

RBI cautions against unauthorised use of RBI name by NBFCs

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It has come to the notice of the Reserve Bank of India (RBI) that certain Non-Banking Finance Companies (NBFCs) and other persons are unauthorisedly using the RBI's name in their advertisements/neon sign boards and/or such other material while soliciting public deposits. Such display of the RBI's name by the registered NBFCs whether registered or unregistered, and unincorporated bodies in any manner whatsoever, is not only unauthorised and improper but it may also attract penal action, as provided under the Reserve Bank of India's Act and/or the Indian Penal Code.

The members of public are hereby informed that the NBFCs while soliciting public deposits are, inter alia, required to observe the following deposit acceptance norms:

(i) A registration certificate issued to an NBFC under Section 45-IA of the RBI Act would simply enable an NBFC for commencing or carrying on the financial business including the acceptance of deposits. The responsibility for repayment of the principal and payment of interest is that of the NBFC. Such deposits are not guaranteed or insured by Government, RBI or any other public agency.

(ii) After January 9, 1997 an NBFC cannot commence financial business as above without obtaining a certificate of registration from RBI.

(iii) The NBFCs having Net Owned Fund (NOF) below Rs.25 lakhs are not allowed to accept public deposits including the renewal of the maturing public deposits since they are not eligible to get certificate of registration till their NOF reaches up to that level.

(iv) Even after registration with RBI, the following types of NBFCs have been directed to obtain prior specific approval of the RBI for acceptance of public deposits.

- a) the new NBFCs incorporated after January 9, 1997.
- b) the NBFCs which are not holding/accepting public deposits on the date of grant of registration.

(v) Unincorporated bodies engaged in financial business are prohibited from issuing any advertisement for soliciting deposits as also from accepting deposits from other than the relatives as specified in the RBI Act or in the corporate bodies notified under the RBI Act. Further, the question of registration of unincorporated bodies with the Bank does not arise. Hence, the use of name of RBI in any manner will be illegal and unauthorised.

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