

**FIDC**

**Finance Industry Development Council**

*(A Self Regulatory Organisation for NBFCs in India)*

# **EMPOWERING SELF-REGULATION**

## **BUILDING TRUST THROUGH GOVERNANCE**

*FIDC's Knowledge Series Webinar*

*Thursday, December 18, 2025*

*03:00 PM to 4:00PM*

**RBI Governance Guidelines**  
**– Structure, Roles & Practical Interpretation for NBFCs**

# OUR ESTEEMED SPEAKERS

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**ARTI SHEKHAR**  
**SENIOR EXECUTIVE VICE PRESIDENT, CCO**  
**– KOTAK MAHINDRA PRIME**

- Senior EVP & CCO at Kotak Mahindra Prime since April 2022
- 25+ years in Banking & Financial Services specializing in Governance, Risk & Compliance
- Previously Principal Officer at Kotak Mahindra Bank overseeing AML, product advisory & retail banking approvals
- Prior roles include ALCO support & treasury processes (2012-2019), with earlier stints at ICICI Bank & Aneja Associates
- Chartered Accountant with M.Com from University of Madras & Certified Internal Auditor (IIA, USA)



**YOGESH JAIN**  
**CHIEF COMPLIANCE OFFICER**  
**– GODREJ FINANCE**

- 15+ years across Regulator, PSB, HFC & NBFC segments
- Deep expertise in HFC/NBFC/Capital Markets (SEBI/Exchanges) compliance & regulatory affairs
- Governance specialist advising Boards on building compliance-positive organizations
- Established internal controls, compliance testing & policy frameworks across entity types
- Serves on POSH, Disciplinary, Ethics & Crisis Management committees



# Disclaimer

*Views expressed in this webinar are solely those of the speakers and do not reflect the views, policies, or positions of the Regulator, FIDC or the organisations where they are employed.*

# Who packed your parachute?

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# What is Corporate Governance?

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Definition

Set of rules, practices, and processes that guide how a company is directed and controlled.



Pillars of  
Corporate  
Governance



TRANSPARENCY



ACCOUNTABILITY



FAIRNESS



RESPONSIBILITY



Legal/  
Regulatory  
Framework

- Reserve Bank of India
- Companies Act, 2013
- SEBI Listing Agreement

# Introduction to Governance Guidelines (RBI) FIDC

## Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions, 2025

### ISSUE DATE

  
28<sup>TH</sup> NOVEMBER,  
EFFECTIVE  
IMMEDIATELY

### SINGLE DOCUMENT

  
CLUBS VARIOUS  
GUIDELINES IN A  
CONSOLIDATED  
DIRECTIONS

### TIERED STRUCTURE

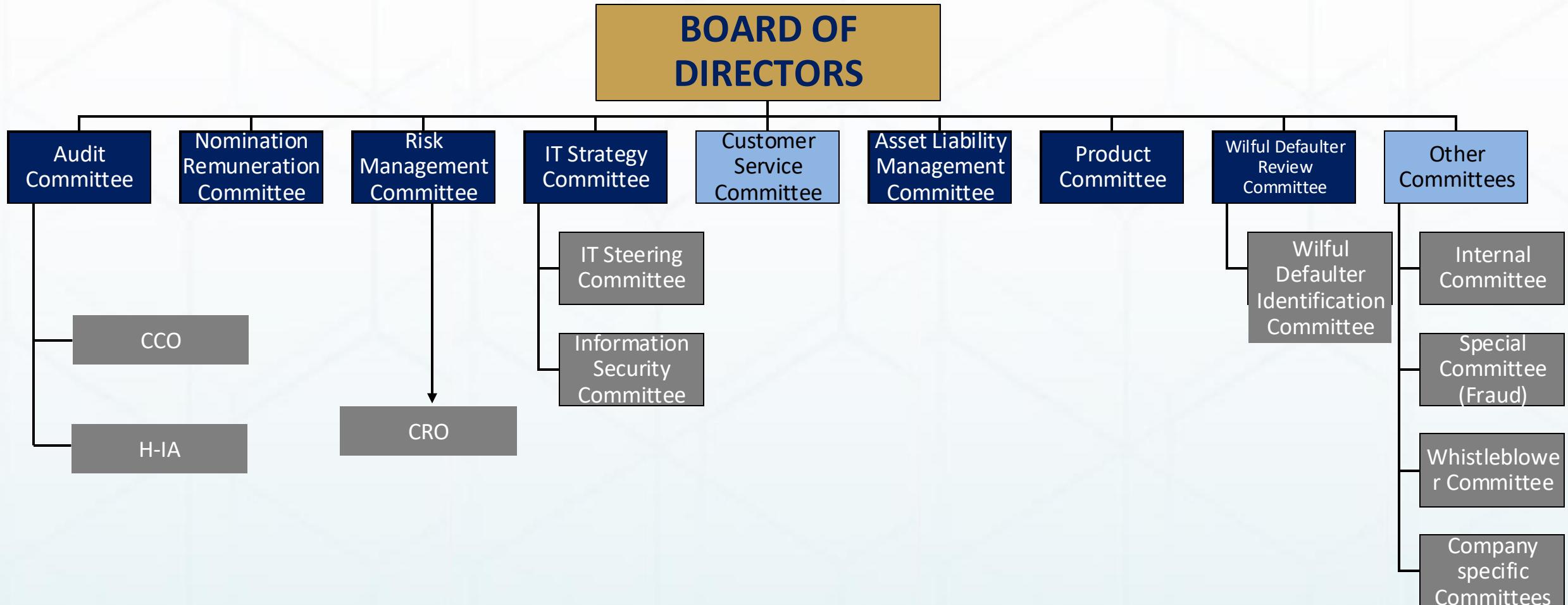
  
PROGRESSIVELY  
INCREASING  
REQUIREMENTS FOR  
BL/ML/UL

### KEY AREAS

  
BOARD,  
COMMITTEES, KMPs,  
SMPs, POLICIES

# Governance Structure

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# Appointment of Directors

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## COMPOSITION

- **Mix of Independent, Executive and Non-Executive Directors**
- **One Director must have prior experience of Banks / Financial Services**



## FIT & PROPER CRITERIA

- Due diligence process
- Review by NRC
- Restrictions for IDs: Max 3 NBFC Boards (ML/UL) – subject to Companies Act
- No Conflict of interest



## COMPLIANCE

- **Requirement of Annual Declaration & execution of Deed of Covenant**
- **Quarterly reporting to RBI**
- **Annual auditor certification**

# Board - Governance requirements

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## BOARD APPOINTMENTS:

### UNDER PMLA

- PRINCIPAL OFFICER
- DESIGNATED DIRECTOR

## BOARD REVIEW AREAS:

- Conformity with corporate governance standards in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
- Review progress in risk management system / policy / strategy
- Whistleblower mechanism
- Report on view of Compliance with Fair practice Code and grievance redressal mechanism
- Adherence to KYC policy: Risk assessment
- Oversight on compromise settlements and technical write offs
- Status of compliance with RBI inspection observations

## KEY EXPECTATIONS – RBI LENS

### AUDIT

Internal / Risk Based Internal Audit, Review of Compliances & Compliance testing, Information System Audit, review of performance of H-IA & CCO (ML/UL)

### RISK MANAGEMENT

Enterprise Risk, Operational risk, outsourcing, portfolio risk, ICAAP review, CRO performance review (BL/ML/UL)

### NOMINATION & REMUNERATION

Succession Management, Compensation Guidelines, KMP / SMP appointment (ML/UL)

### INFORMATION TECHNOLOGY

Matters related in Information Technology Circulars – IT Strategy, IT Steering, Information Security.

### CUSTOMER SERVICE

Matters related to Fair Practice Code, Complaints, Internal Ombudsman Report, RCA for complaints related to Credit Information Report

### ASSET LIABILITY MANAGEMENT

Liquidity return, ICAAP, Capital Adequacy, Borrowing, variance review, stress test (multi-variate analysis), other matters related to market and liquidity risk detailed in circular

### PRODUCT APPROVAL

New product approval, changes in product, review of product after introduction, other matters related to product (ML/UL)

### SPECIAL COMMITTEE FOR FRAUD

Review of steps taken to mitigate fraud, of update on frauds reported, declaration of fraud as per fraud risk management circular

### WILFUL DEFAULTER

Review of wilful defaulter cases, investigation of NPAs, notices issued & replied received, declaration as wilful defaulter & progress made

## Who are KMPs & SMPs?

### KEY MANAGEMENT PERSONNELS (KMPs):

- **Companies Act, 2013 (Section 2(51)):** Includes the CEO/MD, Company Secretary, Whole-time Director, CFO, and officers one level below the Board designated as KMPs.
- **RBI Governance Directions (2025):** Adopts the Companies Act's definition but adds a strict "conflict of interest" bar: KMPs cannot hold office in any other **NBFC-ML** or **NBFC-UL**.

### SENIOR MANAGEMENT PERSONNELS (SMPs):

- **Companies Act, 2013 (Section 178):** Personnel who are members of the core management team (excluding the Board), generally one level below the Executive Directors.
- **RBI Governance Directions (2025):** Specifically includes functional heads of core areas like **Credit, Audit, Compliance, Risk (CRO), and IT (CTO/CIO)** within the core management team.

## Key Guidelines

### COMPENSATION GUIDELINES:

Board need to ensure a policy containing

- (a) principles for fixed / variable pay structure and
- (b) malus / clawback provisions

### RESTRICTION ON DIRECTORSHIPS:

Except for directorship in a subsidiary, KMPs cannot hold any office (including directorships) in any other NBFC-ML or NBFC-UL

### RBI REPORTING:

Appointment / Changes in KMP / SMP /NED to be informed to RBI within 2 working days with seamless succession plan.

# Board Approved Policies

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## CUSTOMER FACING

- Fair Practice Code/ for micro-finance borrowers
- Grievance Redressal Policy
- Interest rate model/gradation of risk
- Charges/Penal charges policy

## RISK & COMPLIANCE

- Know Your Customer(KYC) / Anti Money Laundering (AML) Policy
- Internal Capital Adequacy Assessment Process (ICAAP) Policy
- Expected Credit Loss (ECL) policy

## FINANCE & OPERATIONAL

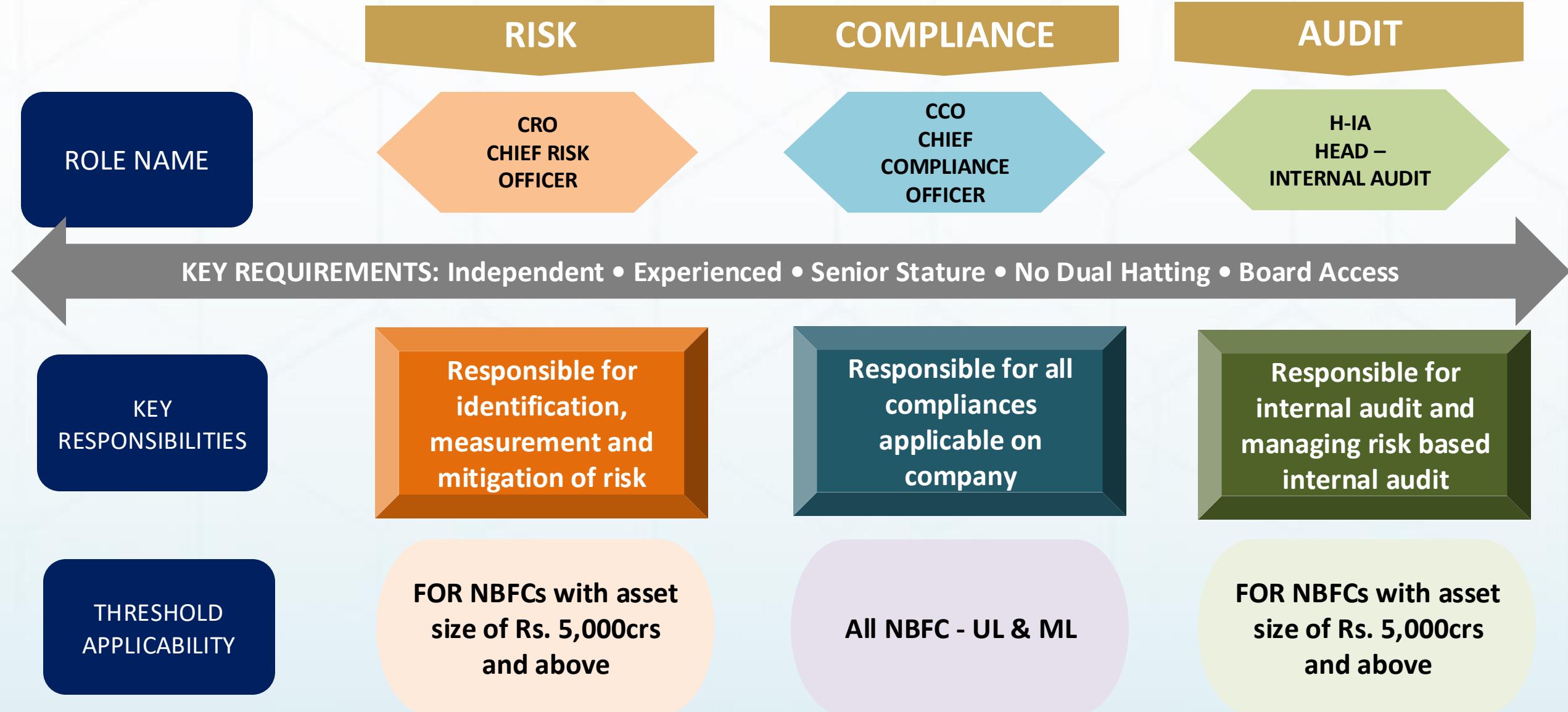
- Liquidity Risk Management framework
- Lending against Gold and Silver Collateral
- Outsourcing policy
- Code of Conduct for DSA/ DMA/ Recovery Agents

## GOVERNANCE

- Compensation policy
- Fit and proper policy
- Internal guidelines on corporate governance

# Assurance Functions – Governance Requirements

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# Some Pointers

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Documentation and Process

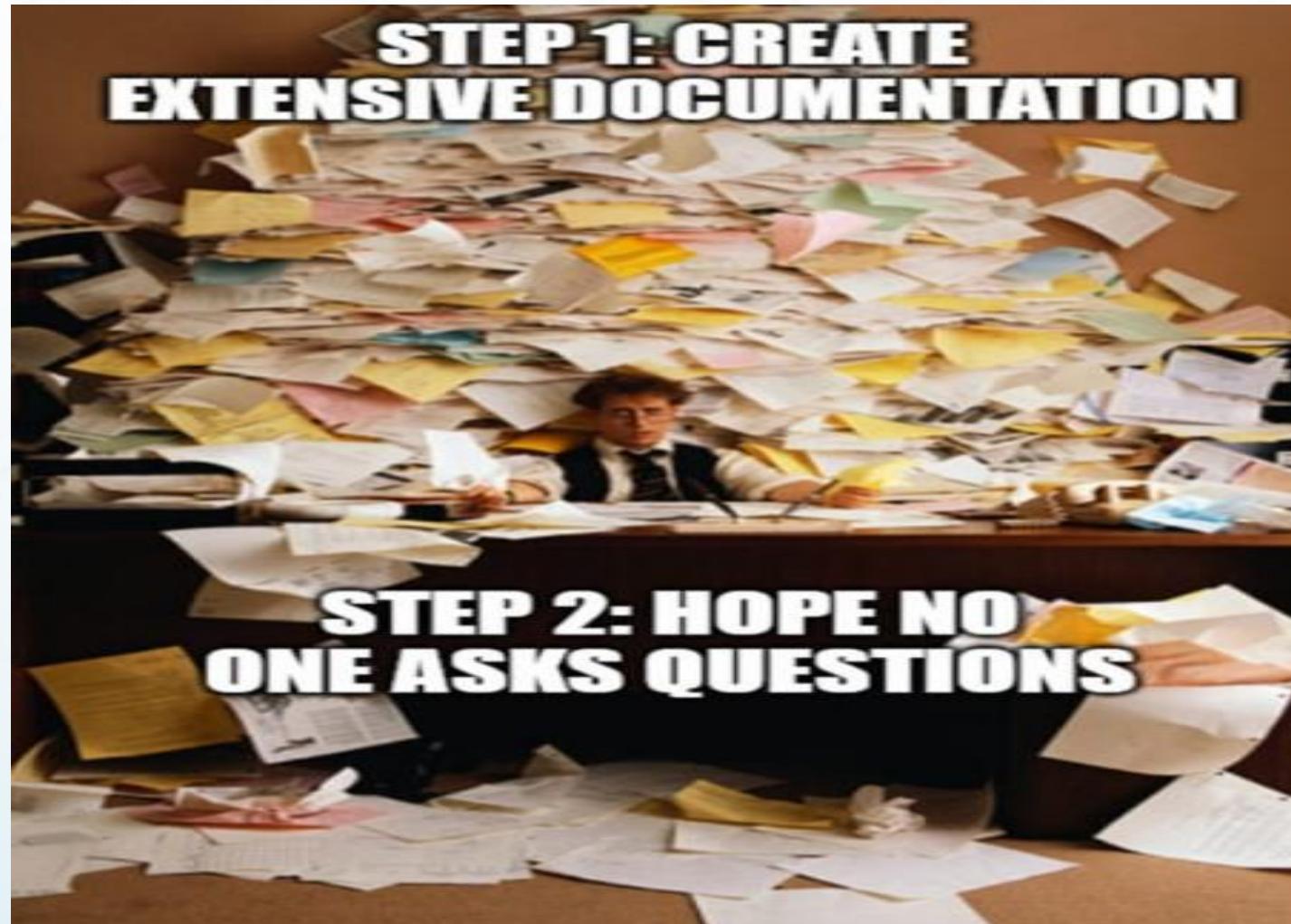
- **Governance** is a major area of scrutiny by regulators
- **Comments may be qualitative** where query need not always be something which was done but also about something which was not done
- **For Board and Committees –Agenda and supporting papers** are also reviewed in detail
- Agenda, Notes, Minutes needs to be **comprehensive and speaking** – discussions need to be documented in detail
- **Meetings of CRO, CCO and H-IA with Directors** need to be minuted / documented
- **Deferment of compensation** of senior executives is expected

Quality of Board Discussions

- **Business strategy**
- **Risk, compliance and Internal audit**
- **Customer grievances**
- **Human resources**
- **Financial integrity**
- **Outsourcing**
- **Functioning of Board committees**

# A picture speaks a 1000 words...

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# Supervisory actions / Penalties by RBI

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- Excessive interest rate charged
- Outsourcing of Core financial services like Credit, KYC or Internal Audit
- Not taking prior written permission of RBI for change in shareholding in excess of 26% of equity share capital OR Change in directors of more than 30% of its directors, excluding independent directors
- Not conducting periodic review of FPC / grievance redressal mechanism
- Not intimating appointment of ID to RBI as required

# PCA Framework for NBFCs

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- Parameters include CRAR , Tier 1 Capital and NNPA Ratio
- Actions include mandatory actions like restrictions on branch expansion, dividend distribution as well as discretionary actions such as related to governance, strategy, credit risk, capital, HR, etc.

INDICATOR	RISK THRESHOLD-1	RISK THRESHOLD-2	RISK THRESHOLD-3
<b>CRAR</b>	Upto 300 bps below the regulatory minimum CRAR [currently, CRAR <15% but $\geq$ 12%]	More than 300 bps but upto 600 bps below regulatory minimum CRAR [currently, CRAR <12% but $\geq$ 9%]	More than 600 bps below regulatory minimum CRAR [currently, CRAR <9%]
<b>Tier I Capital Ratio</b>	Upto 200 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <10% but $\geq$ 8%]	More than 200 bps but upto 400 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <8% but $\geq$ 6%]	More than 400 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <6%]
<b>NNPA Ratio (including NPIs)</b>	>6% but $\leq$ 9%	>9% but $\leq$ 12%	>12%

## **SHRI SANJAY MALHOTRA, RBI Governor**

**No Regulator can or should substitute for Boardroom judgement, especially in a diverse country such as ours.**

## **SHRI SWAMINATHAN (Dy Governor)**

- Boards must own outcomes, not paperwork.
- Independence should be in substance and not just a label
- Look through the group, not just the entity. Sound rationale and good documentation!
- Protect and empower the control functions. Weak lines of defense are a board failure, not a staffing glitch.
- Governance gap analysis with real remediation.



- Change in director/management: 30% threshold
- Who can and cannot be member of RMC/Credit committee
- Fit and proper – substance – skillsets /experience of director (qualification, experience, adverse remarks, area of expertise)
- Can CCO also be Company secretary
- Ideal process for appointment of CCO