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Reserve Bank of India (Non-Banking Financial Companies - Auditor's Report) Directions, 2026

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In exercise of the powers conferred under sub-section (1A) of Section 45MA of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and of all the powers enabling it in this behalf, and in supersession of the Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2016, the Reserve Bank of India (RBI) being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Directions hereinafter specified to every auditor of every non-banking financial company excluding Housing Finance Companies (HFCs).

Chapter I - Preliminary

A. Short Title and Commencement

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

B. Applicability

3. These Directions shall be applicable to every auditor of a non-banking financial company as defined in section 45 I(f) of the Reserve Bank of India Act, 1934 ('RBI Act') other than those companies exempted by the Reserve Bank of India under section 45 NC of the said Act from applicability of the provisions of section 45-IA of RBI Act, (hereinafter collectively referred to as 'NBFCs and individually as a 'NBFC'). The directions applicable to Statutory Auditors of HFCs shall continue to be governed by the relevant provisions of the [Reserve Bank of India \(Housing Finance Companies\) Directions, 2025](#).
4. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the RBI Act, 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 - Auditors to submit Additional Report to the Board of Directors

5. In addition to the Report made by the auditor under Section 143 of the Companies Act, 2013 on the accounts of the NBFC examined for every financial year ending on any day on or after the commencement of these Directions, the auditor shall also make a separate report to the Board of Directors of the Company on the matters specified in the sections below.

A. Auditor's Report for All NBFCs

6. Material to be included in the Auditor's report to the Board of Directors: The auditor's report on the accounts of an NBFC shall include a statement on the following matters, namely:

- (1) Conducting non-banking financial activity without a valid Certificate of Registration (CoR) granted by RBI is an offence under Chapter V of the RBI Act, 1934. Therefore, if the company is engaged in the business of non-banking financial institution as defined in Section 45-I (a) of the RBI Act and meeting the Principal Business Criteria (financial asset / income pattern) as laid down vide RBI's press release 1998-99 / 1269 dated April 08, 1999, [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025](#) and directions issued by Department of Regulations (DoR) on Non-Reckoning of Fixed Deposits with banks as Financial Assets [Paragraph 21 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025](#)], the auditor of the NBFC shall examine whether the company has obtained a CoR from RBI.
- (2) In case of a company holding CoR issued by RBI, whether that company is entitled to continue to hold such CoR in terms of its Principal Business Criteria (financial asset / income pattern) as on March 31 of the applicable year.
- (3) Whether the NBFC is meeting the required net owned fund requirement as laid down in [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\)](#)

[Directions, 2025.](#)

Note: The NBFC shall enable its Statutory Auditors to submit ‘DNBS10 – Statutory Auditor’s Certificate (SAC) Return’ every year within five working days from the date of signing of the Auditor’s report in terms of Section 134 of the Companies Act, 2013, but not later than December 31st of same year. The Statutory Auditor shall verify that the NBFC is engaged in the business of non-banking financial institution requiring it to hold a CoR under Section 45-IA of the RBI Act and is eligible to hold it. The certificate from the Statutory Auditor in this regard with reference to the position of the NBFC as at end of the financial year ended March 31 shall be submitted in Centralised Information Management System ([CIMS](#)) portal of RBI, in terms of [Reserve Bank of India \(Non-Banking Financial Companies - Supervisory Returns\) Directions, 2026](#).

B. Auditor’s Report for NBFCs accepting / holding Public Deposits

7. Apart from the matters enumerated in [Paragraph 6](#) above, the auditor shall include a statement on the following matters, namely:
 - (1) Whether the public deposits accepted by the company together with other borrowings indicated below viz.
 - (i) from public by issue of unsecured non-convertible debentures / bonds;
 - (ii) from its shareholders (if it is a public limited company); and
 - (iii) which are not excluded from the definition of ‘public deposit’ in the [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#), are within the limits admissible to the company as per the provisions of the [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#);
 - (2) Whether the public deposits held by the company in excess of the quantum of such deposits permissible to it under the provisions of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\)](#)



[Directions, 2025](#) are regularised in the manner provided in the said Directions;

- (3) Whether the NBFC is accepting "public deposit" without minimum investment grade credit rating from an approved credit rating agency as per the provisions of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).
- (4) In respect of NBFCs referred to in Paragraph 7 (3) above,
 - (i) whether any of the SEBI registered Credit Rating Agencies has assigned the credit rating, for each of the fixed deposits schemes; and
 - (ii) whether the aggregate amount of deposits outstanding at any point during the year has exceeded the limit specified by RBI in terms of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#);
- (5) Whether the company has violated any restriction on acceptance of public deposit as provided in [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#);
- (6) Whether the company has defaulted in paying to its depositors the interest and / or principal amount of the deposits after such interest and / or principal became due;
- (7) Whether the capital adequacy ratio as disclosed in the return submitted to the RBI in terms of the [Reserve Bank of India \(Non-Banking Financial Companies - Supervisory Returns\) Directions, 2026](#) has been correctly determined and whether such ratio is in compliance with the minimum Capital to Risk-weighted Asset Ratio (CRAR) prescribed in [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#);
- (8) Whether the company has complied with the prudential norms on income recognition, asset classification, provisioning for bad and doubtful debts, as specified in the Directions issued by RBI in terms of the [Reserve Bank](#)



[of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#), [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025](#); concentration of credit / investments as specified in [Reserve Bank of India \(Non-Banking Financial Companies - Concentration Risk Management\) Directions, 2025](#); and accounting standards;

- (9) Whether the company has complied with the liquid assets requirement as prescribed by RBI and whether the details of the designated bank in which the approved securities are held is furnished to RBI in the return DNBS03- Important Prudential Parameters - Quarterly as laid down in the [Reserve Bank of India \(Non-Banking Financial Companies - Supervisory Returns\) Directions, 2026](#);
- (10) Whether the company has furnished to RBI the return on deposits (DNBS01- Important Financial Parameters- Quarterly) as specified in the [Reserve Bank of India \(Non-Banking Financial Companies - Supervisory Returns\) Directions, 2026](#), within the stipulated period.
- (11) Whether the company has furnished to RBI the return (DNBS03-Important Prudential Parameters – Quarterly) on prudential norms as specified in the [Reserve Bank of India \(Non-Banking Financial Companies - Supervisory Returns\) Directions, 2026](#), within the stipulated period.
- (12) Whether, in the case of opening of new branches or offices to collect deposits or in the case of closure of existing branches / offices or in the case of appointment of agent, the company has complied with the requirements contained in the [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

C. Auditor's Report for NBFCs Not accepting Public Deposits

- 8. Apart from the aspects enumerated in [Paragraph 6](#) above, the auditor shall include a statement on the following matters, namely:



- (1) Whether the Board of Directors has passed a resolution for non-acceptance of any public deposits;
- (2) Whether the company has accepted any public deposits during the relevant period / year.
- (3) Whether the company has complied with the prudential norms relating to income recognition, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#), and [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025](#); and accounting standards.
- (4) In respect of NBFCs in Middle layer and above, as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025](#):
 - (i) Whether the capital adequacy ratio as disclosed in the return submitted to RBI in form DNBS03, has been correctly arrived at and whether such ratio is in compliance with the minimum CRAR prescribed by RBI in terms of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#);
 - (ii) Whether the company has furnished to RBI the quarterly statement of capital funds, risk assets / exposures and risk asset ratio (DNBS03) within the stipulated period as prescribed under [Reserve Bank of India \(Non-Banking Financial Companies - Supervisory Returns\) Directions, 2026](#).
- (5) Whether the NBFC has been correctly classified as NBFC (MFI) in terms of [Reserve Bank of India \(Non-Banking Financial Companies – Microfinance Institution\) Directions, 2025](#).



D. Auditor’s Report for a Company engaged in the Business of Non-Banking Financial Institution Not required to hold Certificate of Registration subject to Certain Conditions

9. Apart from the matters enumerated in [Paragraph 6\(1\)](#) above, where a company has obtained a specific advice from RBI that it is not required to hold a CoR from RBI, the auditor shall include a statement that the company is complying with the conditions as stipulated by RBI.

E. Reasons to be stated by Auditors for Unfavourable or Qualified Statements

10. Where, in the auditor’s report, the statement regarding any of the items referred to in [Paragraph 6](#) above is unfavourable or qualified, the auditor’s report shall also state the reasons for such unfavourable or qualified statement, as the case may be. Where the auditor is unable to express any opinion on any of the items referred to in [Paragraph 6](#) above, his report shall indicate such fact together with reasons therefor.



Chapter III - Auditors to submit Exception Report to RBI

A. Obligation of Auditor to submit an Exception Report to RBI

11. Where, in the case of an NBFC, the statement regarding any of the items referred to in [Paragraph 6](#) above, is unfavourable or qualified, or in the opinion of the auditor, the company has not complied with:

- (1) the provisions of Chapter III B of RBI Act (Act 2 of 1934); or
- (2) the applicable extant directions issued by RBI.

It shall be the obligation of the auditor to make a report containing the details of such unfavourable or qualified statements and / or about the non-compliance, as the case may be, in respect of the company to the concerned Senior Supervisory Manager (SSM) of RBI / concerned Regional Office of the Department of Supervision, RBI under whose jurisdiction the registered office of the company is located as per first Schedule to the [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

12. The duty of the Auditor under Paragraph 11 shall be to report only the contraventions of the provisions of RBI Act, 1934, and Directions, Guidelines, Instructions issued by RBI and such report shall not contain any statement with respect to compliance of any of those provisions.



Chapter IV - Repeal and Other Provisions

A. Repeal and Saving

13. With the issue of these Directions, the existing directions, instructions, and guidelines relating to Auditor’s Report 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 already repealed vide any of the directions, instructions, and guidelines listed in the above circular shall continue to remain repealed.
14. 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

15. 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

16. For giving effect to the provisions of these Directions or to remove any difficulties in the application or interpretation of the provisions of these Directions, 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 RBI shall be final and binding.

(C. Saravanan)
Chief General Manager