Reserve Bank Of India (Non-Banking Financial Companies – Income Recognition, Asset Classification And Provisioning) Third Amendment Directions, 2026

RBI has issued the Non-Banking Financial Companies Income Recognition, Asset Classification and Provisioning (IRACP) Third Amendment Directions, 2026 on July 16, 2026. The amendment is consequential to the Non-Banking Financial Companies Resolution of Stressed Assets Second Amendment Directions, 2026 and introduces a specific framework for income recognition in respect of Specified Non-Financial Assets (SNFA) acquired by NBFCs. The amendment comes into force from October 1, 2026.

Area	New Requirement
Recognition of pre-acquisition accrued income	Any accrued but unrealized interest pertaining to periods prior to acquisition of SNFA shall not be recognized as income.
Transitional provision	Where such unrealized income has already been recognized in respect of SNFA o/s as on September 30, 2026, the amount remaining unrealized shall be reversed through P&L A/c by September 30, 2027.
Recognition of realized income	Income received from SNFA shall be recognized as “Non-interest / Other income” in the period in which it was realized.
Recognition of expenses	Expense towards maintenance of SNFA shall be recognized in income statement in the period in which they are incurred.

The amendment reinforces the RBI's emphasis on realization-based income recognition for acquired stressed or non-financial assets. By prohibiting recognition of accrued but unrealized interest existing prior to acquisition and requiring reversal of previously recognized unrealized income, the RBI seeks to prevent upfront booking of income that lacks economic certainty.

The clarification also standardizes the presentation of realized recoveries by requiring them to be recognized as Non-interest / Other Income, thereby promoting greater consistency and transparency in the financial reporting of NBFCs.

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 AIFIs.

Kindly refer the link for the further details - Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Third Amendment Directions, 2026