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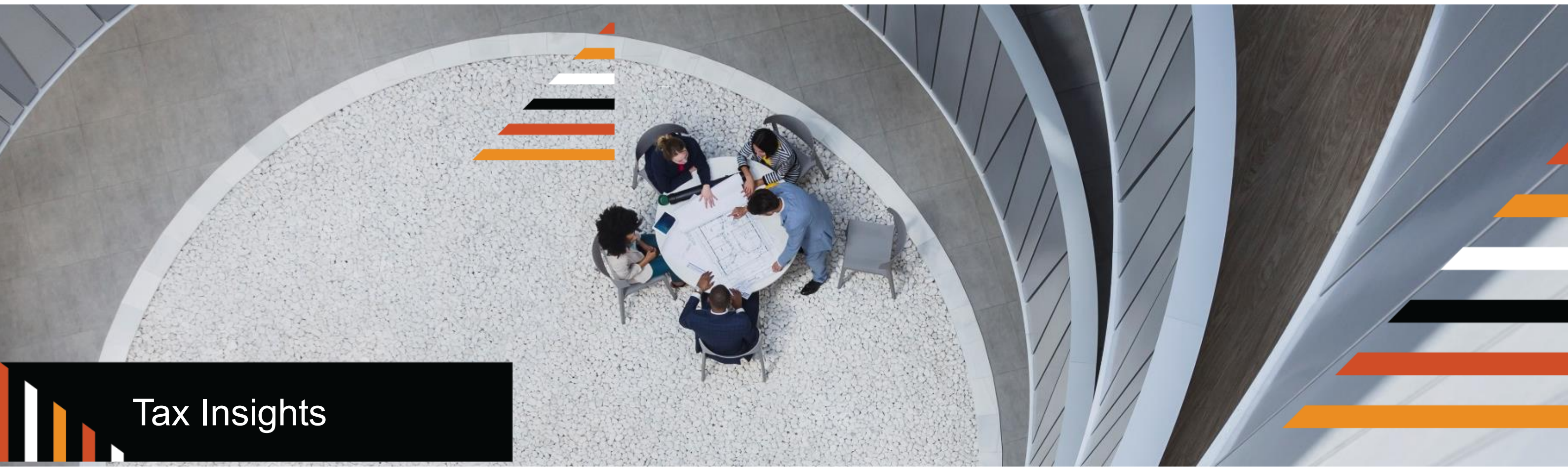

27 October 2023

RBI issues Master Direction (Non-Banking Company – Scale Based Regulation) Directions, 2023

In brief

The Reserve Bank of India (RBI) issued the much-awaited Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (MD) on 19 October 2023. The MD has been issued in supersession of the existing Master Directions Systemically Important and Non-Systemically Important NBFCs.

RBI has followed a streamlined approach by consolidating the provisions of the Master Directions applicable to Systemically and Non-Systemically important NBFCs, certain provisions of the Scale Based Regulatory Framework for NBFCs and the related circulars released by the RBI periodically, into one single Master Direction. All the NBFCs, except the expressly exempt ones, shall be governed by this MD.

RBI has established a layered approach with incremental obligations being assigned to each layer, as the NBFC progresses based on its asset size, scale of activity and perceived riskiness. For ease of reference, the MD is divided into sections applicable for different categories of NBFCs, *viz*. NBFC-Base Layer, NBFC-Middle Layer, NBFC-Upper Layer, etc. depending upon size and function.

The MD has come into force with immediate effect (i.e., 19 October 2023).

In detail

Given below is a brief overview of the key changes made in the MD *vis-a-vis* the previous Master Directions and other Circulars:

Overview of the Key Changes*

	Sections from the previous MD that have undergone change
	Changes in the New MD
~~Abc~~	Sections deleted

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
1.	Multiple NBFCs in a Group - Classification in Middle Layer	Para 3 of the Circular on Multiple NBFCs in a Group: Classification in Middle Layer If the consolidated asset (consolidation as per para 2 above) size of the Group is ₹1000 crore and above, then each Investment and Credit Company (NBFC-ICC), Micro Finance Institution (NBFC-MFI), NBFC-Factor and Mortgage Guarantee Company (NBFC-MGC) lying in the Group shall be classified as an NBFC in the Middle Layer and consequently, regulations as applicable to the Middle Layer shall be applicable to them.	Section I – Introduction Para 2.8.2 - If the consolidated asset (consolidation as per paragraph 2.8.1 above) size of the NBFCs in the Group is ₹1000 crore and above, then each NBFC-ICC, NBFC-MFI, NBFC Factor and MGC lying in the Group shall be classified as an NBFC in the Middle Layer and consequently, regulations as applicable to the Middle Layer shall be applicable to them. However, NBFC-D, within the Group, if any, shall also be governed under the Non- Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Direction, 2016.
2.	Criteria for deciding NBFC-ML status	Criteria for deciding NBFC-ND-SI status (1) Once an NBFC reaches an asset size of ₹500 crore or above, it shall be subject to the regulatory requirements as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, despite not having such assets as on the date of last balance sheet. All such non-deposit taking NBFCs shall comply with the regulations/directions issued to NBFC-ND-SI from time to time, as and when they attain an asset size of ₹500 crore, irrespective of the date on which such size is attained. In a dynamic environment, the asset size of a company can fall below ₹ 500 crore in a given month, which may be due to temporary fluctuations and not due to actual downsizing. In such a case the company shall continue to meet the reporting requirements and shall comply with the extant directions as applicable to NBFC-NDSI, till the submission of its next audited balance sheet to the Bank and a specific dispensation from the Bank in this regard.	Section I - Introduction Para 2.9.1: Criteria for deciding NBFC-ML status - Once an NBFC reaches an asset size of ₹1,000 crore or above, it shall be subject to the regulatory requirements as per Section III of these Directions, despite not having such assets as on the date of last balance sheet. All such non-deposit taking NBFCs shall comply with the regulations/directions issued to NBFCs-ML from time to time, as and when they attain an asset size of ₹1,000 crore, irrespective of the date on which such size is attained. **Para 2.9.2 -** In a dynamic environment, the asset size of a NBFCs can fall below ₹1,000 crore in a given month, which may be due to temporary fluctuations and not due to actual downsizing. In such a case the NBFC shall continue to meet the reporting requirements and shall comply with the extant directions as applicable to NBFC-ML, till the submission of its next audited balance sheet to the Reserve Bank and a specific dispensation from the Reserve Bank in this regard.

[1] Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 (Updated as on August 29, 2023)

Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Updated as on August 29, 2023)

Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs and related circulars (Note: certain provisions of the SBR framework and its circular are not consolidated and continue to apply as directed by RBI)

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
3.	Applicability as per categories of NBFCs	-	**Section I – Introduction: Para 3** 3.1 The provisions of these Directions shall apply to the following: 3.1.1 Every NBFC-D registered with the Reserve Bank under the provisions of the RBI Act, 1934; 3.1.2 Every NBFC-ICC registered with the Reserve Bank under the provisions of the RBI Act, 1934; 3.1.3 Every NBFC-Factor registered with the Reserve Bank under section 3 of the Factoring Regulation Act, 2011 and every NBFC-ICC registered with the Reserve Bank under section 3 of the Factoring Regulation Act, 2011; 3.1.4 Every NBFC-MFI registered with the Reserve Bank under the provisions of the RBI Act, 1934; 3.1.5 Every NBFC-IFC registered with the Reserve Bank under the provisions of the RBI Act, 1934; 3.1.6 Every IDF-NBFC registered with the Reserve Bank under the provisions of the RBI Act, 1934. 3.2 These Directions shall apply to an NBFC being a Government company as defined under clause (45) of section 2 of the Companies Act, 2013 (Act 18 of 2013). 3.3 Specific directions applicable to specific categories of NBFCs registered as NBFC-Factor and NBFC-ICC registered under Factoring Regulation Act, 2011, IDFNBFC and NBFC-MFI are as provided under respective Sections in these Directions. Instructions contained for specific categories of NBFCs in respective Sections are in addition and not in substitution to the relevant instructions contained in these Directions. 3.4 The Directions under Chapter IV, Chapter V, paragraphs 4.1.1, 45, 66 and 67 shall not

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
			apply to NBFCs not availing public funds and not having any customer interface. 3.5 NBFCs availing public funds but not having any customer interface are exempt from the applicability of paragraphs 4.1.1, 45, 66 and 67 of the Directions. 3.6. NBFCs-BL having customer interface but not availing public funds are exempt from the applicability of Chapter IV and Chapter V of the Directions.
4.	Applicability of other Directions issued by the Department of Regulations	-	**Section I – Introduction Para 4** 4.1 NBFCs shall ensure compliance with the applicable instructions, as prescribed in the following Directions: 4.1.1 Master Direction - Know Your Customer (KYC) Direction, 2016, as amended from time to time. 4.1.2 Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, as amended from time to time. 4.1.3 Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021, as amended from time to time. 4.1.4 Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, as amended from time to time. 4.1.5 Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022, as amended from time to time. 4.2 These Directions consolidate the regulations as issued by Department of Regulation of the Reserve Bank. Any other directions/guidelines issued by any other Department of the Reserve Bank, as applicable to an NBFC shall be adhered to. 4.3 The categories of NBFCs, mentioned below, shall be subject to extant regulations governing them, as under:

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
			4.3.1 NBFC-P2P - Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017, as amended from time to time. 4.3.2 NBFC-AA - Master Direction- Non-Banking Financial Company – Account Aggregator (Reserve Bank) Directions, 2016, as amended from time to time. 4.3.3 CIC - Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, as amended from time to time. 4.3.4 SPD - Master Direction - Standalone Primary Dealers (Reserve Bank) Directions, 2016, as amended from time to time. 4.3.5 MGC - Master Directions - Mortgage Guarantee Companies (Reserve Bank) Directions, 2016 , as amended from time to time. 4.3.6 HFC - Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, as amended from time to time.
5.	Definition of NBFC-IFC	"NBFC-IFC" means a non-deposit taking NBFC that fulfills the following criteria: (a) a minimum of 75 per cent of its total assets deployed in "infrastructure loans"; ~~(b) Net owned funds of ₹300 crore or above;~~ ~~(c) minimum credit rating of 'A' issued by any of the SEBI-registered Credit Rating Agencies;~~ ~~(d) CRAR of 15 percent (with a minimum Tier I capital of 10 percent).~~	**Section I – Introduction** **Para 5.1.20:** "NBFC-IFC" means a non-deposit taking NBFC which has a minimum of 75 percent of its total assets deployed towards infrastructure lending.
6.	Definition of NBFC-MFI	"NBFC-MFI" means a non-deposit taking NBFC that ~~fulfils the following conditions: (a) Minimum Net Owned Funds of ₹5 crore. (For NBFC-MFIs registered in the North-Eastern Region of the country, the minimum NOF requirement shall stand at ₹2 crore). (b) Not less than~~ 75% of its total assets are in the nature of "microfinance loans" as defined	**Section I – Introduction** **Para 5.1.21:** "NBFC-MFI" means a non-deposit taking NBFC which has a minimum of 75 percent of its total assets deployed towards "microfinance loans" as defined under Reserve Bank of India (Regulatory

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		under Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022.	Framework for Microfinance Loans) Directions, 2022.
7.	Definition of Tier-I Capital	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** “Tier I Capital” means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund; **Provision applicable to NBFC-ND-SI asset size above 500 crore** “Tier I Capital” means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund; and perpetual debt instruments issued by a non-deposit taking non-banking financial company in each year to the extent it does not exceed 15 per cent of the aggregate Tier I Capital of such company as on March 31 of the previous accounting year.	**Section I – Introduction** **Para 5.1.34:** “Tier 1 capital” for NBFCs (except NBFCs-BL) is the sum of (i) Owned fund as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten percent of the owned fund; and (ii) Perpetual debt instruments issued by a non-deposit taking NBFCs in each year to the extent it does not exceed 15 percent of the aggregate Tier 1 capital of such company as on March 31 of the previous accounting year. Note – NBFCs-BL are not eligible to include perpetual debt instruments in their Tier 1 capital.
8.	Definition of Tier-II Capital	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** “Tier II capital” includes the following: i. preference shares other than those which are compulsorily convertible into equity; ii. revaluation reserves at discounted rate of fifty five percent; iii. General provisions (including that for Standard Assets) and loss reserves to the extent these are not attributable to actual	**Section I – Introduction** **Para 5.1.35:**“Tier 2 capital” for NBFCs (except NBFCs-BL) is the sum of i. Preference shares other than those which are compulsorily convertible into equity; ii. Revaluation reserves at discounted rate of 55 percent; iii. General provisions (including that for Standard Assets) and loss reserves to the extent these are not attributable to actual

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets; iv. hybrid debt capital instruments; v. subordinated debt; and to the extent the aggregate does not exceed Tier I capital. **Provision applicable to NBFC-ND-SI asset size above 500 crore** "Tier II capital" includes the following: (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of fifty five per cent; (c) General provisions (including that for Standard Assets) and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets; (d) hybrid debt capital instruments; (e) subordinated debt; and (f) perpetual debt instruments issued by a non-deposit taking non-banking financial company which is in excess of what qualifies for Tier I Capital, to the extent the aggregate does not exceed Tier I capital.	diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets; iv. Hybrid debt capital instruments; v. Subordinated debt; and vi. Perpetual debt instruments issued by a non-deposit taking NBFC which is in excess of what qualifies for Tier 1 capital; to the extent the aggregate does not exceed Tier 1 capital. Note – NBFCs-BL are not eligible to include perpetual debt instruments in their Tier 2 capital.
9.	Net Owned Fund Requirements	**Para 3.1 (a) of SBR Framework** Regulatory minimum Net Owned Fund (NOF) for NBFC-ICC, NBFC-MFI and NBFC-Factors shall be increased to ₹10 crore. The following glide path is provided for the existing NBFCs to achieve the NOF of ₹10 crore:	**Section II – Regulations applicable for NBFCs – BL** **Para 6: Net Owned Fund Requirement** 6.1 In exercise of the powers conferred under clause (b) of sub-section (1) of section 45IA of the RBI Act,1934 and all the powers enabling it in that behalf, the Reserve Bank, hereby specifies ₹10 crore as the Net Owned Fund (NOF) required for an NBFC-ICC,

<table>
<tr><th>Sr.No.</th><th>Particulars</th><th>Previous Master Directions and other Circulars[1]</th><th>Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th>NBFCs</th><th>Current NOF</th><th>By March 31, 2025</th><th>By March 31, 2027</th></tr>
<tr><td>NBFC-ICC</td><td>₹2 crore</td><td>₹5 crore</td><td>₹10 crore</td></tr>
<tr><td>NBFC-MFI</td><td>₹5 crore (₹2 crore in NE Region)</td><td>₹7 crore (₹5 crore in NE Region)</td><td>₹10 crore</td></tr>
<tr><td>NBFC-Factors</td><td>₹5 crore</td><td>₹7 crore</td><td>₹10 crore</td></tr>
</table>

However, for NBFC-P2P, NBFC-AA, and NBFCs with no public funds and no customer interface, the NOF shall continue to be ₹2 crore. It is clarified that there is no change in the existing regulatory minimum NOF for NBFCs - IDF, IFC, MGCs, HFC, and SPD.</td><td>NBFC-MFI and NBFC-Factor to commence or carry on the business of non-banking financial institution. For NBFC-P2P, NBFC-AA, and NBFC not availing public funds and not having any customer interface, the NOF shall be ₹2 crore. For NBFC-IFC and IDF-NBFC, the NOF shall be ₹300 crore.

6.2 The following glide path is provided for the existing NBFCs, *viz*., NBFC-ICC, NBFC-MFI and NBFC-Factor to achieve the NOF of ₹10 crore:
<table>
<tr><th>NBFCs</th><th>Current NOF</th><th>By March 31, 2025</th><th>By March 31, 2027</th></tr>
<tr><td>NBFC-ICC</td><td>₹2 crore</td><td>₹5 crore</td><td>₹10 crore</td></tr>
<tr><td>NBFC-MFI</td><td>₹5 crore (₹2 crore in NE Region)</td><td>₹7 crore (₹5 crore in NE Region)</td><td>₹10 crore</td></tr>
<tr><td>NBFC-Factors</td><td>₹5 crore</td><td>₹7 crore</td><td>₹10 crore</td></tr>
</table>

6.3 NBFCs failing to achieve the prescribed level within the stipulated period shall not be eligible to hold the Certificate of Registration (CoR) as NBFCs.</td></tr>
<tr><td>10.</td><td>Investment through Alternative Investment Funds - Calculation of NOF of an NBFC</td><td>While arriving at the NOF figure, investment made by an applicable NBFC in entities of the same group concerns shall be treated alike, whether the investment is made directly or through an Alternative Investment Fund (AIF)/ ~~Venture Capital Fund (VCF)~~, and when the funds in the ~~VCF~~ have come from the applicable NBFC to the extent of 50per cent or more; or where the beneficial owner, in the case of ~~Trusts~~ is the applicable NBFC, if 50 per cent of the funds in the Trusts are from the concerned applicable NBFC. For this purpose, "beneficial ownership" shall mean holding the power to make or influence decisions in the Trust and being the recipient of benefits arising out of the activities of the</td><td>**Section II – Regulations applicable for NBFCs – BL**

Para 7: In terms of section 45IA of the RBI Act, 1934, the investments/loans/exposures to the subsidiaries, companies in the same group and other NBFCs, in excess of 10 per cent of aggregate of the paid-up equity capital and free reserves are deducted to arrive at NOF. In the context of arriving at the NOF figure, investment made by the NBFC in entities of the same group, either directly or indirectly, through an Alternative Investment Fund (AIF), shall be treated alike, provided the funds in the AIF (in company form) have come from NBFC to the extent of 50 per cent</td></tr>
</table>

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		Trust. In arriving at the NOF, the substance would take precedence over form.	or more; or where the beneficial owner in the case of AIF (in trust form) is the NBFC and 50 per cent of the funds in the trust have come from the NBFC. For this purpose, "beneficial ownership" shall mean holding the power to make or influence decisions in the trust and being the recipient of benefits arising out of the activities of the trust. In arriving at the NOF, the substance would take precedence over form.
11.	Leverage ratio and Tier 1 Capital	**Applicable only to the NBFC-ND-NSI (asset size below 500 crore):** The leverage ratio of an applicable NBFC (except NBFC-MFIs and NBFC-IFCs) shall not be more than 7 at any point of time, with effect from March 31, 2015. In respect of NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent of more of their financial assets) they shall maintain a minimum Tier I capital of 12 per cent.	**Section II – Regulations applicable for NBFCs – BL asset size upto 1000 crore** Para 9.1 **Leverage Ratio**- The leverage ratio of NBFCs (except NBFC-MFIs, NBFCs-ML and above) shall not be more than seven at any point of time. **Note**: Leverage ratio means the total Outside Liabilities divided by Owned Fund. Para 9.2 Tier I capital - NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent of more of their financial assets) shall maintain a minimum Tier 1 capital of 12 percent of aggregate risk weighted assets of on-balance sheet and of risk adjusted value of off-balance sheet items. The treatment to on-balance and off-balance sheet assets for capital adequacy shall be as provided in paragraphs 84 and 85 of these Directions respectively. These NBFCs shall also adhere to provisions in paragraph 86 of the Directions on treatment of deferred tax assets and deferred tax liabilities for computation of capital
12.	Income Recognition	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** In cases of loans where moratorium has been granted for repayment of interest, the interest income may be recognised on accrual basis for accounts which continue to be classified as 'standard'.	**Section II – Regulations applicable for NBFCs – BL (asset size upto 1000 crore)** Para 12.3 - In cases of loans where moratorium has been granted for repayment of interest, the interest income may be recognised on accrual basis for accounts which continue to be classified

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		Provision applicable to NBFC-ND-SI asset size above 500 crore In cases of loans where moratorium has been granted for repayment of interest, the interest income may be recognised on accrual basis for accounts which continue to be classified as 'standard'. This shall be evaluated against the definition of 'restructuring' provided in paragraph 1 of the Annex-1 to the circular regarding 'Prudential Framework for Resolution of Stressed Assets' dated June 7, 2019.	as 'standard'. For NBFCs-ML and NBFCs-UL, this shall be evaluated against the definition of 'restructuring' provided in paragraph 1 of the Annex-1 to the circular on 'Prudential Framework for Resolution of Stressed Assets' dated June 7, 2019.
13.	Asset Classification	The asset classification norms as given below shall apply to every applicable NBFC (except NBFC-MFIs).	**Section II – Regulations applicable for NBFCs – BL** Para 14 The asset classification norms as given below shall apply to 'applicable' NBFCs (i.e. except NBFCs-ML and above and microfinance loans of NBFC-MFIs).
14.	Sub-standard asset	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** Sub-standard Asset- (a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;……….. **Provision applicable to NBFC-ND-SI asset size above 500 crore** Sub-standrad Asset - (a) an asset which has been classified as non-performing asset for a period not exceeding 12 months……….	**Section II – Regulations applicable for NBFCs – BL (asset size upto 1000 crore)** Para 14.1.2. - "Sub-standard asset" shall mean (i) an asset which has been classified as non-performing asset for a period not exceeding 18 months;………… **Section III – Regulations applicable for NBFCs – ML (asset size 1000 crore and above)** Para 87- "Sub-standard asset" shall mean- (i) an asset which has been classified as non-performing asset for a period not exceeding 12 months;……………

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
15.	Doubtful asset	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** Doubtful asset - shall mean: a. a term loan, or b. a lease asset, or c. a hire purchase asset, or d. any other asset, which remains a sub-standard asset for a period exceeding 18 months; **Provision applicable to NBFC-ND-SI asset size above 500 crore** Doubtful asset shall mean -(a) a term loan, or (b) a lease asset, or (c) a hire purchase asset, or (d) any other asset, which remains a sub-standard asset for a period exceeding 12 months.	**Section II – Regulations applicable for NBFCs – BL (asset size upto 1000 crore)** Para 14.1.3- “Doubtful asset” shall mean (i) a term loan, or (ii) a lease asset, or (iii) a hire purchase asset, or (iv) any other asset, which remains a sub-standard asset for a period exceeding 18 months. **Section III – Regulations applicable for NBFCs – ML (asset size 1000 crore and above)** Para 87- “Doubtful asset” shall mean: (i) a term loan, or (ii) a lease asset, or (iii) a hire purchase asset, or (iv) any other asset, which remains a sub-standard asset for a period exceeding 12 months
16.	Non-Performing Asset	(v) Non-Performing Asset (referred to in these Directions as “NPA”) shall mean: **(NBFC-ND-NSI asset size below 500 crore)** a) an asset, in respect of which, interest has remained overdue for a period of six months or more; b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;	**Section II – Regulations applicable for NBFCs – BL asset size upto 1000 crore** Para 14.3 “Non-Performing Asset” (NPA) for applicable NBFCs shall mean: (i) an asset, in respect of which, interest has remained overdue for a period of more than 180 days. (ii) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 180 days or on which interest

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more; d) a bill which remains overdue for a period of six months or more; e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans / advances, which facility remained overdue for a period of six months or more; f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more; g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more; h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset; Provided that in the case of lease and hire purchase transactions, an applicable NBFC shall classify each such account on the basis of its record of recovery.	amount remained overdue for a period of more than 180 days. (iii) a demand or call loan, which remained overdue for a period of more than 180 days from the date of demand or call or on which interest amount remained overdue for a period of more than 180 days. (iv) a bill which remains overdue for a period of more than 180 days. (v) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short-term loans/advances, which facility remained overdue for a period of more than 180 days (vi) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 180 days. (vii) the lease rental and hire purchase instalment, which has become overdue for a period of more than 180 days. (viii) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities becomes non-performing asset. Provided that in the case of lease and hire purchase transactions, an applicable NBFC shall classify each such account on the basis of its record of recovery. Note: The period of more than 180 days for NPA classification as mentioned above shall be adjusted as per glide path outlined in paragraph 14.2.
17.	Non-Performing Asset (SMA Classification)	**Applicable to NBFC-ND-NSI asset size below 500 crore** Every NBFC shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the following categories:	**Section II – Regulations applicable for NBFCs – BL asset size upto 1000 crore** Para 14.4.2 Every NBFC shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		<table><tr><th>SMA Subcategories</th><th>Basis for classification - Principal or interest payment or any other amount wholly or partly overdue</th></tr><tr><td>SMA – 0</td><td>Upto 30 days</td></tr><tr><td>SMA – 1</td><td>More than 30 days and upto 60 days</td></tr><tr><td>SMA – 2</td><td>More than 60 days and upto 180 days</td></tr></table>	accounts (SMA) as per the following categories: <table><tr><th>SMA Subcategories</th><th>Basis for classification - Principal or interest payment or any other amount wholly or partly overdue</th></tr><tr><td>SMA – 0</td><td>Upto 30 days</td></tr><tr><td>SMA – 1</td><td>More than 30 days and upto 60 days</td></tr><tr><td>SMA – 2</td><td>More than 60 days and upto 180 days</td></tr></table> Note: The period of SMA-2 shall be adjusted as per glide path outlined in paragraph 14.2.
18.	Provisioning Requirements	The provisioning requirements as given below shall apply to every applicable NBFC (except NBFC-MFIs)	**Section II – Regulations applicable for NBFCs – BL** Para 15 The provisioning requirements as given below shall apply to every NBFC (except microfinance loans of NBFC-MFIs).
19.	Standard Asset Provisioning	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** Every applicable NBFC shall make provision for standard assets at 0.25 per cent of the outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets need not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet. **Provision applicable to NBFC-ND-SI asset size above 500 crore** Every applicable NBFC shall make provisions for standard assets at 0.40 per cent by the end of March 2018 and thereafter, of the	**Section II – Regulations applicable for NBFCs – BL (asset size upto 1000 crore)** Para 16 Standard asset provisioning (except NBFC-ML and above) NBFC-BL shall make provision for standard assets at 0.25 percent of the outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets need not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet.

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets need not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet.	
20.	Non-Cooperative Borrowers	**Provisions applicable to all the NBFCs irrespective of their asset size.** All Notified NBFCs shall identify "non-co-operative borrowers".	**Section II – Regulations applicable for NBFCs – BL** Para 21 All NBFC-Factors, NBFCs-D and non-deposit taking NBFCs of asset size of ₹500 crore and above (Notified NBFCs) shall identify "non-cooperative borrowers"
21.	Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy	Framework for Revitalizing Distressed Assets in the Economy (Framework) as provided for in Annex XVIII shall apply to all NBFC-Factors.	**Section II – Regulations applicable for NBFCs – BL** Para 25 -Framework for Revitalizing Distressed Assets in the Economy (Framework) as provided in Annex IV shall apply to non-deposit taking NBFCs with asset size less than ₹500 crore.
22.	Credit/investment concentration norms for NBFCs	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** Concentration of credit/ investment for applicable NBFC (1) An applicable NBFC which is held by an NOFHC shall not (i) have any exposure (credit and investments including investments in the equity/ debt capital instruments) to the Promoters/ Promoter Group entities or individuals associated with the Promoter Group or the NOFHC;	**Section II – Regulations applicable for NBFCs – BL (asset size upto 1000 crore)** Para 32 An NBFC which is held by an NOFHC shall not (i) have any exposure (credit and investments including investments in the equity/debt capital instruments) to the Promoters/Promoter Group entities or individuals associated with the Promoter Group or the NOFHC; (ii) make investment in the equity/debt capital instruments in any of the financial entities under the NOFHC;

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		(ii) make investment in the equity/ debt capital instruments in any of the financial entities under the NOFHC; (iii) invest in equity instruments of other NOFHCs. Explanation: For the purposes of this paragraph, the expression, 'Promoter' and 'Promoter Group' shall have the meanings assigned to those expressions in the "Guidelines for Licensing of New Banks in the Private Sector" issued by the Bank - Annex V.	(iii) invest in equity instruments of other NOFHCs. Explanation: For the purposes of this paragraph, the expression, 'Promoter' and 'Promoter Group' shall have the meanings assigned to those expressions in Annex I of "Guidelines for Licensing of New Banks in the Private Sector" dated February 22, 2013, issued by the Reserve Bank.
23.	Declaration of dividends	**Provisions applicable to NBFC-ND-SI asset size above 500 crore** NBFCs shall comply with the following guidelines to declare dividends. (1) The Board of Directors, while considering the proposals for………. …………(5)……………….. The Reserve Bank shall not entertain any request for ad-hoc dispensation on declaration of dividend. (6) NBFCs declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in Annex IX. The report shall be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank.	**Section II – Regulations applicable for NBFCs – BL** Para 3 3 NBFCs shall comply with the following guidelines to declare dividends. 33.1 The Board of Directors, while considering the proposals for dividend, shall take into account each of the following aspects:…………………………33.5 …………………The Reserve Bank shall not entertain any request for ad-hoc dispensation on declaration of dividend. 33.6 NBFCs, **other than NBFCs-BL**, declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in Annex IX. The report shall be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank.
24.	Fair Practices Code	NBFCs having customer interface shall adopt the following guidelines:	**Section II – Regulations applicable for NBFCs – BL** Para 45 - NBFCs having customer interface shall adopt the following guidelines: For the purpose of this paragraph, the term 'personal loans' shall have the same meaning as defined in the Annex to the circular on

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
			'XBRL Returns – Harmonization of Banking Statistics' dated January 04, 2018.
25.	Appointment of Non-Deposit Accepting NBFCs as sub-agents under Money Transfer Service Schemes (MTSS)	Applicable NBFCs may act as sub-agents under MTSS without any prior approval of the Bank.	**Section II – Regulations applicable for NBFCs – BL** Para 62 NBFCs may act as sub-agents under MTSS without any prior approval of the Reserve Bank. Deposit accepting NBFCs shall not undertake such activity.
26.	Undertaking of Point of Presence Services under Pension Fund Regulatory and Development Authority for National Pension System	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** Applicable NBFCs shall not undertake Point of Presence (PoP) services for National Pension System (NPS) under Pension Fund Regulatory and Development Authority.	**Section II – Regulations applicable for NBFCs – BL (asset size upto 1000 crore)** NBFC-BL shall not undertake Point of Presence (PoP) services for National Pension System (NPS) under Pension Fund Regulatory and Development Authority.
27.	Filing of records of mortgages with the Central Registry	Applicable NBFCs shall file and register the records of equitable mortgages created in their favour on or after March 31, 2011 with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) and shall also register the records with the Central Registry as and when equitable mortgages are created in their favour. Applicable NBFCs shall register all types of mortgages with CERSAI.	**Section II – Regulations applicable for NBFCs – BL** Para 68 - NBFCs shall file and register the records of equitable mortgages created in their favour on or after March 31, 2011 with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (Central Registry) and shall also register the records with the Central Registry as and when equitable mortgages are created in their favour. NBFCs shall register all types of mortgages with Central Registry and adhere to the provisions contained in the circular 'Filing of Security Interest relating to Immovable (other than equitable mortgage), Movable and Intangible Assets in CERSAI' dated December 27, 2018, as amended from time to time.

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
28.	Migration of Post-Dated Cheques (PDCs)/ Equated Monthly Instalment (EMI) Cheques to National Automated Clearing House(NACH)(Debit)	Considering the protection available under section 25 of the Payment and Settlement Systems Act, 2007 which accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic funds transfer instructions on grounds of insufficiency of funds as are available under section 138 of the Negotiable Instruments Act, 1881, there shall be no need for applicable NBFCs to take additional cheques, if any, from customers in addition to ECS (Debit) mandates. Cheques complying with CTS-2010 standard formats shall alone be obtained in locations, where the facility of ECS/ RECS is not available.	**Section II – Regulations applicable for NBFCs – BL** Para 76 Considering the protection available under section 25 of the Payment and Settlement Systems Act, 2007 which accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic funds transfer instructions on grounds of insufficiency of funds as are available under section 138 of the Negotiable Instruments Act, 1881, there shall be no need for NBFCs to take additional cheques, if any, from customers in addition to NACH (Debit) mandates. Accordingly, NBFCs have been advised not to accept fresh/ additional PDCs or EMI cheques from their customers. Cheques complying with CTS-2010 standard formats alone shall be obtained in locations, where the facility of NACH is not available.
29.	Capital Requirement	(1) Every applicable NBFC shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 per cent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. (2) The Tier I capital in respect of applicable NBFCs (other than NBFC-MFI), at any point of time, shall not be less than 10 per cent. (3) Applicable NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 per cent or more of their financial assets) shall maintain a minimum Tier I capital of 12 per cent.	**Section III – Regulations applicable for NBFCs – ML** Para 81 81.1 NBFCs shall maintain a minimum capital ratio consisting of Tier 1 and Tier 2 capital which shall not be less than 15 percent of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items. 81.2 Tier 1 capital in respect of NBFC (except NBFC-MFI and NBFC primarily engaged in lending against gold jewellery), at any point of time, shall not be less than 10 percent. i.e. for NBFCs with such loans comprising 50 percent of more of their financial assets, Tier I capital shall be minimum of 12% as prescribed in paragraph 9.2 of these Directions.
30.	Non-Performing Asset	**Provisions applicable to NBFC-ND-SI asset size above 500 crore** (v) Non-Performing Asset (referred to in these Directions as "NPA") shall mean:	**Section III – Regulations applicable for NBFCs – ML asset size 1000 crore and above** Para 87.1.5

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		(a) an asset, in respect of which, interest has remained overdue for a period of three months or more; (b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of three months or more or on which interest amount remained overdue for a period of three months or more; (c) a demand or call loan, which remained overdue for a period of three months or more from the date of demand or call or on which interest amount remained overdue for a period of three months or more; (d) a bill which remains overdue for a period of three months or more; (e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/ advances, which facility remained overdue for a period of three months or more; (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of three months or more; (g) the lease rental and hire purchase instalment, which has become overdue for a period of three months or more; (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities becomes non-performing asset: Provided that in the case of lease and hire purchase transactions, an applicable NBFC shall classify each such account on the basis of its record of recover	(i) an asset, in respect of which, interest has remained overdue for a period of more than 90 days. (ii) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 90 days or on which interest amount remained overdue for a period of more than 90 days. (iii) a demand or call loan, which remained overdue for a period of more than 90 days from the date of demand or call or on which interest amount remained overdue for a period of more than 90 days (iv) a bill which remains overdue for a period of more than 90 days. (v) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short-term loans/advances, which facility remained overdue for a period of more than 90 days. (vi) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 90 days. (vii) the lease rental and hire purchase instalment, which has become overdue for a period of more than 90 days. (viii) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset. Provided that in the case of lease and hire purchase transactions, an NBFC shall classify each such account on the basis of its record of recovery.
31.	Credit/Investment concentration Norms (except NBFC-UL)	**Provisions applicable to NBFC-ND-SI asset size above 500 crore** (1) No applicable NBFC shall,	**Section IV – Regulations applicable for NBFCs – ML asset size above 1000 crore** Para 91

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		(i) lend to (a) any single borrower exceeding fifteen per cent of its owned fund; and (b) any single group of borrowers exceeding twenty five per cent of its owned fund; (ii) invest in (a) the shares of another company exceeding fifteen per cent of its owned fund; and (b) the shares of a single group of companies exceeding twenty five per cent of its owned fund; (iii) lend and invest (loans/ investments taken together) exceeding (a) twenty five per cent of its owned fund to a single party; and (b) forty per cent of its owned fund to a single group of parties. Provided that the ceiling on the investment in shares of another company shall not be applicable to an applicable NBFC in respect of investment in the equity capital of an insurance company up to the extent specifically permitted, in writing, by the Bank. Provided further that an applicable NBFC may exceed the concentration of credit/investment norms, by 5 per cent for any single party and by 10 per cent for a single group of parties, if the additional exposure is on account of infrastructure loan and/ or investment. Provided further that nothing contained in this paragraph shall apply to (A) investments of applicable NBFCs in shares of i. its subsidiaries; ii. companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF and (B) the book value of debentures, bonds, outstanding loans and advances (including	Credit/investment concentration Norms (except NBFC-UL) 91.1 NBFC(except NBFC-IFC) shall not have exposure (credit/investment taken together) exceeding (a) twenty-five percent of its Tier 1 capital to a single party; and (b) forty percent of its Tier 1 capital to a single group of parties, Provided that an NBFC may exceed the exposure norm specified above, by 5 percent for any single party and by 10 percent for a single group of parties, if the additional exposure is on account of infrastructure loan and/or investment. 91.2 NBFC-IFC shall not have exposure (credit/investment taken together) exceeding (a) thirty percent of its Tier 1 capital to a single party; and (b) fifty percent of its Tier 1 capital to a single group of parties. 91.3 The ceiling on the investment in shares of another company shall not be applicable to an NBFC in respect of investment in the equity capital of an insurance company up to the extent specifically permitted, in writing, by the Reserve Bank. 91.4 Exposure norms shall not apply to any NBFC not accessing public funds in India, either directly or indirectly and not issuing guarantees. 91.5 Exposure norms shall not apply to (i) investments of NBFC in shares of (a) its subsidiaries; (b) companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF and (ii) the book value of debentures, bonds, outstanding loans and advances (including

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		hire-purchase and lease finance) made to, and deposits with,- i. subsidiaries of the applicable NBFC; and ii. companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF. Provided that Infrastructure Finance Companies may exceed the concentration of credit norms (A) in lending to: i. any single borrower, by ten per cent of its owned fund; and ii. any single group of borrowers, by fifteen per cent of its owned fund; (B) in lending to and investing in, (loans/ investments taken together) i. a single party, by five percent of its owned fund; and ii. a single group of parties, by ten percent of its owned fund. Provided further that the concentration of credit/ investment norms shall not apply to any applicable NBFC not accessing public funds in India, either directly or indirectly and not issuing guarantees. (2) Every applicable NBFC (other than NBFC-D) shall formulate a policy in respect of exposures to a single party / a single group of parties. (3) An applicable NBFC which is held by an NOFHC shall not (i) have any exposure (credit and investments including investments in the equity/ debt capital instruments) to the Promoters/ Promoter Group entities or individuals associated with the Promoter Group or the NOFHC;	hire purchase and lease finance) made to, and deposits with - (a) subsidiaries of the NBFC; and (b) companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF. 91.6 NBFC shall formulate a policy in respect of exposures to a single party/a single group of parties. 91.7 Government NBFCs set up to serve specific sectors may approach the Reserve Bank for exemptions, if any. Notes: 1. For determining the limits, off-balance sheet exposures shall be converted into credit risk by applying the conversion factors, as explained in paragraph 85 of these Directions. 2. These ceilings shall be applicable to the exposure by an NBFC to companies/firms/entities in its own group as well as to the borrowers/investee entity's group. 3. (i) In case of factoring on "with-recourse" basis, the exposure shall be reckoned on the assignor. (ii) In case of factoring on "without-recourse" basis, the exposure shall be reckoned on the debtor, irrespective of credit risk cover/ protection provided, except in cases of international factoring where the entire credit risk has been assumed by the import factor.

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		(ii) make investment in the equity/ debt capital instruments in any of the financial entities under the NOFHC; (iii) invest in equity instruments of other NOFHCs. Explanation: For the purposes of this paragraph, the expression, 'Promoter' and 'Promoter Group' shall have the meanings assigned to those expressions in the "Guidelines for Licensing of New Banks in the Private Sector" issued by the Bank – Annex VI. Notes: 1. For determining the limits, off-balance sheet exposures shall be converted into credit risk by applying the conversion factors as explained in paragraph ‘Explanation II’ of Chapter IV of these Directions. 2. The investments in debentures for the purposes specified in this paragraph shall be treated as credit and not investment. 3. These ceilings shall be applicable to the credit/ investment by an applicable NBFC to companies/firms in its own group as well as to the borrowers/ investee company’s group. 4. a. In case of factoring on "with-recourse" basis, the exposure shall be reckoned on the assignor. b. In case of factoring on "without-recourse" basis, the exposure shall be reckoned on the debtor, irrespective of credit risk cover/ protection provided, except in cases of international factoring where the entire credit risk has been assumed by the import factor. SBR Framework Concentration of credit/ investment - The extant credit concentration limits prescribed for NBFCs separately for lending and investments shall be merged into a single exposure limit of 25% for single borrower/ party and 40% for single group of borrowers/ parties. Further, the concentration limits shall be determined with reference to the NBFC’s Tier 1 capital instead of their Owned Fund.	

<table>
<tr><th>Sr.No.</th><th>Particulars</th><th>Previous Master Directions and other Circulars[1]</th><th>Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023</th></tr>
<tr><td></td><td></td><td>The revised norms are indicated in the table below:

<table>
<tr><th colspan="4">Existing limit
(as a percentage of Owned Fund)</th><th colspan="2">Revised limit
(as a percentage of Tier I Capital)</th></tr>
<tr><td></td><td>Lending</td><td>Investment</td><td>Total</td><td></td><td>Exposure</td></tr>
<tr><td>Single borrower/ party</td><td>15</td><td>15</td><td>25</td><td>Single borrower/ party</td><td>25</td></tr>
<tr><td>Single group of borrowers/ parties</td><td>25</td><td>25</td><td>40</td><td>Single group of borrowers/ parties</td><td>40</td></tr>
</table>

NBFC-UL shall follow these norms till Large Exposure Framework is put in place for them. Extant instructions on concentration norms for different categories of NBFC, other than the changes indicated above, will continue to remain applicable.</td><td></td></tr>
<tr><td>32.</td><td>Nomination and Remuneration Committee</td><td>Nomination Committee

All applicable NBFCs shall form a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors.

Explanation I: The Nomination Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in section 178 of the Companies Act, 2013.</td><td>Section IV – Regulations applicable for NBFCs – ML

Para 94.2

Nomination and Remuneration Committee

NBFCs (except Government NBFCs) shall form a Nomination and Remuneration Committee (NRC) which shall have the constitution, powers, functions and duties as laid down in section 178 of the Companies Act, 2013.

Explanation I: Government NBFCs shall form a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors. Nomination Committee so constituted shall have the same powers, functions and duties as laid down in section 178 of the Companies Act, 2013.

Explanation II - If an NBFC is required to constitute NRC under section 178 of the Companies Act, 2013, the NRC so constituted by it shall be treated as the NRC/ Nomination Committee for the purpose of this paragraph.</td></tr>
</table>

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
33.	Participation in Currency Options	Non-deposit taking applicable NBFCs with asset size of ₹500 crore and above, are allowed to participate in the designated currency options exchanges recognized by SEBI, as clients, subject to the Bank's (Foreign Exchange Department) guidelines in the matter, only for the purpose of hedging their underlying forex exposures. Disclosures shall be made in the balance sheet regarding transactions undertaken, in accordance with the guidelines issued by SEBI.	**Section IV – Regulations applicable for NBFCs – ML** Para 101 Non-deposit taking NBFCs are allowed to participate in the designated currency options exchanges recognized by SEBI, as clients, subject to the guidelines of Foreign Exchange Department of the Reserve Bank, only for the purpose of hedging their underlying forex exposures. Disclosures shall be made in the balance sheet regarding transactions undertaken, in accordance with the guidelines issued by SEBI.
34.	Ready Forward Contracts in Corporate Debt Securities	Non-deposit taking applicable NBFCs ~~with asset size of ₹500 crore and above~~ are eligible to participate in repo transactions in corporate debt securities. They shall comply with Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 as amended from time to time. (a) 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 as applicable to the issuer/ counterparty under Chapter IV of these directions. (b) Classification of balances in the accounts Classification of balances in the various accounts *viz*. repo account, reverse repo account etc. shall be done in the relevant schedules similar to that of banks. In all other matters related to such repo transactions, non-deposit taking applicable NBFCs ~~with asset size of ₹500 crore and above~~, shall follow the Directions and accounting guidelines issued by Internal Debt Management Department, of the Bank.	**Section IV – Regulations applicable for NBFCs – ML** Para 103 Non-deposit taking NBFCs are eligible to participate in repo transactions in corporate debt securities. They shall comply with 'Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018' dated July 24, 2018, as amended from time to time and also adhere to the following instructions. (i) 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 as applicable to the issuer/ counterparty under paragraphs 84 and 85 of these Directions. (ii) Classification of balances in the accounts Classification of balances in the various accounts *viz*. repo account, reverse repo account etc. shall be done in the relevant schedules similar to that of banks. 103.2 In all other matters related to such repo transactions, non-deposit taking NBFCs, shall follow the directions and accounting guidelines issued by Financial Markets Regulation Department of the Reserve Bank.

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
35.	Capital Requirement	NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. The total of Tier II Capital at any point of time, shall not exceed 100 percent of Tier I Capital. Note: Explanations:……………………………………	**Section VI – Specific Directions applicable for Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) and Microfinance Loans of other NBFCs** Para 116 NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier 1 and Tier 2 capital which shall not be less than 15 percent of its aggregate risk weighted assets of on-balance sheet and of risk adjusted value of off-balance sheet items. The total of Tier 2 capital at any point of time, shall not exceed 100 percent of Tier 1 capital. The treatment to on-balance and off-balance sheet assets for capital adequacy shall be as provided in paragraph 84 and 85 of the Directions respectively. NBFC-MFIs shall also adhere to provisions in paragraph 86 of the Directions on treatment of deferred tax assets and deferred tax liabilities for computation of capital. 116.1.2 For loans guaranteed under any existing or future schemes launched by CGTMSE, CRGFTLIH and NCGTC, NBFC-MFIs shall assign risk weight as per the instructions specified in Note (4) of paragraph 84 of Chapter IX of these Directions.
36.	Asset Classification	NSI Master Directions: In addition to the prudential norms contained in Chapter IV of these Directions, for an NBFC-Factor, a receivable acquired under factoring which is not paid within six months of due date as applicable, shall be treated as NPA irrespective of when the receivable was acquired by the factor or whether the factoring was carried out on "with recourse" basis or "without-recourse" basis. The entity on which the exposure was booked shall be shown as NPA and provisioning made accordingly. SI Master Directions: In addition to the prudential norms contained in Chapter V of these Directions, for an NBFC-Factor or an NBFC-ICC, a receivable acquired under factoring which is not paid within three months of due date as	**Section VII – Specific Directions applicable for NBFC-Factors and NBFC-ICCs Registered under the Factoring Regulation Act, 2011** Para 125 125.1 NBFCs-Factors with asset size of less than ₹500 crore In addition to the Asset Classification norms contained in paragraph 14 of the Directions, for NBFC-Factors with asset size of less than ₹500 crore, a receivable acquired under factoring which has remained overdue for more than 180 days of due date as applicable, shall be treated as NPA irrespective of when the receivable was acquired by the NBFC Factor or whether the factoring was carried out on "with recourse" basis or "without recourse" basis. Further, glide path for recognition of NPA as

Sr.No.	Particulars	Previous Master Directions and other Circulars[1]	Master Direction - RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
		applicable, shall be treated as nonperforming asset (NPA) irrespective of when the receivable was acquired by the factor or whether the factoring was carried out on "with recourse" basis or "without recourse" basis. The entity on which the exposure was booked shall be shown as NPA and provisioning made accordingly.	prescribed in paragraph 14.2 of the Directions shall also be applicable to such NBFC-Factors. The entity on which the exposure was booked shall be shown as NPA and provisioning made accordingly. 125.2 NBFC-Factors with asset size of ₹500 crore and above and NBFC-ICCs granted CoR under the Factoring Regulation Act, 2011 In addition to the Asset Classification norms contained in paragraph 87 of the Directions, for NBFC-Factors with asset of size of ₹500 crore and above or an NBFC-ICC which have been granted CoR under the Factoring Regulation Act, 2011, a receivable acquired under factoring which has remained overdue for more than 90 days of due date as applicable, shall be treated as NPA irrespective of when the receivable was acquired by the NBFC Factor/ concerned NBFC-ICC or whether the factoring was carried out on "with recourse" basis or "without-recourse" basis. The entity on which the exposure was booked shall be shown as NPA and provisioning made accordingly.
37.	Annex IV Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing stressed Assets in the Economy	**Provisions applicable to NBFC-ND-NSI asset size below 500 crore** The Reserve Bank of India has set up a Central Repository of Information on Large Credits (CRILC) to collect, store, and disseminate credit data to lenders as advised by the Bank in its Circular No. DBS.No.OSMOS. 9862/33.01.018/2013-14 dated February 13, 2014 issued by the Department of Banking Supervision. All NBFCs, (Notified NBFCs, for short) shall be required to report the relevant credit information on a quarterly basis in the enclosed formats given in Annex I to CRILC once the XBRL reporting mechanism is established. Till then they shall forward the information to PCGM, Department of Banking Supervision, Reserve Bank of India, World Trade Centre, Mumbai - 400 005 in hard copy. The data includes credit information on all the borrowers having aggregate fund-based and non-fund based exposure of ₹ 5 crore and above with them and the SMA status of the borrower. The	**Section II – Regulations applicable for NBFCs – BL (asset size upto 1000 crore)** Para 1.1.2. The Reserve Bank has set up a Central Repository of Information on Large Credits (CRILC) to collect, store, and disseminate credit data to lenders as advised by the Reserve Bank in its circular 'Central Repository of Information on Large Credits (CRILC) – Revision in Reporting' dated February 13, 2014 issued by the Department of Supervision. All NBFC-Factors, NBFC-D and non-deposit taking NBFCs of asset size of ₹500 crore and above (Notified NBFCs), shall be required to report the relevant credit information to CRILC. The data includes credit information on all the borrowers having aggregate fund-based and non-fund based exposure of ₹5 crore and above with them and the SMA status of the borrower.

The takeaways

The MD compiles and consolidates the existing provisions of the Master Directions applicable to the Systemically Important and Non-Systemically Important NBFCs in one place. Further, the MD brings in the necessary clarity with respect to the regulatory requirements for different layers of NBFC, specifically for NBFCs with asset size of more than INR 500 crore falling in the Base Layer.

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