

Asset-Liability Management System for NBFCs

June 27, 2001

RBI today announced Asset-Liability Management (ALM) guidelines for non-banking financial companies (NBFCs) as a part of the overall system for effective risk management in their various portfolios. The ALM system should be put in place by such NBFCs which have asset size of Rs. 100 crore and above or public deposits of Rs. 20 crore and above as per their balance sheet as on March 31, 2001. Reserve Bank has advised the companies that it would be desirable to constitute an Asset Liability Management Committee under the charge of Chief Executive Officer or other Senior Executive with other specialist members for carrying out the spadework for formalising ALM system in the institution. The ALM system is required to be implemented by the year ending March 31, 2002 and the first ALM return comprising of statements on structural liquidity, short-term dynamic liquidity and interest rate sensitivity as on September 30, 2002 should be submitted to Reserve Bank by October 31, 2002 by companies holding public deposits. In the case of companies not accepting / holding public deposits but having assets of Rs. 100 crore and above, separate supervisory arrangements are being contemplated which would be advised in due course of time. The companies have been advised to conduct trial runs during the period ending September 30, 2001 and half-year beginning October 1, 2001, and report any operational difficulties in implementation of the system for necessary corrections. Chit Funds and Nidhis have been presently kept out of the purview of these guidelines. NBFCs not presently covered by the guidelines have also been recommended to put in place an ALM system as it is the endeavour of the Bank to extend these guidelines to all NBFCs in due course.

P.V. Sadanandan
Asstt. Manager

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