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RBI issues PCA Framework for NBFCs

The Reserve Bank of India has today issued the Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs).

It may be recalled that the revised Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks (SCBs) was issued on November 2, 2021. NBFCs have been growing in size and have substantial inter-connectedness with other segments of the financial system. Accordingly, a PCA Framework for NBFCs has also been put in place to further strengthen the supervisory tools applicable to NBFCs. This shall apply to:

- a. All Deposit Taking NBFCs [Excluding Government Companies],
- b. All Non-Deposit Taking NBFCs in Middle, Upper and Top Layers [Excluding - (i) NBFCs not accepting/not intending to accept public funds; (ii) Government Companies, (iii) Primary Dealers and (iv) Housing Finance Companies].

The PCA Framework for NBFCs shall come into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022. A separate circular would be issued in due course with regard to applicability of PCA Framework to Government NBFCs.

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Warm Regards,

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