

Draft Reserve Bank of India (Non-Operative Financial Holding Company) Directions, 2025

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In exercise of the powers conferred by Section 45JA of the Reserve Bank of India Act, 1934, and all the powers enabling Reserve Bank on this behalf, the 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-Operative Financial Holding Company) Directions, 2025.
2. These Directions shall come into effect with immediate effect.

B. Applicability

3. These Directions shall apply to every Non-Operative Financial Holding Company (NOFHC) as defined in these Directions.

C. Definitions

4. In these Directions, unless the context otherwise requires, the terms used herein shall bear the meanings assigned to them below:

- (1) '*Consolidated capital funds*' means the Capital, Reserves and Surplus of the NOFHC determined on the consolidation of its subsidiaries, associates and joint ventures in accordance with the applicable Accounting Standards.
- (2) '*Non-Operative Financial Holding Company (NOFHC)*' means a non-deposit taking NBFC, which holds the shares of a banking company and the shares of all other financial services companies in its group, whether regulated by the Reserve Bank or by any other financial regulator, to the extent permissible under the applicable regulatory prescriptions.
- (3) '*Promoter*' means the person who together with his relatives [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under], by virtue of his ownership of voting equity shares, will be/ is in effective control of the bank / NOFHC, and includes, wherever applicable, all entities which form part of the Promoter Group.

Explanation: The term '*effective control*' means any arrangement whether in the form of shareholding or agreement or otherwise, which enables exercise of control.

(4) 'Promoter Group' includes:

- (i) the promoter;
- (ii) relatives of the promoter [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under]; and
- (iii) in case promoter is a body corporate:
 - (a) a subsidiary or holding company of such body corporate;
 - (b) any body corporate in which the promoter holds ten per cent or more of the equity share capital or which holds ten per cent or more of the equity share capital of the promoter;
 - (c) any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent or more of the equity share capital in that body corporate also holds twenty per cent or more of the equity share capital of the promoter;
 - (d) Joint venture/Associate (as defined in terms of InD AS 28) with the promoter;
 - (e) Related party (as defined in terms of InD AS 24) of the promoter; and
- (iv) in case the promoter is an individual:
 - (a) any body corporate in which ten per cent or more of the equity share capital is held by the promoter or a relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;
 - (b) any body corporate in which a body corporate as provided in (4) (i) above holds ten per cent or more, of the equity share capital;
 - (c) any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than ten per cent of the total; and
- (v) all persons who are declared as promoters in the Articles of Association of the bank/ group companies.
- (vi) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus (As per SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018) under the heading "shareholding of the promoter group";
- (vii) Entities sharing a common brand name with entities discussed in (iii) (a), (iii) (b), (iii) (c), (iii) (d), (iii) (e), where the promoter is a body corporate and (iv) (a), (iv) (b), (iv) (c) where the promoter is an individual;

Provided that a financial institution, scheduled commercial bank, foreign institutional investor or mutual fund shall not be deemed to be promoter group merely by virtue of the fact that ten per cent or more of the equity share capital of the promoter is held by such institution unless such investment is strategic in nature. the same meaning as stated in Master Direction on Know Your Customer (KYC).

Chapter II – Registration, Regulatory Structure and Shareholding

A. Registration

5. The NOFHC shall be registered with RBI as a non-banking financial company (NBFC).
6. A company seeking registration as an NOFHC shall first have received an in-principle approval for setting up a bank from the Reserve Bank. The application for registration of NOFHC shall be made with the requisite information and documents through [PRAVAAH](#) portal to Department of Regulation, Reserve Bank of India. The Certificate of registration for the NOFHC will be issued by Department of Regulation, Reserve Bank of India.

B. Regulatory Structure

7. The NOFHC will always remain in the Base Layer of the regulatory structure, as defined in Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

8. Not less than 51 per cent of the total paid-up equity capital of the NOFHC shall be owned by the Promoter / Promoter Group.

9. The NOFHC shall hold the bank as well as all the other financial services entities of the Group regulated by RBI or other financial sector regulators. The objective is that the Holding Company should ring fence the regulated financial services entities of the Group, including the bank, from other activities of the Group i.e. commercial, and financial activities not regulated by financial sector regulators and also that the bank should be ring fenced from other regulated financial activities of the Group.

10. Only those regulated financial sector entities in which the individual Promoter /s / group have significant influence or control will be held under the NOFHC.

Explanation: The significant influence or control would mean as defined under Accounting Standards InD AS 110 and InD AS 28.

11. The financial services entities whose shares are held by the NOFHC cannot be shareholders of the NOFHC. The financial entities held by the NOFHC will be governed by the applicable statutes and regulations prescribed by the respective financial sector regulators.

C. Shareholding

12. The capital structure of the NOFHC set up by Promoter / Promoter Group shall be as under:

- (1) The shareholding of the Promoter / Promoter Group in the NOFHC shall be only through individuals, non-financial services entities and Core Investment Companies in the Group. Consequently, no financial services entity in the promoter group, other than those specified above, shall be eligible to be a shareholder in the NOFHC.
- (2) Not less than 51 per cent of the total voting equity shares of the NOFHC shall be held by promoter/s / companies forming part of the Promoter Group. In case the shareholding is by companies of the promoter group, such companies shall preferably have a diversified shareholding.

Provided that ten or more unrelated individuals, each holding not more than ten percent shares in NOFHC, cannot act as promoters.

Explanation: The requirement is that not less than 51 per cent of the voting equity shares of the NOFHC shall be held by companies in the Promoter Group, in which the public hold not less than 51 percent of the voting equity of such companies. If ten independent individuals form a Group, then such a Group cannot satisfy the above criteria laid down for holding the NOFHC. Additionally, such newly formed Promoter Group would not be able to meet one of the 'Fit and Proper' criteria, which requires Promoters/Promoter Groups to have a successful track record of running their business for at least ten years. Essentially, the intention is that existing groups should set up banks and not groups set up for this purpose. However, it is clarified that individuals belonging to the Promoter Group can participate in the voting equity shares of NOFHC. While any such individual along with his relatives (as defined in Section 2(77) of the Companies Act 2013) and along with entities in which he and / or his relatives hold not less than 50 per cent of the voting equity shares, can hold voting equity shares not exceeding 10 per cent of the total voting equity shares of the NOFHC, all such individuals (along with their relatives and companies as specified above) irrespective of their numbers, cannot hold more than 49 per cent of the voting equity shares of the NOFHC (since the companies forming part of the Promoter Group whereof companies in which the public hold not less than 51 per cent of

the voting equity shares shall hold not less than 51 per cent of the total voting equity shares of the NOFHC)

(3) In case 51 per cent or more of promoter group shareholding in the NOFHC is held by individuals belonging to the Promoter Group, shareholding by each of such individual, along with his relatives [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under] and along with entities in which he and / or his relatives hold 50 per cent or more of the voting equity shares, shall not exceed 15 per cent of the total paid-up equity capital of the NOFHC per such individual. Not more than 49 per cent of the total voting equity shares of the NOFHC could be held by the non-promoters. However, shareholding by a single individual, who is not a promoter, along with his relatives [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under] and along with entities in which he and / or his relatives hold 50 per cent or more of the voting equity shares, shall not be more than 10 per cent of the total shareholding of the NOFHC.

(4) No shareholder, other than the promoters / promoter group, shall have significant influence and control in the NOFHC.

Explanation: Significant Influence and Control would mean as defined under Accounting Standards InD AS 110 and InD AS 28

(5) An LLP or trust cannot hold voting equity shares directly in the NOFHC but can hold indirectly through a company in the Promoter Group which holds voting equity shares of the NOFHC.

(6) A non-operating holding company that holds investments in unregulated financial sector entities and non-financial sector entities will be eligible to hold voting equity shares in the NOFHC. It will be required to be registered as a CIC or NBFC with RBI if it meets the stipulated criteria.

13. Any change in shareholding within the NOFHC, as a result of which a shareholder transfers / acquires five per cent or more of its total equity capital, from the date of grant of in-principle approval, shall be reported to RBI

14. The Promoters / Promoter Group entities / individuals associated with Promoter Group shall hold equity investment in the bank and other regulated financial entities in the group only through the NOFHC.

15. Non-voting capital shall not be reckoned for the purpose of calculation of promoter shareholding in the NOFHC/ bank. However, non-voting equity shares are subject to relevant laws/ SEBI guidelines. The non-voting capital in the NOFHC will be counted towards meeting prudential norms if it meets the eligibility criteria for inclusion in the regulatory capital as laid down in the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025.

16. An existing non-operating listed holding company will be eligible to promote a NOFHC/ hold shares in NOFHC, subject to the above directions.

Chapter III – Corporate Governance of NOFHC

17. The NOFHC should comply with the corporate governance guidelines as issued by RBI from time to time. Such guidelines shall include the following:

(1) No NOFHC shall have as a Director in its Board of Directors, any person who is a Director in any other NOFHC or a bank other than a banking company under it.

(2) No NOFHC shall be managed by any person-

- (i) who is a Director in any other company not being a subsidiary of the NOFHC or a company registered under Section 8 of the Companies Act, 2013 or
- (ii) who is engaged in any other business or vocation.

(3) NOFHC shall comply with such soundness standards in terms of corporate governance including 'fit and proper' criteria, as applicable to banks, as contained in Reserve Bank of India (Commercial Banks – Governance) Directions, 2025, to the extent appropriate.

(4) At least 50 per cent of the Directors of NOFHC shall be totally independent of the Promoter or Promoter Group entities and their major customers and major suppliers.

Explanation: Major customers and major suppliers of the promoter group would mean dealings with whom constitute 10 per cent or more of the annual purchases or sales or both taken together.

Provided that a director of the NOFHC being also a director on the Board of the bank held by it cannot be considered as independent director of the bank

(5) The Independent Directors referred to above shall have special knowledge or practical experience in respect of one or more of the following matters, namely,

- (i) Accountancy,
- (ii) Agriculture, rural economy and co-operation,
- (iii) Banking,
- (iv) Insurance,
- (v) Economics,
- (vi) Finance,
- (vii) Micro, Small and Medium Enterprises (MSME),
- (viii) Law; or,

(ix) any other matter, the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to NOFHC.

(6) NOFHC shall be managed professionally with adequate corporate governance standards.

(7) Ownership and management shall be separate and distinct in the NOFHC, the bank and entities regulated by RBI.

(8) The source of funds for Promoters' and Promoter Groups' equity in the NOFHC shall be transparent and verifiable.

(9) NOFHC shall ensure that there is a policy in place for ascertaining the 'fit and proper' criteria for appointment of Directors of the NOFHC.

(10) NOFHC shall undertake a process of due diligence to determine the suitability of the person for appointment and/or continuing to hold appointment as a Director on its Board based on qualification, expertise, track record, integrity and other 'fit and proper' criteria.

(11) NOFHC shall obtain from every Director, a Deed of Covenant and a declaration and undertaking in its favour, as may be specified by RBI.

(12) NOFHC shall obtain an annual declaration from its Directors that the information provided has not undergone change and where there is any change, obtain requisite details from them forthwith.

(13) NOFHC shall have a Nomination Committee to perform due diligence in respect of its Directors.

(14) Nomination Committee shall scrutinize Deed of Covenant and declaration and undertaking submitted by each of its Directors and on a continuing basis perform due diligence in respect of each of its Directors and the NOFHC shall report to the Reserve Bank if any of its directors fails to fulfill the 'fit and proper' criteria as specified by Reserve Bank from time to time.

(15) NOFHC shall have a Remuneration Committee of the Board to decide on the compensation payable to the key management executives of NOFHC.

Chapter IV – Prudential Norms for the NOFHC

18. The prudential norms will be applied to NOFHC both on stand-alone as well as on a consolidated basis. Some of the major prudential norms that are applicable are as under:

A. NOFHC on a stand-alone basis

19. Prudential norms for classification, valuation and operation of investment portfolio as specified under Reserve Bank of India (Commercial Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025

20. Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances as specified under Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025

21. The NOFHC for the purpose of its liquidity management can make investments in bank deposits, money market instruments, government securities and actively traded bonds and debentures besides lending to or investing in entities that are held under it.

Provided that Debt mutual funds are not covered under money market instruments.

22. The NOFHC shall create a reserve fund and shall, out of the balance of profit each year as disclosed in the profit and loss account and before any dividend is declared, transfer to the reserve fund a sum equivalent to not less than 25 per cent of such profit. Further, the reserves created under the Companies Act can be considered as part of the 25 per cent of the NOFHC's annual profits transferred to the Reserve Fund.

23. Any dividend proposed to be paid by the NOFHC to its shareholders shall be payable only out of the profits and further subject to meeting the following conditions:

- (1) Compliance with all prudential norms prescribed for the NOFHC both on stand-alone as well as consolidated level.
- (2) There are no serious observations by any of the regulators / supervisors of the NOFHC as well as of entities held under it.
- (3) The financial statements of the NOFHC both on stand-alone and consolidated level shall be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

24. The NOFHC shall closely monitor its liquidity position and interest rate risk. For this purpose, the NOFHC shall prepare a structural liquidity statement (SLS) and interest rate sensitivity statement (IRS) as specified under Reserve Bank of India (Commercial Banks – Asset Liability Management) Directions, 2025.

25. The NOFHC may have a leverage up to 1.25 times of its paid-up equity capital and free reserves. The actual leverage assumed within this limit should be based on the ability of the NOFHC to service its borrowings from its dividend income.

B. NOFHC on a consolidated basis

26. NOFHC shall maintain capital adequacy and other requirements on a consolidated basis based on the prudential guidelines specified under Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025.

27. The NOFHC shall prepare consolidated financial statements in terms of the instructions contained in Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) Directions, 2025. The NOFHC shall also compute consolidated capital adequacy ratio as indicated under Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025.

28. The consolidated NOFHC shall adhere to the instructions on disclosure in Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) Directions, 2025.

29. The consolidated NOFHC shall prepare a structural liquidity statement (SLS), interest rate sensitivity statement (IRS) as specified under Reserve Bank of India (Commercial Banks – Asset Liability Management) Directions, 2025.

C. Exposure Norms

C.1 Exposure Norms for stand-alone NOFHC

30. NOFHC shall not have any credit and investment (including investment in equity / debt capital instrument) exposure to any entity belonging to the Promoter Group except those held under it.

***Explanation:** ‘Debt capital instruments’ mean the debt instruments which have been treated as capital of the issuing entity, for the purpose of capital adequacy, by RBI*

31. NOFHC shall not have any equity, debt capital and credit exposure to any entity outside the Group including other NOFHCs or other banks, financial and non-financial entities.

32. NOFHC's exposure for the purpose of its liquidity management [please refer to paragraph 21] to non-Group entities will be within the extant exposure limits as per Reserve Bank of India (Commercial Banks –Concentration Risk Management) Directions, 2025.

C.2 Exposure Norms for consolidated NOFHC

33. The consolidated NOFHC shall adhere to all the exposure norms (as per Reserve Bank of India (Commercial Banks –Concentration Risk Management) Directions, 2025), on the consolidated basis such as large exposure framework, capital market exposure limit etc, as applicable to groups.

34. The consolidated NOFHC's investments in the capital instruments issued by banking, financial and insurance entities outside its Group together with the unconsolidated financial and insurance entities within the Group should not exceed 10 per cent of its consolidated capital funds.

Explanation: Unconsolidated means entities which are outside of the scope of regulatory consolidation.

Consolidated capital funds for regulatory purpose means the consolidated regulatory capital of the NOFHC under the regulatory scope of consolidation as per Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025 and Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) Directions, 2025.

C.3 Exposure norms for the bank held by the NOFHC

35. The bank cannot take any credit and investments (including investments in the equity/debt capital instruments) exposure on the Promoters / Promoter Group entities or individuals associated with the Promoter Group or the NOFHC.

36. The bank shall not invest in the equity / debt capital instruments of any financial entities under the NOFHC.

37. The bank's credit and investment (other than equity / debt capital instruments) exposure to financial entities under the NOFHC will be subject to Intra-Group

Transactions & Exposures (ITEs) norms as per Reserve Bank of India (Commercial Banks –Concentration Risk Management) Directions, 2025.

38. The bank cannot invest in the equity of other NOFHCs.

39. The bank's investments in equity / debt capital instruments of other banks / financial institutions including other NOFHCs shall be guided by the extant cross holding norms as per Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025.

40. The bank's permissible exposures will be as per extant exposure norms as specified under Reserve Bank of India (Commercial Banks –Concentration Risk Management) Directions, 2025.

41. Investment in equity by the bank in the entities engaged in financial and non-financial activities, outside the Promoter Group would be subject to a limit of 10 per cent of the investee entity's paid-up share capital or 10 per cent of the bank's paid-up share capital and reserves, whichever is less, and the aggregate of all such investments should not exceed 20 per cent of the bank's paid-up share capital and reserves.

C.4 Exposure norms for the financial entities (other than bank) held by the NOFHC

42. The financial entities held by the NOFHC shall adhere to the following overarching principles in order to avoid round tripping of funds and to avoid circular movement of funds in the banking group, such as:

(1)The financial entities held by NOFHC shall not have any credit and investments (including investments in the equity/debt capital instruments) exposure to the Promoters / Promoter Group entities or individuals associated with the Promoter Group or the NOFHC.

(2)The financial entities held by NOFHC shall not make investment in the equity / debt capital instruments amongst themselves.

(3)The entities held by the NOFHC cannot invest in equity instruments of other NOFHCs.

Chapter V – Non-Permitted Activities of an NOFHC

43. Apart from setting up the bank, the NOFHC shall not be permitted to set up any new financial services entity for at least three years from the date of commencement of business of the NOFHC. However, this would not preclude the bank from having a subsidiary or joint venture or associate, where it is legally required or specifically permitted by RBI.

44. The general principle for reorganization of the activities in the group is that all activities permitted to a bank under Section 6 (1) (a) to (o) of Banking Regulation Act, 1949 shall be carried out from the bank. In this context, it is clarified that:

- (1) RBI requires certain specialised activities, such as, insurance, mutual funds, stock broking, infrastructure debt funds, etc. to be conducted through a separate Subsidiary / Joint Venture / Associate structure;
- (2) There are certain activities such as credit cards, primary dealers, leasing, hire purchase, factoring, etc., which a bank can conduct either from within the bank or through a separate outside structure (Subsidiary / Joint Venture / Associate).

45. Accordingly, the activities at paragraph 44 (1) above and activities at 44 (2) above which are to be / proposed to be carried out outside the bank may be carried out through separate financial entities under the NOFHC.

46. However, if the Promoters desire to continue existing specialized activities from a separate entity proposed to be held under the NOFHC, prior approval from RBI would be required and it should be ensured that similar activities are not conducted through the bank.

47. Further, the activities not permitted to the bank would also not be permitted to the group i.e. entities under the NOFHC would not be permitted to engage in activities that the bank is not permitted to engage in.

48. The NOFHC, being a non-operative financial holding company, cannot hold physical assets belonging to the Group and charge for them on an arm's length basis. A holding company of the Promoter Group, which holds the NOFHC can undertake related businesses such as technology services or banking correspondent services or distribution services on its own, or through a subsidiary. If the non-operative holding company is a CIC or NBFC, the relevant directions shall be applicable.

49. NOFHC cannot provide any advisory services to any entity both within the Group and outside the Group.

50. The financial services entities of the Promoter Group which are not regulated by RBI or any other financial sector regulator cannot be brought under the NOFHC structure.

Chapter VI- Consolidated Supervision

51. RBI will have to be satisfied that the corporate structure does not impede the financial services entities held by the NOFHC from being ring fenced, that it would be able to supervise the bank, the NOFHC, and its Subsidiaries / Joint Ventures / Associates on a consolidated basis, and that, it will be able to obtain all required information relevant for this purpose, smoothly and promptly. However, the supervision of the entities held by the NOFHC will be by the respective sectoral regulators on solo basis.

Chapter VII – Repeal and Other Provisions

A. Repeal and Saving

52. With the issue of these Directions, the existing Directions, instructions and guidelines applicable to NOFHC 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.

53. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions and 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

54. 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

55. 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.

D. Exemptions

56. The Reserve Bank may, if it considers necessary for avoiding any hardship or for any other just and sufficient reason, grant extension of time to comply with or exempt any NOFHC, from all or any of the provisions of these guidelines either generally or for any specified period, subject to such conditions as the Reserve Bank of India may impose.