

## **RBI notifies changes in NBFC Regulations**

**November 16, 1999**

The Reserve Bank of India today notified the changes in its regulations pertaining to the NBFCs for implementation. The decision to modify the regulations was announced in the Governor's Statement on Mid-Term Review of the Monetary and Credit Policy for the year 1999-2000 on October 29, 1999. The changes come into force with immediate effect.

### **Borrowings from mutual funds exempted from public deposits**

The Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 contained in the Notification DFC.118/DG(SPT)-98 dated January 31, 1998 has been amended to exempt the borrowings from mutual funds registered with SEBI from the purview of public deposits. The NBFCs may reduce the amount of borrowings from mutual funds while computing the outstanding public deposits as on December 31, 1999 and maintain the liquid assets on and from April 1, 2000 on the remaining public deposit liabilities as per the extant provisions under Section 45-IB of the RBI Act, 1934.

### **Need for public notice before**

- (i) closure of the branch/office by an NBFC**
- (ii) sale/transfer of ownership by an NBFC**

NBFCs are advised to give at least three months public notice in, at least, one leading national newspaper and a leading local vernacular language newspaper covering the place of branch / office. The notice should indicate:

- (i) the proposal to close any of its branches/ offices, the purpose and the arrangements being made to service the depositors, etc., and
- (ii) in case of sale or transfer of ownership, whether with or without sale of shares, the intention to sell or transfer ownership / control, the particulars of transferee and the reasons for such sale or transfer of ownership / control. Such public notice should be given by the NBFC and also by the transferor or the transferee. For this purpose, the term 'control' should have the same meaning as defined in Regulation 2(1) (c) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

The NBFCs have been further advised that an intimation along with a copy of the notice in respect of items (i) and (ii) above should be sent within seven days of its publication in the newspapers to the Regional Office of the Reserve Bank under whose jurisdiction the registered office of the company is located.

Suitable circular/notifications have been issued separately. The text of the circular and the notification is available on the RBI website at [www.rbi.org.in](http://www.rbi.org.in)

**Alpana Killawala**  
**General Manager**

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