

## Certain additional disclosures in the financial statements of Non-Banking Financial Companies ('NBFC') for the year ended 31 March 2023

### Background

Presently, the NBFCs are required to make certain disclosures in their financial statements in accordance with the existing prudential guidelines, applicable accounting standards, laws, and regulations.

The Reserve Bank of India ('RBI') has made certain additional disclosures mandatory for NBFCs in respect of the financial statements ending on 31 March 2023 and thereafter. Wherever necessary, more comprehensive disclosures to properly understand the financial position and performance are needed.

For the year ended 31 March 2023 and thereafter, NBFCs need to disclose:

- Comparative information for the previous period for all amounts reported in the current period's financial statements.
- Comparative data for narrative and descriptive information if it is relevant to understand the current period's financial statements.

The disclosures notified by RBI are in addition to the current regulatory requirements.

### Disclosure templates

RBI has developed a format of disclosure templates to standardise the reporting mechanism.

**Section I:** Applicable to all the layers of NBFC, i.e., base layer (BL), middle layer (ML) and upper layer (UL): Disclosures are in the form of

- Exposures taken (including exposures to sensitive sectors),
- Related party disclosures,
- Complaints from customers and ombudsman.

**Section II:** Applicable to NBFC-ML and NBFC-UL: Disclosures apply to both listed and unlisted NBFCs in the areas of

- Corporate governance
- Breach of covenants
- Divergence in asset classification and provisioning

**Section III:** Applicable to NBFC-UL

As per RBI's scale-based regulations framework, NBFC-UL shall be mandatorily listed within three years of identification as NBFC-UL. Accordingly, upon being identified as NBFC-UL, unlisted NBFC-ULs shall draw up a Board approved roadmap for compliance with the disclosure requirements of a listed company under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Weblink** <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI26D5CFC5197D2B45388C2EA8FCE6DA69CF.PDF>

## Therefore

Considering the growth of the NBFC sector and its interconnectedness within the economy's financial sector, a need was felt to align their regulatory framework appropriate to their level of activity and risk. The recently notified disclosures will provide clarity to the stakeholders on the various activities undertaken, risk exposure and the performance of the NBFC year on year. It will give ample time for the NBFCs to comply with the disclosure requirements and help them gear up for a higher level of reporting very soon.