



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2013-14/558

DNBS (PD).CC.No. 374/03.10.001/2013-14

April 07, 2014

To Concerned Financial Institution

Dear Sirs,

Registration of Non-Operative Financial Holding Companies (NOFHCs)

Please refer to the '[Guidelines for Licensing of New Banks in the Private Sector](#)' dated February 22, 2013 issued by Department of Banking Operations and Development (DBOD), vide RBI [Press Release 2012-2013/1421](#) of the same date. The Guidelines inter alia, state that promoter / promoter groups will be permitted to set up a new bank only through a wholly-owned Non-Operative Financial Holding Company (NOFHC) which will hold the bank as well as all other financial services companies regulated by RBI or other financial sector regulators, to the extent permissible under the applicable regulatory prescriptions. While the NOFHC will be registered as a non-deposit taking non-banking financial company (NBFC) with the Department of Non-Banking Supervision (DNBS) of the Reserve Bank, the regulatory and supervisory framework of NOFHC including prudential norms and submission of returns will be governed by the instructions issued by DBOD from time to time.

2. Accordingly, it has been decided to create a separate category of NBFCs, viz., Non-Operative Financial Holding Company (NOFHC).

3. The Notification amending the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 is enclosed for meticulous compliance.

4. A company seeking registration as an NOFHC shall first have received an in-principle approval for setting up a commercial bank from the Reserve Bank. The application for registration of NOFHC shall be made with the requisite information and documents to Reserve Bank of India, DBOD, Central Office, 12th Floor, Shahid Bhagat Singh Road, Mumbai. The Certificate of registration for the NOFHC will be issued by DNBS, Reserve Bank of India.

Yours faithfully,

(N S Vishwanathan)
Principal Chief General Manager

**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. (PD) 274 / CGM(NSV)-2014 dated April , 2014

The Reserve Bank of India, having considered it necessary in 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 (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007(hereinafter referred to as the said Directions), contained in [Notification No. DNBS. 193/DG\(VL\)-2007 dated February 22, 2007](#), 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 shall be amended with immediate effect as follows.

1. Insertion of new clause (viii c) in Paragraph 2(1):

In Paragraph 2, in sub-paragraph (1), after clause (viii b), the following clause (viii c) shall be inserted:

“(viii c) Non-Operative Financial Holding Company (NOFHC) means a non-deposit taking NBFC referred to in the “Guidelines for Licensing of New Banks in the Private Sector”¹ issued by Reserve Bank, which holds the shares of a banking company and the shares of all other financial services companies in its group, whether regulated by Reserve Bank or by any other financial regulator, to the extent permissible under the applicable regulatory prescriptions”.

2. Insertion of new sub-paragraph (3) in Paragraph 18:

¹ http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=28191

In paragraph 18, a new sub-paragraph (3) shall be added after sub-paragraph (2) as follows:

“(3) An NBFC which is held by an NOFHC shall not

- i. have any exposure (credit and investments including investments in the equity / debt capital instruments) to the Promoters / Promoter Group entities or individuals associated with the Promoter Group or the NOFHC;
- ii. make investment in the equity / debt capital instruments in any of the financial entities under the NOFHC;
- iii. invest in equity instruments of other NOFHCs.

Explanation:- For the purposes of this Paragraph, the expression, ‘Promoter’ and ‘Promoter Group’ shall have the meanings assigned to those expressions in Annex 1 to the “Guidelines for Licensing of New Banks in the Private Sector” issued by Reserve Bank.”

(N.S.Vishwanathan)
Principal Chief General Manager