

2nd List of Upper Layer NBFCs by RBI

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Why in News?

The Reserve Bank of India (RBI) released a list of 17 large (upper layer or UL) non-banking finance companies (NBFCs) for the year 2026-27.

- The list includes Tata Sons, subjecting them to enhanced regulatory requirements for at least 5 years and mandatory listing within 3 years of identification.
- Other companies that figure in the list are
 - REC Ltd,
 - Power Finance Corporation Ltd,
 - Indian Railways Finance Corporation Ltd,
 - Bajaj Finance,
 - Shriram Finance,
 - Tata Capital,
 - LIC Housing Finance and Cholamandalam Investment & Finance,
 - Muthoot Finance,
 - Aditya Birla Capital,
 - Housing & Urban Development Corporation,
 - Mahindra Financial Services,
 - L&T Finance,
 - Bajaj Housing Finance,
 - HDB Financial Services and Piramal Finance.
- The central bank's framework categorises NBFCs in the Base Layer (NBFC-BL), Middle Layer (NBFC-ML), Upper Layer (NBFC-UL) and Top Layer (NBFC-TL) and provides the criteria to identify the NBFCs in the Upper Layer.
- As per the RBI's framework of scale-based regulation, the UL will comprise those NBFCs that are specifically identified annually by it as warranting enhanced regulatory requirements as stringent as commercial banks.

- The UL consists of NBFCs having an asset size of Rs.100,000 crore and above as per the latest audited balance sheet for the financial year.
- In terms of the framework, once an NBFC is classified as NBFC-UL, it will be subject to enhanced regulatory requirements, at least for a period of 5 years from its classification in the layer, even in case it does not meet the criteria in the subsequent years.
- Non-banking financial companies are financial institutions registered under the Reserve Bank of India Act, 1934.
- NBFC is a financial company that provides banking services like loans, credit, and investments.
- It does not hold a full bank license.
- And they cannot accept demand deposits like banks or issue self-drawn cheques.
- Deposits with NBFCs are not insured by government backing like bank deposits.
- They are registered under the Companies Act and regulated by the Reserve Bank of India.

ABOUT NBFCs

(Non-Banking Financial Companies)



DEFINITION

A NBFC is a company registered under the Companies Act, 1956 or Companies Act, 2013.



FUNCTIONS

NBFCs are engaged primarily in lending, investment in securities, and leasing or hire-purchase activities.

DIFFERENCE BETWEEN FUNCTIONS OF NBFCs AND BANKS

	NBFCs	Banks
ACCEPTANCE OF DEPOSITS	NBFCs cannot accept demand deposits.	Banks can accept demand deposits.
PAYMENT & SETTLEMENT SYSTEM	NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself.	Banks form part of the payment and settlement system and can issue cheques drawn on itself.
DEPOSIT INSURANCE (DICGC)	Deposit insurance facility of DIGGC is not available to depositors of deposit taking NBFCs.	Deposit insurance facility of DIGGC is available to depositors.
RESERVE REQUIREMENTS	They are not required to maintain Reserve Ratios (CRR, SLR etc.).	Banks are required to maintain Reserve Ratios (CRR, SLR etc.).
FOREIGN INVESTMENT LIMIT	Foreign investment allowed is up to 100% .	Foreign investment allowed is up to 74% for private banks.



NBFCs play a vital role in complementing the banking system by addressing credit needs across sectors and segments.

Reference

[The Hindu | RBI releases NBFC-UL list](#)



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