

Notification No. DNBS.(PD).ROC. 24/10.01/2000-2001 dated October 24, 2000

October 24, 2000

All Regional Offices of DNBS

Dear Sir,

**New Monetary and Supervisory return -
Return for companies holding deposits of Rs. 20 crore and above**

As you are aware, the NBFCs are required to furnish statutory returns at quarterly, half-yearly and annual periodicity which are utilised for supervising compliance with the specific provisions of the RBI Act / Directions. Presently, we are also separately calling for a return from all the NBFCs holding public deposits of Rs. 20 crore and above for the purpose of monetary aggregates. However, there are certain parameters on which information is not available in any of the present returns, which however is essential for addressing supervisory concerns and for picking up the early warning signals of deterioration in financial health of companies especially those holding substantial public deposits. Accordingly, a separate format for closer monitoring of NBFCs holding public deposits of Rs. 20 crore and above, has been devised under direction of the Board for Financial Supervision (BFS), so that the aberrations, if any, should be brought to the notice of the Bank at the earliest possible opportunity for initiating timely supervisory action in discharge of the statutory responsibilities cast on the Bank. The following operational guidelines are issued in this regard.

(i) The return has been named as 'Supervisory and Monetary Return' and is numbered as NBS-5. The return is to be submitted by all the NBFCs including RNBCs, holding public deposits of Rs. 20 crore and above as at the end of quarters ending June, September, December and March. This replaces the existing return named as "Quarterly Return on Assets and Liabilities of Large NBFCs" on monetary aggregates being submitted by companies holding public deposits of Rs. 20 crore and above.

(ii) The return comprises of four parts viz. Part - 1, (Company's profile in brief), Part-2 (Monetary Data), Part-3 (Supervisory Data) and Part-4 (Supervisory Comments). Part-1, 2 and 3 are to be filled in by the companies themselves and submitted to the ROs whereas Part-4 is to be appended and filled in by ROs. ROs should also verify / check the particulars submitted by the companies.

(iii) Copies of the return may be forwarded to all the companies under your jurisdiction as identified on the basis of the last return on liquid assets submitted by them; by individually addressing a letter to each such company indicating that the return for the quarter has to be submitted latest by the 10th of the month succeeding the quarter positively. The first such return may be submitted for the quarter ended September 2000. Though some companies might have submitted the information as per the old return, a fresh return may be called from them.

(iv) Monitoring Groups of two Officers each in Grade B/C for monitoring the affairs of 5 NBFCs or less having public deposits of Rs. 20 crore or above may be constituted at the RO with the number of Groups depending on the number of such companies. The officers to be identified for this purpose should, preferably have (a) either inspected the company or any other company having similar nature of business; (b) have supervisory experience in the banking or non-banking sector and (c) have skills in analysis of data and off-site monitoring. However, it may please be noted that monitoring of the companies by officers as members of the Monitoring Group will be in addition to their regular duties and not in replacement thereof.

(v) The Monitoring Groups should monitor the timely receipt of the return from each NBFC, scrutinise it for internal consistencies, tabulate the data for comparison of performance vis-a-vis the previous quarter, interpret according to the regulatory framework and ascertain the supervisory concerns, if any. The Group should add their comments on the concerns arising out of the functioning of the company, observations on the compliance of the inspection findings, advices / guidelines / instructions issued, if any by the Bank, to the company and the proposed course of action to set right the irregularities.

(vi) The Regional Director may be kept informed of the developments more particularly in respect of the weak and problem NBFCs. The Regional - in-Charge may hold discussions with the CEO of the companies, wherever necessary, before arriving at his conclusions so that a fair view can be taken. The return of each such company along with the comments of the Regional-in-Charge should thereafter be submitted to the Regional Director.

(vii) A copy of the return put up to the Regional Director with comments of Monitoring Group should be simultaneously sent to concerned CMD pending perusal by the Regional Director at Central Office so as to reach by **20th of the month** over the Wide Area Network.

(viii) The views of Regional Director may be forwarded by Regional Office to Central Office as soon as possible so that they can be taken into account before finalising the course of action at the level of Central Office.

(ix) The Regional Offices would monitor receipt of the return from all the companies falling in their jurisdiction, follow up with them for timely submission of the return. The intention of Central Office is that the returns are received at Central Office by 20th of the month following the quarter so that a report is placed before the Board for Financial Supervision in their meeting in the same month or the succeeding month.

2. Please acknowledge receipt and confirm action indicating the number of companies identified for the purpose, the names of team members of the Monitoring Group(s) for each of the company and endorse a copy of the advice issued to each NBFC for submission of the return, as stipulated. In case you have suggestions, you may apprise us of the same at the earliest to enable us to take a uniform decision with the approval of higher authorities.

Yours faithfully,
Sd/-
(D.S.Nagi)

General Manager
Encl: Form No. NBS-5