and specific conditions prescribed in paragraphs 17 and 18.

A.1.2 General Conditions

17. An NBFC, intending to open a subsidiary, joint venture, or undertake investment abroad, shall comply with the following general conditions:
 - (1) Investment in non-financial service sectors shall not be permitted;
 - (2) Direct investment in activities prohibited under FEMA or in sectoral funds shall not be permitted;
 - (3) Investments shall be permitted only in entities whose core activity is regulated by a financial sector regulator in the host jurisdiction;
 - (4) The aggregate overseas investment shall not exceed 100 percent of the NBFC's Net Owned Fund (NOF). The overseas investment in a single entity, including its stepdown subsidiaries, by way of equity or fund-based commitment shall not be more than 15 percent of the NBFC's owned funds;
 - (5) Overseas investment shall not involve multi-layered, cross jurisdictional structures and at most only a single intermediate holding entity shall be permitted;
 - (6) The CRAR / leverage of the NBFC, post investment in subsidiary abroad shall be not less than the regulatory prescriptions;
 - (7) An NBFC shall continue to maintain the required level of NOF after accounting for investment in the proposed subsidiary / investment abroad as prescribed in the explanation to Section 45-IA of the RBI Act, 1934;
 - (8) The level of Net Non-Performing Assets of the NBFC shall not be more than five percent of the net advances;



- (9) An NBFC shall have been in profit for the last three financial years and shall have demonstrated satisfactory performance during the period of its existence;
- (10) An NBFC shall comply with the regulations issued under FEMA, 1999 from time to time;
- (11) An NBFC's overall regulatory compliance, including servicing of public deposits, if held by the NBFC, shall be satisfactory;
- (12) An NBFC shall comply with the KYC guidelines;
- (13) SPVs set up abroad or acquisition abroad shall be treated as investment or subsidiary / joint venture abroad, depending upon percentage of investment in overseas entity;
- (14) An NBFC shall submit annual certificate from the statutory to the Regional Office of Department of Supervision of the RBI where it is registered, certifying that it has fully complied with all the conditions stipulated under these Directions for overseas investment; and
- (15) The RBI reserves the right to withdraw the permission granted for overseas investment in case any adverse feature comes to its notice. All approvals for investment abroad shall be subject to this condition.

A.1.3 Specific conditions

A.1.3.1 For subsidiaries abroad:

18. An NBFC proposing to establish a subsidiary abroad shall comply with all the conditions as stipulated in paragraph 16 above. The issuance of a No Objection Certificate (NoC) by the RBI is independent of the overseas regulators' approval process. In addition, the following conditions shall apply:
 - (1) The parent NBFC shall not extend implicit or explicit guarantee to or on behalf of such subsidiaries;
 - (2) No request for issuance of a letter of comfort in favour of the subsidiary abroad from any institution in India shall be permitted;
 - (3) The liability of the NBFC in the proposed overseas entity shall be limited to its either equity or fund-based commitment to the subsidiary;
 - (4) The overseas subsidiary shall not be a shell company. However, companies undertaking activities such as financial consultancy and advisory services with no significant assets shall not be considered as shell companies;



- (5) The overseas subsidiary shall not be used as a vehicle for raising resources for creating assets in India for the Indian operations;
- (6) The parent NBFC shall obtain periodical reports / audit reports about the business undertaken by the subsidiary abroad and shall make them available to the RBI and inspecting officials of the RBI;
- (7) If the overseas subsidiary fails to undertake any activity or if the required reports are not submitted, the RBI may review or withdraw the approval given for setting up a subsidiary abroad;
- (8) The subsidiary shall make disclosure in its Balance Sheet to the effect that liability of the parent entity in the proposed overseas entity is limited to its either equity or fund-based commitment to the subsidiary; and
- (9) All the operations of the subsidiary abroad shall be subject to regulatory prescriptions of the host country.

A.1.3.2 Joint Ventures abroad

19. All overseas investments by an NBFC, other than in subsidiaries, shall be governed by the same guidelines as applicable to subsidiaries established abroad, as specified in these Directions.

A.2 Overseas Investment by NBFC-CIC

A.2.1 Investment in financial sector overseas⁶

20. These directions are in addition to those prescribed by Foreign Exchange Department for overseas investment. All CICs investing in Joint Venture/Subsidiary overseas in the financial sector shall require prior approval from the Bank. CICs desirous of making overseas investment in financial sector shall hold a Certificate of Registration (CoR) from the Bank and shall comply with all the regulations applicable to CIC. CICs that are presently exempted from the regulatory framework of the Bank (unregistered CICs), shall be required to be registered with the Bank and shall be regulated like a registered CIC, where they intend to make overseas investment in financial sector

⁶ Financial sector for this purpose would mean a sector/ service regulated by a Financial Sector Regulator



A.2.2 Investment in non-financial sector

21. Unregistered CICs making overseas investment in non-financial sector shall not require registration from the Bank and hence, these Directions are not applicable to them. Further, a CIC need not obtain prior approval from RBI, for overseas investment in non-financial sector. However, it shall report to the Regional Office of DoS where it is registered within 30 days of such investment in the stipulated format and at the prescribed periodicity.
22. The eligibility criteria for investments abroad and other conditions prescribed for CICs are given in the following paragraphs:

(1) Eligibility Criteria

- (i) The Adjusted Net Worth (ANW) of the CIC shall not be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year. The CIC shall continue to meet the requirement of minimum ANW, post overseas investment. For this purpose, the risk weights applicable shall be as provided for in the directions.
- (ii) The level of Net Non-Performing Assets of the CIC shall not be more than 1% of the net advances as on the date of the last audited balance sheet.
- (iii) The CIC shall generally be earning profit continuously for the last three years and its performance shall be satisfactory during the period of its existence.

(2) General Conditions

- (i) Direct investment in activities prohibited under FEMA shall not be permitted.
- (ii) The total overseas investment shall not exceed 400% of the owned funds of the CIC.
- (iii) The total overseas investment in financial sector shall not exceed 200% of its owned funds.
- (iv) Investment in financial sector shall be only in regulated entities abroad.
- (v) Entities set up abroad or acquired abroad shall be treated as wholly owned subsidiaries (WOS) /joint ventures (JV) abroad.



- (vi) Overseas investments by a CIC in financial /non-financial sector shall be restricted to its financial commitment. However, with regard to issuing guarantees/Letter of Comfort in this regard the following shall be noted:
- (a) The CIC can issue guarantees / letter of comfort to the overseas subsidiary engaged in non-financial activity;
 - (b) CICs must ensure that investments made overseas shall not result in creation of complex structures. In case the structure overseas requires a Non-Operating Holding Company, there shall not be more than two tiers in the structure. CICs having more than one non-operating holding company in existence, in their investment structure, shall report the same to the Bank for a review.
 - (c) CICs shall comply with the regulations issued under FEMA, 1999 from time to time;
 - (d) An annual certificate from statutory auditors shall be submitted by the CIC to the Regional Office of DoS where it is registered, certifying that it has fully complied with all the conditions stipulated under these Guidelines for overseas investment. The certificate as on end March every year shall be submitted by April 30 each year;
 - (e) If any serious adverse features come to the notice of the Bank, the permission granted shall be withdrawn. All approvals for investment abroad shall be subject to this condition.

(3) Specific Conditions for Opening of WOS/JV Abroad

- (i) In the case of opening of a WOS/JV abroad by a CIC, all the conditions as stipulated above shall be applicable. The NoC to be issued by the Bank is independent of the overseas regulators' approval process. In addition, the following conditions shall apply to all CICs:
 - (a) The WOS/JV being established abroad shall not be a shell company i.e., "a company that is incorporated, but has no significant assets or operations." However, companies undertaking activities such as financial consultancy and advisory services shall not be considered as shell companies;



- (b) The WOS/JV being established abroad by the CIC shall not be used as a vehicle for raising resources for creating assets in India for the Indian operations;
- (c) In order to ensure compliance of the provisions, the parent CIC shall obtain periodical reports/audit reports at least quarterly about the business undertaken by the WOS/JV abroad and shall make them available to the inspecting officials of the Bank;
- (d) If the WOS/JV has not undertaken any activity or such reports are not forthcoming, the approvals given for setting up the WOS/JV abroad shall be reviewed;
- (e) The WOS/JV shall make disclosure in its Balance Sheet the amount of liability of the parent entity towards it and also whether it is limited to equity / loan or if guarantees are given, the nature of such guarantees and the amount involved;
- (f) All the operations of the WOS/JV abroad shall be subject to regulatory prescriptions of the host country.

B. Expansion of activities through automatic route

- 23. An NBFC receiving Foreign Direct Investment (FDI) under the automatic route shall be permitted to undertake only those activities that are permissible under the automatic route.
- 24. Diversification into any other activity shall require the prior approval of the Foreign Investment Promotion Board (FIPB).
- 25. A company which has entered into a permissible FDI activity (e.g., software) and later seeks to diversify into the NBFC sector shall comply with all applicable regulations including minimum capitalization norms.

C. Entry into Insurance Business

C.1 Entry into Insurance Business by NBFCs (other than NBFC-CIC and HFC)

- 26. An NBFC shall make an application for entry into the insurance business, along with necessary particulars duly certified by its statutory auditors, through PRAVAAH Portal (<https://pravaah.rbi.org.in>) to the Department of Regulation (DoR), Central Office, RBI.



27. An NBFC shall not be allowed to conduct such business departmentally. A subsidiary or company in the same group of an NBFC or of another NBFC engaged in the business of a non-banking financial institution or banking business shall not normally be allowed to join the insurance company on a risk participation basis.
28. An NBFC registered with the RBI shall be permitted to set up a joint venture (JV) company for undertaking insurance business with risk participation subject to the following conditions:
- (1) An NBFC shall not hold more than 50 percent of the paid-up capital of the JV insurance company. The RBI may, on a selective basis, permit a higher equity contribution by a promoter NBFC initially, subject to divestment of equity within the prescribed period [see Note (1) below].
 - (2) In case more than one company (irrespective of doing financial activity or not) in the same group of the NBFC wishes to take a stake in the insurance company, the contribution by all companies in the same group shall be counted for the limit of 50 percent prescribed for the NBFC in an insurance JV.
 - (3) In case of capital infusion calls by IRDAI, into the Insurance JV company, the RBI may, on a case-to-case basis, consider need-based relaxation of the 50 percent group limit as specified. Relaxation, if permitted, shall be subject to compliance by the NBFC with all regulatory conditions as prescribed in these Directions and such other conditions as may be necessary in the specific case. Application for such relaxation along with supporting documents shall be submitted by the NBFC through *PRAVAAH* Portal (<https://pravaah.rbi.org.in>) to the Department of Regulation (DoR), Central Office, RBI.
 - (4) An NBFC shall meet the following eligibility criteria for the joint venture:
 - (i) The owned fund of the NBFC shall not be less than ₹500 crore,
 - (ii) The CRAR of the NBFC shall be not less than 15 percent,
 - (iii) The level of net non-performing assets shall be not more than five percent of the total outstanding leased / hire purchase assets and advances taken together,



- (iv) An NBFC shall have made net profit in the preceding three consecutive financial years,
 - (v) The track record of the performance of the subsidiaries, if any, of the concerned NBFC shall be satisfactory,
 - (vi) Compliance with regulatory requirements and servicing of public deposits, if held. The provisions of the RBI Act, 1934 shall be applicable for such investments while computing NOF of the NBFC.
29. In case where a foreign partner contributes 26 percent of the insurance JV's equity with the approval of IRDAI / Foreign Investment Promotion Board, participation by more than one NBFC in the equity of the insurance JV may be permitted. Only NBFCs satisfying the criteria given in paragraph 28 above, shall be eligible to participate in such cases.
30. An NBFC not eligible to participate as JV partner, as above can make investments up to 10 percent of the owned fund of the NBFC or ₹50 crore, whichever is lower, in the insurance company, subject to the following conditions:
- (1) The CRAR of the NBFC shall not be less than 15 percent;
 - (2) The level of net NPA shall be not more than five percent of total outstanding leased / hire purchase assets and advances;
 - (3) NBFC shall have been in net profit in the preceding three consecutive financial years.
31. Such participation shall be treated as an investment and shall be without any contingent liability for the NBFC.

Note:

- (1) *Holding of equity by a promoter NBFC in an insurance company or participation in any form in insurance business shall be subject to compliance with any rules and regulations laid down by the IRDAI / Central Government. This will include compliance with Section 6AA of the Insurance Act as amended by the IRDAI Act, 1999, for divestment of equity in excess of 26 percent of the paid-up capital within a prescribed period of time.*
- (2) *The eligibility criteria shall be reckoned with reference to the latest available audited balance sheet for the previous year.*



32. An NBFC may take up insurance agency business on fee basis and without risk participation, without obtaining the approval of the RBI subject to the following conditions:
- (1) An NBFC shall obtain requisite permission from IRDAI and comply with the IRDAI regulations for acting as 'composite corporate agent' with insurance companies.
 - (2) An NBFC shall not adopt any restrictive practice of compelling its customers to opt for a particular insurance company in respect of assets financed by the NBFC. The customers shall be allowed to exercise their own choice.
 - (3) All publicity materials of the NBFC shall prominently disclose that availing insurance products is purely on a voluntary basis. There shall be no 'linkage' either direct or indirect between the provision of financial services offered by the NBFC to its customers and use of the insurance products.
 - (4) The premium shall be paid by the insured directly to the insurance company without routing through the NBFC.
33. The risks, if any, involved in insurance agency business shall not get transferred to the business of the NBFC.

C.2. Entry into Insurance Business by CICs

34. The aspirant CICs shall make an application along with necessary particulars duly certified by their statutory auditors through PRAVAAH Portal (<https://pravaah.rbi.org.in>) to the Department of Regulation (DoR), Central Office, RBI. Any CIC registered with the Bank which satisfies the eligibility criteria given below may be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. No ceiling is prescribed for CICs in their investment in an insurance joint venture. The maximum equity contribution such a CIC can hold in the joint venture company shall be as per IRDA approval.
35. The eligibility criteria for joint venture participant shall be as under, as per the latest available audited balance sheet.
- (1) The owned funds of the CIC shall not be less than ₹500 crore;
 - (2) The level of net non-performing assets shall be not more than 1% of the total advances;



- (3) The CIC shall have registered net profit continuously for three consecutive years;
 - (4) The track record of the performance of the subsidiaries, if any, of the concerned CIC shall be satisfactory;
 - (5) The CIC shall comply with all applicable regulations including these Directions. Thus, CICs are required to maintain adjusted net worth which shall be not less than 30% of aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items.
36. No CIC shall be allowed to conduct such business departmentally. Further, a NBFC (in its group / outside the group) shall normally not be allowed to join an insurance company on risk participation basis and hence shall not provide direct or indirect financial support to the insurance venture.
 37. Within the group, CICs shall be permitted to invest up to 100% of the equity of the insurance company either on a solo basis or in joint venture with other non-financial entities in the group. This shall ensure that only the CIC either on a solo basis or in a joint venture with the group company is exposed to insurance risk and the NBFC within the group is ring-fenced from such risk.
 38. In case where a foreign partner contributes 26 per cent of the equity with the approval of Insurance Regulatory and Development Authority/Foreign Investment Promotion Board, more than one CIC may be allowed to participate in the equity of the insurance joint venture. As such participants shall also assume insurance risk, only those CICs which satisfy the criteria given Paragraph 35 above, shall be eligible.
 39. CICs shall not enter into insurance business as agents. CICs that wish to participate in insurance business as investors or on risk participation basis shall be required to obtain prior approval of the Bank. The Bank will give permission on case to case basis keeping in view all relevant factors. It shall be ensured that risks involved in insurance business do not get transferred to the CIC.

Notes:

- (1) Holding of equity by a promoter CIC in an insurance company or investment in insurance business shall be subject to compliance with any rules and regulations laid down by the IRDA/Central Government. This shall include



compliance with Section 6AA of the Insurance Act as amended by the IRDA Act, 1999, for divestment of equity in excess of 26 per cent of the paid-up capital within a prescribed period of time.

- (2) CICs exempted from registration with the Bank in terms of the applicable directions, shall not require prior approval provided they fulfill all the necessary conditions of exemption.

C.3. Entry into Insurance Business by HFCs

40. Taking up Insurance Agency Business

HFCs having Net Owned Fund (NOF) of not less than the prescribed NOF may take up insurance agency business on fee basis and without any risk participation, without the approval of the Bank, subject to the following conditions:

- (1) The HFC should obtain requisite permission from Insurance Regulatory and Development Authority (IRDA) and comply with the IRDA regulations for acting as 'composite corporate agent' with insurance companies;
- (2) The HFC should not adopt any restrictive practice of forcing its customers to go in only for a particular insurance company in respect of assets financed by it. The customers should be allowed to exercise their own choice;
- (3) As the participation by a HFC's customer in insurance products is purely on a voluntary basis, it should be stated in all publicity material distributed by it in a prominent way. There should be no 'linkage' either direct or indirect between the provision of financial services offered by the HFC to its customers and use of the insurance products;
- (4) The premium should be paid by the insured directly to the insurance company without routing through the HFC; and
- (5) The risks, if any, involved in insurance agency should not get transferred to the business of the HFC.

41. Setting up insurance Joint Venture (JV) with equity contribution on risk participation basis

- (1) HFCs which satisfy the eligibility criteria given below will be permitted to set up an Insurance JV Company for undertaking insurance business with risk participation, subject to safeguards and risk mitigation strategy in place. The



maximum equity contribution such an HFC can hold in the JV Company will normally be 50 per cent of the paid-up capital of the insurance company. On a selective basis, the Bank may permit a higher equity contribution by a promoter HFC initially, pending divestment of equity within the prescribed period. The eligibility criteria for joint venture participant will be as under:

- (i) The NOF of the HFC should not be less than ₹500 crore;
 - (ii) The CRAR of the HFC should be not less than 12%;
 - (iii) The level of net non-performing assets should be not more than 3% of the total outstanding assets, including loans and advances taken together;
 - (iv) The HFC should have net profit for the last three continuous years;
 - (v) The track record of the performance of the subsidiaries, if any, of the concerned HFC should be satisfactory;
 - (vi) Regulatory compliances and servicing public deposits, if held.
- (2) In case where a foreign partner contributes 26 per cent of the equity with the approval of IRDA/ Foreign Investment Promotion Board, more than one HFC may be allowed to participate in the equity of the Insurance JV Company. As such participants will also assume insurance risk, only those HFCs which satisfy the criteria given in Paragraph 41(1) above, would be eligible.
- (3) In case more than one company (irrespective of doing financial activity or not) in the same group of the HFC wishes to take a stake in the insurance company, the contribution by all companies in the same group shall be counted for the limit of 50 per cent prescribed for the HFC in an Insurance JV Company.
- (4) In cases where IRDA issues calls for capital infusion into the Insurance JV Company, the Bank may, on a case to case basis, consider need based relaxation of the 50% group limit specified above. The relaxation, if permitted, will be subject to compliance by the HFC with all regulatory conditions specified under the guidelines and such other conditions as may be necessary in the specific case.



42. Making investments in the insurance company

(1) HFCs which are not eligible as joint venture participants, as above or otherwise can make investments up to 10 per cent of the Owned Fund of the HFC or ₹ 50 crore, whichever is lower, in the insurance company. Such participation shall be treated as an investment and should be without any contingent liability for the HFC. The eligibility criteria for the HFC will be as under:

- (i) The NOF of the HFC should not be less than ₹100 crore;
- (ii) The CRAR of the HFC should be not less than 12%;
- (iii) The level of net non-performing assets should be not more than 3% of the total outstanding assets taken together;
- (iv) The HFC should have net profit for the last three continuous years;
- (v) The track record of the performance of the subsidiaries, if any, of the concerned HFC should be satisfactory;
- (vi) Regulatory compliance and servicing public deposits, if held.

43. No HFC would be allowed to conduct such business departmentally. A subsidiary or a company in the same group of an HFC or of another HFC engaged in the business of housing finance or banking will not normally be allowed to join the insurance company on risk participation basis.

44. HFCs entering into insurance business as joint venture participant or investor or on risk participation basis will be required to obtain prior approval of the Bank. Application along with supporting documents is to be submitted by the HFC to the Bank. The Bank will give permission to HFC on case to case basis keeping in view all relevant factors. It should be ensured that risks involved in insurance business do not get transferred to the HFC and that the HFC business does not get contaminated by any risks which may arise from insurance business. There should be an 'arms-length' relationship between the HFCs and the insurance outfit.

45. Board Approved Policy

(1) A comprehensive Board approved policy regarding undertaking insurance distribution, whether under the agency or the broking model should be formulated, and services should be offered to customers in accordance with



this policy. The policy will also encompass issues of customer appropriateness and suitability as well as grievance redressal. It may be noted that as IRDA Guidelines do not permit group entities to take up both corporate agency and broking in the same group even through separate entities, HFCs or their group entities may undertake either insurance broking or corporate agency business.

46. Compliance with IRDA Guidelines

- (1) The IRDA (Licensing of Corporate Agents) Regulations, 2002, as amended from time to time, as applicable, should be complied with by HFCs undertaking these activities.
- (2) The deposit to be maintained by an insurance broker as per the IRDA (Licensing of Banks as Insurance Brokers) Regulations, 2013, as amended from time to time, should be maintained with a scheduled commercial bank.

47. Ensuring Customer Appropriateness and Suitability

While undertaking insurance distribution business, either under the corporate agency or broking model under the relevant IRDA Regulations, HFCs must keep the following in view:

- (1) All employees dealing with insurance agency/ broking business should possess the requisite qualification prescribed by IRDA.
- (2) There should be a system of assessment of the suitability of products for customers. Pure risk term products with no investment or growth components that are simple and easy for the customer to understand will be deemed universally suitable products. More complex products with investment components will require the HFC to necessarily undertake a customer need assessment prior to sale. It should be ensured that there is a standardized system of assessing the needs of the customer and that initiation/ transactional and approval processes are segregated.
- (3) HFCs should treat their customers fairly, honestly and transparently, with regard to suitability and appropriateness of the insurance product sold.



48. Prohibition on Payment of Commission/ Incentive directly to HFC Staff

There should be no violation of the guidelines issued by IRDA in payment of commissions/ brokerage/ incentives. This may be factored in while formulating a suitable performance assessment and incentive structure for staff. Further, it must be ensured that no incentive (cash or non-cash) should be paid to the staff engaged in insurance broking/ corporate agency services by the insurance company.

49. Transparency and Disclosures

- (1) The HFCs should not follow any restrictive practices of forcing a customer to either opt for products of a specific insurance company or link sale of such products to any banking product. It should be prominently stated in all publicity material distributed by the HFC that the purchase by an HFC's customer of any insurance products is purely voluntary, and is not linked to availment of any other facility from the HFC.
- (2) Further, the details of fees/ brokerage received in respect of insurance broking/ agency business undertaken by them should be disclosed in the 'Notes to Accounts' to their Balance Sheet.

Notes:

- (i) Holding of equity by a promoter HFC in an insurance company or participation in any form in insurance business will be subject to compliance with any rules and regulations laid down by the IRDA/Central Government.
- (ii) Eligibility criteria would be reckoned with reference to the latest available audited balance sheet for the previous year;
- (iii) Provisions of the National Housing Bank Act, 1987 would be applicable for such investments while computing the Net Owned Fund of the HFC.

D. Distribution of Mutual Fund products

50. An NBFC desirous of undertaking distributing mutual funds, shall be required to adhere to the following stipulations:



(1) Operational Aspects

- (i) An NBFC shall comply with the SEBI guidelines / regulations, including its code of conduct, for distribution of mutual fund products;
- (ii) An NBFC shall not adopt any restrictive practice of compelling its customers to opt for a particular mutual fund product sponsored by it. Its customers shall be allowed to exercise their own choice;
- (iii) All publicity materials shall prominently state that the participation by its customers in mutual fund products is purely on a voluntary basis. There shall be no 'linkage' either direct or indirect between the provisions of financial services offered by the NBFC to its customers and distribution of the mutual fund products;
- (iv) An NBFC shall only act as an agent of its customers, forwarding their applications for purchase / sale of MF units together with the payment instruments, to the Mutual Fund / the Registrars / the transfer agents. The purchase of units shall be at the customers' risk and without the NBFC guaranteeing any assured return;
- (v) An NBFC shall neither acquire units of mutual funds from the secondary market for sale to its customers, nor shall it buy back units of mutual funds from its customers; and
- (vi) In case the NBFC is holding custody of MF units on behalf of its customers, it shall ensure that its own investments and the investments belonging to its customers are kept distinct from each other.

(2) Other Aspects

- (i) An NBFC shall put in place a comprehensive Board approved policy regarding undertaking mutual funds distribution, customer appropriateness and suitability as well as grievance redressal mechanism. The services relating to the same shall be offered to its customers in accordance with this policy. The code of conduct prescribed by SEBI, as amended from time to time and as applicable, shall be complied with by the NBFC undertaking this activity; and
- (ii) An NBFC shall be adhering to KYC guidelines and provisions of Prevention of Money Laundering Act, 2002.



51. An NBFC shall comply with other terms and conditions as the RBI may specify in this regard from time to time.

E. Appointment of Non-Deposit Accepting NBFCs as sub-agents under Money Transfer Service Schemes (MTSS)

52. A non-deposit accepting NBFC may act as sub-agent under MTSS without prior approval of the RBI. Deposit accepting NBFC shall not undertake such activity.

F. Undertaking of Point of Presence Services under Pension Fund Regulatory and Development Authority for National Pension System

53. An NBFC in the Base Layer shall not undertake Point of Presence (PoP) services for National Pension System (NPS) under Pension Fund Regulatory and Development Authority.
54. An NBFC (other than Base Layer NBFC) complying with the prescribed CRAR and have made net profit in the preceding financial year shall be permitted to undertake PoP services under PFRDA for NPS after registration with PFRDA.
55. An eligible NBFC extending such services shall deposit the NPS subscription collected by them from the public on the day of collection itself (T+0 basis; where T is the date of receipt of clear funds, either by cash or any other mode) into the designated Trustee Bank account, opened for this purpose under the regulations framed by PFRDA for NPS.
56. An NBFC conducting PoP services shall strictly adhere to the guidelines framed by PFRDA.
57. Any violation of the above instructions shall invite supervisory action, including but not limited to cancellation of permission to undertake PoP services.

G. Infrastructure Debt Funds – Non-Banking Financial Company (IDFs-NBFC)

58. An Infrastructure Debt Fund (IDF) shall be established either as:
- (1) a trust, registered as an IDF-Mutual Fund and regulated by the Securities and Exchange Board of India (SEBI); or
 - (2) a company, registered as an IDF–Non-Banking Financial Company (IDF–NBFC) and regulated by the RBI.



G.1 Guidelines governing sponsorship of IDF-MFs by NBFCs

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

- (1) An NBFC shall have a minimum NOF of ₹300 crore and CRAR of 15 percent;
- (2) Its net NPAs shall be less than three percent 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) An NBFC shall continue to maintain the required level of NOF after accounting for investment in the proposed IDF-MF; and
- (7) There shall be no supervisory concerns with respect to the NBFC.

60. An NBFC that fulfils the eligibility criteria as above shall approach the Department of Regulation of the RBI, for prior approval to sponsor IDF-MFs.

⁷H. Guidelines for NBFC Group entities of Scheduled Commercial Banks:

60A. In addition to the above directions, those NBFCs which are group entities of a Scheduled Commercial Bank should adhere to the applicable provisions stipulated under [Reserve Bank of India \(Commercial Banks – Undertaking of financial services\) Directions, 2025](#), updated from time to time, in case a particular business/activity is being undertaking by both the NBFC as well as its parent bank.

⁷ Amended w.e.f December 05, 2025, vide Reserve Bank of India (Non-Banking Financial Companies- Undertaking of Financial Services) (Amendment) Directions, 2025.



Chapter IV – Repeal and Other Provisions

A. Repeal and saving

61. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to undertaking of financial services 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.
62. 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, unless otherwise specified. 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

63. 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

64. 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.

(Manoranjan Padhy)
Chief General Manager



Annex I

List of exempted AIFs under Para 12

1. SWAMIH (Special Window for Affordable and Mid-Income Housing) Investment Fund-I
2. AgriSURE - Agri Fund for Start Ups & Rural Enterprises⁸

⁸ Amended w.e.f. April 27, 2026, vide Reserve Bank of India (Non-Banking Financial Companies– Undertaking of Financial Services) –Amendment Directions, 2026