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2nd List of Upper Layer NBFCs by RBI

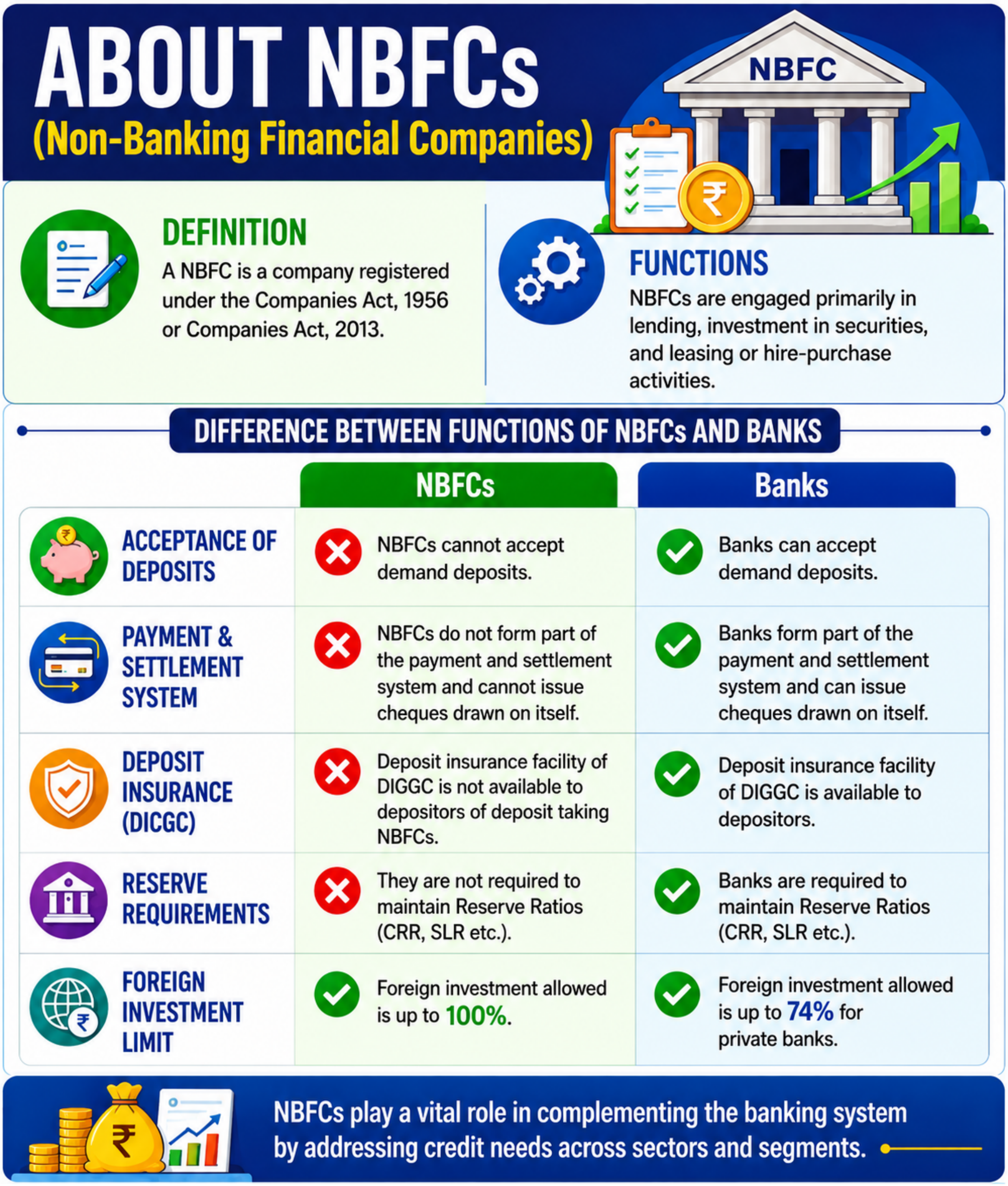
***Prelims:** Current events of national and international importance | Economy*

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.



Reference

[The Hindu | RBI releases NBFC-UL list]