



भारतीय रिजर्व बैंक  
RESERVE BANK OF INDIA  
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RBI/2010-11/360  
DNBS (PD) CC.No. 206/03.10.001/2010-11

January 5, 2011

All Core Investment Companies

Dear Sir,

**Regulatory Framework for Core Investment Companies(CICs)**

The Bank had issued the captioned guidelines [DNBS\(PD\)CC.No. 197/03.10.001/2010-11 dated August 12, 2010](#) to all Core Investment Companies (CICs) in terms of which CICs were defined and systemically important CICs (CICs-ND-SI) are required to be registered with RBI. It was also advised therein that all CICs-ND-SI should apply to RBI for obtaining CoR within a period of six months from the date of the Notification. In continuation of the above Guidelines, CICs are advised as follows.

2. The following definitions in the Guidelines have been modified as given below:

a) “Adjusted net worth” means the aggregate, as appearing in the last audited balance sheet as at the end of the financial year, of Owned Funds as defined in Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007;

i) as increased by :-

(A) 50% of the unrealized appreciation in the book value of quoted investments as at the date of the last audited balance sheet as at the end of the financial year (such appreciation being calculated, as the excess of the aggregate market value of such investments over the book value of such investments); and

(B) the increase if any, in the equity share capital since the date of the last audited balance sheet.

ii) as reduced by :-

- (A) the amount of diminution in the aggregate book value of quoted investments (such diminution being calculated as the excess of the book value of such investments over the aggregate market value of such investments ) and
- (B) the reduction, if any, in the equity share capital since the date of the last audited balance sheet.

*Explanation: Investments, shall include investment in shares, stock, bonds, debentures or securities issued by the Government or local authority or other marketable securities of a like nature.*

b) Core Investment Company(CIC) means

a non-banking financial company carrying on the business of acquisition of shares and securities and which satisfies the following conditions as on the date of the last audited balance sheet:-

- (i) it holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;
- (ii) its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitutes not less than 60% of its net assets

*Net assets, for the purpose of this provisio, would mean total assets excluding –*

- (i) cash and bank balances;*
- (ii) investment in money market instruments and money market mutual funds*
- (iii) advance payments of taxes; and*
- (iv) deferred tax payment.*

- (iii) it does not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;

(iv) it does not carry on any other financial activity referred to in Section 45 I (c) and 45 I (f) of the Reserve Bank of India Act, 1934 except:

- a) investment in
  - i) bank deposits,
  - ii) money market instruments, including money market mutual funds,
  - iii) government securities, and
  - iv) bonds or debentures issued by group companies;
- b) granting of loans to group companies; and
- c) issuing guarantees on behalf of group companies.

c) Market value of quoted investments means the average of the weekly highs and lows of the closing price of the investments, on a recognized stock exchange where the investment is most actively traded, during the period of 26 weeks immediately preceding the end of the financial year at which date the last audited balance sheet is available.

d) Outside liabilities means total liabilities as appearing on the liabilities side of the balance sheet excluding 'paid up capital' and 'reserves and surplus', instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue but including all forms of debt and obligations having the characteristics of debt, whether created by issue of hybrid instruments or otherwise, and value of guarantees issued, whether appearing on the balance sheet or not.

e) Systemically important core investment company means a Core Investment Company fulfilling both the following conditions:

- (i) Having total assets of not less than Rs.100 crore, either individually or in aggregate along with other Core Investment Companies in the Group;
- (ii) Raises or holds public funds;

***Explanations:***

***“Companies in the Group”***, shall mean an arrangement involving two or more entities related to each other through any of the following relationships : *Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate ( defined in terms of*

AS 23), Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.

**"Public funds"** shall include funds raised either directly or indirectly through public deposits, Commercial Papers, debentures, inter-corporate deposits and bank finance but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue.

f) Total assets means the total of all assets appearing on the assets side of the balance sheet.

4. Notifications issued in this regard DNBS.PD.No.219/CGM (US)-2011, DNBS.PD.No. 220 / CGM (US)-2011 and DNBS. PD. No. 221 / CGM (US)-2011 dated January 5, 2011 are enclosed for meticulous compliance. To the extent the guidelines referred to in paragraph 1 above are inconsistent with these notifications, the directions contained in these notifications shall prevail.

Yours sincerely,

(Uma Subramaniam)  
Chief General Manager-in-Charge

**RESERVE BANK OF INDIA  
DEPARTMENT OF NON-BANKING SUPERVISION  
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**Notification No. DNBS. (PD) 219 / CGM(US)-2011 dated January 5, 2011**

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 give the directions set out below, hereby, in exercise of the powers conferred by sections 45JA, 45K, 45L and 45M of the Reserve Bank of India Act, 1934 (2 of 1934), and of all the powers enabling it in this behalf, hereby gives the directions hereinafter specified.

PART I

PRELIMINARY

**Short title and commencement of the directions**

1. (i) These directions shall be known as the Core Investment Companies (Reserve Bank) Directions, 2011.
- (ii) These directions shall come into force with immediate effect.

**Extent of the directions**

2. These directions shall apply to every Core Investment Company, that is to say, a non-banking financial company carrying on the business of acquisition of shares and securities and which satisfies the following conditions as on the date of the last audited balance sheet:-

- (i) it holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;
- (ii) its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10

years from the date of issue) in group companies constitutes not less than 60% of its net assets as mentioned in clause (i) above;

(iii) it does not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;

(iv) it does not carry on any other financial activity referred to in Section 45I(c) and 45I(f) of the Reserve Bank of India Act, 1934 except

a) investment in

i) bank deposits,

ii) money market instruments, including money market mutual funds

iii) government securities, and

iv) bonds or debentures issued by group companies,

b) granting of loans to group companies and

c) issuing guarantees on behalf of group companies.

## Definitions

3. (1) For the purpose of these directions, unless the context otherwise requires, -

(a) "adjusted net worth" means –

i) the aggregate, as appearing in the last audited balance sheet as at the end of the financial year, of Owned Funds as defined in Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007;

ii) as increased by :-

(A) 50% of the unrealized appreciation in the book value of quoted investments as at the date of the last audited balance sheet as at the end of the financial year (such appreciation being calculated, as the excess of the aggregate market value of such investments over the book value of such investments); and

(B) the increase, if any, in the equity share capital since the date of the last audited balance sheet.

iii) as reduced by :-

(A) the amount of diminution in the aggregate book value of quoted investments (such diminution being calculated as the excess of the book value of such investments over the aggregate market value of such investments ) and

(B) the reduction, if any, in the equity share capital since the date of the last audited balance sheet.

(b) “Companies in the Group” means an arrangement involving two or more entities related to each other through any of the following relationships, viz., Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18) Common brand name, and investment in equity shares of 20% and above).

(c) “investment” means investment in shares, stock, bonds, debentures or securities issued by the Government or local authority or other marketable securities of a like nature.

(d) “market value of quoted investments” means the average of the weekly highs and lows of the closing price of the investments, on a recognized stock exchange where the investment is most actively traded, during the period of 26 weeks immediately preceding the end of the financial year at which date the last audited balance sheet is available.

(e) “ net assets” means total assets excluding –  
(i) cash and bank balances;

- (ii) investment in money market instruments and money market mutual funds
  - (iii) advance payments of taxes; and
  - (iv) deferred tax payment.
- (f) “outside liabilities” means total liabilities as appearing on the liabilities side of the balance sheet excluding 'paid up capital' and 'reserves and surplus', instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue but including all forms of debt and obligations having the characteristics of debt, whether created by issue of hybrid instruments or otherwise, and value of guarantees issued, whether appearing on the balance sheet or not.
- (g) “**Public funds**” *includes funds raised either directly or indirectly through public deposits, Commercial Papers, debentures, inter-corporate deposits and bank finance but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue.*
- (h) “systemically important core investment company” means a Core Investment Company having total assets of not less than Rs.100 crore either individually or in aggregate along with other Core Investment Companies in the Group and which raises or holds public funds.
- (i) “total assets” means the total of all assets appearing on the assets side of the balance sheet.



## PART II

### REGULATORY FRAMEWORK

#### **Registration**

4. (1) Every Systemically Important Core Investment Company (CIC-ND-SI) shall, within a period of six months from the date of this Notification, apply to the Reserve Bank of India for grant of Certificate of Registration, irrespective of any advise in the past, issued by the Reserve Bank of India, to the contrary.

(2) A CIC-ND-SI which applies for grant of Certificate of Registration to the Reserve Bank of India within the said period of six months shall be entitled to continue to carry on its existing businesses as Core Investment Company, till the disposal of its application by Reserve Bank of India.

(3) Every Core Investment Company shall apply to the Reserve Bank of India for grant of Certificate of Registration within a period of three months from the date of becoming a CIC-ND-SI.

#### **Capital Requirements**

5. Adjusted Net Worth of a CIC-ND-SI shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year.

#### Explanations

##### **On balance sheet assets**

(1) In these Directions, degrees of credit risk expressed as percentage weightages have been assigned to balance sheet assets. Hence, the value of each asset / item requires to be multiplied by the relevant risk weights to arrive at risk adjusted value of assets. The aggregate shall be taken into account for reckoning the minimum capital ratio. The risk weighted asset shall be calculated as the weighted aggregate of funded items as detailed hereunder:

<b>Weighted risk assets - On-Balance Sheet items</b>	<b>Percentage weight</b>
(i) Cash and bank balances including fixed deposits and certificates of deposits with banks	0
(ii) Investments	
(a) Approved securities [Except at (c) below]	0
(b) Bonds of public sector banks	20
(c) Fixed deposits/certificates of deposits/ bonds of public financial institutions	100
(d) Shares of all companies and debentures / bonds/commercial papers of all companies and units of all mutual funds	100
(iii) Current assets	
(a) Stock on hire (net book value)	100
(b) Intercorporate loans/deposits	100
(c) Loans and advances fully secured against deposits held	0
(d) Loans to staff	0
(e) Other secured loans and advances considered good	100
(f) Bills purchased/discounted	100
(g) Others (To be specified)	100
(iv) Fixed Assets (net of depreciation)	
(a) Assets leased out (net book value)	100
(b) Premises	100
(c) Furniture & Fixtures	100
(v) Other assets	
(a) Income tax deducted at source (net of provision)	0
(b) Advance tax paid (net of provision)	0
(c) Interest due on Government securities	0
(d) Others (to be specified)	100

**Notes:**

- (1) Netting may be done only in respect of assets where provisions for depreciation or for bad and doubtful debts have been made.
- (2) Assets which have been deducted from owned fund to arrive at net owned fund shall have a weightage of `zero`.

(3) While calculating the aggregate of funded exposure of a borrower for the purpose of assignment of risk weight, such non-banking financial companies may net off the amount of cash margin/caution money/security deposits (against which right to set-off is available) held as collateral against the advances out of the total outstanding exposure of the borrower.

(4) The counterparty credit risk, arising out of exposure of CICs-ND-SI to CCIL on account of securities financing transactions (CBLOs) will carry a risk weight of zero, as it is presumed that the CCP's exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP's credit risk exposures. The deposits / collaterals kept by CICs-ND-SI with CCIL will attract a risk weight of 20%.

**Off-balance sheet items**

(2) In these Directions, degrees of credit risk exposure attached to off-balance sheet items have been expressed as percentage of credit conversion factor. Hence, the face value of each item requires to be first multiplied by the relevant conversion factor to arrive at risk adjusted value of off-balance sheet item. The aggregate shall be taken into account for reckoning the minimum capital ratio. This shall have to be again multiplied by the risk weight of 100. The risk adjusted value of the off-balance sheet items shall be calculated as per the credit conversion factors of non-funded items as detailed hereunder : -

<b>Nature of item</b>	<b>Credit conversion factor Percentage</b>
i) Financial & other guarantees	100
ii) Share/debenture underwriting obligations	50
iii) Partly-paid shares/debentures	100
iv) Bills discounted/rediscounted	100
v) Lease contracts entered into but yet to be executed	100

**Leverage Ratio**

6. The outside liabilities of a CIC-ND-SI shall at no point of time exceed 2.5 times its Adjusted Net Worth as on the date of the last audited balance sheet as at the end of the financial year.

**Submission of Annual Statutory Auditors Certificate**

7. Every CIC-ND-SI shall submit an annual certificate from its statutory auditors regarding compliance with the requirements of these directions within a period of one month from the date of finalisation of the balance-sheet.

**PART III****MISCELLANEOUS****Exemptions**

8. The Reserve Bank of India may, if it considers it necessary for avoiding any hardship for any other just and sufficient reason, grant extension of time to comply with or exempt any CIC-ND-SI from all or any of the provisions of these Directions either generally or for any specified period, subject to such conditions as the Reserve Bank of India may impose.

**Interpretations**

9. For the purpose of giving effect to the provisions of these Directions, the Reserve Bank of India may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank of India shall be final and binding on all the parties concerned.

**(Uma Subramaniam)**  
**Chief General Manager In-Charge**

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**Notification No. DNBS.(PD) 220 / CGM(US)-2011 dated January 5, 2011**

In exercise of the powers conferred by section 45-NC of the Reserve Bank of India Act, 1934 (2 of 1934) (hereinafter referred to as the Act) and of all the powers enabling it in this behalf, the Reserve Bank of India on being satisfied that it is necessary so to do, hereby declares as under.

- (i) The provisions of section 45-IA of the Act shall not apply to a non-banking financial company being a Core Investment Company referred to in the Core Investment Companies (Reserve Bank) Directions, 2011, which is not a Systemically Important Core Investment Company, as defined in clause (h) of sub-paragraph (1) of paragraph 3 of the Core Investment Companies (Reserve Bank) Directions, 2011;
  
- (ii) The provisions of section 45-IA (1)(b) of the Act shall not apply to a non-banking financial company being a Systemically Important Core Investment Company as defined in the Core Investment Companies (Reserve Bank) Directions, 2011, subject to the condition that it meets with the capital requirements and leverage ratio as specified in the said directions.

**(Uma Subramaniam)  
Chief General Manager In-Charge**

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**Notification No. DNBS.(PD) 221 / CGM(US)-2011 dated January 5, 2011**

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, contained in Notification No. DNBS. 193/DG(VL)-2007 dated February 22, 2007 (hereinafter referred to as the Directions), in exercise of the powers conferred by sections 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-

**Amendment of paragraph 1-**

In sub-paragraph (3), after clause (iv), the following clauses (v) and (vi) shall be inserted

"(v) These Directions shall not apply to a non-banking financial company being a Core Investment Company referred to in the Core Investment Companies (Reserve Bank) Directions, 2011 (hereinafter referred to as CIC Directions), which is not a systemically important Core Investment Company as defined in clause (h) of sub-paragraph (1) of paragraph 3 of the CIC Directions."

(vi)The provisions of paragraphs 15, 16 and 18 of these Directions shall not apply to a Systemically Important Core Investment Company as defined in the CIC Directions, subject to the condition that it submits the Annual Auditors Certificate and meets with the capital requirements and leverage ratio, as specified in the CIC Directions".

**(Uma Subramaniam)  
Chief General Manager In-Charge**