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Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Supervisory Directions, 2026

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In exercise of the powers conferred under Sections 45-JA, 45-K, 45-L and 45-M of the Reserve Bank of India Act, 1934, Section 3 read with Section 6 and 31A of the Factoring Regulation Act, 2011, and Sections 29A, 30A, 31 and 32 of the National Housing Bank Act, 1987, 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 Directions hereinafter specified.

Chapter I - Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Supervisory Directions, 2026.
2. These Directions shall come into effect immediately upon issuance.

B. Applicability

3. These Directions shall be applicable to Non-Banking Financial Companies (hereinafter collectively referred to as 'NBFCs' and individually as a 'NBFC'), for all layers, holding registration under the Reserve Bank of India Act, 1934 or the Factoring Regulation Act, 2011 and Housing Finance Companies holding registration under the National Housing Bank Act, 1987, unless specified otherwise.

Provided that **Chapter III** of these Directions will also be applicable to Housing Finance Companies and Micro Finance Institutions.

Provided that **Chapter IV** of these Directions will only be applicable to deposit taking NBFCs (NBFCs-D) excluding Housing Finance Companies.

Provided that **Chapter V** of these Directions will only be applicable to NBFCs-D, Non-Deposit Taking NBFCs (NBFCs-ND) in Middle, Upper and Top Layers including Investment and Credit Companies, Core Investment Companies, Infrastructure Debt Funds, Infrastructure Finance Companies, Micro Finance Institutions, and Factors but excluding (i) NBFCs not accepting / not intending to accept public funds ['Public Funds' defined in [Reserve Bank of India \(Non-](#)



[Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025](#)], (ii) Primary Dealers, and (iii) Housing Finance Companies.

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. All expressions used in these Directions, shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949, the Companies Act, 2013, or any statutory modification or re-enactment thereto or other regulations issued by RBI or the Glossary of Terms published by RBI or as used in commercial parlance, as the case may be.



Chapter II - Implementation of Core Financial Services Solution

5. NBFCs in Upper and Middle Layers with 10 and more 'fixed point service delivery units' shall implement 'Core Financial Services Solution (CFSS)', akin to the Core Banking Solution (CBS) adopted by banks. NBFCs in Upper and Middle Layers with fewer than 10 'Fixed point service delivery units' and NBFCs in Base Layer may consider implementation of CFSS for their own benefit. The CFSS shall provide for seamless customer interface in digital offerings and transactions relating to products and services with anywhere / anytime facility, enable integration of NBFC's functions, provide centralised database and accounting records, and be able to generate suitable MIS, both for internal purposes and regulatory reporting.

Explanation: For this purpose, a 'Fixed point service delivery unit' is a place of operation from where the business activity of non-banking financial intermediation is carried out by the NBFC, and which is manned either by its own staff or outsourced agents. It carries uniform signage with name of the NBFC and functions under administrative control of the NBFC. Administrative offices and Back offices which do not have any direct interface with customers should not be treated as a 'Fixed point service delivery unit'.

6. The NBFC shall furnish a quarterly progress report on implementation of CFSS, to the Senior Supervisory Manager (SSM) of RBI.



Chapter III - Fair Practices Code - Charging of Interest

7. The NBFC, in the interest of fairness and transparency, shall review its practices regarding mode of disbursal of loans, application of interest and other charges, charging of Equated Monthly Instalments (EMIs), and take corrective action, including system level changes, as may be necessary, to address unfair practices, some of which are briefly explained below:
 - (1) Charging of interest from the date of sanction of loan or execution of loan agreement and not from the date of actual disbursement of funds to the customer. For loans disbursed by cheque, charging interest from the cheque date while handing over the cheque to the customer several days later.
 - (2) Charging of EMIs on the sanctioned loan amount rather than on the actual disbursed amount, without the knowledge or consent of the borrower.
 - (3) Any changes in the amortisation schedule originally provided in the Key Facts Statement (KFS), with each part-disbursement of loan, not being communicated to the borrowers.
 - (4) In case of disbursal or repayment of loans during a month, charging interest for the entire month rather than charging interest only for the period for which the loan was outstanding.
 - (5) Collecting one or more instalments in advance but reckoning the full loan amount for charging interest.
8. These and other such non-standard practices of charging interest are not in consonance with the spirit of fairness and transparency while dealing with customers. These are matters of serious concern to RBI.
9. The NBFC may use online account transfers in lieu of cheques for loan disbursal.



Chapter IV - Nomination Facility

10. The NBFC-D shall obtain nomination in case of all existing and new eligible customers having deposit accounts, to avoid inconvenience and undue hardship to survivors / family members of deceased depositors, in accordance with relevant provisions of the [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).
11. The Board of Directors / Customer Service Committee (CSC) of the Board of the NBFC-D shall review, on a periodic basis, the achievement of nomination coverage.
12. The NBFC-D shall also report the progress on nomination coverage to SSM, RBI through DAKSH portal on a quarterly basis.
13. The NBFC-D shall suitably sensitise its frontline staff in the branches for obtaining nomination as well as appropriate handling of claims of deceased constituents and dealing with nominees / legal heirs. The NBFC-D shall modify the Account Opening Forms suitably (if not already done) with provision for the customers to avail or opt out of nomination facility.
14. The NBFC-D, in addition to directly notifying the depositors, shall publicise the benefits of using the nomination facility through various media, including launching periodical drives towards achieving a full coverage of all eligible depositor accounts.



Chapter V - Prompt Corrective Action Framework

A. Objective

15. The objective of the Prompt Corrective Action (PCA) Framework is to enable Supervisory intervention at appropriate time and require the NBFC to initiate and implement remedial measures in a timely manner, so as to restore its financial health. The PCA Framework is also intended to act as a tool for effective market discipline. The PCA Framework does not preclude RBI from taking any other action as it deems fit at any time in addition to the corrective actions prescribed in the Framework.

B. Indicators and Risk Thresholds

16. For NBFCs-D and NBFCs-ND [excluding Core Investment Companies (CICs)], Capital and Asset Quality shall be the key areas for monitoring in PCA Framework. For CICs, Capital, Leverage and Asset Quality would be the key areas for monitoring in PCA Framework. For NBFCs-D and NBFCs-ND (excluding CICs), indicators to be tracked shall be Capital to Risk Weighted Assets Ratio (CRAR), Tier 1 Capital Ratio and Net Non-Performing Assets (NNPA) Ratio. For CICs, indicators to be tracked would be Adjusted Net Worth / Aggregate Risk Weighted Assets (ANW / RWA), Leverage Ratio and NNPA Ratio.
17. An NBFC will generally be placed under PCA Framework based on the audited Annual Financial Results and / or the Supervisory Assessment made by RBI. However, RBI may impose PCA on any NBFC during the course of a year (including migration from one threshold to another) in case the circumstances so warrant. Breach of any of the following risk threshold may result in invocation of PCA:



For NBFCs-D and NBFCs-ND (excluding CICs)			
Indicator	Risk Threshold-1	Risk Threshold-2	Risk Threshold-3
CRAR	Upto 300 basis points (bps) below the regulatory minimum CRAR (currently, CRAR <15 per cent but $\geq$ 12 per cent)	More than 300 bps but upto 600 bps below regulatory minimum CRAR (currently, CRAR <12 per cent but $\geq$ 9 per cent)	More than 600 bps below regulatory minimum CRAR (currently, CRAR <9 per cent)
Tier 1 Capital Ratio	Upto 200 bps below the regulatory minimum Tier 1 Capital Ratio (currently, Tier 1 Capital Ratio <10 per cent but $\geq$ 8 per cent)	More than 200 bps but upto 400 bps below the regulatory minimum Tier 1 Capital Ratio (currently, Tier I Capital Ratio <8 per cent but $\geq$ 6 per cent)	More than 400 bps below the regulatory minimum Tier 1 Capital Ratio (currently, Tier I Capital Ratio <6 per cent)
NNPA Ratio (including Non-Performing Investments)	>6 per cent but $\leq$ 9 per cent	>9 per cent but $\leq$ 12 per cent	>12 per cent

For CICs			
Indicator	Risk Threshold-1	Risk Threshold-2	Risk Threshold-3
ANW / RWA	Upto 600 bps below the regulatory minimum ANW / RWA (currently, ANW / RWA <30 per cent but $\geq$ 24 per cent)	More than 600 bps but upto 1200bps below regulatory minimum ANW / RWA (currently, ANW / RWA <24 per cent but $\geq$ 18 per cent)	More than 1200 bps below regulatory minimum ANW / RWA (currently, ANW / RWA <18 per cent)
Leverage Ratio	$\geq$ 2.5 times but <3 times	$\geq$ 3 times but <3.5 times	$\geq$ 3.5 times
NNPA Ratio (including NPIs)	>6 per cent but $\leq$ 9 per cent	>9 per cent but $\leq$ 12 per cent	>12 per cent

C. Exit and Withdrawal of Restrictions

- Once an NBFC is placed under PCA, taking the NBFC out of PCA Framework and / or withdrawal of restrictions imposed under the PCA Framework will be considered:



- (1) If no breaches in risk thresholds in any of the parameters are observed as per four continuous quarterly financial statements, one of which should be Annual Audited Financial Statement (subject to assessment by RBI); and
- (2) Based on Supervisory comfort of RBI, including an assessment on sustainability of profitability of the NBFC.

D. Corrective Actions

19. The menu of corrective actions is as below:

Mandatory and Discretionary Actions		
Specifications	Mandatory Actions	Discretionary Actions
Risk Threshold 1	(i) Restriction on dividend distribution / remittance of profits; (ii) Promoters / shareholders to infuse equity and reduction in leverage; (iii) Restriction on issue of guarantees or taking on other contingent liabilities on behalf of group companies (only for CICs)	<u>Common menu</u> (i) Special Supervisory Actions (ii) Strategy related (iii) Governance related (iv) Capital related (v) Credit risk related (vi) Market risk related (vii) HR related (viii) Profitability related (ix) Operations/Business related (x) Any other.
Risk Threshold 2	In addition to mandatory actions of Threshold 1, (i) Restriction on branch expansion	
Risk Threshold 3	In addition to mandatory actions of Threshold 1 & 2, (i) Appropriate restrictions on capital expenditure, other than for technological upgradation within Board approved limits (ii) Restrictions / reduction in variable operating costs	

20. Details on the common menu for selection of Discretionary Corrective Actions are as hereunder:



(1) Special Supervisory Actions

- (i) Special Supervisory Monitoring Meetings (SSMMs) at quarterly or other identified frequency.
- (ii) Special inspections / targeted scrutiny of the NBFC.
- (iii) Cause a special audit/inspection of NBFC / Group entities by the extant supervisory mechanism and / or through external auditors.
- (iv) Restricted and need based regulatory / supervisory approvals to be given by the Reserve Bank.
- (v) Resolution of NBFC by Amalgamation / Reconstruction / Splitting (Section 45MBA of RBI Act, 1934).
- (vi) File insolvency application under IBC [As per the rules dated November 15, 2019 notified under section 239 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016)].
- (vii) Show Cause Notice for cancellation of CoR and winding up of the NBFC.

(2) Strategy related Actions

- (i) Activate the Recovery Plan that has been duly approved by the Supervisor.
- (ii) Undertake a detailed review of business model in terms of sustainability of the business model, profitability of business lines and activities, and medium and long term viability.
- (iii) Review short-term strategy focusing on addressing immediate concerns.
- (iv) Review medium-term business plans, identify achievable targets, and set concrete milestones for progress and achievement.
- (v) Undertake business process reengineering as appropriate.



- (vi) Undertake restructuring of operations as appropriate.

(3) Governance related Actions

- (i) RBI may actively engage with the NBFC's Board on various aspects as considered appropriate.
- (ii) RBI may recommend to promoters / shareholders to bring in new Management / Board.
- (iii) RBI may remove managerial persons under the RBI Act, as applicable.
- (iv) Removal of Director and / or appointment of another person as Director in their place.
- (v) RBI may supersede the Board under the RBI Act and appoint an Administrator.
- (vi) RBI may require the NBFC to invoke claw back and malus clauses and other actions as available in regulatory guidelines and impose other restrictions or conditions.
- (vii) Impose restrictions on Directors' or Management compensation, as applicable.

(4) Capital related Actions

- (i) Detailed Board level review of capital planning.
- (ii) Submission of plans and proposals for raising additional capital.
- (iii) Requiring the NBFC to bolster reserves through retained profits.
- (iv) Restriction on investment in subsidiaries / associates.
- (v) Restriction in expansion of high risk-weighted assets to conserve capital.
- (vi) Reduction in exposure to high-risk sectors to conserve capital.



- (vii) Restrictions on increasing stake in subsidiaries and other group companies

(5) Credit Risk related Actions

- (i) Preparation of time bound plan and commitment for reduction of stock of NPAs.
- (ii) Preparation of and commitment to plan for containing generation of fresh NPAs.
- (iii) Strengthening of loan review mechanism.
- (iv) Restrictions / reduction in total credit risk weight density (example: restriction / reduction in credit for borrowers below certain rating grades, restriction / reduction in unsecured exposures).
- (v) Reduction in loan concentrations in identified sectors, industries, or borrowers.
- (vi) Sale of assets.
- (vii) Action plan for recovery of assets through identification of areas (geography-wise, industry segment-wise, and borrower-wise) and setting up of dedicated Recovery Task Forces.
- (viii) Prohibition on expansion of credit / investment portfolios other than investment in government securities / other High-Quality Liquid Investments.
- (ix) Higher provisioning for NPAs / NPLs.

(6) Market Risk related Actions

- (i) Restrictions on/reduction in borrowings from the debt market.
- (ii) Restrictions on extent of ALM mismatch.



(iii) Restrictions on accepting/ renewing deposits and escrowing of cash inflows to meet deposit liabilities to protect the interest of the depositors.

(iv) Restrictions on investment activities.

(7) HR related Actions

(i) Restriction on staff expansion / staff compensation.

(ii) Review of specialized training needs of existing staff.

(8) Profitability related Actions

(i) Restrictions on capital expenditure, other than for technological upgradation within Board approved limits.

(ii) Restrictions / reduction in variable operating costs.

(9) Operations related Actions

(i) Restrictions on branch expansion plans - domestic or overseas.

(ii) Reduction in business at subsidiaries / in other entities.

(iii) Restrictions on entering into new lines of business.

(iv) Reduction in leverage.

(v) Reduction in risky assets.

(vi) Restrictions in undertaking businesses, as may be specified.

(vii) Restriction / reduction of outsourcing activities.

(viii) Restrictions on new borrowings.

(10) Other Actions

(i) Any other specific action that RBI may deem fit considering specific circumstances of the NBFC.



21. RBI may issue a press release when an NBFC is placed under PCA as well as when PCA is withdrawn vis-à-vis an NBFC.



Chapter VI - Repeal and Other Provisions

A. Repeal and Saving

22. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to areas covered in these Directions as applicable to Non-Banking Financial Companies stand repealed, as communicated vide [circular no. DoS.CO.PPG.66/11.01.005/2026-27 dated July 31, 2026](#). The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
23. 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

24. 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

25. For the purposes of giving effect to the provisions of these Directions or for removing any difficulties in their application or interpretation, RBI may, if it deems necessary, issue such clarifications as it considers appropriate in respect of any matter covered herein. The interpretation of any provision of these Directions by RBI shall be final and binding on all concerned entities.

(Tarun Singh)
Chief General Manager