

RBI rationalise NBFC Regulations

June 30, 2000

The Reserve Bank of India today announced rationalisation of some of the regulations and other measures as applicable to Non-Banking Financial Companies (NBFCs) and Residuary Non-Banking Companies (RNBCs). The changes made are -

- (i) Provisioning norms in respect of lease and hire purchase assets have been rationalised to encourage the NBFCs to continue to extend the facility against second hand assets as part of their contribution to the economic development of the country.
- (ii) The NBFCs may obtain and keep on their records a copy of the passport, ration card, Election ID card, identification by an existing depositor, etc., as an evidence for identification of new depositors.
- (iii) Residuary Non-Banking Companies have been permitted to make investment in the schemes of mutual funds approved by the Securities and Exchange Board of India along with the schemes of Unit Trust of India. The floor ceiling on interest rates payable by these companies has also been lowered down by two percentage points.
- (iv) NBFCs have been permitted to accept deposits from the relatives of the Directors subject to adequate disclosure to the depositors in this regard, outside the purview of public deposits.
- (v) The formats of all the statutory returns to be submitted by the non-banking financial companies, nidhis, residuary non-banking companies and chit fund companies for their reporting in quarterly, half-yearly and annual returns, as applicable, under the Reserve Bank regulations have been rationalised with a view to ascertaining supervisory information from the returns to the extent possible and for facilitating electronic processing of these returns to enable the Bank to take expeditious steps to address the concerns wherever necessary.

The Reserve Bank has also advised all the registered NBFCs to brand their Certificates of Registration by the words as 'Deposit Taking Companies' or 'Non-Deposit Taking Company' so as to avoid any possible misrepresentation by any company registered as a non-public deposit taking company and accepting public deposits. The Bank has further advised that public deposits should be accessed only by those NBFCs which have been specifically permitted to accept public deposits and RNBCs.

The detailed notifications and the relevant circular are being placed on the Reserve Bank's website at www.rbi.org.in.

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