

Scoring Methodology for Identification of NBFC as NBFC-UL

Upper Layer shall be populated with NBFCs, identified by way of a parametric scoring methodology, comprising of quantitative and qualitative parameters/ supervisory judgment. The quantitative and qualitative parameters shall have weightage of 70% and 30% respectively. Scoring methodology for identification of an NBFC as NBFC-UL shall be based on the set of NBFCs fulfilling the following criteria:

- a. Top 50 NBFCs (excluding top ten NBFCs based on asset size, which automatically fall in the Upper Layer) based on their total exposure including credit equivalent of off-balance sheet exposure.
- b. NBFCs designated as NBFC-UL in the previous year.
- c. NBFCs added to the set by supervisors using supervisory judgment.

The computation of scores of all NBFCs in the above set shall be performed annually based on their position as on March 31 each year.

Components of the parametric analysis				
	Parameter	Sub-Parameters	Sub-Para Weights	Parameter Weights
Quantitative Parameter (70%)	1. Size & Leverage	Total exposure (on- and off-balance sheet) & Leverage (total debt to total equity)	20 + 15	35
	2. Inter-connectedness	<i>(i) Intra-financial system assets</i> <ul style="list-style-type: none"> • Lending to financial institutions (including undrawn committed lines); • Holdings of securities issued by other financial institutions. • Net mark-to-market reverse repurchase agreements with other financial institutions. • Net mark-to-market OTC derivatives with financial institutions. 	10	25
		<i>(ii) Intra-financial system liabilities</i> <ul style="list-style-type: none"> • Borrowings from financial institutions (including undrawn committed lines) • All marketable securities issued by the finance company to financial institutions; • Net mark-to-market repurchase agreements with other financial institutions; 	10	

	Parameter	Sub-Parameters	Sub-Para Weights	Parameter Weights
		<ul style="list-style-type: none"> Net mark-to-market OTC derivatives with financial institutions 		
		(iii) <i>Securities outstanding with non-financial institutions (issued by the NBFC)</i>	5	
	3. Complexity	(i) <i>Notional Amount of Over-the-Counter (OTC) Derivatives</i> <ul style="list-style-type: none"> OTC derivatives cleared through a central counterparty OTC derivatives settled bilaterally 	5	10
		(ii) <i>Trading and Available-for-Sale Securities</i>	5	
Qualitative Parameter / Supervisory inputs (30%)	4. Nature and type of liabilities	<ul style="list-style-type: none"> The amount and type of liabilities, including the degree of reliance on short-term funding Liquid asset ratios, which are intended to indicate a nonbank financial company's ability to repay its short-term debt. The ratio of unencumbered and highly liquid assets to the net cash outflows that a nonbank financial company could encounter in a short-term stress scenario. Callable debt as a fraction of total debt, which provides one measure of a nonbank financial company's ability to manage its funding position in response to changes in interest rates. Asset-backed funding versus other funding, to determine a nonbank financial company's susceptibility to distress in particular credit markets. Asset-liability duration and gap analysis, which is intended to indicate how well a nonbank financial company is matching the re-pricing and maturity of the nonbank financial company's assets and liabilities. A study on the borrowings split by type i.e. Secured debt securities; subordinated debt securities; preferred shares/CCPS; CPs; unsecured debt; securitisation and any other 	10	30

	Parameter	Sub-Parameters	Sub-Para Weights	Parameter Weights
	5. Group Structure	<ul style="list-style-type: none"> • Total Number of entities • Total number of layers • Total Intra group exposure 	10	
	6. Segment penetration	The importance of the NBFC as a source of credit to a specific segment or area	10	
		Total Score		100
