

Notification No. DNBS. 157/CGM(CSM)-2002 dated April 22, 2002.

RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA,
MUMBAI 400 005.

NOTIFICATION No. DNBS. 157/CGM(CSM)-2002 dated April 22, 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 stand amended with effect from March 31, 2002 as follows, namely –

1. In paragraph 2 (1)(xii), after sub-clause (b), the following sub-clause shall be inserted, namely, -

“(ba) a demand or call loan, which remained overdue for six months from the date of demand or call or on which interest amount remained past due for a period of six months;”

2. In paragraph 6, sub-paragraph (1), shall be substituted by the following, namely, -

“(1)

(a) The Board of Directors of every NBFC shall frame investment policy for the company and implement the same;

(a) The Board of Directors of every NBFC shall frame investment policy for the company and implement the same;

(b) The criteria to classify the investments into current and long term investments shall be spelt out by the Board of the company in the investment policy;

(c) Investments in securities shall be classified into current and long term, at the time of making each investment;

(d)

(i) There shall be no inter-class transfer on ad-hoc basis;

- (ii) The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board;
- (iii) The investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;
- (iv) The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;
- (v) The depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of such inter-class transfer, even in respect of the scrips of the same category.”

3. After paragraph 6, the following paragraph 6A shall be inserted, namely, -

“6A. Need for Policy on Demand/Call Loans

- (1) The Board of Directors of every NBFC granting/intending to grant demand/call loans shall frame a policy for the company and implement the same.
- (2) Such policy shall, inter alia, stipulate the following, -
 - (i) A cut off date within which the repayment of demand or call loan shall be demanded or called up;
 - (ii) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut off date for demanding or calling up such loan is stipulated beyond a period of one year from the date of sanction;
 - (iii) The rate of interest which shall be payable on such loans;
 - (iv) Interest on such loans, as stipulated shall be payable either at monthly or quarterly rests;
 - (v) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period;
 - (vi) A cut off date, for review of performance of the loan, not exceeding six months commencing from the date of sanction;
 - (vii) Such demand or call loans shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.”

(C. S. Murthy)

Chief General Manager – in – Charge