



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/273/2004-05

DBOD.IECS.BC.No. 57 /08.12.01(N)/2004-05

November 19, 2004

All Scheduled Commercial Banks  
(Excluding RRBs and LABs)

Dear Sir,

**Mid-Term Review of the Annual Policy Statement for the year 2004-05 –  
Bank Finance to NBFCs**

Please refer to para 6.1(vi) of our Circular No. RBI 2004-05/14.DBOD.IECS.No.7/08.12.01/2004-05 dated July 1, 2004 read with para 3.8 of our Circular No. RBI/2004-05/79. DBOD.Dir.BC.20/13.03.00/2004-05 dated July 30, 2004, in terms of which banks are precluded from granting finance against existing assets whether by way of term loans for purchase of such assets or by way of finance to leasing companies for purchase and re-release of such assets.

2. In this connection, a reference is invited to paragraph 94 of the Mid-Term Review of Annual Policy Statement for the year 2004-05 enclosed to Governor's letter MPD.BC.256/07.01.279/2004-05 dated October 26, 2004 (copy of the paragraph enclosed). As mentioned therein and in the light of the experience gained by NBFCs in financing second hand assets, banks may, henceforth, extend finance to NBFCs against second hand assets financed by them. Banks may also extend financial assistance to the customers directly for purchase of second hand assets.

भारतीय रिज़र्व बैंक, मुंबई, महाराष्ट्र, भारत

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मुद्रा, ऋण, वित्त, आर्थिक, संस्था



3. Banks may formulate suitable loan policies with the approval of their Board of Directors to finance second hand assets, both directly and through NBFCs.

Yours faithfully,

(C.R.Muralidharan)  
Chief General Manager-in-Charge



**Extract of the Mid-Term Review of the Annual  
Policy Statement for the year 2004-05**

**Liberalisation of Bank Finance to NBFCs**

94. In view of the expertise gained by NBFCs in financing second hand assets and to encourage credit dispensation, it is proposed that :

- Banks may, henceforth, extend finance to NBFCs against second hand assets financed by them, provided suitable loan policies duly approved by the banks' Boards are put in place.