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RESERVE BANK OF INDIA

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RBI sets up Working Group to examine Issues relating to NBFC Sector

The Reserve Bank of India has constituted a Working Group under the Chairmanship of Smt. Usha Thorat, Director, Centre for Advanced Financial Research and Learning (CAFRAL) to examine a range of emerging issues pertaining to regulation of the NBFC (non-banking financial companies) sector.

The NBFC sector in India has undergone a significant transformation in the past few years and has come to be recognised as a systemically important element of the financial system. The recent global financial crisis has also highlighted the regulatory imperatives concerning the non-banking financial sector and the risks arising from regulatory gaps, arbitrage and systemic inter-connectedness. A need was, therefore, felt to reflect on the broad principles that underpin the regulatory architecture for NBFCs keeping in view the economic role and heterogeneity of this sector and the recent international experience.

Other members of the Group are Shri Sanjay Labroo, Director, Central Board, Reserve Bank of India, Shri Rajiv Lall, Managing Director and Chief Executive Officer, Infrastructure Development Finance Corporation, Shri Bharat Doshi, Executive Director and Group Chief Financial Officer, Mahindra & Mahindra and Shri Pratip Kar, Director, Globsyn Business School, Kolkata. Ms. Uma Subramaniam, Chief General Manager-in-Charge, Department of Non-Banking Supervision will be the Member-Secretary.

While examining a range of emerging issues pertaining to the regulation of the sector, the Working Group will focus on the definition and classification of NBFCs, addressing regulatory gaps and regulatory arbitrage, maintaining standards of governance in the sector and appropriate approach to NBFC supervision. The scope of examination will, however, be within the current legislative framework.