

**Draft Reserve Bank of India (Non-Banking Financial Companies - Governance)
Directions**

DRAFT FOR COMMENTS

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Directions**

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In exercise of the powers conferred by Sections 45JA, 45K, 45L and 45M of the Reserve Bank of India Act, 1934, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Directions hereinafter specified.

Chapter I - Preliminary

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions, 2025.
2. These Directions shall come into force with immediate effect.

B. Applicability

3. These Directions shall be applicable to Non-Banking Financial Companies (hereinafter collectively referred to as 'NBFCs' and individually as an 'NBFC') excluding Housing Finance Companies (HFCs).
4. The applicability of the regulatory provisions under these Directions is aligned with the regulatory structure for NBFCs as set out in Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025. Accordingly, NBFCs classified under the Base Layer (NBFCs-BL) shall be required to comply with the provisions of [Chapter III](#), NBFCs in the Middle Layer (NBFCs-ML) shall comply with [Chapters III](#) and [IV](#), while NBFCs placed in the Upper Layer (NBFCs-UL) shall be governed by the provisions of [Chapters III](#), [IV](#), and [V](#).

Provided that provisions pertaining to 'Compensation of KMP and Senior Management' as set out in paragraphs 31 to 39 of these Directions shall not apply to Government owned NBFCs.

C. Definitions

5. In these directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below:

- (1) 'Chairperson' means the Chairman / Part-time Chairman of the Board of Directors of an NBFC.
- (2) 'Clawback' means a contractual agreement between the employee and the regulated entity in which the employee agrees to return previously paid or vested remuneration to the entity under certain circumstances.
- (3) 'Company' means a company registered under Section 3 of the Companies Act, 1956 or the corresponding provision under the Companies Act, 2013.
- (4) 'Director' means a director appointed on the Board of an NBFC.
- (5) 'Independent Director' shall be as defined in Section 149(6) of the Companies Act, 2013.
- (6) 'Key Managerial Personnel' shall have the meaning assigned to it under clause 51 of Section 2 of the Companies Act, 2013.
- (7) 'Malus' means an arrangement that permits an NBFC to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
- (8) 'Relative' shall have the meaning assigned to it under clause 77 of Section 2 of the Companies Act, 2013.
- (9) 'Retention period' means the period after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.
- (10) 'Senior Management' shall have the meaning as assigned to it in 'Explanation' to Section 178 of the Companies Act, 2013.
- (11) 'Substantial interest' shall mean holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together in the shares of a company, the amount paid up on which exceeds ten per cent of the paid-up capital of the company; or the capital subscribed by all the partners of a partnership firm.

6. All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1934 or the Companies Act, 2013 and Rules made thereunder, or any statutory modification or re-enactment

thereto, or [Glossary](#) of Terms published by RBI or as used in common or commercial parlance, as the case may be.

Chapter II – Board approved policy and review

7. An NBFC falling under the middle layer or upper layer shall have Board approved policies in place for the following:
 - (i) a policy for ascertaining the 'fit and proper' status of the directors at the time of appointment, and on a continuing basis, as detailed in paragraph 14 of these Directions;
 - (ii) a policy laying down the role and responsibilities of the Chief Compliance Officer (CCO) with the objective of promoting a good compliance culture in the organization, as specified in paragraph 1(ii) of these Directions; and
 - (iii) a compensation policy to address issues arising out of excessive risk taking caused by misaligned compensation packages, as detailed in paragraph 31 of these Directions.
 - (iv) Reviews to be placed before the Board of the NBFC as given in paragraph 17 of these Directions.

Chapter III - Directions applicable for all NBFCs

A. Experience of the Board

8. Considering the need for professional experience in managing the affairs of the NBFCs, at least one of the directors of an NBFC shall have relevant experience of having worked in a bank or an NBFC.

B. Risk Management Committee

9. In order that the Board is able to focus on risk management, an NBFC shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and shall report to the Board.

C. Change in Directors and / or Management

10. An NBFC shall require prior written permission of RBI for any change in the management of the NBFC, which would result in change in more than 30 percent of the directors, excluding independent directors.

Provided that, prior approval would not be required in case of directors who get re-elected on retirement by rotation.

Explanation: Notwithstanding provision contained in paragraph 10 above, NBFCs shall continue to inform RBI regarding any change in their directors/management.

11. An NBFC shall submit an application for change in management as indicated in paragraph 10 of these Directions, on the company's letter head, for obtaining prior approval of RBI, along with the following documents:
 - (i) information about the proposed directors as per [Annex I](#);
 - (ii) declaration by the proposed directors that they are not associated with any unincorporated body that is accepting public deposits;
 - (iii) declaration by the proposed directors that they are not associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by RBI;

- (iv) declaration by the proposed directors that there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against them; and
- (v) bankers' report on the proposed directors.

12. Applications in this regard shall be submitted to RBI through the *Pravaah* portal (<https://pravaah.rbi.org.in>).

D. Submission with respect to change in details of directors

13. An NBFC shall communicate any change in the names and residential addresses of the directors of the company, not later than one month from the occurrence thereof.

Chapter IV – Directions applicable for NBFCs-Middle Layer (NBFCs-ML) and Upper Layer (NBFCs-UL)

A. Constitution of Board and Appointment of Directors

14. An NBFC shall put in place a policy with the approval of its Board of Directors for ascertaining the 'fit and proper' status of the directors at the time of appointment, and on a continuing basis. Further, an NBFC shall institute an internal process to conduct due diligence of Directors on a continuing basis.

Provided that, RBI reserves the right to examine the 'fit and proper' status of directors of an NBFC irrespective of its asset size, if it so deems fit in public interest.

15. To streamline and bring in uniformity in the process of due diligence, an NBFC shall:

- (i) undertake a process of due diligence to determine the suitability of a person for appointment/ renewal of appointment as a director on the Board, based upon qualification, technical expertise, track record, integrity and other 'fit and proper' criteria. For this purpose, the NBFC shall obtain necessary information and declaration from the proposed / existing directors in the format given at [Annex II](#);
- (ii) ensure that aforementioned declarations are scrutinized by the Nomination and Remuneration Committee or Nomination Committee, as applicable, constituted as per directions set out in paragraph 20 of these Directions. Based on the information provided in the signed declaration, the Committee shall decide on the acceptance or otherwise of the Directors, where considered necessary;
- (iii) obtain annually, as on March 31, a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, ensure that requisite details are furnished by them forthwith; and
- (iv) ensure, in public interest, that the Directors execute the Deeds of Covenants in the format given in [Annex III](#).

16. An NBFC shall furnish to RBI, on a quarterly basis, a statement on change of directors, and a certificate from its Managing Director/CEO that 'fit and proper criteria' in selection of the directors has been followed. In this regard, it shall be ensured that:

- (i) the statement reaches the Regional Office of the Department of Supervision of RBI where the company is registered, within 15 days of the close of the respective quarter; and
- (ii) the statement for the quarter ending March 31, is certified by the auditors.

B. Reviews

17. An NBFC shall submit to its Board of Directors at periodic intervals, as may be prescribed by the Board in this regard, the following:

- (1) progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;
- (2) conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

C. Committees of the Board

18. The Board of Directors of an NBFC should delineate the role of various committees.

19. Audit Committee

(1) An NBFC shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors.

Provided that,

- (i) if an NBFC is required to constitute an Audit Committee under Section 177 of the Companies Act, 2013, then the Audit Committee so constituted shall be treated as the Audit Committee for the purpose of sub-paragraph (1) above; and

- (ii) the Audit Committee constituted under sub-paragraph (1) above shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.
- (2) The Audit Committee of an NBFC shall ensure that an Information System Audit of the internal systems and processes is conducted as per the periodicity prescribed in Reserve Bank of India (Non-Banking Financial Companies – Management of Third-Party Dependencies) Directions, 2025, as amended from time to time, to assess operational risks faced by the NBFC.

20. **Nomination and Remuneration Committee**

An NBFC shall form a Nomination and Remuneration Committee (NRC) which shall have the powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

Provided that,

- (1) if an NBFC is required to constitute NRC under Section 178 of the Companies Act, 2013, the NRC so constituted by it shall be treated as the NRC/ Nomination Committee for the purpose of paragraph 20 above; and
- (2) a Government-owned NBFC shall, in lieu of the requirement under paragraph 20 above, form a Nomination Committee to ensure 'fit and proper' status of proposed and existing directors, and such Committee shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

D. Appointment of Chief Risk Officer

- 21. An NBFC with an asset size of more than ₹5,000 crore in categories - Non-Banking Financial Company - Investment and Credit Company (NBFC-ICC), Non-Banking Financial Company – Infrastructure Finance Company (NBFC-IFC), Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI), NBFC-Factors and Infrastructure Debt Fund – Non- Banking Financial Company (IDF-NBFC) shall appoint a Chief Risk Officer (CRO) with clearly specified role and responsibilities.

22. The CRO shall be a senior official in the hierarchy of an NBFC and shall possess adequate professional qualification/experience in risk management.
23. The CRO of an NBFC shall function independently to ensure highest standards of risk management and the Board shall put in place policies to safeguard such independence. For this purpose, it shall be ensured that:
 - (i) the CRO shall have direct reporting lines to the MD&CEO / Risk Management Committee of the Board (RMCB);
 - (ii) in case the CRO reports to the MD&CEO, the RMC / Board shall meet the CRO without the presence of the MD&CEO, at least on a quarterly basis;
 - (iii) the CRO shall not have any reporting relationship with the business verticals and shall not be given any business targets; and
 - (iv) there shall not be any 'dual hatting' i.e., the CRO shall not be given any other responsibility.
24. The CRO of an NBFC shall be appointed for a fixed tenure with the approval of the Board and may be transferred/removed from their post before completion of the tenure only with the approval of the Board. Such premature transfer/removal shall be reported to the Department of Supervision of the Regional Office of RBI under whose jurisdiction the NBFC is registered. In case the NBFC is listed, any change in incumbency of the CRO shall also be reported to the stock exchanges.
25. The CRO of an NBFC shall be involved in the process of identification, measurement and mitigation of risks. All credit products (retail or wholesale) of an NBFC shall be vetted by its CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor.
26. In an NBFC that follows committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal.

E. Appointment of Chief Compliance Officer

27. In order to ensure an effective compliance culture, it is necessary to have an independent compliance function and a strong compliance risk management framework in NBFCs. In this regard, an NBFC shall,
 - (i) appoint a Chief Compliance Officer (CCO), who should be sufficiently senior in the organization hierarchy; and
 - (ii) put in place a Board approved policy laying down the role and responsibilities of the CCO with the objective of promoting better compliance culture in the organization.

F. Key Managerial Personnel

28. Except for directorship in a subsidiary, Key Managerial Personnel (KMP) of an NBFC shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL.

Explanation: Such KMP may assume directorship in NBFC-BL.

G. Independent Director

29. Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. However, no such restriction shall apply in respect of directorships held in NBFCs-Base Layer (NBFC-BL), subject to compliance with the applicable provisions of the Companies Act, 2013.
30. The Board of an NBFC shall ensure that there is no conflict arising out of its independent director/s being on the Board of another NBFC at the same time.

H. Compensation of KMP and Senior Management

31. An NBFC shall put in place and adhere to a Board-approved compensation policy to address issues arising out of excessive risk taking caused by misaligned compensation packages. The policy shall, at the minimum, include:
 - (i) principles for fixed/variable pay structures; and

- (ii) malus/clawback provisions.

32. The NRC of an NBFC, constituted in accordance with the provisions of paragraph 20 of these Directions, shall, *inter alia*, also have the mandate to oversee the framing, review and implementation of its Board-approved compensation policy.

33. Further, the NRC may:

- (1) work in close coordination with the RMC to achieve effective alignment between compensation and risks;
- (2) ensure that compensation levels are supported by the need to retain earnings of the NBFC and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP); and
- (3) ensure 'fit and proper' status of proposed and existing directors and that there is no conflict of interest in appointment of directors, KMP and senior management, and their independence is not subject to potential threats.

34. The guidelines are intended only for providing broad guidance to NBFCs and their NRCs in formulating their compensation policy. While formulating the compensation policy, it has to be ensured that all statutory mandates and the rules and directions issued under them are fully complied with.

35. **Components and risk alignment:** The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise fixed and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

36. **Composition of Fixed Pay:** An NBFC may treat all the fixed items of compensation, including the perquisites and contributions towards superannuation/retirement benefits, as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements.

Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay.

37. **Principles for Variable Pay:** An NBFC may adhere to the following principles for variable pay of its KMP and senior management:

- (1) **Composition of Variable Pay:** The variable pay may be in the form of share-linked instruments, or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.
- (2) **Proportion:** The proportion of variable pay in total compensation, which includes fixed and variable pay, needs to be commensurate with the role and prudent risk-taking profile of KMP/senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There shall be proper balance between the cash and share-linked instruments in the variable pay. The variable pay should be truly and effectively variable such that it may be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees are well aware of the incentive mechanism.
- (3) **Deferral of variable pay:** Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board of the NBFC, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement shall be decided by the Board of the NBFC.
- (4) **Control and assurance function personnel:** KMP and senior management engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in

the NBFC. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

38. **Guaranteed bonus:** An NBFC may not pay guaranteed bonus to KMP and senior management. However, in the context of new hiring, joining/sign-on bonus may be considered. Such bonus shall neither be considered part of the fixed pay nor of variable pay.
39. **Malus / Clawback:** The deferred compensation to KMP and senior management of an NBFC may be subject to malus and / or clawback arrangements in the event of subdued or negative financial performance of the NBFC and / or the relevant line of business or employee misconduct in any year. For this purpose, a representative set of situations may be identified by the NBFC, which require them to invoke the malus and clawback clauses that may be applicable on entire variable pay. While setting criteria for the application of malus and clawback, the NBFC may also specify a period during which malus and / or clawback can be applied, covering at least the deferral and retention periods.

I. Miscellaneous Instructions

40. An NBFC shall formulate a whistle blower mechanism for its directors and employees to report genuine concerns.
41. The Board of an NBFC shall ensure good corporate governance practices in the subsidiaries of the NBFC.

J. Internal Guidelines on Corporate Governance

42. An NBFC shall frame internal guidelines on corporate governance with the approval of its Board of Directors, enhancing the scope of these Directions but without sacrificing the spirit underlying the provisions of this Chapter and it shall be published on the company's website, if any, for the information of various stakeholders.

Chapter V – Directions applicable for NBFCs-Upper Layer (NBFCs-UL)

43. An NBFC shall ensure that its Board members are competent to manage its affairs. Hence, the composition of the Board shall ensure mix of educational qualification and experience within the Board. Specific expertise of Board members shall be a prerequisite, depending on the type of business pursued by the NBFC.
44. An NBFC shall be required to report to the supervisors in case any Independent Director is removed / resigns before completion of his normal tenure.
45. An NBFC-UL shall be mandatorily listed within three years of its identification by RBI in the upper layer. Disclosure requirements shall be put in place on the same lines as applicable to a listed company even before the actual listing, as per the Board-approved policy of the NBFC.

Chapter VI – Repeal and other provisions

A. Repeal and saving

46. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to governance as applicable to Non-Banking Financial Companies stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
47. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions.

B. Application of other laws not barred

48. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

49. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

Information about the Proposed Directors of the NBFC

INFORMATION ABOUT THE PROPOSED DIRECTOR/S OF THE NBFC		
Sr. No.	Particulars Required	Response
1.	Name	
2.	Designation	Chairman/Managing Director/ Director/Chief Executive Officer
3.	Nationality	
4.	Age (to be substantiated with date of birth)	
5.	Business Address	
6.	Residential Address	
7.	E-mail address/Telephone number	
8.	PAN under the Income Tax Act, 1961	
9.	Director Identification Number (DIN)	
10.	Social security number/Passport No.*	
11.	Educational/professional qualifications	
12.	Professional Achievement relevant to the job	
13.	Line of business or vocation	
14.	Any other information relevant to the NBFC	
15.	Name/s of other companies in which the person has held the post of Chairman/Managing Director/ Director/Chief Executive Officer	
16.	Name/s of the regulators (RBI, SEBI, IRDA, PFRDA, NHB or any other foreign regulator) of the entities mentioned in which the persons hold directorships	
17.	Name/s of the NBFCs, if any, with which the person is associated as Promoter, Managing Director, Chairman or Director, including a Residuary Non-Banking Financial Company, which has been prohibited from accepting deposits/ prosecuted by the Reserve Bank	
18.	Detail of prosecution, if any, pending or commenced or resulting in conviction in the past against the person and/or against any of the entities he is associated with for violation of economic laws and regulations	
19.	Cases, if any, where the person or relatives of the person or the companies in which the person is associated with, are in default or have been in default in the last 5 years in respect of credit facilities obtained from any entity or bank	

20.	If the person is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry of any professional occupation at any time	
21.	Whether the person attracts any of the disqualification envisaged under section 164 of the Companies Act, 2013?	
22.	Has the person or any of the companies, he/she is associated with, been subject to any investigation at the instance of the Government Department or Agency?	
23.	Has the person at any time been found guilty of violations of rules/regulations/legislative requirements by Customs/ Excise/ Income Tax/ Foreign Exchange/ Other Revenue Authorities? If so, give particulars	
24.	Experience in the business of NBFC (number of years)	
25.	Equity shareholding in the NBFC	
(i)	No. of shares
(ii)	Face value	₹.....
(iii)	Percentage to total paid-up equity share capital of the company
26.	Name/s of the companies, firms and proprietary concerns in which the person holds substantial interest	
27.	Names of the principal bankers to the concerns at 26 above	
28.	Names of the overseas bankers *	
29.	Whether number of directorships held by the person exceeds the limits prescribed under section 165 of the Companies Act, 2013	
		Signature:
	Date:	Name:
	Place:	Designation:
		Company Seal:

*** For foreign directors**

Note: Separate form shall be submitted in respect of each of the proposed directors

Declaration and Undertaking by Director

Name of the NBFC: _____

Declaration and Undertaking by Director (with enclosures as appropriate as on_____)	
I. Personal details of Director	
a. Full Name	
b. Date of Birth	
c. Educational Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address/Telephone Number	
h. Permanent Account Number under the Income Tax Act,1961 and name and address of Income Tax Circle	
i. Relevant knowledge and experience	
j. Any other information relevant to the Directorship of the NBFC	
II. Relevant Relationships of Director	
a. List of relatives, if any, who are connected with the NBFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of Companies Act, 2013)	
b. List of entities, if any, in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of Companies Act, 2013)	
c. List of entities in which he/she is considered as holding substantial	

interest as contained in <u>Definitions</u> in <u>Chapter I</u> of these Directions	
d. Name of NBFC in which he/she is or has been a member of the Board (giving details of period during which such office was held)	
e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC	
f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC/bank	
III. Records of professional achievements	
a. Relevant professional achievements	
IV. Proceedings, if any, against the Director	
a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/occupation at any time	
b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	

<p>d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of Companies Act, 2013?</p>	
<p>e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?</p>	
<p>f. Has the director at any time been found guilty of violation of rules/regulations/legislative requirements by customs/excise/ income tax/ foreign exchange/other revenue authorities? If so, give particulars</p>	
<p>g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.</p>	
<p>(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in to, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of Jurisdiction, etc., and not on merit. If the order of the regulator is temporarily stayed and the appellate/court proceedings are pending, the same also should be mentioned.)</p>	
<p>V. Any other explanation/information in regard to items I to III and other information considered relevant for judging 'fit and proper'</p>	
<p>Undertaking</p>	

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the Deed of Covenant required to be executed by all the directors of the NBFC.

Place:	Signature:
Date:	
VI. Remarks of Chairman of Nomination and Remuneration Committee¹ / Board of Directors of NBFC	
Place:	Signature:
Date:	

¹ Nomination Committee for Government NBFCs.

Form of Deed of Covenants with a Director of an NBFC

THIS DEED OF COVENANTS is made on this day of Two Thousand **BETWEEN** having its registered office at (hereinafter called the "NBFC") of the one part and Mr./Ms. of (hereinafter called the "Director") of the other part.

WHEREAS

1. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his/her appointment to enter into a Deed of Covenants with the NBFC.
2. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

- (i) The Director acknowledges that his/her appointment as director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.
- (ii) The Director covenants with the NBFC that:
 - (a) The Director shall disclose to the Board the nature of his/her interest, direct or indirect, if he/she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
 - (b) The Director shall disclose by general notice to the Board his/her other directorships, his/her memberships of bodies corporate, his/her interest in other entities and his/her

interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(c) The Director shall provide to the NBFC a list of his/her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.

(d) The Director shall in carrying on his/her duties as director of the NBFC:

(ii) use such degree of skill as may be reasonable to expect from a person with his/her knowledge or experience;

(iii) in the performance of his/her duties take such care as he/she might be reasonably expected to take on his/her own behalf and exercise any power vested in him/her in good faith and in the interests of the NBFC;

(iv) shall keep himself/herself informed about the business, activities and financial status of the NBFC to the extent disclosed to him/her;

(v) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his/ her obligations as director of the NBFC;

(vi) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;

(vii) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;

(viii) shall in exercise of his/her judgement in matters brought before the Board or entrusted to him/her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/her independent judgement; and

(ix) shall express his/her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his/her independent judgement;

(e) The Director shall have:

a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;

b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and

c) duty to acquire proper understanding of the business of the NBFC.

(f) The Director shall:

- a) not evade responsibility in regard to matters entrusted to him/her by the Board;
- b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he/ she shall forthwith disclose his/her concerns to the Board; and
- c) not make improper use of information disclosed to him/her as a member of the Board for his/her or someone else's advantage or benefit and shall use the information disclosed to him/her by the NBFC in his/her capacity as director of the NBFC only for the purposes of performance of his/her duties as a director and not for any other purpose.

(iii) The NBFC covenants with the Director that:

- i) the NBFC shall apprise the Director about:
 - a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - b) control systems and procedures;
 - c) voting rights at Board meetings including matters in which Director should not participate because of his/her interest, direct or indirect therein;
 - d) qualification requirements and provide copies of Memorandum and Articles of Association;
 - e) corporate policies and procedures;
 - f) insider dealing restrictions;
 - g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - h) appointments of Senior Executives and their authority;
 - i) remuneration policy;
 - j) deliberations of committees of the Board, and
 - k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- ii) the NBFC shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a Director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the

Board or any committee thereof;

iii) the disclosures to be made by the NBFC to the directors shall include but not be limited to the following:

- a) all relevant information for taking informed decisions in respect of matters brought before the Board;
- b) NBFC's strategic and business plans and forecasts;
- c) organisational structure of the NBFC and delegation of authority;
- d) corporate and management controls and systems including procedures;
- e) economic features and marketing environment;
- f) information and updates as appropriate on NBFC's products;
- g) information and updates on major expenditure;
- h) periodic reviews of performance of the NBFC; and
- i) report periodically about implementation of strategic initiatives and plans.

iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

v) advise the Director about the levels of authority delegated in matters placed before the Board.

(iv) The NBFC shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.

(v) The NBFC shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of the Reserve Bank and other concerned statutory and Governmental authorities.

(vi) The Director shall not assign, transfer, sublet or encumber his/her office and his/her rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.

(vii) The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor

shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

- (viii) Any and all amendments and/or supplements and/or alterations to this Deed of Covenants shall be valid and effectual, only if in writing and signed by the director and the duly authorised representative of the NBFC.
- (ix) This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the NBFC	Director	
By		
Name:	Name:	
Title:		
In the presence of:		
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