

Budget Special



# NBFC *FinSight*

*Credit to Credibility...*

## *Business & Compliance*

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## Newsletter





## Customer Interface in NBFCs: Regulatory Perspective and Recent Developments

In the evolving Indian financial system, the concept of customer interface has emerged as a crucial regulatory benchmark for Non-Banking Financial Companies (NBFCs), especially in the context of consumer protection and ethical financial conduct. Customer interface broadly refers to any direct interaction between an NBFC and its customers during the course of its business operations. Such interaction may occur through physical branches, digital platforms, mobile applications, call centres, business correspondents, or outsourced service providers. It typically includes activities such as customer onboarding, loan origination, servicing of accounts, collection and recovery processes, handling of customer grievances, and dissemination of information relating to products and services. The presence of a customer interface indicates that an NBFC is directly exposed to retail consumers, making it responsible for ensuring transparency, fairness, and accountability at every customer touchpoint. As often emphasised in regulatory philosophy, “customer trust is the foundation of financial stability”, and therefore entities dealing directly with customers are expected to adhere to higher standards of conduct. From a regulatory standpoint, NBFCs with customer interface are subjected to enhanced compliance requirements under the scale-based regulatory framework, irrespective of whether they accept public deposits. These entities are required to follow the Fair Practices Code, comply with Know Your Customer (KYC) and anti-money laundering norms, maintain effective grievance redressal mechanisms, and ensure ethical recovery practices. The underlying rationale is that direct customer engagement exposes individuals to risks such as mis-selling, non-transparent pricing, data privacy violations, and coercive recovery methods. In contrast, NBFCs that do not have a customer interface, such as investment or holding companies dealing only with group entities, are generally exposed to lower consumer-related risks and therefore face relatively lighter conduct-related obligations.

In recent years, the rapid expansion of digital lending and technology-driven NBFC models has further sharpened the regulatory focus on customer interface. The growing use of mobile applications and third-party digital platforms has increased concerns around data security, informed consent, undisclosed charges, and aggressive recovery practices. In response, the Reserve Bank of India has reinforced expectations around transparent loan disclosures, explicit customer consent for data usage, restrictions on outsourcing recovery functions, and accountability of NBFCs for actions taken by their agents or service providers. Recent supervisory signals and draft guidelines during 2025–26 also highlight stricter scrutiny of mis-selling of financial products and harassment by recovery agents, underscoring the regulator’s intent to strengthen consumer confidence in the financial system. The emphasis on customer interface thus goes beyond classification and directly influences governance standards, risk management practices, and compliance culture within NBFCs. In an increasingly digital and inclusive financial ecosystem, customer interface serves as a critical indicator of regulatory responsibility, ensuring that NBFC growth is aligned with customer welfare, ethical conduct, and long-term financial stability.

*“A strong customer interface is not merely an operational function, but a measure of an institution’s commitment to transparency, fairness, and consumer protection.”*

Warm regards,

**Dinesh Gupta**  
Chief Editor- NBFC FinSight

Regulatory  
Perspective and  
Recent  
Developments

Customer Interface in  
NBFCs





# Budget Special 2026-2027

## Key Special Provisions and Implications for NBFCs

### BUDGET SPECIAL 2026-2027

- **Systemic Role of NBFCs in Credit Intermediation:** The Union Budget 2026–27 reaffirmed the role of NBFCs as critical intermediaries in India’s credit ecosystem, particularly in segments where traditional banking penetration remains limited. Policy emphasis signals continued reliance on NBFCs for last-mile credit delivery and sector-specific financing.
- **Regulatory Architecture Review:** The Budget announced a structured review of financial sector regulations, including frameworks applicable to NBFCs. The objective is to recalibrate regulatory requirements in line with evolving risk profiles, scale, and complexity, while maintaining financial stability and depositor confidence.
- **Liquidity and Funding Environment:** Measures aimed at deepening domestic capital markets indirectly support NBFC funding stability. Improved corporate bond market depth and enhanced market-making mechanisms are expected to reduce rollover risk and diversify funding sources beyond bank borrowings.
- **Infrastructure and Long-Tenure Financing:** The Budget strengthened long-term infrastructure financing mechanisms, creating incremental opportunities for infrastructure-focused NBFCs. Emphasis on blended finance and structured credit products supports NBFC participation in projects with extended gestation periods.
- **MSME Credit Enablement:** Policy focus on MSME growth reinforces the relevance of NBFCs with specialized underwriting models. Budget initiatives supporting formalization, digital compliance, and credit guarantees improve risk assessment quality and credit scalability for NBFC lenders in this segment.
- **Long-Term Sector Stability:** The overarching Budget stance reflects an intent to balance innovation, growth, and prudential oversight in the NBFC sector.
- **Digital Public Infrastructure Integration:** Continued expansion of digital public infrastructure enhances NBFC access to verified borrower data. Budget emphasis on digital identity, consent-based data sharing, and interoperability strengthens credit appraisal efficiency, fraud detection, and onboarding processes.
- **Risk Management and Governance Expectations:** The Budget underscored the importance of robust governance standards across financial intermediaries. NBFCs are expected to further institutionalize enterprise risk management, asset-liability monitoring, stress testing, and board-level oversight aligned with scale and systemic importance.
- **Foreign Capital and Investment Framework:** Announced rationalization of non-debt foreign investment rules improves clarity and predictability for foreign investors in NBFCs. Simplified compliance and harmonized norms are expected to enhance cross-border capital flows into regulated lending entities.
- **Asset Quality and Credit Discipline:** Budget messaging emphasized sustainable credit growth over volume-driven expansion. This reinforces supervisory expectations on prudent underwriting, early recognition of stress, and disciplined provisioning practices within NBFC balance sheets.
- **Green and Transition Finance:** Policy support for climate-aligned financing opens new asset classes for NBFCs. Budget measures encourage development of green credit products, energy transition financing, and sustainability-linked lending, particularly in mobility, renewable energy, and resource efficiency sectors.
- **Financial Inclusion and Priority Segments:** NBFCs continue to be positioned as execution partners for financial inclusion objectives. Budget direction supports expansion of formal credit to underserved households, self-employed individuals, and small enterprises through regulated non-bank channels.

# Union Budget 2026-27: Key Technical Takeaways for NBFCs

## Systemic Role of NBFCs



Vital credit intermediaries  
facilitating financial inclusion

## Regulatory Reforms



Recalibrating regulatory  
frameworks

## Liquidity & Market Funding

- Strengthening market  
funding mechanisms

- Enhancing securitization and bond  
market dynamics



## MSME Credit Enablement



- Boosting credit access to MSMEs
- Deploying credit guarantees and

## Infrastructure & Sustainable Financing



- Introducing incentives for  
sustainable financing

## Rural & Agri Financing



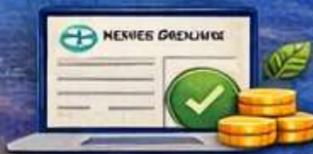
- Expanding rural credit  
schemes for agri value

## Foreign Investment Norms



- Simplifying entry norms  
for foreign investors

## Strengthening Credit Bureau & Reporting



- Bolstering the credit  
reporting ecosystem
- Improving data accuracy  
and credit assessment

## Consumer Protection



- Safeguarding borrower rights  
Enhancing transparency

## Fintech Innovation & Integration



- Promoting digital  
partnerships and solutions
- Adapting new technologies  
for financial services mechanisms



# Internal Ombudsman 2.0: RBI Tightens the Accountability Loop for NBFCs in 2026

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

## Internal Ombudsman 2.0

No Customer Complaint to be Rejected

Enhanced Independence of the IO Function

Fully Automated Complaint Management System

The Reserve Bank of India has taken a decisive step towards strengthening consumer protection and institutional accountability with the issuance of the Reserve Bank of India (Non-Banking Financial Companies-Internal Ombudsman) Directions, 2026. The new framework marks a significant evolution in the grievance redress architecture for NBFCs, reinforcing the regulator’s message that customer complaints are not operational irritants, but early warning signals of governance and conduct failures.

Under the 2026 Directions, the Internal Ombudsman (IO) is firmly positioned as the apex authority within the NBFC’s internal grievance redress mechanism.

**The intent is clear: no customer complaint can be rejected or only partially resolved without an independent, senior-level review anchored in fairness, equity, and natural justice.** By mandating a structured “review before rejection,” the RBI has closed a long-standing gap where complaints were often disposed of without sufficient internal challenge. Applicability has been carefully calibrated. Deposit-taking NBFCs with ten or more branches, and non-deposit taking NBFCs with asset size of ₹5,000 crore and above and a public customer interface, are now squarely within the framework. Importantly, NBFCs crossing the threshold after March 31, 2025, are given a six-month window to comply, underscoring RBI’s expectation of readiness rather than reactive compliance. The Directions substantially elevate the stature, independence, and continuity of the IO function. Eligibility criteria emphasise regulatory and sectoral experience, strict conflict-of-interest safeguards, fixed tenure, and protection of service conditions. The requirement that the IO be a permanent invitee to Board meetings, coupled with mandatory reporting on complaint trends and root causes, embeds customer outcomes directly into boardroom deliberations.

Equally significant is the shift towards system-driven accountability. NBFCs are now required to implement a fully automated complaint management system with auto-escalation of all partially resolved or wholly rejected complaints to the IO within defined timelines. The insistence on “reasoned decisions” and disclosure to customers that their complaint has undergone IO review enhances transparency and strengthens the credibility of internal redress mechanisms.

The framework also sharpens supervisory consequences. Decisions of the IO can be overruled only by the Competent Authority and must be placed before the Board for review. Further, cases where the RBI Ombudsman subsequently rules in favour of the complainant are to be analysed and presented to the Board, ensuring that supervisory outcomes translate into institutional learning.

At a broader level, the 2026 Directions signal a paradigm shift. Customer grievance redress is no longer viewed as a back-office compliance function but as a core governance responsibility. For NBFCs, effective implementation will require more than appointing an IO-it will demand cultural alignment, senior management engagement, and a willingness to treat complaints as catalysts for corrective action. In the RBI’s evolving supervisory philosophy, how an NBFC handles its dissatisfied customers may increasingly determine the regulator’s trust in the institution itself.

### Key Highlights

- Mandatory Internal Ombudsman review before rejection or partial resolution of customer complaints
- Stronger Board oversight, fixed tenure, and enhanced independence of the IO function
- Fully automated complaint management system with defined escalation timelines





# RBI Reinforces Transparency: Key Facts Statement (KFS) Now Mandatory for MSME & Retail Loans

By: CA Kanika Gupta

## Key Facts Statement (KFS)

### Standardized RBI-Prescribed Format

### Mandatory Evaluation Period for Borrowers

The Reserve Bank of India has reiterated and strengthened its regulatory stance on borrower transparency by making the Key Facts Statement (KFS) mandatory for all MSME and retail term loan products, with a limited exception only for credit cards. These updated requirements significantly raise the bar for disclosure, borrower understanding, and consent placing greater compliance responsibility on lenders across the ecosystem. The revised framework is not just a documentation update; it reshapes how loan terms are communicated, acknowledged, and enforced throughout the loan lifecycle. Lenders must now ensure that borrowers are fully informed before they commit and that any deviation from disclosed terms is explicitly approved.

#### What's Changing and Why It Matters

**Mandatory KFS Across MSME and Retail Loans:** The RBI has clearly stated that all MSME and retail term loans must include a Key Facts Statement. If your current loan workflows digital or offline do not include a KFS, this is no longer optional. The only carve-out applies to credit card products, which remain exempt.

**Standardized RBI-Prescribed Format:** To eliminate ambiguity and inconsistent disclosures, the RBI has introduced a standardized KFS format, along with prescribed attachments under Annexures A, B, and C. Lenders must align their existing KFS documents to this structure. This means revisiting templates, system fields, and disclosures to ensure full compliance with the mandated format.

**Local Language Requirement for Accessibility:** In a strong push toward financial inclusion, the RBI now requires lenders to provide the KFS in a language understood by the borrower. This change is aimed at ensuring borrowers genuinely comprehend the loan terms, rather than merely signing English-only documents. Operationally, this may require multilingual templates, translations, and system-level language selection.

**Borrower Acknowledgement Before Loan Agreement:** Lenders must obtain an explicit acknowledgement from the borrower confirming that they have read and understood the KFS. Crucially, this acknowledgement must be collected before the loan agreement is shared. This step reinforces informed consent and creates a clear compliance checkpoint in the loan journey.

**KFS Embedded in the Loan Agreement:** The KFS must also be included within the loan agreement itself, presented as a summary box. This ensures that the core loan terms remain front and center, even at the execution stage.

**No Changes Without Explicit Consent:** Any deviation between the KFS and the final loan agreement is strictly prohibited. Further, if loan terms are modified at any point during the loan tenure, lenders must obtain explicit borrower consent. Silent changes or implied acceptance will no longer suffice.

**Mandatory Evaluation Period for Borrowers:** Borrowers are now entitled to a cooling-off period to evaluate the loan offer:

- At least 3 days for loans with tenure exceeding one week
- At least 1 day for loans with tenure of less than one week

This period allows borrowers to accept or reject the terms without pressure, reinforcing fair lending practices.

#### What Lenders Should Do Next

These changes demand updates across product design, documentation, technology systems, and customer communication. Lenders should immediately review their loan workflows to ensure KFS generation, multilingual support, consent capture, and audit trails are fully compliant.





# Strengthening Digital Consent Mechanisms

## Clickwrap Is Not Enough: Strengthening Digital Consent Mechanisms

By: CA Isha Gandhi

As digital lending continues to scale, borrower consent has become one of the most scrutinized areas in regulatory audits. Many fintechs and digital lenders still rely heavily on clickwrap consent a simple “I agree” checkbox to evidence borrower approval. However, recent regulatory expectations make it clear that clickwrap alone is no longer sufficient.

Regulators are shifting focus from formal consent to informed, explicit, and provable consent. The distinction is subtle but critical and it is where many fintechs are currently exposed.

### Why Clickwrap Falls Short

Clickwrap mechanisms are efficient, but they often fail to demonstrate that the borrower:

- *Actually read the key disclosures*
- *Understood the financial implications*
- *Gave consent that was free, specific, and unambiguous*

In audit scenarios, regulators frequently ask not just whether consent was taken, but how it was taken. A single checkbox buried at the end of a digital flow raises questions around disclosure fatigue, coercive design, and passive acceptance.

### Common Audit Vulnerabilities for Fintechs

#### 1. Weak Link Between Disclosure and Consent

Many platforms present key documents such as sanction letters via hyperlinks without ensuring they were opened or reviewed. Consent is captured, but there is no evidence that disclosures were meaningfully presented before acceptance.

#### 2. No Proof of Borrower Understanding

Acknowledgement of understanding is increasingly expected, not just acceptance. Fintechs often lack a mechanism that confirms the borrower has reviewed and understood the terms, particularly in high-risk areas like pricing, penalties, and prepayment clauses.

#### 3. Inadequate Audit Trails

Screenshots of consent screens are not enough. Regulators expect time-stamped logs, document versions, IP/device data, and clear sequencing showing that consent followed disclosure not the other way around.

#### 4. One-Size-Fits-All Consent Flows

Uniform consent journeys across products and borrower segments can be risky. MSME borrowers, first-time borrowers, and regional-language users may require enhanced disclosures and acknowledgements.

#### 5. Consent Without Cooling-Off

Where cooling-off or evaluation periods are mandated, instant clickwrap acceptance undermines the intent of the regulation. Consent collected without respecting these periods may be considered invalid.



Common Audit Vulnerabilities for Fintechs

One-Size-Fits-All Consent Flows





# A Stronger Safety Net for Credit Information Customers

By: Dr. Wishey Kataria

## A Stronger Safety Net for Credit Information Customers

India's credit information ecosystem just received a meaningful upgrade. A new regulatory framework now places sharper focus on how customer complaints are reviewed, challenged, and finally resolved within Credit Information Companies (CICs). At its core, the framework strengthens internal accountability by mandating an apex-level review before a complaint can be rejected or only partially resolved. This is not just a procedural tweak; it is a signal that fairness, transparency, and **consumer trust sit at the centre of the credit information system**. The new Directions institutionalise the role of an Internal Ombudsman (IO) and, where required, a Deputy Internal Ombudsman (Dy. IO) within every CIC. These officers are positioned as independent reviewers, distinct from day-to-day business operations, and empowered to reassess complaints that customers may otherwise feel have been closed too quickly or without adequate reasoning. By introducing this additional layer of scrutiny, the framework aims to reduce avoidable escalations to external forums and encourage resolution at the source. One of the most notable aspects of the framework is its emphasis on independence and credibility. The IO and Dy. IO must be seasoned professionals with deep experience in banking, finance, regulation, credit information, or consumer protection. They cannot be current or former employees of the CIC or its group entities, and their tenure, remuneration, and removal are protected through board-level oversight. This structure is designed to ensure that decisions are guided by principles of fairness, equity, and natural justice rather than organisational pressure. Technology also plays a central role. **CICs are required to operate a fully automated complaints management system** with clear outcome categories: fully resolved, partially resolved, or wholly rejected. Any complaint that is not fully resolved must be automatically escalated to the IO within a defined timeline. This removes discretion at the operational level and ensures that customers benefit from a consistent, time-bound review process.

IO must be a reasoned one, clearly communicated to the complainant.

Beyond individual complaints, the framework pushes CICs to learn from patterns. The IO's office is expected to analyse complaints periodically across categories, geographies, and customer segments, and feed these insights back into policy, systems, and staff training. This transforms grievance redress from a reactive function into a tool for continuous improvement.

The board of the CIC, through **its Consumer Protection Committee, is given a clear supervisory role**. The IO becomes a permanent invitee to committee meetings, and any instance where management overrules an IO decision must be reviewed at the board level. This creates a visible governance trail and reinforces the seriousness of internal grievance mechanisms.

### At a glance, the framework delivers three big shifts:

- A mandatory, independent internal review before complaints are closed against customers
- Strong governance safeguards to protect the autonomy and stature of the Internal Ombudsman
- Systematic use of complaint data to drive policy correction and staff awareness

For customers, this means greater confidence that their concerns will receive a fair hearing. For CICs, it raises the bar on internal processes, documentation, and decision-making quality. Over time, the framework is likely to reduce friction, improve data integrity, and strengthen trust in the credit information system as a whole.

In a landscape where credit data increasingly shapes financial access and opportunity, these changes mark an important step toward balancing efficiency with empathy, and regulation with responsibility.

Customer-Centric Resolution with CICs

Systematic Use of Complaint Data





# The Trust Infrastructure Model- Internal Ombudsman

- By CS Sagrika Jayee - DSB Law Group

## The Trust Infrastructure Model

### Internal Ombudsman

### Structures of foundations

In the evolving landscape of corporate governance, compliance alone is no longer sufficient to sustain institutional credibility. Modern enterprises require structured systems that do not merely resolve grievances but transform them into strategic governance insights. The Trust Infrastructure Model - Internal Ombudsman 2.0 represents a shift from reactive complaint handling to proactive institutional risk management. Internal Ombudsman 2.0 is designed as an independent governance architecture embedded within the organizational framework yet structurally insulated from operational influence. It functions not merely as a redressal authority but as a Trust Infrastructure - a systemic mechanism that safeguards ethical standards, reinforces accountability, and strengthens stakeholder confidence. This model recognizes that unresolved grievances are not isolated events but early indicators of structural gaps, cultural vulnerabilities, or compliance deficiencies.

At its core, the Trust Infrastructure Model operates on three foundational pillars.

#### **First, Structural Independence and Governance Integrity.**

The effectiveness of an Internal Ombudsman depends on functional autonomy. Ombudsman 2.0 is positioned with direct visibility to the Board or an independent oversight committee, ensuring freedom from operational pressure. This structural separation eliminates conflict of interest and enhances credibility among employees, customers, and other stakeholders. The Ombudsman's authority extends beyond dispute resolution to policy recommendations and governance advisories, creating a system where ethical oversight is embedded at the highest institutional level.

#### **Second, Grievance Intelligence and Risk Analytics.**

Traditional grievance mechanisms close complaints after resolution. Ombudsman 2.0 converts grievance data into governance intelligence. Through systematic documentation, categorization, and

pattern analysis, it identifies recurring operational weaknesses, compliance gaps, or behavioral risks. Complaint trends are mapped against departments, timelines, and severity metrics to develop early warning indicators. This intelligence-driven approach transforms grievances into predictive risk signals, enabling leadership to act before minor disputes escalate into regulatory or reputational crises.

#### **Third, Accountability Feedback and Trust Capital Formation.**

Resolution alone does not build trust; transparency and systemic correction do. The Trust Infrastructure Model incorporates a structured feedback loop that mandates root cause analysis and policy refinement. Recommendations arising from Ombudsman interventions are documented, reviewed, and monitored for implementation. Over time, this cycle builds measurable trust capital reflected in reduced complaint recurrence, improved stakeholder satisfaction, and enhanced institutional reputation. Trust becomes quantifiable, not abstract.

Internal Ombudsman 2.0 therefore shifts the narrative from compliance obligation to governance strategy. It aligns dispute resolution with enterprise risk management, board oversight, and long-term brand sustainability. In sectors such as financial services, real estate, and large family-owned enterprises undergoing structural transformation, this model becomes particularly critical. It assures regulators of procedural fairness, assures customers of impartial hearing, and assures leadership of systemic stability.

Ultimately, the Trust Infrastructure Model positions the Internal Ombudsman as the ethical nerve centre of the organization - a mechanism that converts conflict into clarity, grievances into governance intelligence, and accountability into enduring institutional trust.





# TRAI Mandate: The Transition to 1600 Series for Financial Communications

- By CS Priyanka Chaturvedi & CS Harshita Hetawal- DSB Law Group

## The Transition to 1600 Series for Financial Communications

Financial empowerment of rural and underserved communities is a critical step toward inclusive and sustainable economic growth. Despite contributing significantly to agriculture, small businesses, and local economies, many individuals in these communities remain outside the formal financial system. Limited access to banking services, lack of financial literacy, and dependence on informal credit sources often hinder their progress. NBFCs play a vital role in bridging this gap by offering tailored financial solutions and spreading awareness.

One of the most important aspects of financial empowerment is access to affordable and timely credit. Rural households and small entrepreneurs often face challenges in obtaining loans from traditional banks due to lack of collateral, irregular income patterns, or limited documentation. NBFCs address this issue by designing flexible loan products for farmers, self-employed individuals, micro-entrepreneurs, and small traders. By providing credit for agriculture, education, healthcare, and small businesses, NBFCs help individuals meet **immediate needs** while also enabling long-term income generation and stability.

Another key pillar of **empowerment is financial literacy and awareness**. Many people in underserved areas are unaware of basic financial concepts such as interest rates, repayment schedules, savings, insurance, and credit scores. This lack of knowledge can lead to over-indebtedness or dependence on high-cost informal lenders. Through awareness programs, community outreach, and simple communication, NBFCs educate customers on responsible borrowing, timely repayments, and money management. Financial literacy empowers individuals to make informed decisions, protect themselves from financial fraud, and build a secure future for their families.

Category	Classification	Deadline for Compliance
<b>RBI Regulated (Phase I)</b>	Commercial Banks (Public, Private, & Foreign)	January 1, 2026 (Past)
<b>RBI Regulated (Phase II)</b>	Large NBFCs (Asset Size >₹5,000 Cr), SFBs, & Payments Banks	February 1, 2026
<b>RBI Regulated (Phase III)</b>	Base Layer NBFCs, Co-operative Banks, & RRBs	March 1, 2026
<b>Other BFSI Entities</b>	Mutual Funds, AMCs, CRAs, and Insurers	February 15, 2026

The TRAI 1600 series mandate applies only to regulated banks and NBFCs for transactional and service-related voice calls, while unregulated entities like private corporates, retail businesses, and tech firms are excluded. Promotional or marketing calls by any entity must continue using the 140 series, as the 1600 prefix is strictly prohibited for sales. After the deadline, financial institutions can no longer use regular 10-digit numbers for automated service calls, **must register their 1600 headers on the DLT platform** for verified caller name display and continue complying with RBI's dual-channel notification rules by sending transaction alerts via both telecom channels and registered email. For customers, the change improves safety by making genuine financial calls easier to identify and reducing the risk of fraud or vishing.

**TRAI's 1600-Series Mandate: Before January 1, 2026**

Empowerment is Financial Literacy & Awareness.

Register of 1600 headers on the DLT platform





# RBI Proposes Regulatory Relief for Smaller NBFCs to Ease Compliance Burden

*By- VK Sareen, Executive Director- Credifin Limited*

The Reserve Bank of India has proposed a set of regulatory relaxations for certain categories of smaller Non-Banking Financial Companies (NBFCs), marking a significant step toward proportional regulation and improved ease of doing business. The proposal is aimed at reducing unnecessary compliance requirements for NBFCs that do not accept public funds or maintain a direct customer interface, while enabling the regulator to focus supervisory attention on entities that pose higher systemic or consumer risk.

Under the proposed framework, select NBFCs operating in a limited capacity—such as investment holding companies, group treasury entities, or back-end financial service providers—may be exempted from mandatory registration requirements. These entities typically function within closed corporate structures and do not deal directly with retail customers or public deposits. Despite their low-risk profile, they have historically been required to comply with the same baseline regulatory processes as customer-facing NBFCs. By revisiting this approach, the RBI is acknowledging that uniform regulation can impose disproportionate compliance costs without delivering meaningful risk mitigation.

In parallel, the RBI has proposed **easing branch expansion norms for eligible NBFCs**. Currently, NBFCs often need regulatory approval or prior intimation to open new branches, even when such branches are established purely for administrative, operational, or internal control purposes. The proposed relaxation would allow qualifying NBFCs to expand their branch network with greater autonomy, particularly where there is no customer interaction involved. This is expected to improve operational flexibility, reduce procedural delays, and support business scalability without compromising regulatory oversight.

The proposals are rooted in the principle of risk-based regulation, which has become central to the RBI’s supervisory philosophy. NBFCs that neither accept public funds nor interact with customers present minimal risks from a financial stability or consumer protection standpoint. Subjecting such entities to full-scale prudential, reporting, and conduct requirements can divert both regulatory and institutional resources away from higher-risk segments such as retail lending, digital loan origination, and interconnected credit exposures.

From an industry perspective, the proposals are likely to be well received, especially by smaller NBFCs and corporate groups that operate multiple financial entities for internal financing or investment purposes. At the same time, the RBI’s scale-based regulation approach ensures that systemically important and retail-facing NBFCs continue to remain under robust supervisory oversight.

Overall, the proposed measures reflect the RBI’s evolving regulatory approach - one that seeks to balance financial stability, consumer protection, and operational efficiency. By refining the regulatory perimeter and aligning compliance requirements with actual risk exposure, the central bank aims to foster a more efficient, focused, and resilient NBFC sector.

## Key Highlights

- Exemption from mandatory registration proposed for smaller NBFCs with no public fund exposure or customer interface
- Simplified branch expansion norms to enhance operational flexibility for eligible NBFCs
- Continued regulatory oversight ensured through clearly defined eligibility criteria and risk-based supervision

Regulatory Relief for Smaller NBFCs

Simplified Branch Expansion

Continued Regulatory Oversight





# RBI's Liquidity Management Framework

## RBI's Liquidity Management Framework and Market Transmission

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

The Reserve Bank of India has a comprehensive set of liquidity management tools to ensure that overnight system liquidity remains closely aligned with the policy repo rate and that monetary policy signals are transmitted efficiently across financial markets. These instruments allow the central bank to respond dynamically to evolving liquidity conditions, manage short-term interest rate volatility, and anchor market expectations. At the core of this framework is the Liquidity Adjustment Facility (LAF), through which the RBI injects or absorbs liquidity on an overnight basis using repo and reverse repo operations. By modulating liquidity through the LAF, the RBI steers the weighted average call rate toward the policy repo rate, which serves as the operating target of monetary policy. This alignment is critical for ensuring that changes in the policy rate are quickly reflected in short-term money market rates. In addition to overnight operations, the RBI employs term repos and variable rate reverse repos to manage durable liquidity conditions. Term repos provide liquidity to banks for longer tenors, helping address transient mismatches without distorting overnight rates. Variable rate reverse repos, on the other hand, allow the RBI to absorb surplus liquidity in a market-driven manner, improving rate discovery and reinforcing monetary transmission.

The RBI also uses Open Market Operations (OMOs) to influence system liquidity on a more enduring basis. Through the outright purchase or sale of government securities, OMOs enable the central bank to inject or withdraw liquidity from the banking system in response to structural liquidity surpluses or deficits. These operations play a key role in maintaining orderly market conditions and supporting the smooth functioning of the government securities market. Complementing these tools are standing facilities such as the Marginal Standing Facility (MSF) and the Standing Deposit Facility (SDF).

### RBI

### ANNOUNCES SPECIAL MEASURES TO IMPROVE LIQUIDITY CONDITIONS



The MSF acts as a safety valve, allowing banks to borrow overnight funds from the RBI at a rate above the policy repo rate, thereby containing spikes in short-term rates. The SDF provides a floor to the interest rate corridor by enabling the RBI to absorb liquidity without collateral, strengthening its ability to manage excess liquidity conditions.

Together, these liquidity instruments form an integrated framework that allows the RBI to fine-tune liquidity, stabilize short-term interest rates, and ensure effective transmission of monetary policy across money, bond, and credit markets.

#### Key Highlights

- Multiple liquidity tools used to align overnight rates with the policy repo rate
- Combination of overnight, term, and durable liquidity instruments for flexibility
- Strong interest rate corridor supported by MSF and SDF for market stability

Multiple Liquidity Tools

Strong Interest Rate Corridor





NBFC Compliance Calender

FEB-26		Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance	
07-Feb	Monthly TCS Payment	Taxpayers collecting TCS for the month of Jan 26					
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Jan 26					
11-Feb			GSTR-1 Filing (Monthly):	For taxpayers with annual turDecer > ₹1.5 crore or who have opted for monthly filing.			
13-Feb			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Jan 26 (Optional)			
15-Feb	ESI Challan	Employers registered under ESI Act for the month of Jan 26			DNBS-4B Return	Base Layer NBFC with Asset Size of 100 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return of Structural Liquidity & Interest Rate Sensitivity	
	PF Challan (ECR)	Employers registered under EPF Act for the month of Jan 26					
	Form 16A	Issue of TDS Certificates in Form 16A for Oct to Dec 2025					
20-Feb			GSTR-3B (Monthly)	For taxpayers with:			
				Annual turnover > ₹5 crore, or Opted for monthly filing			
25-Feb			GST (Quarterly Filers)	GST Challan Payment if no sufficient ITC for Jan 2026			
28-Feb					DNBS08 – CRILC-Main	Base Layer NBFC with Asset Size of 500 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return for Large Credits & SMA	

February-2026





NBFC Compliance Calender

March-2026

Mar-26	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
02-Mar	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Jan 2026				
07-Mar	Monthly TCS Payment	Taxpayers collecting TCS for the month of Feb 26				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Feb 26				
10-Mar	Income Tax Return	Income Tax Returns for Non -Corporates who needs Audit and Corporates for FY 2024-25				
11-Mar			GSTR-1 Filing (Monthly):	For taxpayers with annual turDecer > ₹1.5 crore or who have opted for monthly filing.		
13-Mar			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Feb 26 (Optional)		
15-Mar	ESI Challan	Employers registered under ESI Act for the month of Feb 26			DNBS-4B Return	Base Layer NBFC with Asset Size of 100 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return of Structural Liquidity & Interest Rate Sensitivity
	PF Challan (ECR)	Employers registered under EPF Act for the month of Feb 26				
	Advance Income Tax	Advance Income tax for Jan to Mar 2026 (3rd Installment)				
	Form 13	(Nil/Lower TDS ) for FY 2025-26				
20-Mar			GSTR-3B (Monthly)	For taxpayers with: Annual turover > ₹5 crore, or Opted for monthly filing		
			CMP 02	Composition Scheme for FY 2026-27 (Duration end)		
25-Mar			GST (Quaterly Filers)	GST Challan Payment if no sufficient ITC for Feb 2026		
30-Mar	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Feb 2026			DNBS08 – CRILC-Main	Base Layer NBFC with Asset Size of 500 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return for Large Credits & SMA
31-Mar	Updated ITR	Last date for updated ITR for FY 2024-25				





# NBFC Compliance Calender

## Compliance Required

S No.	In addition to:	COMPLIANCE REQUIRED
1	Statutory Compliance Board Meetings	<b>All NBFC</b> -Quarterly meetings discussing regulatory updates-4 times a year as per Companies Act
2	FEMA Foreign Investment Reporting	<b>NBFCs with FDI</b> -Report any foreign direct investment (FDI) transactions to RBI on Monthly Basis as per FEMA and RBI FDI Guidelines
3	Customer Complaint Tracking	<b>All NBFC's</b> -Maintain records of customer grievances and resolutions as per RBI guidelines on Monthly Basis as per RBI Fair Practices Code
4	CERSAI Reporting (Central Registry of Securitization and Asset Reconstruction)	<b>NBFCs engaged in secured lending</b> -reporting securitization and asset reconstruction transactions on Weekly Basis as per SARFAESI Act
5	CKYC Uploads	<b>All NBFCs</b> onboarding new customers-Reporting new customer onboarding under Central KYC on Weekly Basis as per CKYC RBI Circular
6	FIU-IND Reporting (Suspicious Transaction Reporting - STR)	<b>All NBFCs</b> -Submission of suspicious transaction reports to FIU-IND on Weekly basis as per Prevention of Money Laundering Act
7	DNBS10 (Statutory Auditors Certificate)	<b>All NBFCs &amp; Asset Reconstruction Companies (ARCs)</b> - Confirmation of Compliance with RBI Norms -Within 5 days from the approval of financial Statement by the Board of Directors but not maximum by 31st of December, 2025
8	DNBS09 - CRILC-Weekly	<b>Base Layer NBFC with Asset Size of 500 Crore and Above, Middle Layer NBFCs</b> -Return for Large Credits & SMA to be filed on or before Wednesday of the following week



# Editorial & Contributor Panel



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DSB Law Group



**CA Kanika Gupta**  
Chief Executive Officer  
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**VK Sareen**  
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Corporate Governance Officer  
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Chartered Accountant  
DSB Law Group



**CS Sagrika Jayee**  
Company Secretary  
DSB Law Group

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- 2. CA Kanika Gupta, Chartered Accountant**
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