Reserve Bank Of India (Non-Banking Financial Companies – Internal Audit Function) Directions, 2026

The Directions establish a harmonized Risk-Based Internal Audit (RBIA) framework for eligible NBFCs and Housing Finance Companies, with the objective of strengthening governance, risk management, internal controls and audit independence. The Directions are effective from July 31, 2026 and apply to deposit-taking NBFCs and HFCs, and non-deposit taking NBFCs and HFCs having an asset size of Rs. 5,000 crore and above.

Key aspects are as follows:

- Eligible NBFCs must implement a formal Risk-Based Internal Audit (RBIA) framework approved by the Board.
- Internal audit planning must be based on annual risk assessments covering business functions, locations, products and processes.
- The Board and Audit Committee are required to periodically review the effectiveness and quality of the Internal Audit function.
- Internal audit reports must include recommendations, monitoring of corrective actions and reporting of unresolved high-risk observations.
- System and process audits of critical functions are required, with findings to be presented before relevant Board committees.

Similar amendments are introduced for Commercial Banks, Small Finance Banks, Payment Banks, Urban Co-operative Banks and Local Area Banks.

Kindly refer the following for the details **-** [464MD4F5E2EE83BB848DFB6B3475F8B91F45B.PDF]