

RBI Press Release

RBI List of NBFCs Registered and Permitted to accept Public Deposits and those which have been denied Registration to function as NBFC on RBI Website (May 5, 1999)

The Reserve Bank of India has on its website (URL:<http://www.rbi.org.in>) released the all India lists of non-banking financial companies.

- (i) 584 Non-banking Financial Companies (NBFCs) whose applications for certificate for registration under Section 45IA of RBI Act, 1934 have been approved and have been allowed to hold/accept deposits from public; and
- (ii) 1032 NBFCs including Residuary Non-Banking Companies (RNBCs) whose applications for certificate of registration under Section 45IA of RBI Act, 1934 have been rejected.

Anyone interested in the information may download it from the RBI website. The RBI will regularly update the lists.

The Reserve Bank has also sent copy each of these lists to all the State Governments and Union Territories to enlist their support in ensuring that the unauthorised and unregistered NBFCs do not accept public deposits. The State Governments and Union Territories have the resources and machinery available with them even at small towns and places and are thus better placed to ensure that unauthorised and unregistered NBFCs do not accept public deposits.

While 1032 companies, which have been refused Certificate of Registration by the Reserve Bank should immediately cease to function as NBFCs under the provisions of the Reserve Bank of India Act, the companies, which have not applied for registration to the Reserve bank should also cease to function as NBFCs.

584 companies registered with the Reserve Bank can accept public deposits subject to their compliance with the regulatory framework including the need for minimum investment grade credit rating, as applicable. However, 6821 NBFCs either having a track record of less than two years and those not holding any public deposits on the date of grant of registration are not allowed to accept public deposits without the prior specific approval of the Reserve bank of India even though registered with it. The NBFCs having net owned funds below Rs.25 lakh are precluded from accepting public deposits in any manner.

Members of the public are advised to remain vigilant of the above factors and should not deposit their money with unregistered and unauthorised NBFCs. The members of public are also cautioned that unincorporated entities like individuals, firms, Hindu Undivided Families, associations of persons, etc., are allowed to accept deposits only from their relatives, corporate bodies as specified in the Reserve Bank of India Act, banks and financial institutions. They are neither allowed to accept deposits from others nor can they issue advertisement for mobilising deposits.

While the Reserve bank or any other government agency does not guarantee repayment of deposits, the Reserve bank has been taking various prudential regulations/ supervisory measures so that NBFCs grow on healthy and sound lines. With a view to educating the general public, the Reserve Bank has been undertaking publicity campaign through print media, indicating the names of the NBFCs which have been refused registration and have been prohibited from accepting public deposits, as also, "Do's and Don'ts", which a prospective investor should keep in mind before taking a decision to invest money in a particular NBFC.

**RBI removes Ceiling on Bank Credit to NBFCs
(May 28, 1999)**

The Reserve Bank of India (RBI) has removed the ceiling on bank credit in respect of all registered Non-Banking Financial Companies (NBFCs), engaged in principal business of equipment leasing, hire purchase, loan and investment activities. Banks may now assess and provide need-based finance to NBFCs. as per the loan policy laid down by them with the approval of their boards.

Earlier, in respect of NBFCs, (other than RNBCs) which were registered with the Reserve Bank, but had not satisfied the requirements of credit rating and prudential norms, bank credit was restricted to a certain multiple of their net owned funds (NOF).

As regards bank finance to the NBFCs which do not require to be registered with the Reserve Bank, banks may take their credit decisions on the basis of other usual factors, such as, the purpose of credit, nature and quality of underlying assets, repayment capacity of borrowers as also risk perception. NBFCs which do not require registration with the Reserve Bank include, insurance companies registered under Section 3 of the Insurance Act, 1938, Nidhi companies under Section 620A of the Companies Act, 1956, chit fund companies, stock broking companies/ merchant banking companies, registered with the Securities and Exchange Board of India and housing finance companies.

In respect RNBCs registered with the Reserve Bank, bank finance would continue to be restricted to the extent of their NOF. Banks are also not allowed to give credit to NBFCs, for the following activities:

- bills discounted/ rediscounted by NBFCs except for rediscounting of bills discounted by NBFCs arising form sale of commercial vehicles;
- investments made by NBFCs in shares, debentures of a current nature, i.e. stock-in-trade, except to stock broking companies;
- investments of NBFCs in and advances to subsidiaries, group companies or other entities; and
- investments of NBFCs in other companies and inter-corporate loans/deposits to/in other companies.

There will, however, be no change in the instructions prohibiting grant of bridge loans to

NBFCs/RNBCs or loans of a bridging nature in any form to these companies including against capital/ debenture issues.