

Amendment to the RBI Regulations for NBFCs and RNBCs

Ref. DNBS (PD) C.C. No.25 / 02.02 / 2002-03

March 29, 2003

To
All Non-Banking Financial Companies
including Residuary Non-Banking Companies

Dear Sirs,

Amendment to the RBI Regulations for NBFCs and RNBCs

The Bank has decided to amend the Directions for regulating the activities of NBFCs, pursuant to certain changes felt necessary on the basis of recommendations of the Working Group on Redesigning of Financial Statements of Non-Banking Financial Companies, consultations with the members of the Informal Advisory Group on NBFCs as also the developments in the financial system.

(1) Implementation of the recommendation of the Working Group on Redesigning of financial statement of NBFCs - Additional schedule to Balance Sheet of NBFCs

(i) As you are aware, in terms of Circular DNBS (PD) CC No. 11 / 02.01 / 99-2000 dated November 15, 1999 the Non-Banking Financial Companies (NBFCs) were informed about recommendations of the Committee on Redesigning of Financial Statements for NBFCs. It was also informed that the Bank would take a final view on the suggestion of a separate format of financial statements for NBFCs after consulting all concerned in the matter.

(ii) Keeping in view the comments received and other developments in the financial system viz. amendments to the Companies Act, 1956, issue of new accounting standards by Institute of Chartered Accountants of India, etc. the Bank has now decided that effective from the balance sheet as on March 31, 2003 and onwards all NBFCs (irrespective of whether they hold public deposits or not) shall attach a schedule to the balance sheet containing additional particulars as per format prescribed by the Bank. The Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 have been amended to this effect, vide Notification No. [DNBS. 167 / CGM \(OPA\) – 2003 dated March 29, 2003.](#)

(iii) These instructions are applicable to the following Non-Banking Financial companies viz. Equipment Leasing, Hire Purchase Finance, Loan, Investment and Residuary Non-Banking Companies.

**(2) Investment pattern for Residuary Non-Banking Companies -
Investments in UTI units**

(i) In terms of Paragraph 6 (1)(b) of the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987 (RNBC Directions), the residuary non-banking companies (RNBCs) may invest the units of Unit Trust of India (UTI) and other mutual funds upto 10 per cent of their aggregate liabilities to the depositors, subject to the condition that the investment in any mutual fund, other than UTI, should not exceed 2 per cent of the aggregate liabilities to the depositors. The limit of 2 per cent is not applicable to the investments in the UTI schemes.

(ii) Subsequent to the bifurcation of the Unit Trust of India, the mutual fund activities of UTI would be governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 like any other mutual fund. As such, it has been decided to do away with the special treatment to investments in UTI in the matter of investment of the aggregate liabilities to the depositors. The permission to the RNBCs to invest in the mutual funds including the UTI would, however, continue within the ceiling of 10 per cent of the aggregate liabilities subject to the sub-ceiling of 2 per cent of such liabilities for any one mutual fund. The above changes would be applicable to deposits received on and from April 1, 2003 meaning thereby that the investments made by the RNBCs as on March 31, 2003 in the UTI schemes would continue, as hitherto, to be part of securities under Paragraph 6 of the RNBC Directions, till their divestment. The provisions of RNBC Directions have been amended to this effect.

(iii) The amending Notification Nos. 167 and 168 of date as also the Notification No. DFC.119/DG (SPT)-98 dated January 31, 1998 and Notification No. DFC.55/DG (O)-87 dated May 15, 1987 (as amended upto date) are enclosed for your information and meticulous compliance.

2. Please acknowledge receipt to the Regional office of the Department of Non-banking Supervision, Reserve Bank of India under whose jurisdiction the Registered Office of your company is situated.

Yours faithfully,

Sd/-

(O. P. Aggarwal)
Chief General Manager

Encl: 6 sheets

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. 167/CGM(OPA)- 2003 dated March 29, 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 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 -

2. A new paragraph shall be inserted after paragraph 9B as under:

“Schedule to the balance sheet

9BB. Every NBFC shall append to its Balance Sheet prescribed under the Companies Act, 1956, the particulars in the format as set out in the Schedule annexed hereto."

Sd/-

(O. P. Aggarwal)
Chief General Manager

Encls: 4 sheets

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.168/CGM(OPA)-2003 dated March 29, 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 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 May 15, 1987 shall, with effect from April 1, 2003, be amended as follows, namely :-

1. The proviso to sub-clause (i) of clause (b) of sub-paragraph (1) of paragraph 6 shall be deleted.

Sd/-

(O. P. Aggarwal)
Chief General Manager

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| Schedule to the Balance Sheet of a Non-Banking Financial Company | Word | Pdf |
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