



भारतीय रिज़र्व बैंक
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RBI modifies certain regulations for NBFCs

Detailed regulations were issued on 2nd January 1998 to ensure orderly functioning of the Non-Banking Financial Companies (NBFCs) and for protection of interest of the depositors. Since then, in response to suggestions received from various sections, RBI has held detailed consultations with leading NBFC associations, financial experts and other professionals in order to remove any genuine problems that might arise in the implementation of the guidelines issued on January 2, 1998. In the light of these discussions, RBI has decided to modify some of the regulations. The modifications are as under :

Limits on acceptance of deposits

Equipment leasing and hire purchase finance companies

2. The ceiling on quantum of public deposits as a multiple of net owned fund (NOF) in respect of equipment leasing and hire purchase finance companies has been enhanced. Equipment leasing and hire purchase finance companies having rating of minimum investment grade have also now been allowed to access public deposits. The revised limits are as under :

<u>Level of rating</u>	<u>Existing limits</u>	<u>Enhanced limits</u>
	<u>(As a multiple of NOF)</u>	
AAA	3 times	4 times
AA	2 times	2.5 times
A	1 time	1.5 times
Minimum investment Grade, i.e., -A (CRISIL & ICRA) BBB (CARE) BBB - (DCR India)	NIL	0.5 times

The requirement of rating and level of public deposits for loan and investment companies remains unchanged.

Time for regularising the excess deposits

3. In order to take care of the mismatches in cash flows, the time limit for repayment/regularisation of excess public deposits has been extended. Accordingly, NBFCs having excess public deposits as on January 1, 1998 have been allowed time to repay/regularise excess deposits till December 31, 2000 subject to the condition that 1/3rd of the excess is repaid by the end of December every year so that the entire excess deposit is repaid/regularised by 31st December 2000.

During this period of 3 years, the equipment leasing companies and hire purchase finance companies which are rated investment grade or above and loan and investment companies which have rating of A or above have been allowed to accept/renew public deposits subject to the above stipulations of reduction of excess deposits by 1/3rd each year.

The equipment leasing companies and hire purchase finance companies which are unrated or rated below the minimum investment grade and loan and investment companies which are unrated or are rated below the specified grade of 'A' are, however, allowed only to renew the maturing public deposits and are not allowed to accept fresh public deposits.

Downgrading of credit rating

4. In case the ceiling on public deposits gets reduced as a consequence of downgrading of rating, the resultant excess deposits should be repaid/regularised within a period of 12 months.

Prudential norms modified

5. The provisioning requirements for hire purchase/leased assets have been modified. While loan and other credit facilities shall continue to be classified as NPAs for each borrower as per existing norms, the lease and hire purchase transactions may be classified independently on the basis of record of recovery in each account. In other words, in respect of borrowers having multiple lease/hire purchase facilities, NPAs will be calculated by taking into account the default in respect of relative account/s only.

Net owned fund

6. For the purpose of deposit acceptance and prudential norms regulations (including capital adequacy and credit/investment concentration norms), the definition of net owned fund has been modified to include preference shares which are compulsorily convertible into equity.

Disclosure requirements

7. The NBFCs are now required to disclose the level of their rating and the name of the rating agency in their application forms for public deposits.

8. Other provisions of the regulations relating to ceiling on the rate of interest on deposits at 16 per cent per annum, payment of brokerage at two per cent of deposits, renewal of deposits, repayment of public deposits, liquid asset requirement and safe custody of securities with a scheduled commercial bank, submission of auditor's report and capital adequacy requirement remain unchanged.

9. Necessary notifications are being issued separately which will be available on Internet website <http://www.rbi.org.in>.

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