

A RULE FOR ALL RBI has proposed to not exclude government entities from rules that define an upper layer NBFC Layer may Get Transparent for Govt NBFCs

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Mumbai: State-owned non-banking financial companies, including Power Finance Corp, REC, Indian Railway Finance Corp, and Housing & Urban Development Corp, are likely to be classified as upper-layer NBFCs under the Reserve Bank of India's (RBI) proposed shift to an asset-size-based threshold, financial experts said.

Last week, the RBI proposed a significant overhaul of its framework for identifying upper-layer NBFCs (NBFC-UL), suggesting a move to a more transparent classification based on absolute asset size. Under the proposal, any NBFC with assets of ₹1 lakh crore qualify as upper layer, replacing the existing methodology that combines a top-ten asset ranking with a complex parametric scoring model.

Critically, the central bank has also

proposed removing the long-standing carve-out that shielded government-owned NBFCs from upper-layer classification—a change that would bring large state-owned entities under the same heightened oversight as their private peers, and marks a meaningful step toward ownership-neutral regulation.

The numbers make clear why these entities would comfortably cross the proposed threshold. As of December 2025, PFC had an asset base of ₹12 lakh crore, while REC stood at over ₹6 lakh crore. The government has separately proposed merging the two to create a large, consolidated power-sector lender. IRFC had assets of nearly ₹5 lakh crore and HUDCO approximately ₹1.3 lakh crore.

"Identification of upper-layer NBFCs by asset size provides clarity to all stakeholders, and the inclusion of government-owned entities on the basis of size indicates a more harmonised approach to classifica-



tion," said A M Karthik, senior vice president and co-group head, financial sector ratings, at Icra.

However, questions linger at the other end of the spectrum. It remains unclear whether entities such as Sammaan Capital and PNB Housing Finance—both currently in the upp-

er layer—could fall out of the classification under the revised framework, given that their asset bases may not comfortably exceed the ₹1 lakh crore floor.

Exit from the upper layer is not straightforward. "Regulatory clarity is needed on the exclusion of certain

NBFCs from the upper-layer category, because under the earlier norms there was a five-year lock-in once an entity was classified as upper layer. From the regulator's perspective, those that could reach upper-layer status within five years would likely be expected to remain on the list," said a senior NBFC official.

Entities designated as NBFC-UL are subject to enhanced regulatory requirements, and the list is reviewed annually. As per the RBI's January 2025 classification, the current upper-layer roster includes LIC Housing Finance, Bajaj Finance, Shriram Finance, Tata Sons (as a core investment company), Cholamandalam Investment and Finance, L&T Finance, Mahindra & Mahindra Financial Services, Aditya Birla Finance, Tata Capital, PIRAMAL Capital & Housing Finance, PNB Housing Finance, HDB Financial Services, Sammaan Capital, Muthoot Finance, and Bajaj Housing Finance.