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The Chief General Manager  
Department of Regulation  
Reserve Bank of India

Subject: Feedback on the draft Reserve Bank of India Amendment Directions for 'Advertising, Marketing and Sales of Financial Products and Services by Regulated Entities'

Dear Sir/ Madam,

We take the liberty of placing before the Reserve Bank of India certain suggestions relating to the [Draft Amendment Directions for 'Advertising, Marketing and Sales of Financial Products and Services by Regulated Entities'](#) placed on the RBI website.

Our submissions have been provided under [Annexure A](#) below. These submissions have been structured in the form of specific issue statements accompanied by possible solutions and are based on our wide experience as consultants to Non-Banking Financial Companies across various layers and business models. Our suggestions draw from our continuous engagement with regulatory, compliance, and implementation challenges encountered by NBFCs in the course of their operations.

These submissions aim to address broader structural and implementation-related considerations that may merit attention from a system-wide perspective. Our objective in making this submission is to contribute constructively to the evolution of a regulatory framework that achieves clarity, proportionality, and ease of compliance, while fully preserving prudential discipline and supervisory oversight. We would be grateful for an opportunity to provide any further clarifications or engage in discussions, should the RBI consider it useful.

Thanks and regards,

**For and on behalf of Vinod Kothari Consultants Pvt. Ltd.**

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Anita Baid  
Senior Vice President

**Annexure - A**

**1. Scope of assessment on suitability of product before offering to customers**

**Provision of Law**

Para 101I of **Draft Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Amendment Directions, 2026** proposes as follows:

***D.1 Suitability and Appropriateness***

*101I. Before a financial product / service is marketed / sold to a particular customer, its suitability and appropriateness for the customer shall be determined by the NBFC based on an analysis of the features, risk-return attributes, time horizon, complexity, fee structure, etc. vis-à-vis the customer's age, income, level of financial literacy, risk tolerance, etc.*

**Problem Statement**

As per the proposal, prior to marketing or selling a financial product or service, the NBFC is required to determine its suitability and appropriateness for the specific customer. This assessment is to be undertaken by analysing the product's features, risk–return profile, time horizon, complexity, and fee structure against the customer's age, income, financial literacy, and risk tolerance. The intent is to prevent mis-selling and ensure informed decision-making is well acknowledged and aligned with principles of responsible conduct.

However, the uniform application of this requirement across all categories of customers may lead to unintended regulatory overreach, particularly in the case of wholesale lending. Wholesale lending, by virtue of their financial sophistication, scale of exposure, and access to professional advisory services, undertakes independent due diligence prior to availing products or services. In many cases, the transaction is initiated by the client based on specific requirements, rather than driven by sales outreach. Their engagement with NBFCs is informed and commercially sophisticated. Subjecting NBFC to a mandatory suitability assessment for such borrowers does not align with the intent of the regulator.

The core regulatory trigger for suitability assessment lies in the existence of a vulnerability or imbalance of knowledge between the lender and the customer. This rationale is compelling in the retail segment, where customers may lack the expertise to independently evaluate the financial products. However, extending the same framework without differentiation to wholesale lending may convert a consumer-protection safeguard into a procedural formality.

**Our Comments**

We recommend that RBI may consider adopting a differentiated approach to suitability assessment by recognising the distinction between retail lending and wholesale lending. Accordingly, suitable relaxation may be granted by providing an exemption, in cases of wholesale lending.

## **2. Mode of communication with the Customer**

### **Provision of Law**

Para 101T of the **Draft Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Amendment Directions, 2026** proposes as follows:

*101T. On completion of a sale, copy of the terms and conditions / agreement signed by the customer and the employee of the NBFC shall be provided to the customer, **either physically or through email as per his / her preference**. The NBFC shall also ensure that the documents are delivered in a secure manner to maintain confidentiality of the customer information.*

### **Problem Statement**

Considering the age of digital lending and digital sale of financial products and services, the mode of communication should not be kept restricted and instead may be left at the discretion of the lender and borrower.

### **Our Comments**

We recommend that RBI may consider recognizing the usual modes of communication with the borrower such as via SMS or whatsapp or disclosure on the Digital Lending Application for the purpose of sharing the copy of the terms and conditions/ agreement.