

Notification No.DNBS.161/CGM(CSM)-2002 dated October 1, 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.161/CGM(CSM)-2002 dated October 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, with immediate effect, be amended as follows, namely :-

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

"(2) Every residuary non-banking company shall

- (i) open a Constituent's Subsidiary General Ledger (CSGL) account with a scheduled commercial bank, or the Stock Holding Corporation of India Ltd. (SHCIL) or a dematerialised account with a depository through a depository participant registered with Securities and Exchange Board of India and keep the unencumbered approved securities required to be maintained by it in pursuance of Section 45-IB of the Reserve Bank of India Act, 1934 (2 of 1934) and the Notification No. DFC.120/ED(G)-98 dated January 31, 1998 in such CSGL account or dematerialised account;
- (ii) keep other securities referred to in clause (b) of sub-paragraph (1) above in such CSGL account or dematerialised account, if they have been dematerialised; and
- (iii) designate one of the scheduled commercial banks in the place where the registered office of the non-banking financial company is situated as its designated banker and entrust, in physical form, to such bank or the SHCIL all unencumbered deposit receipts and securities referred to in clauses (a) and (b) of paragraph (1) above and such unencumbered approved securities which have not been dematerialised;

and intimate the name and location of such scheduled commercial bank where it has opened its CSGL account or has held the securities in physical form, or the location of the SHCIL where it has opened its CSGL account or has held the securities in physical form or the depository (and the depository participant) where it has held its dematerialised account, in writing, to the 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:

Provided that where a residuary non-banking company intends to entrust the securities specified in clause (iii) above with the designated banker or the SHCIL, at a place other than the place at which its registered office is located, it may do so with the prior approval, in writing, of the Regional Office of Reserve Bank of India under whose jurisdiction the registered office of the company is situated, as specified in Schedule B hereto;"

2. In paragraph 6, the present sub-paragraph (3) shall be renumbered as sub-paragraph (4).

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

"(3) The securities mentioned in sub-paragraph (1) above shall continue to be kept as specified in sub-paragraph (2) above for the benefit of the depositors and shall not be withdrawn or encashed or otherwise dealt with by the residuary non-banking company except for repayment to the depositors with the prior approval of Reserve Bank of India:

Provided that,

- (i) a residuary non-banking company may withdraw a portion of such securities in proportion to the reduction of its public deposits duly certified to that effect by its auditor;
- (ii) where the residuary non-banking company intends to substitute such securities kept in physical form, it may do so by entrusting securities of equal value to the designated bank or SHCIL before such withdrawal; and
- (iii) where the residuary non-banking company sells or purchases or substitutes the securities kept in dematerialised account, it may do so by transactions undertaken through its CSGL account with the scheduled commercial bank or SHCIL or dematerialized account with the depository."

4. In sub-paragraph (1) of Paragraph 16, the following item (h) shall be inserted, namely, -

"(h) that the deposits solicited by it are not insured."

Sd/-

(C. S. Murthy)

Chief General Manager - in - Charge