

Annex II

Liquid Assets (Non-Banking Finance Companies) Trustees Guidelines

1. These Guidelines shall be called the Reserve Bank of India Guidelines for Trustees of deposit holders of the deposit taking NBFC.

2. No company / bank shall be entitled to act as a Trustee of deposit holders unless it is a Scheduled Commercial Bank or Limited company engaged in trust business with minimum capital of Rs 50 lakh and who are independent and have no relationship with the company its principal shareholders or Directors of the Company.

3. The duties of every trustee of deposit holders will be

(i) To execute the trust deed with the company for the protection of interest of the deposit holders.

(ii) To do the duties of the trustees as enshrined in the Trust Deed executed with the company.

(iii) To take possession of the property charged in accordance with the provisions of the trust deed.

(iv) Enforce security in the interest of deposit holders.

(v) To do such acts or as are necessary in the event the security becomes enforceable.

(vi) To carry out such acts as are necessary for the protection of interest of the depositors.

(vii) Ascertain and satisfy himself that the

a. The interest due on the deposits had been paid by the company on or before the due dates.

b. The deposit holders had been paid the monies due to them on the date of maturity of the deposit.

- c. Exercise due diligence to ensure compliance by the company of the provisions of the trust deed.
- d. To take appropriate measures for protecting the interest of the deposit holders, as soon as any breach of the trust deed comes to the notice.
- e. To inform the Reserve Bank of India as soon as any breach of the trust deed comes to his notice.
- f. To communicate with the Regional Office of Reserve Bank, under whose jurisdiction the company is registered, on half yearly basis the compliance of trust deed by the company, defaults if any in payment of interest to the deposit holders and action taken.

4. The trustees for the deposit holders shall call or cause to be called by the company a meeting of all deposit holders.

- a. On a requisition in writing signed by at least 51% of the deposit holders in value for the time being outstanding.
- b. The happening of any event which constitute a default for which in the opinion of the trustees the security of the deposit holders is in jeopardy.

A report of such meeting may be forwarded to the Regional Office of the Reserve Bank of India, Department of Supervision under whose jurisdiction the company is registered.

5. The trustee may inspect books of account, records, register of the company and the trust property to the extent necessary for discharging his obligations with prior intimation to the Regional Office of Reserve Bank in whose jurisdiction the NBFC is registered.

6. The trustees for deposit holders shall not make untrue statement or suppress any material in any documents, reports, papers or information furnished to the Reserve Bank of India.

7. The trustee for deposit holders shall ensure that the Reserve Bank of India is promptly informed about any action, legal proceedings etc. initiated against him in

respect of any material breach or non-compliance by it, of any law, rules, directions of the Reserve Bank of India or of any other regulatory authority.'

8. The trustee for deposit holders shall not delegate any of his functions to any employee or agent. However, the trustee may employ employees, agents, Advocates or any other professional for any routine or clerical functions. In case the trustee employs any employee, he will be responsible for his / their acts or omissions in respect of the conduct of his / their business.