

RBI / 2004 / 202

DNBS (PD) CC No. 37 / 02.02 / 2003-04

May 17, 2004

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

Dear Sir,

Collection of interest on SLR securities

As you are aware that NBFCs including RNBCs are required to maintain liquid assets in the form of Government securities/ Government guaranteed bonds as per the provisions of Section 45-IB of the RBI Act and lodge such securities for safe custody with a scheduled commercial bank (SCB) / Stock Holding Corporation of India Ltd., (SHCIL) or keep them in the form of Constituent's Subsidiary General Account (CSGL) or with a depository through a depository participant (DP) registered with Securities & Exchange Board of India (SEBI) in a demat account. Further in terms of Company Circular DNBS (PD) CC No. 21 / 02.01 / 2002-03 dated October 1, 2002 all Government securities held in physical form had to be dematerialized on or before October 31, 2002.

2. We understand that Government securities held by NBFCs/RNBCs have already been dematerialized. However, there may be a few Government securities/Government guaranteed bonds that have not been dematerialized and are held in physical form which for the purpose of collection of interest are withdrawn from the safe custody with their designated bankers and re-deposited with the banks after collection of interest.

3. To avoid the process of withdrawal and re-depositing the same it has now been decided that NBFCs/RNBCs shall authorize the designated banks as agents for collection of interest on due dates on these securities held in physical form and lodged for safe custody. You may, therefore, approach your designated banker and exercise a Power of Attorney in favour of the designated bank to enable it to collect interest on the securities/ guaranteed bonds held in physical form on the due date.

4. You are requested to ensure meticulous compliance with the above directions.

Yours faithfully,

Sd/-

(O. P. Aggarwal)
Chief General Manager-in-Charge