20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **RBI's Scale-Based Regulation (SBR) framework for NBFCs became effective from 1 October 2022.**
   SBR was issued by the RBI in October 2021 and took effect a year later, replacing the old systemically-important split.

2. **NBFC-Base Layer covers non-deposit-taking NBFCs with asset size below Rs 1,000 crore, plus P2P lenders and Account Aggregators.**
   The Base Layer is the lightest-regulated tier of the four-layer SBR pyramid.

3. **NBFC-Middle Layer includes all deposit-taking NBFCs and non-deposit NBFCs with assets of Rs 1,000 crore or more.**
   HFCs, CICs, IFCs, IDFs and SPDs are also placed in the Middle Layer regardless of size.

4. **NBFC-Upper Layer consists of NBFCs the RBI specifically identifies as systemically significant via a scoring methodology.**
   At least the top ten NBFCs by asset size are always placed in the Upper Layer.

5 **The NBFC-Top Layer is designed to remain empty unless the RBI sees a sharp rise in systemic risk from an Upper-Layer entity.**
Movement to the Top Layer is a supervisory escalation, not a routine classification.

6 **Upper-Layer NBFCs must maintain Common Equity Tier 1 capital of at least 9 percent.**
This CET1 requirement is one of the enhanced prudential norms applied only to the Upper Layer.

7 **Upper-Layer NBFCs are required to get listed within three years of being identified as Upper Layer.**
Mandatory listing improves disclosure and market discipline for systemically important NBFCs.

8 **NBFC-Investment and Credit Company (NBFC-ICC) was created in 2019 by merging Asset Finance, Loan, and Investment Companies.**
The 2019 harmonisation collapsed three older activity-based categories into one ICC classification.

9 **An Infrastructure Finance Company (IFC) must deploy at least 75 percent of its assets in infrastructure loans.**
IFCs also need a minimum Net Owned Fund of Rs 300 crore to qualify for the category.

10 **NBFC-MFIs lend small, mostly collateral-free loans to low-income households under RBI's 2022 microfinance directions.**

Microfinance Institutions are a distinct activity-based NBFC category focused on last-mile credit.

11 **A Core Investment Company (CIC) must hold at least 90 percent of net assets in group company equity and debt.**

This concentration requirement defines a CIC as a group holding and investment vehicle.

12 **A systemically important CIC has assets of Rs 100 crore or more and accesses public funds.**

Crossing this threshold brings a CIC under closer RBI regulatory scrutiny.

13 **Housing Finance Companies (HFCs) moved from National Housing Bank to RBI regulation in 2019 and are now an NBFC category.**

This transfer of regulatory authority is a frequently tested fact in IIBF exams.

14 **The standard NPA recognition norm for NBFCs in the Base, Middle and Upper layers is 90 days overdue.**

This harmonised the NBFC norm with the banking sector's long-standing 90-day IRAC classification.

15 **RBI's November 2021 circular requires NPA classification as part of the day-end process on the exact due date.**

This stopped NBFCs from delaying NPA tagging to month-end or quarter-end reporting dates.

16 **An NPA account can be upgraded to standard only after the borrower clears all arrears of interest and principal.**

Clearing merely the overdue instalment is not enough for reclassification back to standard.

17 **Under SBR, the minimum Net Owned Fund for most NBFC-ICCs, MFIs and Factors is being raised to Rs 10 crore.**

The higher NOF floor strengthens the capital base of these NBFC categories.

18 **The NOF glide path runs Rs 5 crore by March 2025, Rs 7 crore by March 2026, and Rs 10 crore by March 2027.**

This phased timeline gives NBFCs time to build up their Net Owned Fund to the new floor.

19 **NBFCs must maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 15 percent, with Tier-I capital of at least 10 percent.**

These capital adequacy norms apply broadly across NBFC categories under SBR.

20 **Deposit-taking NBFCs can accept deposits only up to 1.5 times their Net Owned Fund, with tenure of 12 to 60 months.**

This caps the deposit-raising capacity of NBFC-D entities relative to their own capital base.