



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI /2013-14/43

DNBS (PD) CC No.341 / 03.10.001 / 2013-14

July 1, 2013

To

All Non-Banking Financial Companies (NBFCs)

Dear Sirs,

Master Circular - allied activities- entry into insurance business, issue of credit card and marketing and distribution of certain products

In order to have all current instructions in one place, the Reserve Bank of India has consolidated all the instructions issued on the topic as at end of June 30, 2013. It may be noted that the Master Circular consolidates and updates all the instructions contained in the notifications listed in the Appendix in so far they relate to the subject. The Master Circular has also been placed on the RBI web-site (<http://www.rbi.org.in>).

Yours faithfully,

(N. S. Vishwanathan)
Principal Chief General Manager

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I. Entry into insurance business

In the statement of Monetary and Credit Policy for the year 2000-2001 announced by our Governor on April 27, 2000 it was indicated, inter alia, that the guidelines for entry of NBFCs into insurance business would be announced. Accordingly, the Bank issued on June 9, 2000 the final guidelines after taking into account the views/suggestions/comments of the market participants as given below. The aspirant NBFCs are advised to make an application along with necessary particulars duly certified by their statutory auditors to the Regional Office of Department of Non-Banking Supervision under whose jurisdiction the registered office of the NBFCs is situated.

(a) NBFCs registered with Reserve Bank of India may take up insurance agency business on fee basis and without risk participation, without the approval of Reserve Bank of India subject to the certain conditions;

(b) NBFCs registered with RBI which satisfy the eligibility criteria will be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution such an NBFC can hold in the joint venture company will normally be 50 per cent of the paid-up capital of the insurance company. ¹It was clarified that in case more than one company (irrespective of doing financial activity or not) in the same group of the NBFC wishes to take a stake in the insurance company, the contribution by all companies in the same group shall be counted for the limit of 50 percent prescribed for the NBFC in an insurance JV.

On a selective basis, the Reserve Bank of India may permit a higher equity contribution by a promoter NBFC initially, pending divestment of equity within the prescribed period.

²In view of the unique business model of Core Investment Companies (CICs), it has been decided to issue a separate set of guidelines for their entry into insurance business.

¹Inserted vide [DNBS.PD.CC.No.221/03.02.002/2010-11dated May 27, 2011](#)

²Inserted vide [DNBS \(PD\) CC.No.322/03.10.001/2012-13 dated April 1, 2013](#)

While the eligibility criteria, in general, are similar to that for other NBFCs, no ceiling is being stipulated for CICs in their investment in an insurance joint venture. Further it is clarified that CICs cannot undertake insurance agency business. The Guidelines are issued for meticulous compliance.(Annex I)

CICs exempted from registration with RBI do not require prior approval provided they fulfil all the necessary conditions of exemption as provided under/ in CC No.206 dated January 05, 2011. Their investment in insurance joint venture would be guided by IRDA norms.

(c) NBFCs registered with RBI which are not eligible as joint venture participant, as above can make investments up to 10 per cent of the owned fund of the NBFC or Rs.50 crore, whichever is lower, in the insurance company subject to eligibility criteria for such investment.

2. No NBFC would be allowed to conduct such business departmentally. A subsidiary or company in the same group of an NBFC or of another NBFC engaged in the business of an non-banking financial institution or banking business will not normally be allowed to join the insurance company on risk participation basis.

All NBFCs registered with RBI entering into insurance business as investors or on risk participation basis will be required to obtain prior approval of the Reserve Bank. The Reserve Bank will give permission to NBFCs on case to case basis keeping in view all relevant factors. It should be ensured that risks involved in insurance business do not get transferred to the NBFC and that the NBFC business does not get contaminated by any risks which may arise from insurance business.

³The term "Companies in the same group shall mean an arrangement involving two or more entities related to each other through any of the following relationships : Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a

³ [DNBS.PD.CC.No.221/03.02.002/2010-11dated May 27, 2011](#)

related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above".

[Details in [DNBS.\(PD\).CC. No. 13 /02.01/99-2000 dated June 30, 2000](#), [DNBS\(PD\).CC.No.18/02.01/2001-02 dated January 1, 2002](#) read with [DNBS \(PD\) C.C. No. 35 / 10.24 / 2003-04 dated February 10, 2004](#)]

II. Issue of Credit card

3. NBFCs are not allowed to undertake credit card business without prior approval of Reserve Bank of India. In regard to credit card business, it is clarified that any company including a non-deposit taking company intending to engage in this activity requires a Certificate of Registration, apart from specific permission to enter into this business, the pre-requisite for which is a minimum net owned fund of Rs.100 crore and subject to such terms and conditions as the Bank may specify in this behalf from time to time. NBFCs are not permitted to issue debit cards, smart cards, stored value cards, charge cards, etc. as advised explicitly in February 21, 2005. Further, NBFCs have to comply also with the instructions issued by Bank to commercial banks vide DBOD.FSD.BC. 49/ 24.01.011/ 2005-06 dated November 21, 2005 .

[Details in [DNBS \(PD\) C.C. No. 41 / 10.27 / 2004-05 dated July 7, 2004](#), [DBOD.FSD.BC. 49/ 24.01.011/ 2005-06 dated November 21, 2005](#)]

III. Issue of Co-branded Credit Cards

4. It has been decided to allow NBFCs, selectively, registered with the Reserve Bank of India to issue co-branded credit cards with scheduled commercial banks, without risk sharing, with prior approval of the Reserve Bank , for an initial period of two years and a review thereafter. NBFCs fulfilling the minimum eligibility requirements and adhering to certain stipulations are eligible to apply.

[Details in [DNBS \(PD\) CC No. 83 / 03.10.27 / 2006-07 dated December 04, 2006](#)]

IV. Distribution of Mutual Fund products by NBFCs

5. Further, it has been decided to allow NBFCs, selectively, to market and distribute mutual fund products as agents of mutual funds, with prior approval of Reserve Bank, for an initial period of two years and a review thereafter. NBFCs fulfilling the certain minimum requirements are eligible to apply. The permission is liable to be withdrawn with a notice period of 3 months in the event of any undesirable / unhealthy operations coming to the notice of the Bank.

[Details in [DNBS \(PD\) CC No. 84 / 03.10.27 / 2006-07 dated December 04, 2006](#)]

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Appendix

| Sr. No. | Circular No. | Date |
|----------------|--|-------------------|
| 1. | DNBS.(PD).CC. No. 13 /02.01/99-2000 | June 30, 2000. |
| 2. | DNBS(PD).CC.No.18/02.01/2001-02 | January 1, 2002 |
| 3. | DNBS (PD) C.C. No. 35 / 10.24 / 2003-04 | February 10, 2004 |
| 4. | DNBS (PD) C.C. No. 41 / 10.27 / 2004-05 | July 7, 2004 |
| 5. | DNBS (PD) CC No. 83 / 03.10.27 / 2006-07 | December 04, 2006 |
| 6. | DNBS (PD) CC No. 84 / 03.10.27 / 2006-07 | December 4, 2006 |
| 7. | DNBS.PD.CC.No.221/03.02.002/2010-11 | May 27, 2011 |