



The Reserve Bank of India (RBI) has historically maintained a stringent watch over Non-Banking Financial Companies (NBFCs) to ensure systemic stability. On **April 29, 2026**, the central bank issued a pivotal set of amendment directions that redefine the operational and compliance benchmarks for the sector. These amendments, spanning **Resolution of Stressed Assets, Income Recognition & Asset Classification (IRACP)**, and **Responsible Business Conduct**, collectively aim to harmonise regulations with the evolving Scale-Based Regulation (SBR) framework.

### **1. Resolution of Stressed Assets: A Calibrated Approach**

The **NBFC – Resolution of Stressed Assets Amendment Directions, 2026**, introduce a more structured pathway for dealing with impaired accounts. A significant highlight is the formalisation of the "**Unregistered Type I NBFC**" category.

- **Exemption for Low-Risk Entities:** Entities with an asset size below **₹1,000 crore**, no public funds, and no customer interface are now eligible for deregistration. This move reduces the compliance burden on family offices and investment vehicles that operate purely on proprietary funds.
- **Resolution Timelines:** The amendment tightens the timelines for implementing Resolution Plans (RPs), ensuring that stressed assets are addressed before they deteriorate further, thereby protecting the NBFC's capital adequacy.

### **2. Streamlining IRACP and Provisioning Norms**

The amendments to **Income Recognition, Asset Classification, and Provisioning** focus on transparency and the integration of modern financial arrangements like **Default Loss Guarantee (DLG)**.

- **ECL and DLG Integration:** For NBFCs following the IndAS framework, the new directions provide explicit clarity on factoring DLG into **Expected Credit Loss (ECL)** calculations. NBFCs are now required to recompute provisions upon every invocation of a guarantee, ensuring the financial statements reflect the real-time risk cover.
- **Uniformity in Classification:** The RBI has further aligned the "out-of-order" criteria and the definition of "overdue" across various NBFC layers, reducing regulatory arbitrage between banks and non-bank lenders.

### **3. Strengthening Responsible Business Conduct**

With the rise of digital lending and third-party recovery agents, the **NBFC – Responsible Business Conduct Amendment Directions** place the onus of ethical behaviour squarely on the Board of Directors.

- **Customer Protection:** NBFCs must now ensure that Fair Practice Codes (FPC) are available in **vernacular languages**. Transparency in interest rate setting and "penal charges" (which must be clearly distinguished from "penal interest") is now mandatory.



- **Grievance Redressal:** The directions mandate a multi-level grievance redressal mechanism where disputes must be heard by a functionary at least one level higher than the original decision-maker. This ensures a fair trial for borrower complaints regarding excessive interest or recovery harassment.

### **Conclusion**

The April 29, 2026, amendments represent the RBI's commitment to a **proportionate regulatory regime**. By deregulating low-risk investment entities while simultaneously tightening the screws on income recognition and customer conduct for systemic players, the RBI is fostering a more resilient and consumer-centric financial ecosystem. For NBFCs, the message is clear: growth must be accompanied by robust governance and ethical lending practices.

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