Reserve Bank Of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Second Amendment Directions, 2026

RBI has introduced a prudential framework for immovable assets acquired by NBFCs in satisfaction of borrower dues, termed Specified Non-Financial Assets (SNFAs). The Directions take effect from October 1, 2026. Legacy SNFAs outstanding as at September 30, 2026 must comply by September 30, 2027.

Core principles:

A SNFA can be acquired only where the borrower exposure is already classified as non-performing. The acquisition on transfer of legal title must result in full or partial extinguishment of the debt on a non-recourse basis, and title must be transferred to the NBFC so that it has unrestricted ability to deal with the asset.

NBFCs must adopt a Board-approved or appropriately approved policy covering eligibility, limits as a proportion of total assets, delegation, prior recovery efforts and disposal timelines. The policy cannot permit retention beyond seven years.

Key prudential changes:

On initial recognition, the SNFA must be recorded at the lower of:

- the net book value of the exposure extinguished; and
- the distress sale value determined by at least two independent external valuers.

Where only part of the loan is extinguished, the residual exposure is treated as a restructured exposure, while the SNFA value is based on the proportionate net book value of the extinguished debt.

At subsequent reporting dates, the SNFA is not simply retained at acquisition value. Its carrying amount must be reduced by applying the notional provisioning that would have applied had the original exposure continued in the NBFC’s books. This prevents the exchange of an impaired loan for property from avoiding prudential provisioning.

SNFAs must generally be disposed of through public auction at the earliest and within the policy period, capped at seven years. They cannot be sold back to the borrower or its related parties. If an asset is put to the NBFC’s own use, it ceases to be an SNFA and is reclassified as a fixed asset or under another relevant accounting head.

Reporting and disclosure added:

SNFAs are excluded from the reported:

- Gross and Net NPAs;
- stressed exposures;
- residual borrower exposure; and
- provisioning coverage ratio.

They must instead be separately presented in the balance sheet as “Specified Non-Financial Assets”, subject to applicable accounting standards.

RBI is effectively requiring NBFCs to demonstrate that such acquisitions are a genuine recovery mechanism rather than a means of warehousing distressed exposures or postponing loss recognition.

From a financial reporting perspective, the key focus areas will be title transfer, NPA status before acquisition, independent valuation, proportionate allocation in partial settlements, continuing notional provisioning, ageing, compliance with the seven-year disposal limit and reconciliation of financial statement disclosure with Centralised Information Management System (CIMS) / National Housing Bank (NHB) reporting.

Similar amendments are introduced for Commercial Banks, Small Finance Banks, Payment Banks, Urban Co-operative Banks, Local Area Banks, Regional Rural Banks, Rural Co-operative Banks and All India Financial Institutions (‘AIFIs’).

Kindly refer the following for the details – Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Second Amendment Directions, 2026