

RBI rationalises NBFC Regulations - Notifications

**Reserve Bank of India
Department of Non-Banking Supervision
Central Office
Centre 1, World Trade Centre
Cuffe Parade, Colaba
Mumbai – 400 005**

Notification No.DNBS. 154/CGM (LMF) -2002 dated January 1, 2002

The Reserve Bank of India, having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, in exercise of the powers conferred by Sections 45J, 45K, 45L and 45MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.118/DG (SPT)/98 dated January 31, 1998 shall stand amended, with immediate effect, as follows, namely –

1. In paragraph 6, in sub paragraph (1), the words, “; or a non banking financial company may entrust such securities to the Stock Holding Corporation of India Ltd., with the prior approval, in writing, of regional office of the Reserve Bank of India under whose jurisdiction the registered office of the company is situated as specified in Second Schedule hereto, subject to such conditions as may be specified by the Reserve Bank of India in this behalf”, shall be deleted.
2. In paragraph 6, in sub paragraph (1), for the existing proviso, the following proviso shall be substituted, namely, -

“Provided that where a non-banking financial company intends to entrust these securities to Stock Holding Corporation of India Ltd. or to its designated banker at a place other than the place at which its registered office is located or to keep them in the form of Constituent’s Subsidiary General Ledger Account with a scheduled commercial bank , or with a depository participant registered with Securities and Board of India under Securities and Exchange Board of India Act , 1992 (15 of 1992), it shall obtain the prior approval, in writing, of Regional Office of the Reserve Bank of India under whose jurisdiction the registered office of the company is situated, as specified in Second Schedule hereto.”

3. In paragraph 6, for sub-paragraph (2) the following sub-paragraph shall be substituted, namely, -

“(2) the securities mentioned in sub-paragraph (1) above shall continue to be entrusted to such designated banker or the Stock Holding Corporation of India Ltd. or the depository participant or held in the constituent’s

Subsidiary General Ledger account with the scheduled commercial bank for the benefit of the depositors and shall not be withdrawn or encashed or otherwise dealt with by the non-banking financial company except for repayment to the depositors :”

Sd/-

(L. M. Fonseca)

Chief General Manager - in – Charge

Notification No.DNBS. 155/CGM (LMF) -2002 dated January 1, 2002

The Reserve Bank of India, having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, in exercise of the powers conferred by section 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.119/DG(SPT)/98 dated January 31, 1998 shall stand amended with immediate effect as follows, namely, -

1. In paragraph 8, in sub-paragraph (2), after note (5), the following note shall be inserted, namely, -

“(6) All financial leases written on or after April 1, 2001 attract the provisioning requirements as applicable to hire purchase assets.”

2. In paragraph 9A the following explanations shall be inserted, namely, -

“Explanation I: The Audit Committee constituted by an NBFC as required under Section 292-A of the Companies Act, 1956 (1 of 1956) shall be the Audit Committee for the purposes of this paragraph.

Explanation II: The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 292-A of the Companies Act, 1956 (1 of 1956).”

3. In paragraph 11B, after the explanation, the following proviso shall be inserted, namely, -

"Provided further that the above ceiling on the investment in unquoted shares shall not be applicable to an equipment leasing company or a hire purchase finance company or a loan company or an investment company in respect of investment in the equity capital of an insurance company upto the extent specifically permitted, in writing, by the Reserve Bank of India."

4. In paragraph 12, after first proviso, the following proviso shall be inserted, namely, -

"Provided further that the above ceiling on the investment in shares of another company shall not be applicable to an NBFC in respect of investment in the equity capital of an insurance company upto the extent specifically permitted, in writing, by the Reserve Bank of India."

Sd/-
(L. M. Fonseca)
Chief General Manager - in – Charge

Notification No.DNBS.156/CGM(LMF)-2002 dated January 1, 2002

The Reserve Bank of India, having considered it necessary in the public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987, hereby, in exercise of the powers conferred by Section 45J, 45K, 45L and 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and all the powers enabling it in this behalf, directs that the said Directions contained in Notification No.DFC.55/DG(O)-87 dated the 15th May 1987 shall, stand amended with immediate effect, as follows, namely :-

1. In paragraph 6, in sub-paragraph (2), for the words, “ public sector banks”, the words, “scheduled commercial banks”, shall be substituted.
2. In paragraph 6, after sub paragraph (2), the following proviso shall be inserted, namely, -

“Provided that where a residuary non-banking company intends to entrust these securities to Stock Holding Corporation of India Ltd. or to its designated banker at a place other than the place at which its registered office is located or to keep them in the form of Constituent’s Subsidiary General Ledger Account with a scheduled commercial bank , or with a depository participant registered with Securities and Exchange Board of India under Securities and Exchange Board of India Act, 1992 (15 of 1992), it shall obtain the prior approval, in writing, of Regional Office of the Reserve Bank of India under whose jurisdiction the registered office of the company is situated, as specified in Schedule B hereto.”

Sd/-

(L. M. Fonseca)

Chief General Manager - in – Charge