



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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January 05, 2026

Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) – Amendment Directions, 2026

Please refer to [Reserve Bank of India \(Non-Banking Financial Companies - Credit Risk Management\) Directions, 2025](#) (hereinafter referred to as 'the Directions').

2. On a review, in exercise of the powers conferred by the 45JA, 45L and 45M of the Reserve Bank of India Act, 1934; Sections 30A and 32 of the National Housing Bank Act, 1987 and Section 6 of the Factoring Regulation Act, 2011 and all other provisions / laws enabling the Reserve Bank of India (hereinafter called the Reserve Bank) in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. The Amendment Directions modifies the Directions as under:

3(1). In Chapter I – 'Preliminary' of the Directions, the following amendments shall be effected:

(i) A proviso shall be inserted in Paragraph 3(1), as under:

Provided that Paragraphs 6 through 8 of these Directions shall be applicable exclusively to 'Notified NBFCs' as defined in Chapter III 'Credit Risk Evaluation' of these Directions.

(ii) Paragraph 3(2) of Chapter I 'Preliminary' of the Directions shall be deleted

(iii) In Paragraph 4(1), the following sub-sub paras shall be inserted as definitions:

(ia) '*Committee on lending to related parties*' shall mean a committee of the Board of the NBFC entrusted with sanctioning of loans to related parties. NBFCs may also identify any existing Committee, other than the Audit Committee, for this purpose.

(ib) '*Contract or arrangement*' shall have the same meaning as specified in Section 188(1)(a) to (g) of the Companies Act, 2013.



(iiic) ‘*Control*’ shall have the same meaning as assigned to it under Section 2(27) of the Companies Act, 2013.

(iiia) ‘*Director of an NBFC or any other entity*’ shall mean a director appointed/elected to the Board of the entity.

(iiib) ‘*Entity*’ in the context of a ‘related party’ shall mean a ‘person’ other than an individual and a Hindu Undivided Family.

(iiic) ‘*Key Managerial Personnel (KMP)*’ of a NBFC shall have the same meaning as defined in Section 2(51) of the Companies Act, 2013.

(iiid) ‘*Lending*’ in the context of a ‘related party’ shall mean extending funded or/ and non-fund-based credit facilities to related parties. While investments in debt instruments of related parties shall be covered for this purpose, equity investments shall be excluded.

(iva) ‘*Person*’ shall have the same meaning as assigned to it under Section 3 (23) of Part I of Insolvency and Bankruptcy Code (IBC), 2016.

(ivb) ‘*Personal Loans*’ shall have the same meaning as defined under [Banking Statistics \(Harmonised Definitions\)](#). However, for these Directions, personal loans shall exclude loans for investments in financial assets.

(ivc) ‘*Promoter*’ shall have the same meaning as assigned to it under Section 2(69) of the Companies Act, 2013.

(va) ‘*Related Party*’ with respect to a NBFC shall mean a related person, or any of the following entities:

- (a) where a related person is a partner, manager, KMP, director or a promoter; or
- (b) where a related person is a shareholder with more than ten per cent of paid-up equity share capital; or
- (c) where a related person is having control, whether singly or jointly with another person; or
- (d) where a related person controls more than twenty per cent of voting rights on account of ownership or through a voting agreement or through any other arrangement; or
- (e) where a related person has the power to nominate a director to its Board; or
- (f) which is accustomed to act on the advice, direction, or instruction of a related person; or



- (g) where a related person is a guarantor or a surety; or
- (h) where a related person is a trustee or an author or a beneficiary and where the entity is in the form of a private trust; or
- (i) which is related to the related person as a subsidiary or a parent company or a holding company or an associate or a joint venture.

Provided that nothing sub-clause (e) above shall apply in cases where the authority to nominate a director arises exclusively from a lending or financing arrangement.

Provided further that nothing in sub-clause (f) above shall apply to the advice, directions or instructions given in a professional capacity.

Provided further that Government of India/ State Government-owned or controlled entities shall not be treated as related parties to a government-owned NBFC just by virtue of the fact that the Government has the common ownership or control of such entities.

(vb) '*Related Person*' with respect to a NBFC shall mean a person, and the relatives of such a person, where the person:

- (a) is either a promoter, or a director, or a KMP of the NBFC; or
- (b) owns more than five per cent of paid-up equity share capital of the NBFC or can, either singly or jointly, exercise more than five per cent of the voting rights of the NBFC on account of either ownership or voting agreement or through shareholders' agreement or through any other arrangement; or
- (c) can, through an agreement with the NBFC, nominate a director to its Board; or
- (d) is either singly or jointly, in control of the NBFC.

(viiia) '*Specified employees*' mean all employees of a NBFC who are positioned upto two levels below the Board and any employee designated as such as per the NBFC's policy.

(iv) The Sub-paragraph (vi) shall be modified by adding 'and rules framed therein' at the end.

(v) The sub paragraph (vii) shall stand deleted

3(2). In 'Chapter IV Regulatory Restriction' of the Directions, the following amendments shall be effected:



- (i) Heading of Section A shall be renamed as ‘Lending to Related Parties’
- (ii) The existing section B, sub-sections A.1 and A.2, and paragraphs 9 through 13 shall be deleted.
- (iii) The following new sub-sections and new paragraphs 13A to 13Q shall be inserted after paragraph 13, as given below:

A.3 General Principles on Lending to Related Parties

13A. This Section sets out general principles and procedures to be followed for prudent risk management of loan to related parties.

A.3.1 Provisions in the Credit Policy

13B. The Board shall have the overall responsibility of ensuring that suitable mechanisms are put in place for implementation of the policy on lending to related parties by the NBFC.

13C. The credit policy (hereinafter called the policy) of a NBFC, as required in terms of the extant directions, shall contain specific provisions relating to ‘lending to related parties’ in accordance with the provisions of these Directions. The policy shall prescribe, *inter alia*, additional safeguards to address the risks emanating from lending to related parties.

13D. The policy shall also have specific provisions for lending to ‘Specified employees’ of the NBFC and their relatives.

13E. Further, the policy shall, as a part of the whistleblowing mechanism, encourage employees to communicate confidentially and without the risk of reprisal, legitimate concerns about irregular, unethical, or questionable loans to related parties; and eliminate *quid pro quo* arrangements, if any.

13F. The policy shall specify aggregate limits for loans towards related parties. Within this aggregate limit, there shall be sub-limits for loans to a single related party and a group of related parties. These limits shall be within the extant prudential exposure limits prescribed by the Reserve Bank.

A.3.2 Materiality Threshold

13G. Credit Facilities to related parties can be extended by an NBFC in terms of their credit policy. However, such loans, including personal loans to directors or a



KMP, shall be subject to a materiality threshold as per the credit policy, which shall not be higher than the following ceilings:

Category of NBFCs	Materiality Threshold
Upper Layer and Top Layer	₹10 crore
Middle Layer	₹5 crore
Base Layer	₹1 crore
Layer of the NBFC shall be based on the last audited balance sheet. For loans, materiality threshold shall apply at individual transaction level.	

13H. Materiality thresholds may vary for different categories of loans to related parties and borrowers subject to ceilings prescribed above.

13I. All loans above the prescribed materiality threshold shall be sanctioned by the Board of the NBFC. However, a NBFC at its discretion, may delegate the above powers of lending beyond the materiality threshold to a Committee of the Board (hereafter called Committee) other than the Audit Committee of the Board. As regards loans below the materiality threshold, the same can be sanctioned by appropriate authority in terms of powers delegated to them

A.3.3 Recusal of Interested Parties

13J. Directors, KMP, or Specified employees shall recuse themselves from deliberations and decision on loan proposals, or contracts and arrangements, involving themselves or their related parties. Such recusal shall also extend to deliberations and decisions relating to any subsequent material changes to the terms of such loans, including one-time settlements, write-offs, waivers, enforcement of security, implementation of resolution plans, etc.

A.4 Monitoring of Loans to Related Parties

13K. A NBFC shall put in place a suitable mechanism for maintaining and periodically updating the list of all the related persons, and the related parties thereof, as well as the loans sanctioned by the bank to such related persons and related parties.

13L. Credit facilities sanctioned to 'specified employees' and their relatives shall be reported to the Board on an annual basis.



13M. Periodic reviews shall be conducted at quarterly or shorter intervals by internal auditors to check, *inter alia*, whether guidelines and procedures in relation to loans to related parties are being adhered to or not.

13N. Any deviation from the policy relating to lending to related parties and reasons therefor shall be reported to the Audit Committee of the Board or to the Board, where Audit Committees are not formed.

13O. Any product, entity or structure formed with the objective of circumventing these Directions through various means, such as reciprocal lending or quid pro quo arrangements, and identified as such by the auditors of the NBFC or by the supervisory authority and investigating agencies shall always be treated as lending to related party

A.5 Others

13P. In addition to the provisions of these Directions on lending to related parties, listed NBFCs shall continue to comply with the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

A.6 Enforcement Actions

13Q. Any non-compliance with and circumvention of these Directions shall result in imposition of supervisory and enforcement actions as deemed appropriate by the Reserve Bank. These penalties may include imposition of monetary penalty, requirement of full provisioning, directions to conduct staff accountability exercises, forensic audits, and restrictions or any other supervisory and enforcement actions as deemed fit.

4. The above amendments shall come into force from April 1, 2026. NBFCs may, however, decide to implement the amendments in entirety from an earlier date. With a view to ensuring non-disruptive implementation of instructions issued vide these Amendment Directions, NBFCs are permitted to let their existing related party transactions, which are not in conformity with these amendments as on the date of issuance of these Amendment Directions, to run-off till maturity. However, NBFCs shall not renew/review such loans/ limits after their expiry on same or different terms, even if such renewal is provided in the contract, or enhance the limits sanctioned prior



to the date of these Amendment Directions coming into force, unless they are in compliance with amendments issued vide these Amendment Directions

5. Consequent to the above amendments, corresponding amendment directions viz., [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) – Amendment Directions, 2026](#) have been separately issued.

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