



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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August 13, 2020

All Core Investment Companies (CICs)

Madam/Dear Sir,

### Review of Guidelines for Core Investment Companies

Please refer to the report of the Working Group (WG) to Review the Regulatory and Supervisory Framework for Core Investment Companies (CICs), constituted under the Chairmanship of Shri Tapan Ray, former Secretary, Ministry of Corporate Affairs, Government of India. The [report](#) of the WG was placed in public domain in November 2019 seeking comments from the stakeholders. Based on the recommendations of the WG and inputs received from stakeholders, it has been decided to revise the guidelines applicable for Core Investment Companies.

### 2. Definition of Adjusted Net worth (ANW)

2.1 Reference is drawn to para 3 (i) of the [Master Direction on Core Investment Companies \(Reserve Bank\) Directions, 2016](#). While computing Adjusted Net Worth (ANW), the amount representing any direct or indirect capital contribution made by one CIC in another CIC, to the extent such amount exceeds ten per cent of Owned Funds of the investing CIC, shall be deducted. All other terms and conditions for computation of ANW remain the same.

2.2 The deduction requirement shall take immediate effect for any investment made by a CIC in another CIC after date of issue of this circular. In cases where the investment by a CIC in another CIC is already in excess of 10 percent as on the date of this circular, the CIC need not deduct the excess investment as on the date of this circular from owned funds for computation of its ANW till March 31, 2023.

### 3. Group Structure

3.1 To address the complexity in group structures and existence of multiple CICs within a group, it has been decided that the number of layers of CICs within a Group (including the parent CIC) shall be restricted to two, irrespective of the extent of direct or indirect holding/control exercised by a CIC in the other CIC. If a CIC makes any direct/ indirect equity investment in another CIC, it will be deemed as a layer for the investing CIC. While the

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regulation shall be applicable from the date of the circular, existing entities shall reorganise their business structure and adhere to this guideline latest by March 31 2023.

#### **4. Risk Management**

4.1 The parent CIC in the group or the CIC with the largest asset size, in case there is no identifiable parent CIC in the group, shall constitute a Group Risk Management Committee (GRMC). The GRMC shall report to the Board of the CIC that constitutes it and shall meet at least once in a quarter. The composition of GRMC shall be as under:

- (i) The GRMC shall comprise minimum of five members, including executive members.
- (ii) At least two members shall be independent directors, one of whom shall be the Chairperson of the GRMC.
- (iii) Members shall have adequate and commensurate experience in risk management practices.

4.2 The GRMC will have the following responsibilities:

- (i) Analyse the material risks to which the group, its businesses and subsidiaries are exposed. It must discuss all risk strategies both at an aggregated level and by type of risk and make recommendations to the Board in accordance with the group's overall risk appetite.
- (ii) Identify potential intra-group conflicts of interest.
- (iii) Assess whether there are effective systems in place to facilitate exchange of information for effective risk oversight of the group.
- (iv) Assess whether the corporate governance framework addresses risk management across the group.
- (v) Carry out periodic independent formal review of the group structure and internal controls.
- (vi) Articulate the leverage of the Group and monitor the same.

4.3 Based on the analyses and recommendations of the GRMC, CICs shall initiate corrective action, where necessary. Chief Risk Officers (CROs), appointed in CICs as per Para 4.4 below, shall initiate such corrective action.

4.4 All CICs with asset size of more than ₹5,000 crore shall appoint a CRO with clearly specified roles and responsibilities. Guidelines on CRO shall be as per Para 71 on Appointment of Chief Risk Officer of [Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#).



4.5 CICs shall submit to the Board, a quarterly statement of deviation certified by the Chief Executive Officer/ Chief Financial Officer, indicating deviations in the use of proceeds of any funding obtained by the CIC from creditors and investors from the objects/ purpose stated in the application, sanction letter or offer document for such funding.

## **5. Corporate Governance and Disclosure Requirements**

5.1 Corporate governance requirements will be as per the Companies Act, 2013. Disclosure requirements will be applicable to NBFC-CICs as per the guidelines contained at [Annex](#) of this circular. The guidelines indicate basic minimum requirements and CICs shall strive to achieve higher standards of governance and disclosure.

5.2 CICs shall ensure that a policy is put in place with the approval of the Board for ascertaining the 'fit and proper' status of directors not only at the time of appointment, but also on a continuous basis. Guidelines as applicable to NBFCs as per Para 72 on Fit and Proper Criteria of [Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#) as updated from time to time, shall be applicable also to CICs.

## **6. Consolidation of Financial Statement (CFS)**

6.1 CICs shall prepare CFS as per provisions of Companies Act, 2013, so as to provide a clear view of the financials of the group as a whole. However, it is possible that entities that meet the definition of group as per extant regulations are not covered under consolidation due to exemptions granted as per statutory provisions/ applicable accounting standards. For such entities which are not included in the consolidation, disclosures shall be made in the indicative format mentioned at paragraph 2 of the [Annex](#). In the process of consolidation, the auditor of a CIC, as the 'principal auditor', shall use the work of other auditors with respect to the financial information of other respective entities, subject to auditing standards as also guidance notes issued by the Institute of Chartered Accountants of India<sup>1</sup> from time to time.

## **7. Exceptions to carrying other financial activity**

Reference is drawn to para 2(1)(iv) of the [Master Direction on Core Investment Company \(Reserve Bank\) Directions, 2016](#) on other financial activities that can be undertaken by the CIC. CICs are allowed to invest in money market instruments, including mutual funds which make investments in money market instruments/debt instruments with a maturity of up to 1 year.

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<sup>1</sup> Standard on Auditing (SA) 600 - "Using the Work of Another Auditor" and Guidance Note on Audit of Consolidated Financial Statements.



## **8. Registration**

8.1 Reference is drawn to Para 7 of [Master Direction on Core Investment Companies \(Reserve Bank\) Directions, 2016](#). It shall be noted that CICs (a) with an asset size of less than ₹100 crore, irrespective of whether accessing public funds or not and (b) with an asset size of ₹100 crore and above and not accessing public funds are not required to register with the Bank under Section 45IA of the RBI Act, 1934 in terms of [notification No. DNBS.PD.221/CGM \(US\) 2011 dated January 5, 2011](#).

## **9. Change in nomenclature**

9.1 A Systemically Important Core Investment Company, as defined in sub-paragraph (xxv) of paragraph 3 of the Core Investment Companies (Reserve Bank) Directions, 2016 will henceforth be termed as a Core Investment Company. A Core Investment Company, which is not required to be registered in terms of para 8.1 above, will henceforth be termed as 'Unregistered CIC' instead of 'exempted CIC'.

## **10. Others**

10.1 CICs implementing Indian Accounting Standards shall adhere to the [circular DOR \(NBFC\).CC.PD No.109/22.10.106/2019-20 dated March 13, 2020](#) on Implementation of Indian Accounting Standards.

10.2 All CICs shall adhere to the guidelines on Submission of Data to Credit Information Companies as per para 100 and 101 of [Master Direction Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#).

11. [Master Direction - Core Investment Companies \(Reserve Bank\) Directions, 2016](#) is being modified accordingly.

Yours faithfully

(Manoranjan Mishra)  
Chief General Manager

### Disclosure Requirements

1. Every CIC shall maintain a functional website containing basic information about itself and about its group. It should further contain:
  - a) The Annual Report of the CIC
  - b) Corporate Governance Report
  - c) Management Discussion & Analysis covering, *inter alia*, industry structure and developments, risks and concerns for the group and adequacy of internal controls.
  - d) Other significant information, if any
2. The following shall be disclosed by the CIC with regard to group entities that are not consolidated in the CFS:
  - a) Name of the entity, type of business, size of its assets, debt-equity ratio, and profitability for the last two years
  - b) Nature and type of exposure on each entity: i) Investments in equity ii) investments in convertible instruments, iii) investments in bonds/ debentures/ other instruments, iv) loans and advances, v) any other
  - c) Total exposure of the CIC towards non-financial business (entity-wise)
  - d) Loans and advances to firms/companies in which directors are interested
  - e) Investments by the loanee of the CIC in the shares of parent company and group companies
3. Disclosures to be made in the Annual Financial Statements:

#### 3.1 Components of ANW and other related information

(Amount in ₹ crore)		
Particulars	Current Year	Previous Year
i) ANW as a % of Risk Weighted Assets		
ii) unrealized appreciation in the book value of quoted investments		
iii) diminution in the aggregate book value of quoted investments		
iii) Leverage Ratio		

#### 3.2 Investment in other CICs

- a) Total amount representing any direct or indirect capital contribution made by one CIC in another CIC (including name of CICs)
- b) Number of CICs with their names wherein the direct or indirect capital contribution exceeds 10% of Owned Funds
- c) Number of CICs with their names wherein the direct or indirect capital contribution is less than 10% of Owned Funds

### 3.3 Off Balance Sheet Exposure

	Particulars	Current Year	Previous Year
i)	Off balance sheet exposure		
ii)	Financial Guarantee as a % of total off-balance sheet exposure		
iii)	Non-Financial Guarantee as a% of total off-balance sheet exposure		
iv)	Off balance sheet exposure to overseas subsidiaries		
v)	Letter of Comfort issued to any subsidiary		

### 3.4 Investments

		(Amount in ₹ crore)	
Particulars		Current Year	Previous Year
(1)	Value of Investments		
(i)	Gross Value of Investments		
	(a) In India		
	(b) Outside India,		
(ii)	Provisions for Depreciation		
	(a) In India		
	(b) Outside India,		
(iii)	Net Value of Investments		
	(a) In India		
	(b) Outside India.		
(2)	Movement of provisions held towards depreciation on investments.		
(i)	Opening balance		
(ii)	Add : Provisions made during the year		
(iii)	Less : Write-off / write-back of excess provisions during the year		
(iv)	Closing balance		

### 3.5 ALM - Maturity pattern of Assets and Liabilities

	1 to 7 days	8 to 14 days	15 days to 30 /31 days	Over 1 month up to 2 Month	Over 2 months up to 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Advances											
Investments											
Borrowings											
Foreign Currency assets											
Foreign Currency liabilities											

### 3.6 Business Ratios

Particular	Current Year	Previous Year
Return on Equity (RoE)		
Return on Assets (RoA)		
Net profit per employee		

### 3.7 Provisions and Contingencies

Provisions and Contingencies shall be presented as under:

(Amount in ₹ Crore)		
Break up of 'Provisions and Contingencies' shown under the Profit and Loss Account	Current Year	Previous Year
Provisions for depreciation on Investment		
Provision towards NPA		
Provision made towards Income tax		
Other Provision and Contingencies (with details)		
Provision for Standard Assets		

### 3.8 Concentration of NPAs

	(Amount in ₹ crore)	Exposure as a % of total assets
Total Exposure to top five NPA accounts		

### 3.9 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

Name of the Joint Venture/ Subsidiary	Other Partner in the JV	Country	Total Assets
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## 4. Miscellaneous disclosures

- Registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators
- Penalties imposed by RBI and other regulators including strictures or directions on the basis of inspection reports or other adverse findings.
- If the auditor has expressed any modified opinion(s) or other reservation(s) in his audit report or limited review report in respect of the financial results of any previous financial year or quarter which has an impact on the profit or loss of the reportable period, with notes on -
  - How the modified opinion(s) or other reservation(s) has been resolved; or
  - If the same has not been resolved, the reason thereof and the steps which the CIC intends to take in the matter.

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