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भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Check before Depositing Money with Financial Entities: RBI Advisory

The Reserve Bank of India has today issued an advisory to members of public urging them to carefully evaluate their investment decisions, including making deposit with NBFCs. The advisory is part of the Frequently Asked Questions (FAQs) issued by the central bank. The FAQs explain in detail the various kinds of financial entities and the regulations governing them. They also list where members of public can lodge complaints in case some financial entity is found to be conducting business unauthorisedly or does not repay the deposits.

The FAQs, for instance, state that the Reserve Bank regulates Non-Bank Financial Companies that conduct financial activity as their principal business; it has authorised only a few Non-bank Financial Companies to accept deposits; all incorporated entities must necessarily be authorised to collect deposits either under the Reserve Bank of India Act 1934 or under the Companies Act, 1956; and it does not regulate chit fund activities or Collective Investment Schemes (CIS).

The FAQs also state that a detailed list of NBFCs authorised by the Reserve Bank to accept deposits is available on the RBI website *(*www.rbi.org.in *→ Sitemap → NBFC List → List of NBFCs Permitted to Accept Deposits)* and has advised the members of public to check the list before placing deposits with Non-Banking Financial Companies.

The Reserve Bank has been, on several occasions in the past, through press releases and through its outreach and sensitisation programmes conducted by its Regional Offices, cautioning the general public not to fall prey to fictitious offers promising unsustainable returns by individuals, unincorporated bodies and companies.

The RBI FAQs also advise members of public to immediately register their complaints in case they notice any company accepting deposits unauthorisedly or not repaying the principal and/or interest with the local police or with the Economic Offences Wing of the State Police and in case the entity is a company, to register their complaints with the Registrar of Companies.

RBI Advisory on What* to check before making deposits with NBFCs

A depositor wanting to place deposit with an NBFC must ensure that :

The NBFC is registered with RBI and is specifically authorised to accept deposits. This can be checked from the list of deposit taking NBFCs published on the RBI website - www.rbi.org.in → Sitemap → NBFC List. The depositor should check the list of NBFCs permitted to accept public deposits and also check that it is not appearing in the list of companies prohibited from accepting deposits.

NBFCs have to prominently display the Certificate of Registration (CoR) issued by the Reserve Bank on its site. If an NBFC is authorised to accept public deposit, the certificate reflects that.

RBI does not guarantee the repayment of deposits accepted by NBFCs

NBFCs cannot use the name of the RBI in any manner while conducting their business

Currently, the maximum interest rate that an NBFC can pay to a depositor should not exceed 12.5%. The Reserve Bank, however, keeps changing these interest rates depending on the macro-economic environment. The Reserve Bank publishes the change in the interest rates on www.rbi.org.in → Sitemap → NBFC List → FAQs.

The depositor must insist on a proper receipt for every amount of deposit placed with the company. The receipt should be duly signed by an officer authorised by the company and should state the date of the deposit, the name of the depositor, the amount in words and figures, rate of interest payable, maturity date and amount.

Investors must generally be circumspect if the interest rates or rates of return on investments offered are higher than those offered by others in the market place. Unless the entity accepting funds is able to earn more than what it promises, the entity will not be able to repay the investor as promised. For earning higher returns, the entity will have to take higher risks on the investments it makes. Higher risk could mean undertaking speculative activities and on such activities, there can be no assured return. As such, the public should forewarn themselves that the likelihood of losing money in schemes that offer high rates of interest are more. Still, if they want to invest in schemes that promise high rates of return, investors must ensure that the entity offering such returns is registered with one of the financial sector regulators and is authorised to accept funds, whether in the form of deposits or otherwise.

*The list is illustrative and not exhaustive

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Related FAQs	
May 31, 2013	All you wanted to know about NBFCs