

Notification Nos. 134-140 on NBFCs (January 13, 2000)

RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA,
MUMBAI 400 005.

NOTIFICATION No. DNBS.134/CGM(VSNM)-2000 dated January 13, 2000

The Reserve Bank of India, having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial Companies Acceptance of Public Deposit (Reserve Bank) Directions, 1998, in exercise of the powers conferred by sections 45J, 45K, 45L and 45MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.118/DG(SPT)/98 dated January 31,1998 shall stand amended with immediate effect, as follows, namely –

1. In paragraph 2, in sub-paragraph (1), after clause (ix), the following clause (ix-a), shall be inserted, namely: -

“(ixa) “mutual benefit company” means a company not notified under section 620A of the Companies Act, 1956 (1 of 1956) and carrying on the business of a non-banking financial institution, -

- (a) on 9th January 1997; and
- (b) having the aggregate of net owned funds and preferential share capital of not less than ten lakhs of rupees; and
- (c) has applied for issue of certificate of registration to the Bank on or before 9th July 1997; and
- (d) is complying with the requirements contained in the relevant provisions of the Directions issued under Section 637A of the Companies Act, 1956 to Nidhi Companies by the Central Government.”

2. In paragraph 2, in sub-paragraph (1), in clause (xii), after proviso to sub-clause (e), the following further proviso shall be inserted namely, -

“provided further, that in the case of joint shareholders of a private company, monies received from or in the name of the joint shareholders except the first named shareholder shall not be eligible to be treated as the receipt of money from the shareholder of the company.”

3. In paragraph 2, in sub-paragraph (1), after clause (xii), after clause (g), the following new sub-clause shall be inserted namely, -

“(h) any amount received as hybrid debt or subordinated debt the minimum maturity period of which is not less than sixty months.”

4. In paragraph 3, in sub-paragraph (1), after the words, “mutual benefit financial company” the following words shall be inserted, namely, -

“or mutual benefit company”

5. In paragraph 3, in sub-paragraph (2) at the end, the following words shall be inserted, namely, -

“and a mutual benefit company”

6. In paragraph 4, in sub-paragraph (1), after clause (i), the following proviso shall be inserted, namely, -

“Provided that this clause shall not apply to an Equipment Leasing or Hire Purchase Finance Company referred to in clause (a) of sub-paragraph (4) hereunder.”

7. In paragraph 4, in sub-paragraph (12), in clause (ii), the following new sub-clause shall be inserted, namely, -

“(g) the information, relating to and the aggregate dues from the facilities, both fund and non-fund based, extended to, and the aggregate dues from companies in the same group or other entities or business ventures in which the directors and/or the non-banking financial company are holding substantial interest and the total amount of exposure to such entities.”

8. In paragraph 4, in sub-paragraph (12), after clause (ii), the following new clause shall be inserted, namely, -

“(iii) Every non-banking financial company shall obtain proper introduction of the new depositors before opening their accounts and accepting the deposits and keep on its record the evidence on which it has relied upon for the purpose of such introduction.”

9. After paragraph 4, the following new paragraphs shall be inserted, namely,-

“4A **Branches and appointment of agents to collect deposits**

On and from January 13, 2000, no non-banking financial company shall open its branch or appoint agents to collect deposits except as provided hereunder :

- (i) a non-banking financial company having the certificate of registration issued under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and otherwise entitled to accept public deposits as per paragraph 4(4) of these Directions, may open its branch or appoint agents if its

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|--|---|
| (a) NOF is upto Rs. 50 crore | Within the State where its registered office is situated; and |
| (b) NOF is more than Rs. 50 crore and its credit rating is AA or above | Anywhere in India |

(ii) (a) for the purpose of opening a branch, a non-banking financial company shall notify to the Reserve Bank of its intention to open the proposed branch;

(b) on receipt of such advice, the Reserve Bank may, on being satisfied that in the public interest or in the interest of the concerned non-banking financial company or for any other relevant reasons to be recorded, reject the proposal and communicate the same to the non-banking financial company;

(c) if no advice of rejection of the proposal under (b) above is communicated by the Reserve Bank within 30 days from the receipt of such advice, the non-banking financial company may proceed with its proposal.

4B Closure of branches

No non-banking financial company shall close its branch/office without publishing such intention in any one national level newspaper and in one vernacular newspaper in circulation in the relevant place and without advising Reserve Bank of India, before ninety days of the proposed closure.”

10. After paragraph 9, the following new paragraph shall be inserted, namely, -

“9A Nothing contained in paragraphs 4 to 7 shall apply to an NBFC being a Government company as defined under section 617 of the Companies Act, 1956 (1 of 1956).”

(V.S.N. Murty)
Chief General Manager-in-charge

RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA,
MUMBAI 400 005.

Notification No. DNBS. 135/CGM(VSNM)- 2000 dated January 13, 2000

The Reserve Bank of India, having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the

advantage of the country, it is necessary to amend the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, in exercise of the powers conferred by section 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.119/DG(SPT)/98 dated January 31, 1998 shall stand amended with immediate effect as follows, namely -

1. In paragraph 1, in sub-paragraph (1), in clause (a), after the words, "mutual benefit financial company", the following words shall be inserted, namely, -

"and a mutual benefit company"

2. In paragraph 1, in sub-paragraph (3), a new clause shall be inserted as follows, namely, -

“(iv) These directions shall not apply to an NBFC being a Government company as defined under Section 617 of the Companies Act, 1956 (1 of 1956).”

3. In paragraph 11B, after second proviso, the following Explanation shall be inserted namely:-

Explanation :

“While calculating the ceiling on investment in unquoted shares, investments in such shares of all companies shall be aggregated.”

4. After paragraph 9, the following new paragraphs shall be inserted, namely,-

"9A Constitution of Audit Committee by NBFCs

An NBFC having the assets of Rs. 50 crore and above as per its last audited balance sheet shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors.

9B Accounting year

Every NBFC shall prepare its balance sheet and profit and loss account as on March 31 every year with effect from its accounting year ending with 31st March, 2001:

Provided that if the accounting year of any NBFC ends on any date other than 31st March, 2001 such NBFC shall prepare its balance sheet and profit and loss account for any fraction of the year ending on 31st March 2001."

Information on Suit-filed/Decreed Debts

5. In the format annexed to the Directions (Reporting Format), after Part I, the following Part -J shall be inserted namely, -

"Part J

Particulars on suit-filed and decreed debts by
the NBFC and against it

Item Name	Item Code	Amount
(i) Loans, advances, other credit facilities, leased assets and hire purchase assets for which the NBFC have filed suits in any Court of law for recovery of its dues including the decreed debts	810	
Pending for over 5 years	811	
Pending for 3 to 5 years	812	
Pending for 1 to 3 years	813	
Pending for less than one year	814	
(ii) Out of (i) above, the loans, advances, other Credit facilities and hire purchase assets for Which decree has been obtained by the NBFC	820	
(iii) Recoveries made in suit filed / decreed debts (including amounts deposited in the Court)	830	
(iv) Suit filed and decreed against the company	840	

(V.S.N. Murty)
Chief General Manager-in-charge

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NOTIFICATION No. DNBS.136/CGM(VSNM)-2000 dated January 13, 2000

The Reserve Bank of India, having considered it necessary in the public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987, hereby, in exercise of the powers conferred by Section 45J, 45K, 45L and 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and all the powers enabling it in this behalf, directs that the said Directions contained in Notification No.DFC.55/DG(O)-87 dated the 15th May 1987 shall, with immediate effect, be amended as follows, namely :-

After paragraph 4A, the following new paragraphs shall be inserted, namely,-

“ Branches and appointment of agents to collect deposits

4B On and from January 13, 2000, no residuary non-banking company shall open its branch / office or appoint agents to collect deposits except as provided hereunder :

(i) a residuary non-banking company having the certificate of registration issued under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) may open its branch or appoint agents if its

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|-----------------------------------|--|
| (a) NOF is upto Rs. 50 crore | Within the State where its registered office is situated; and if |
| (b) NOF is more than Rs. 50 crore | Anywhere in India |

(ii) (a) for the purpose of opening a branch / office, a residuary non-banking company shall notify to the Reserve Bank of its intention to open the proposed branch;

(b) on receipt of such advice, the Reserve Bank may, on being satisfied that in the public interest or in the interest of the concerned residuary non-banking company or for any other relevant reasons to be recorded, reject the proposal and communicate the same to the residuary non-banking company;

(c) if no advice of rejection of the proposal under (b) above is communicated by the Reserve Bank within 30 days from the receipt of such advice, the residuary non-banking company may proceed with its proposal.

Closure of branches

4C No residuary non-banking company shall close its branch / office without publishing such intention in any one national level newspaper and in one vernacular newspaper in circulation in the relevant place, before ninety days of the proposed closure and without advising the Reserve Bank at least ninety days before the proposed closure.”

(V.S.N. Murty)
Chief General Manager-In-Charge

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NOTIFICATION No. DNBS.137/CGM(VSNM)-2000 dated January 13, 2000

In exercise of the powers conferred by sub-section (1A) of section 45MA of the Reserve Bank of India Act, 1934 (2 of 1934), the Reserve Bank of India hereby directs that the directions contained in Notification No.DFC.117/DG(SPT)/98 dated January 2, 1998 stand amended with immediate effect, as follows, namely –

In paragraph 3, in sub-paragraph (B), after item (viii), the following new item shall be inserted, namely, -

"(ix) In case of opening of new branches or offices to collect deposits or closure thereof and in the case of appointment of agent, whether the company has complied with the requirements contained in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 contained in Notification No. DFC. 118/DG (SPT)-98 dated January 31, 1998."

(V.S.N. Murty)
Chief General Manager-in-charge

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NOTIFICATION No. DNBS.138/CGM(VSNM)-2000 dated January 13, 2000

The Reserve Bank of India, on being satisfied that it is necessary so to do, in exercise of its powers conferred under Section 45NC of the Reserve Bank of India Act, 1934 (2 of 1934) hereby declares that the provisions of

- (1) Sections 45IA, 45IB and 45IC of the Reserve Bank of India Act, 1934 (2 of 1934) shall not apply to any non-banking financial company
 - (i) which is
 - (a) providing credit not exceeding Rs. 50,000 for a business enterprise and Rs. 1,25,000 for meeting the cost of a dwelling unit to any poor person for enabling him to raise his level of income and standard of living; and
 - (b) licensed under Section 25 of the Companies Act, 1956; and
 - (c) not accepting public deposits as defined in paragraph 2(1)(xii) of Notification No. 118 /DG(SPT)-98 dated January 31, 1998.
 - (ii) being a mutual benefit company as defined in paragraph 2(1) (ixa) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank)

Directions, 1998 contained in Notification No. DFC.118/DG(SPT)-98 dated January 31, 1998.

- (2) Sections 45IB and 45IC of the Reserve Bank of India Act, 1934 (2 of 1934), shall not apply to any non-banking financial company as defined in section 45-I(f) of the Reserve Bank of India Act, 1934 (2 of 1934) being a Government company as defined in section 617 of the Companies Act, 1956.

(V.S.N. Murty)
Chief General Manager-In-Charge

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NOTIFICATION No. DNBS.139/CGM(VSNM)-2000 dated January 13, 2000

In exercise of powers conferred under section 45NC read with sub-section (1) of section 45-IB of the Reserve Bank of India Act, 1934 (2 of 1934) and in partial modification of Notification No. DFC. 121/ED(G)-98 dated January 31, 1998, the Reserve Bank of India, on being satisfied that it is necessary so to do, hereby directs that the said directions shall stand amended with immediate effect as follows, namely, -

In paragraph 1, the items (i) and (ii) shall be substituted by the following, namely,-

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| “(i) on and from 1 st April 1998 | be not less than 12.5 percent; |
| (ii) on and from 1 st April 1999 | be not less than 15 percent; and |
| (iii) on and from January 1, 2000 | be not less than ten percent in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15 percent |

of the “public deposit”, as defined under paragraph 2(1) (xii) of the Non- Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, outstanding at the close of business on the last working day of second preceding quarter; and”

(V.S.N. Murty)
Chief General Manager-in-charge

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NOTIFICATION No. DNBS.140/CGM(VSNM)-2000 dated January 13, 2000

In exercise of powers conferred under sub-section (2) of section 45-IB of the Reserve Bank of India Act, 1934 (2 of 1934) and in partial modification of Notification No. DFC. 108/ED(JRP)-97 dated April 30, 1997, the Reserve Bank of India, on being satisfied that it is necessary so to do, hereby directs that the said directions shall stand amended with immediate effect as follows, namely, -

1. In Form of Quarterly Return I, after item 9, the following item 10, shall be inserted, namely, -

"10. The information on opening and closing of branches /offices for collection of deposits is as under :

(a) Opening of new branches / offices

Name and address of the branches/ offices	Date of opening	Reference No. and date of communication to RBI	Remarks
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(b) Closing of branches / offices

Name and address of the branches/ Offices	Date of Publicity	Date of closing	Reference No. and date of communication to RBI	Remarks
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2. In Form of Quarterly Return-II, item 6 and 7 shall be substituted by the following, namely,-

6. Prescribed amount of liquid assets required 120 to be maintained at _____ percent of deposit at item 5(c) above

(Details of approved securities with their market value and the term deposits made in scheduled commercial banks as on the date of return to be given in a separate annexure)

7. Whether the company has maintained the required assets in unencumbered approved securities and term deposits in scheduled commercial banks on a daily basis during the quarter [see note 1 below]"

3. In Form of Quarterly Return-II, after item 10, the following item 11, shall be inserted, namely, -

"11. The information on opening and closing of branches/offices for collection of deposits is as under :

(a) Opening of new branches / offices

Name and address of the branches/ offices	Date of opening	Reference No. and date of communication to RBI	Remarks
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(b) Closing of branches / offices

Name and address of the branches/ Offices	Date of Publicity	Date of closing	Reference No. and date of communication to RBI	Remarks
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(V.S.N. Murty)
Chief General Manager-in-charge