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| | प्रेस प्रकाशनी PRESS RELEASE |
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RBI Directives to Auditors of NBFCs

The Reserve Bank of India has today issued directions to the statutory auditors of Non-Banking Financial Companies (NBFCs) requiring them to issue, in addition to the normal auditors' report on the financial statements to the shareholders, a report to the Board of Directors of the NBFC containing a statement on certain matters of supervisory concern to the RBI. These directions are intended to provide supervision over NBFCs and ensure that they comply with RBI directions. In the event, any of the statements by the auditors are unfavourable or qualified or in the opinion of the auditor, the NBFC has not complied with RBI directions, the auditors are obliged to directly bring these matters to the attention of RBI.

The RBI has also written to the Institute of Chartered Accountants of India (ICAI) stressing the importance RBI attaches to the auditors' compliance with the directions issued today. RBI has drawn ICAI's attention to the penal provisions under the RBI Act which will become applicable to erring auditors. RBI has also informed ICAI that erring auditors will not be considered for appointment/approval as auditors of commercial banks and their cases shall be referred to the ICAI for initiating disciplinary action.

Matters on which auditors shall report

For the purposes of the directions, NBFCs have been categorised as (a) NBFCs which accept/hold public deposits, (b) NBFCs which do not accept/hold public deposits and (c) NBFCs which do not accept/hold public deposits and also invest not less 90 percent of their assets in securities of group/holding/subsidiary companies.

In their report to the Board of Directors, the auditors will be required to make a statement confirming compliance by the NBFC with the directions issued by the RBI regarding (i) acceptance of public deposits, (ii) credit rating, (iii) prudential norms regarding income recognition, accounting standards, asset classification, provisioning, exposure limits etc, (iv) capital adequacy, (v) liquidity requirement and (vi) periodic submission of returns to RBI as applicable to the different categories of NBFCs.

(Alpana Killawala)
General Manager

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