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

The RBI has issued (Non-Banking Financial Companies – Concentration Risk Management) Third Amendment Directions, 2026 on June 24, 2026 to amend the NBFC Concentration Risk Management Directions, 2025, following a review of Scale Based Regulatory Framework norms for Upper Layer NBFCs and Credit/ Investment concentration norms for Government-owned NBFCs.

Key Regulatory Changes:

- **Withdrawal of Exemptions**: Government-owned NBFCs must now adhere to the concentration limits of their assigned regulatory layer (Base, Middle, or Upper Layer).
- **Grandfathering of Breaches**: Existing exposure breaches can run off until maturity, provided no further exposure is taken on those obligors.
- **Zero Net Incremental Exposure**: Middle and Upper-layer government NBFCs can exceed prudential limits only if additional exposures are fully offset by credit risk transfer instruments.
- **State Government Guarantees**: Exposures offset by State Government guarantees are exempt from prudential limits but carry a 20% risk weight.
- **IFC Limit Revisions**: Infrastructure Finance Companies (IFCs) in the Upper Layer can exceed regular exposure limits by 20% of Tier 1 capital for connected counterparties, up to an aggregate ceiling of 45%.
- **Middle Layer Deletion**: Paragraph 19 of Chapter III regarding guidelines applicable to Middle-Layer NBFCs is entirely deleted.

These amendments tightening/rationalizing the Government NBFC exemption regime (bringing them into the layer-based discipline that applies to all other NBFCs), while simultaneously increasing the IFC group-exposure ceiling and clarifying State-guarantee treatment at the Upper Layer, likely to support continued infrastructure credit flow without diluting overall risk discipline.

Kindly refer to the link for the further details - [Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Third Amendment Directions, 2026]