

Amendments to NBFC Regulations - Ceiling on rate of interest

DNBS (PD) CC.No. /02.01/2002-03

March 3, 2003

**To All Non-Banking Financial Companies
including Chit Fund Companies**

Dear Sirs,

Amendments to NBFC Regulations - Ceiling on rate of interest

It has been decided that, keeping in view the prevailing interest rates in the entire financial system, the maximum interest rate payable on public deposits of NBFCs should be revised to 11 per cent per annum on and from March 4, 2003. It is clarified that this is the maximum permissible rate an NBFC can pay on its public deposits and they are free to offer lower rates, as indeed most of them do. The new rate of interest is applicable to fresh public deposits and renewals of matured public deposits.

2. The above ceiling rate of interest of 11 per cent per annum is also applicable to the deposits accepted / renewed by Miscellaneous Non-Banking Companies (chit fund companies) as per the Directions prescribed by RBI.

3. You are requested to ensure meticulous compliance with the new ceiling on rate of interest. Other conditions relating to the rests at which interest can be compounded, rate of brokerage, etc., remain unchanged.

4. A copy each of the amending Notifications No. 165 and 166 is enclosed.

Yours faithfully,

(C. S. Murthy)

Chief General Manager-in-Charge

**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. 165/ CGM (CSM)-2003 DATED March 03, 2003

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 –

In Paragraph 4, sub-paragraph (7) shall be substituted by the following , namely

"(7) On and from March 4, 2003 no non-banking financial company shall invite or accept or renew public deposit at a rate of interest exceeding eleven per cent per annum. Interest may be paid or compounded at rests which shall not be shorter than monthly rests."

(C. S. Murthy)
Chief General Manager-in-Charge

Reserve Bank of India
Department of Non-Banking Supervision
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Centre 1, World Trade Centre
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NOTIFICATION No. DNBS. 166/ CGM (CSM)-2003 DATED March 03, 2003

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 Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 1977, in exercise of the powers conferred by Sections 45J, 45K and 45L 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. DNBC. 39 / DG (H)-77 dated June 20, 1977 shall stand amended with immediate effect, as follows, namely -

1. In paragraph 9A, for the words and figures, “November 1, 2001”, the words and figures “March 4, 2003” shall be substituted.
2. In paragraph 9A, in clause (a), for the word “twelve and a half”, the words “eleven” shall be substituted.

(C. S. Murthy)
Chief General Manager-in-Charge