

**RESERVE BANK OF INDIA**

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RBI releases Draft Report on 'Level Playing Field', Regulatory Convergence in Financial Sector

The Reserve Bank of India (RBI) today released the draft Report of the Internal Working Group on issues relating to 'level playing field', regulatory convergence and regulatory arbitrage in the financial sector.

Non-Banking Financial Companies (NBFCs) which is a part of the financial system contributes to the economic growth by increasing the outreach of credit delivery mechanism. Some NBFCs accept deposits and many of them undertake financial activities without accepting any deposits. With the economy growing in all its facets, there has been an increasing interest in setting up NBFCs from corporates, banks and foreign entities. Though banks and NBFCs compete for similar kind of business, the regulations governing them are different. Though there has been a greater degree of convergence between the regulation governing deposit taking NBFCs and banks, there are significant regulatory differences leading to regulatory arbitrage vis-a-vis banks. The Reserve Bank of India, in this backdrop, considered it necessary to study the playing field between bank sponsored NBFCs and other NBFCs and to bring about regulatory convergence and a level playing field. A group was set up to look into these issues and give its recommendations. Following several meetings and deliberations covering the entire regulations, the Group presented its draft report.

The draft report of the Group is placed on the Reserve Bank of India's website (www.rbi.org.in) for study by a wider audience. Comments may please be sent to mksamantray@rbi.org.in or gramesh@rbi.org.in

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