



# NBFC *FinSight* *Business & Compliance*

*Credit to Credibility...*

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## NBFC's and The New Credit Cycle

# NBFCs and the New Credit Cycle: Riding the Liquidity Wave

### Riding the Liquidity Wave

India's non-banking financial sector is entering one of its most critical phases in recent history. For much of FY 2024-25, NBFCs were caught in a challenging environment of high borrowing costs, constrained bank lending, and tight liquidity conditions. Even some of the largest state-owned banks avoided expanding exposure to NBFCs, leaving many players scrambling for refinancing. The strain was particularly visible among mid-sized and smaller NBFCs, which found themselves squeezed between robust demand for credit on the one hand and restricted access to affordable funding on the other. What has changed over the past few months is the Reserve Bank of India's decisive policy easing, which has fundamentally altered the credit backdrop and created a new runway for NBFC growth.

The demand environment itself remains resilient. Micro, small and medium enterprises continue to seek working capital and growth finance, self-employed individuals and entrepreneurs are driving consumption in semi-urban and rural markets, and retail credit for housing, vehicles, and consumer durables remains strong. These are segments where NBFCs have built their competitive edge through distribution reach, contextual underwriting models, and borrower relationships that banks often lack. In rural and semi-urban India, NBFCs are frequently the only credible source of formal credit, and with funding conditions easing, they are positioned to expand their role even further.

For this opportunity to translate into sustained growth, NBFCs need not just short-term liquidity but long-term partnerships. Banks must deepen co-lending arrangements, DFIs can anchor refinancing lines, private equity and AIFs can provide growth capital, and public markets can reward operational strength with better valuations.

The investment case rests on three clear pillars: the sheer scale of unmet demand in MSMEs and rural households, the digitisation and diversification of business models that have improved efficiency, and the impact multiplier of last-mile credit, which directly fuels consumption, job creation, and financial inclusion.

Risks remain. The unsecured lending segment continues to show signs of stress, particularly among smaller NBFCs without strong risk buffers. Global financial conditions, inflationary pressures, or regulatory tightening could quickly test balance sheets. Growth must therefore be pursued with prudence, and underwriting standards cannot be compromised in the race for scale.

Despite these risks, the larger picture is one of opportunity. India's next phase of credit expansion will be defined not just by corporate lending or infrastructure finance but by the millions of small borrowers who keep consumption and employment momentum alive. NBFCs, with their agility, reach, and contextual approach to lending, are positioned to serve this demand more effectively than banks alone. The liquidity infusion, lower funding costs, and improving regulatory credibility together present a rare window. If stakeholders act with confidence and patience, this could mark the beginning of a defining growth cycle for NBFCs. They are no longer just peripheral borrowers in the system; they are builders of India's inclusive economy, and the liquidity wave now underway could carry them into their most transformative phase yet.

Warm regards,

**Dinesh Gupta**  
Chief Editor- NBFC FinSight





# Pradhan Mantri Viksit Bharat Rozgar Yojana (PM-VBRY)

## Empowering Formal Employment through Incentivized Job Creation (2025–2027)

PM-VBRY

Objective

Disbursement Milestone

Incentive for Employers & Employees

### Introduction

India’s demographic dividend remains one of its most potent levers for economic growth. Recognizing this, the Government of India has unveiled the Pradhan Mantri Viksit Bharat Rozgar Yojana (PM-VBRY)—a bold and transformative employment-linked incentive scheme designed to stimulate formal job creation in the private sector while also strengthening social security inclusion through the EPFO framework.

With a projected budgetary outlay of ₹99,446 crore and a vision to generate over 3.5 crore formal jobs, PM-VBRY sets the tone for a structured and inclusive labour policy environment.

Component	Benefit	Amount	Duration
Employees	One-time EPF-linked incentive	Up to ₹15,000	12 months
Employers	Monthly incentive per new hire	₹1,000-₹3,000	Up to 4 years

### Objectives of PM-VBRY

- **Promote Formal Employment:** Drive employment in the formal sector, especially in MSMEs, manufacturing, and emerging industries.
- **Incentivize Employers:** Reward businesses for expanding their workforce responsibly.
- **Empower Employees:** Offer financial support to new workforce entrants and promote savings behavior.

- **Widen EPFO Coverage:** Integrate new employees into India’s social security ecosystem.

### Timeline & Administration

- Launch Date: August 1, 2025
- Scheme Validity: Till July 31, 2027
- Nodal Agency: Employees’ Provident Fund Organisation (EPFO)
  - Supervising Ministry: Ministry of Labour & Employment, Government of India



### Part A: Incentives for Employees

Employees earning up to ₹1,00,000/month and registering under EPFO for the first time are eligible for a one-time incentive:

- Total Benefit: Equal to one month’s EPF wage, capped at ₹15,000
- **Disbursement Milestones:**
  - 1st Installment: After 6 months of continuous service
  - 2nd Installment: After 12 months + completion of financial literacy training
- Mode: Direct Benefit Transfer (DBT) to Aadhaar-linked accounts
- Long-term Saving: A part of the incentive is diverted to a long-term savings instrument, encouraging fiscal discipline

### Part B: Incentives for Employers

Businesses hiring beyond their baseline workforce (as on July 31, 2025) are entitled to incentives for each eligible new hire:

- Minimum Hiring Criteria:
  - Firms with <50 employees must hire at least 2 new employees
  - Firms with ≥50 employees must hire at least 5 new employees





# Mandatory KYC

## Incentive Slabs per New Employee:

- ₹1,000/month for salary ≤ ₹10,000
- ₹2,000/month for salary between ₹10,001 – ₹20,000
- ₹3,000/month for salary ₹20,001 – ₹1,00,000

## Additional Notes:

- Duration: 2 years (extendable to 4 years for manufacturing units)
- Compliance: New hires must be retained for a minimum of 6 months
- Payment: Credited directly to employer's PAN-linked bank accounts

## Mandatory KYC & Compliance

- UAN Activation (EPFO Universal Account Number)
- KYC Documents: Aadhaar, PAN, bank account details, and nominee details
- Timely wage disbursement and attendance tracking
- No duplication or wage suppression allowed

## Monitoring & Safeguards

- Real-time tracking through EPFO digital systems
- Periodic audits and verifications
- Employer misuse or incorrect reporting may lead to ineligibility and recovery of incentives

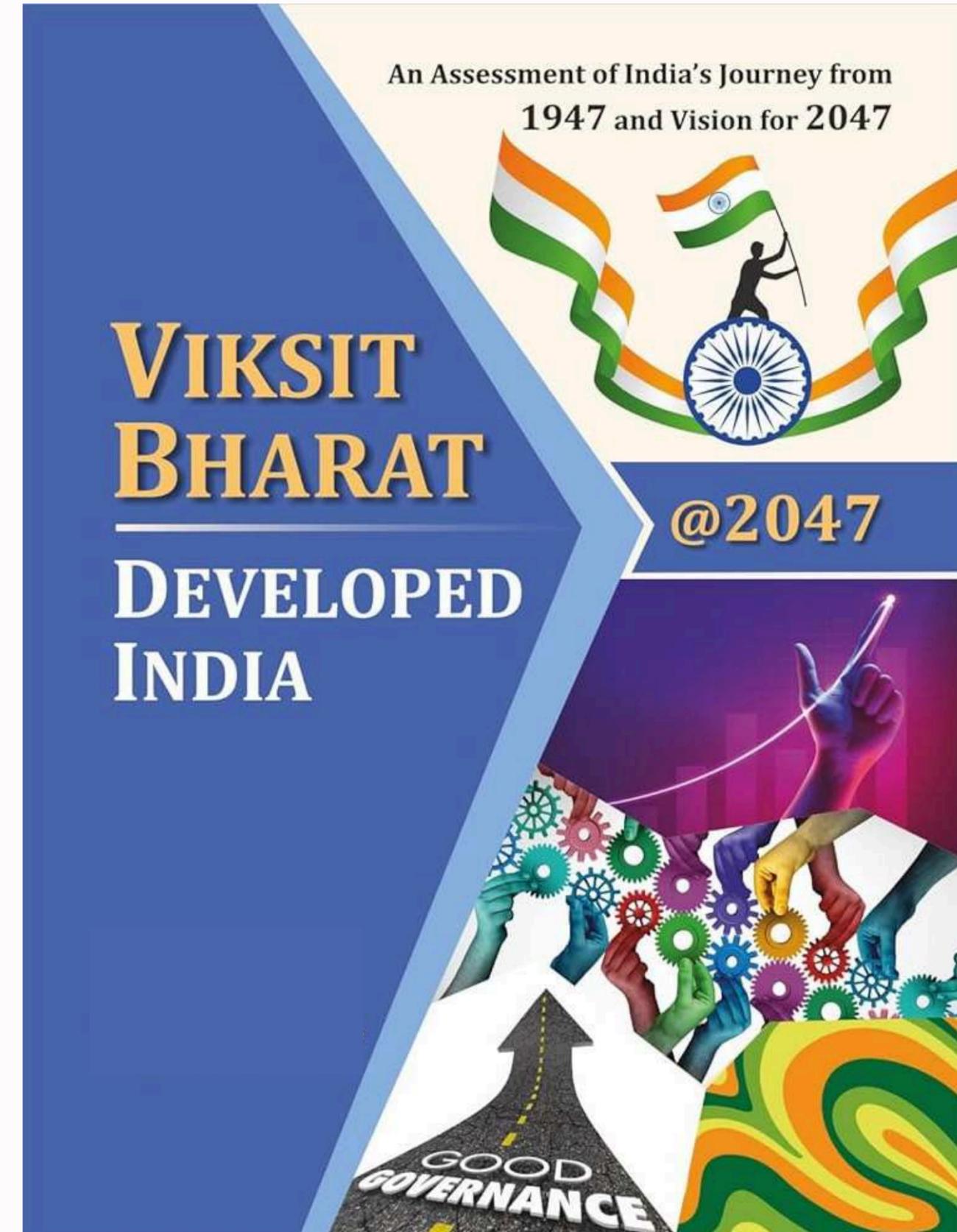
## Strategic Impact

- Youth employment through structured formal entry
- Women inclusion by incentivizing equitable hiring
- MSME strengthening by subsidizing early-stage job creation
- Digital governance through UAN-mapping, DBT, and analytics

## Conclusion

With PM-VBRY, the Government of India reaffirms its commitment to “Sabka Vikas through Rozgar Vikas.” The scheme’s twin-track incentive mechanism not only addresses the immediate need for employment stimulus but also creates the foundation for a sustainable, digitally tracked, and socially secured workforce for a Viksit Bharat.

## Monitoring and Safeguard





# Amendment Directions on KYC, 2025

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

## Amendments KYC

The Reserve Bank of India has issued amendments to its Know Your Customer (KYC) Directions, first framed in 2016 under the Prevention of Money Laundering Act. The KYC (Amendment) Directions, 2025, now in force, are designed to make the process more customer-friendly while strengthening compliance by banks and financial institutions.

One of the most significant changes relates to low-risk customers. Even if their periodic KYC is due, they will be allowed to continue transactions as long as the update is completed within one year of the due date or by June 30, 2026, whichever is later. Their accounts will, however, remain under continuous monitoring.

Another key change is the formal role of **Business Correspondents (BCs) in updating KYC**. Customers with no change in details, or only a change in address, can now submit a self-declaration through an authorized BC. After biometric-based e-KYC authentication, the BC can record the declaration electronically or, until systems are upgraded, collect physical forms. The BC must authenticate documents, forward them promptly to the concerned branch, and provide an acknowledgment to the customer. Banks remain fully responsible for updating records and informing the customer once the update is complete.

The RBI has also directed banks and other regulated entities to improve customer communication. At least three advance notices must be sent before the KYC due date, including one by letter. If the update is still not done, three more reminders, again including one by letter, must follow after the due date. These notices must contain simple instructions for updating KYC, clear escalation points for assistance, and explain the consequences of non-compliance.

### Key Highlights of the Amendment

- **More time for low-risk customers:** Transactions allowed until one year from due date or June 30, 2026, whichever is later.
- **Business Correspondents enabled:** Customers can update KYC through BCs using self-declarations, with biometric e-KYC authentication.
- **Customer-friendly process:** BCs must provide acknowledgment of submissions, and banks must confirm once records are updated.
- **Stronger communication norms:** At least three advance notices and three reminders required, including letters, with clear instructions and escalation mechanisms.
- **Accountability with banks:** While BCs can assist, the ultimate responsibility for periodic KYC updates rests with the bank.

Self-Declaration  
through Authorized BC

Customer-friendly  
Process





# Understanding NAPS and NATS: India's Twin Apprenticeship Schemes

- By Garima Kapoor, HR Executive, Credifin Ltd.

## Apprenticeship Stipend Schemes

India's strategy to strengthen its workforce and align education with employability rests heavily on apprenticeship programs. Two flagship initiatives—the National Apprenticeship Promotion Scheme (NAPS) and the National Apprenticeship Training Scheme (NATS)—form the core of this framework. While both aim to expand on-the-job training opportunities, they differ in scope, eligibility, and government contribution.

### The National Apprenticeship Promotion Scheme (NAPS)

Launched by the Ministry of Skill Development and Entrepreneurship, NAPS is designed to incentivize employers to engage more apprentices across industries, including both technical and non-technical roles. The government reimburses 25% of the stipend, subject to a maximum of ₹1,500 per apprentice per month, for up to 24 months. Establishments can also claim reimbursement of basic training costs for apprentices who lack prior formal training, ensuring inclusivity and encouraging smaller enterprises to participate.

### The National Apprenticeship Training Scheme (NATS)

NATS, administered by the Ministry of Education, is more focused on technically qualified youth such as diploma holders, graduates, and engineering students. The government reimburses 50% of the stipend, up to ₹4,500 per apprentice per month, making it more attractive for employers to onboard technical apprentices. NATS thus serves as a bridge between academic learning and industry practice, helping students gain workplace exposure before they take up full-time employment.

Feature	NAPS	NATS
Administered by	Ministry of Skill Development & Entrepreneurship	Ministry of Education
Target Group	Broad-based: technical and non-technical youth	Primarily technical: diploma, graduate, engineering apprentices
Government Contribution	25% of stipend, capped at ₹1,500/month	50% of stipend, capped at ₹4,500/month
Duration of Support	Up to 24 months	Typically aligned with course completion (varies)
Additional Support	Reimbursement of basic training costs	Focused only on stipend sharing
Policy Objective	Mass participation and inclusion across sectors	Deepening technical capacity and industry exposure

### Policy Momentum and Future Outlook

Both schemes are now under review for enhancement. The Central Apprenticeship Council has proposed a 36% increase in stipend levels, which would raise the range from the current ₹5,000–₹9,000 per month to ₹6,800–₹12,300 per month. The Council also recommended biennial indexation of stipends to CPI to keep pace with inflation. Meanwhile, a parliamentary standing committee has urged that NAPS be strengthened to restore parity with NATS, as the gap in support levels risks discouraging establishments from hiring under NAPS.

*With stipend hikes, process simplification, and broader industry participation on the horizon, NAPS and NATS are poised to become key drivers of India's skilling and employment growth story over the next decade.*



A Game-Changer for NBFC Growth

Last Mile Borrower

Strategic Opportunity for NBFCs





# RBI'S NEW FRAMEWORK ON GOLD AND SILVER LOANS: STRONGER SAFEGUARDS, HIGHER TRANSPARENCY - *By CA Kanika Gupta*

The Reserve Bank of India has issued the Lending Against Gold and Silver Collateral Directions, 2025, consolidating all earlier rules into a single standardised framework. Effective from April 1, 2026, the framework is intended to check speculative lending, introduce uniform borrower safeguards, and ensure transparency across lenders, while continuing to support genuine short-term credit requirements of households and businesses. It applies to banks (except payments banks), NBFCs, housing finance companies, urban cooperative banks, and rural cooperative banks, ensuring that all significant credit channels operate under common rules.

Every lender will now need to frame detailed policies on exposure limits, loan-to-value ratios, valuation processes, collateral purity standards, documentation, and loan monitoring. Certain restrictions have been laid down to prevent misuse. Loans cannot be extended against bullion, ETFs, or primary gold and silver. Re-pledging of collateral is prohibited. Bullet repayment loans for consumption purposes cannot exceed 12 months. Collateral limits are capped at 1 kg of gold ornaments or 10 kg of silver ornaments per borrower, while limits for coins are fixed at 50 g for gold and 500 g for silver.

Valuation must be based on published market rates, either the 30-day average or the previous day's closing price. Gems and stones will be excluded and only the metal value considered. The maximum loan-to-value ratio depends on ticket size: up to ₹2.5 lakh loans can be sanctioned at 85% LTV, between ₹2.5–5 lakh at 80%, and above ₹5 lakh at 75%.

Borrower safeguards are at the core of the new rules. Valuation must be carried out in the borrower's presence and processes must be uniform across branches. A certificate must be issued specifying purity, weight, deductions, value, and a photograph of the collateral.

Loan agreements must clearly state collateral details, charges, auction processes, timelines, and include a Key Fact Statement.



All communication must be provided in the local language, and lenders must take special care in explaining terms to illiterate customers. Supply Chain Financing. Collateral management standards have been tightened with strict vaulting, surprise audits, and internal controls. Collateral must be released within seven working days of repayment, failing which lenders must compensate borrowers at ₹5,000 per day for delays attributable to them. Auction rules mandate prior notice to borrowers and public advertisements in both regional and national newspapers. Reserve price must be at least 90% of appraised value, with a floor of 85% if two auctions fail. Any surplus proceeds from an auction must be refunded to the borrower within seven days. Items unclaimed for over two years must be flagged, recovery drives initiated, and details reported to boards twice a year. This ensures accountability and reduces the risks associated with long-dormant pledged collateral.

**Collateral Restrictions:** *No loans against bullion, ETFs, or primary gold/silver; re-pledging prohibited*

**Loan Limits:** *Max 1 kg gold ornaments / 10 kg silver ornaments per borrower; 50 g gold coins / 500 g silver coins*

**LTV Ratios:** *≤₹2.5 lakh → 85%; ₹2.5–5 lakh → 80%; >₹5 lakh → 75%*

**Valuation Rules:** *Based on published market prices (30-day average or prior close); gems/stones excluded*

Gold and Silver Loans

Collateral Restrictions

LTV Ratios for Gold and Silver

Valuation Rules





# KYC Updation

## RBI's Revised Instructions on KYC Updation

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

The Reserve Bank of India has issued revised instructions on updation and periodic updation of KYC, in continuation of its efforts to simplify processes and make compliance more customer-friendly. The move comes after the RBI observed large pendency in periodic KYC updates, especially in accounts linked to government benefit transfers (DBT/EBT), scholarships, and Jan Dhan accounts.

To ease the process, the new guidelines allow Business Correspondents (BCs) to assist customers in updating their KYC details. Customers who have no change in their details, or only a change in address, can now provide a self-declaration through BCs, backed by biometric e-KYC. This is expected to improve convenience in rural and semi-urban areas where BCs are the primary touchpoint. Similar relaxations have also been extended to inoperative accounts and unclaimed deposits.

The RBI has also directed banks to be proactive in clearing the backlog. Banks are advised to organize camps and run intensive awareness campaigns, with special focus on rural and semi-urban branches where pendency is highest. They have also been asked to adopt an empathetic approach when reactivating accounts that remain inoperative only due to incomplete KYC.

Over the years, RBI has steadily simplified both customer onboarding and KYC updation requirements. Regulated entities can now rely on the central KYC registry (CKYCR) to fetch existing customer records with consent, reducing repetitive documentation. Multiple onboarding channels are permitted:

- **Face-to-face mode using Aadhaar biometric e-KYC**, with the option of a self-declaration if the current address differs from Aadhaar records. Digital KYC is also valid.



- **Non-face-to-face (NFTF)** mode using Aadhaar OTP-based e-KYC or digital options such as KYC Identifier, DigiLocker documents, and certified copies of officially valid documents (OVDs) for NRIs and PIOs. These accounts must undergo full due diligence within a year and remain under close monitoring.
- **Video-based Customer Identification Process (V-CIP)**, where an authorized official completes CDD through a live, consent-based audiovisual interaction. V-CIP is treated at par with face-to-face onboarding.

For KYC updation, self-declarations of “no change” or “change in address only” can now be submitted through a variety of channels- email, registered mobile, ATMs, digital platforms, letters, or via BCs. Aadhaar OTP-based e-KYC and V-CIP are permitted for periodic updation as well. Updates can be done at any branch of the customer’s bank, and records must be refreshed whenever new data is received from CKYCR.

Face-to-face mode using Aadhaar biometric e-KYC

Video-based Customer Identification Process





# Qualifying Assets Criteria for NBFC-MFIs

By- VK Sareen, Executive Director- Credifin Limited

## Qualifying Assets Criteria

The Reserve Bank of India has revised the Qualifying Assets (QA) Criteria under the Master Directions on the Regulatory Framework for Microfinance Loans, 2022. Earlier, NBFC-MFIs were required to maintain at least 75% of their total assets, net of intangible assets, as qualifying assets in the form of microfinance loans. With effect from June 6, 2025, this threshold has been reduced to 60%.

This change gives NBFC-MFIs greater operational flexibility by widening the scope for other forms of lending while retaining their core focus on microfinance. To ensure that institutions do not dilute their mandate, the RBI has introduced a safeguard: if an NBFC-MFI fails to maintain the 60% threshold for four consecutive quarters, it will be required to submit a remediation plan to the RBI, which will then assess the institution's operations and decide on further regulatory action.

The revision is expected to ease pressures that MFIs faced under the earlier requirement, where balancing business sustainability with borrower needs often proved challenging. By reducing the threshold, the RBI has acknowledged industry feedback and allowed institutions to better manage liquidity, diversify their asset base, and design larger loan products for borrowers who have outgrown small-ticket microfinance. At the same time, the regulatory framework ensures that microfinance remains the primary focus of these entities.

Overall, this move reflects the RBI's intent to make the sector more resilient, competitive, and inclusive. It enables MFIs to serve the "missing middle" of borrowers who require higher levels of credit while maintaining financial discipline and strong oversight.

**This regulatory update marks a significant step in balancing financial inclusion with institutional sustainability. NBFC-MFIs are encouraged to review their portfolios, align with the revised framework, and leverage this flexibility to serve borrowers more effectively while remaining committed to the spirit of microfinance.**



Serving the "missing middle"

Policy Alignment





# Freedom to Repay: RBI Standardizes Pre-Payment Rules for Borrowers

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

## Pre-Payment Rules

Loans up to ₹50 lakh

Borrower-Friendly  
Safeguards

The Reserve Bank of India has issued the Pre-payment Charges on Loans Directions, 2025, in response to supervisory reviews that revealed divergent practices among regulated entities in levying pre-payment charges on loans, particularly for Micro and Small Enterprises (MSEs). These inconsistencies often led to customer grievances and disputes. Some lenders were also found to include restrictive clauses in loan contracts to deter borrowers from switching to other institutions offering better rates or services. To address these concerns, a draft circular was released in February 2025 for public consultation, and the final directions are now being implemented.

Under the new framework, individual borrowers taking loans for non-business purposes will not face any pre-payment charges. Similarly, business loans to individuals and MSEs will also enjoy relief:

- **No pre-payment charges at all for loans from commercial banks (excluding SFBs, RRBs, and LABs), Tier 4 urban co-operative banks, NBFCs in the upper layer, and All India Financial Institutions.**
- **For loans up to ₹50 lakh, Small Finance Banks, Regional Rural Banks, Tier 3 urban co-operative banks, state and central co-operative banks, and NBFCs in the middle layer cannot levy pre-payment charges.**

For dual or special rate loans that combine fixed and floating rates, the applicability of these rules will depend on whether the loan is on a floating rate at the time of pre-payment.

In cases not covered by these specific directions, regulated entities may levy pre-payment charges as per their approved policies, but only on the portion being prepaid in the case of term loans. For cash credit and overdraft facilities, such charges, if applicable, will be restricted to the sanctioned limit, and borrowers will not be liable if they intimate their intention not to renew the facility before the stipulated period and close it on the due date. Importantly, no charges may be levied where the pre-payment is initiated at the instance of the lender itself.

The RBI has emphasized transparency by requiring that the applicability of pre-payment charges be clearly disclosed in sanction letters, loan agreements, and where applicable, in the Key Facts Statement (KFS). No undisclosed charges may be imposed at the time of pre-payment, and lenders are prohibited from levying any retrospective charges that were earlier waived.

With these directions coming into force, all previous instructions and circulars on the subject, as listed in the Annex, will stand repealed from the effective date, though they will be deemed to have been in force for the earlier periods to which they applied.

**In essence, the RBI's new framework aims to standardize practices, prevent restrictive lending clauses, enhance borrower freedom to switch lenders, and ensure fair and transparent treatment of MSEs and individual borrowers in matters of loan pre-payment.**





# Simplified KYC for Low-Risk Customers: RBI Issues New Amendment

- By CA Kanika Gupta

Transparency & Accountability

Enhanced Accessibility & Verification Flexibility

Updating KYC has often been a pain point for customers, especially in rural areas. With its latest amendment, RBI has made the process smoother, more inclusive, and easier to complete without unnecessary rejections. The Reserve Bank of India has introduced the Know Your Customer (KYC) (2nd Amendment) Directions, 2025, further strengthening the framework originally set out in the 2016 Master Directions on KYC. This amendment seeks to balance anti-money laundering safeguards with a strong push for inclusivity, accessibility, and ease of compliance in customer onboarding and verification.

A major feature of the amendment is the explicit recognition of Persons with Disabilities (PwDs) as “**financially or socially disadvantaged.**” Regulated Entities (REs) can no longer reject applications for onboarding or KYC updates arbitrarily; any rejection must be backed by sound judgment with clear reasons recorded. In addition, digital verification steps-particularly liveness checks-must be designed in ways that are accessible and do not exclude PwDs on account of physical or cognitive limitations. This change is a significant step toward inclusive banking practices.

Another important update is the formal recognition of Aadhaar Face Authentication as a valid mode of customer identification. By adding this method to the suite of verification tools, RBI has increased both flexibility and efficiency in the verification process, allowing REs to better serve customers while maintaining compliance standards.

The amendment also simplifies the KYC process for low-risk customers. When there is no change in core KYC information-or only an address update- **Business Correspondents (BCs) are now permitted to assist in completing KYC updates.**

Self-declaration, combined with biometric e-KYC authentication, can be used in such cases, ensuring that low-risk individuals are not unduly burdened with repeated documentation.

Periodic KYC updates have also been streamlined. The amendment promotes greater use of BCs to facilitate such updates, especially in rural and semi-urban areas, thereby increasing accessibility and convenience for customers. Additionally, the timeline for completing pending KYC updates has been extended for individuals whose updates are due, ensuring that essential services are not disrupted during the compliance process.

### Impact at a Glance

- **Enhanced Accessibility** – PwDs receive formal protection within the KYC framework, and digital verification tools must be made inclusive.
- **Verification Flexibility** – Aadhaar Face Authentication officially recognized as a valid identification method.
- **Simplified KYC for Low-Risk Customers** – BCs can now facilitate updates with self-declaration, reducing customer burden.
- **Operational Convenience** – Extended timelines and BC-enabled updates improve reach and efficiency, particularly in underserved areas.
- **Transparency & Accountability** – REs must document reasons for rejecting onboarding or KYC applications, enforcing fair practices.

***RBI’s intent to create a more inclusive, transparent, and customer-friendly banking ecosystem while ensuring continued alignment with global anti-money laundering standards.***





# FASTER CHEQUE CLEARING COMING SOON: CONTINUOUS SETTLEMENT IN CTS

By- Dr. Wishey Kataria

## Faster Cheque Clearance

Customer & Banks

Phase Rollout for Continuous Settlement

Hourly Settlements and Quick Payouts

Cheque payments in India are about to become faster, smoother, and more predictable. Starting October 4, 2025, the Cheque Truncation System (CTS) will move away from the batch-based clearing model, where settlements could take up to two working days, and shift to a continuous clearing and settlement system with realisation-based payouts. This reform will drastically cut delays and bring cheque processing closer to real-time efficiency.

### Phased Rollout for Continuous Settlement

*In Phase 1 (October 4, 2025 – January 2, 2026)*, cheque presentation will move to a continuous model. From 10:00 AM to 4:00 PM, cheques will be scanned and transmitted electronically in real time. Drawee banks will confirm cheques on a rolling basis until 7:00 PM, either honouring or dishonouring them. If no confirmation is given by 7:00 PM, the cheque will be deemed approved. Hourly settlements will run from 11:00 AM to 7:00 PM, ensuring that funds are transferred frequently throughout the day. Importantly, presenting banks must credit funds to customers within one hour of settlement, subject to their internal checks.

*In Phase 2 (effective January 3, 2026)*, the continuous model will continue, but the item expiry window will shorten to a T+3 hours framework. This means if a cheque is scanned at 10:15 AM, the drawee bank must act by 1:15 PM, failing which the cheque will be auto-approved and settled. **Hourly settlements and quick payouts** to customers will remain consistent with Phase 1.

### What This Means for Customers and Banks

The shift to continuous cheque settlement offers faster processing, with cheques clearing in hours instead of days. It reduces settlement risk by eliminating dependence on batch schedules and creates a better customer experience.

## Deposit Today, Cleared in Hours: The Cheque Revolution.



Banks, in turn, must upgrade their systems and processes to handle rolling submissions, hourly settlements, and automated approvals while also communicating these changes clearly to their customers.

### Key Highlights at a Glance

- Effective October 4, 2025 – CTS moves from batch mode to continuous settlement.
- Hourly settlements begin from 11:00 AM; funds to be credited within 1 hour.
- Phase 1: Universal expiry by 7:00 PM (auto-approval if no confirmation).
- Phase 2 (Jan 3, 2026): T+3 hours expiry rule introduced for each cheque.
- Outcome: Faster liquidity, reduced risks, and a smoother customer experience.





# Co-Lending Made Stronger: RBI Issues New Framework for Banks & NBFCs

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

From January 1, 2026, India's co-lending ecosystem will be governed by a new, comprehensive framework issued by the Reserve Bank of India. The revised model is aimed at expanding credit access, ensuring fair risk-sharing between lenders, and enhancing transparency for borrowers. Unlike the earlier guidelines that were focused largely on priority sector lending, the new framework has been designed to apply more broadly, covering all co-lending arrangements between banks, NBFCs, and All-India Financial Institutions.

The first major shift is a lower minimum retention requirement. Each participating Regulated Entity (RE) must retain at least 10% of every co-lent loan on its books, compared to the 20% requirement under the previous framework. This calibrated reduction is expected to bring more players into the co-lending space, while still ensuring that lenders have adequate "skin in the game." By lowering the threshold, RBI is encouraging broader participation and expanding credit availability beyond traditional segments.

The second key reform is the formal structuring of arrangements. Every co-lending partnership must be anchored in a clear ex-ante agreement that defines roles, responsibilities, funding proportions, and revenue and risk-sharing mechanisms. To avoid arbitrage and ensure discipline, RBI has explicitly disallowed discretionary or cherry-picked lending models. Any such transactions must instead be carried out under the Transfer of Loan Exposures (TLE) Directions. This ensures that co-lending is always based on a structured, rule-bound foundation rather than opportunistic participation.

Prudential rules have also been strengthened. Asset classification will apply at the borrower level, meaning that if a borrower defaults, both lenders must classify the exposure accordingly, ensuring accountability is shared. In addition, lenders must report their share of loans to credit bureaus within 15 days of disbursement.

The framework also permits Default Loss Guarantees (DLGs) of up to 5% of outstanding loans, but only for the originating entity and under defined conditions. The directions impose stricter transparency and disclosure requirements. Each RE must disclose details of its co-lending arrangements in loan documents, financial statements, and on its website. This ensures that borrowers understand who their lending partners are and that institutions remain accountable to regulators, investors, and customers alike.



### Why It Matters

*With these changes, co-lending is set to become a more balanced, scalable, and transparent model for expanding credit. By lowering retention requirements, formalising structures, and embedding operational safeguards, RBI has struck a balance between flexibility and prudence. Borrowers will benefit from smoother processes, while lenders gain clearer risk-sharing mechanisms and operational discipline.*



NBFC Compliance Calender

August-2025

Aug-25	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
07-Aug	Monthly TCS Payment	Taxpayers collecting TCS for the month of July 25				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of July 25				
11-Aug			GSTR-1 Filing (Monthly):	For taxpayers with annual turnover > ₹1.5 crore or who have opted for monthly filing.		
13-Aug			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for July 25 (Optional)		
15-Aug	Form 16A	Issue of TDS Certificates in Form 16A for April to June 2025			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
	ESI Challan	Employers registered under ESI Act for the month of July 25				
	PF Challan (ECR)	Employers registered under EPF Act for the month of July 25				
20-Aug			GSTR-3B (Monthly)	For taxpayers with:		
				Annual turnover > ₹5 crore, or Opted for monthly filing		
25-Aug			GST Challan Payment	GST Challan Payment if no sufficient ITC for Jul 2025 (for all Quarterly Filers)		
30-Aug	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for July 2025			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



# NBFC Compliance Calender

## September-2025

Sept-25	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
07-Sep	Monthly TCS Payment	Taxpayers collecting TCS for the month of Aug 25				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Aug 25				
11-Sep			GSTR-1 Filing (Monthly):	For taxpayers with annual turnover > ₹1.5 crore or who have opted for monthly filing.		
13-Sep			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Aug 25 (Optional)		
15-Sep	Income Tax return Filing	Income Tax return for individuals , Non Corporates who are not -liable to tax audit for FY 24-25			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
	Advance Income tax	Advance Income tax for July to Sept 2025 (2nd Installment)				
	ESI Challan	Employers registered under ESI Act for the month of August 25				
	PF Challan (ECR)	Employers registered under EPF Act for the month of August 25				
19-Sep			CMP 08	Filing for April-June 2025 quarter (Compsition Scheme)		
20-Sep			GSTR-3B (Monthly)	For taxpayers with:		
				Annual turnover > ₹5 crore, or Opted for monthly filing		
25-Sep			GST Challan Payment	GST Challan Payment if no sufficient ITC for Aug 2025 (for all Quarterly Filers)		
27-Sep	AOC 4	Filing By One Person Company for FY 2024-25				
30-Sep	DIR 3	KYC for Directors of Company's and LLP's			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
	AGM	Annual general meeting for Companies'			Capital Adequacy Ratio (CAR ) Reporting	All NBFCs relating to reporting minimum Capital Adequacy Compliance
	Form 3CB-3CD and 3CA -3CD	Audit Report in Form 3CB-3CD and 3CA -3CD for Non -Corporate's and Corporate's for FY 2024-25			Balance Sheet & Profit/Loss Statement	All NBFCs-Submission of annual financial statement
	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Aug 2025				





# 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



**Dinesh Gupta**  
Founder & Chief Consultant  
DSB Law Group



**CA Kanika Gupta**  
Chief Executive Officer  
DSB Law Group



**VK Sareen**  
Whole-time Director  
Credifin Ltd.



**Dr. Wishey Kataria**  
Corporate Governance Officer  
DSB Law Group



**CA Isha Gandhi**  
Chartered Accountant  
DSB Law Group

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### Editorial Board:

- 1. Dinesh Gupta, Chief Editor & Corporate Advisor**
- 2. CA Kanika Gupta, Chartered Accountant**
- 3. Dr. Wishey Kataria, PhD- Corporate Governance**

### For More Contact:

Ms. Neha Walia, *Executive*

**T:** +91-8283094902

**E:** info@dsblawgroup

**W:** www.dsblawgroup.com