Amendments to NBFC Regulations-Ceiling on rate of interest

DNBS (PD) CC.No.14/02.01/2000-01
March 31, 2001

To All Non-Banking Financial Companies
including Chit Fund and Nidhi Companies

Dear Sirs,

Amendments to NBFC Regulations-Ceiling on rate of interest

It has been decided that, keeping in view the prevailing interest rates in the entire financial system, the interest rates on deposits of NBFCs should be reduced by two percentage points, from the present level of 16 percent per annum to 14 per cent per annum, with immediate effect. The new rates of interest are applicable to fresh public deposits and renewals of matured public deposits on and from April 1, 2001. The ceiling rate of interest of 14 per cent has also been extended to miscellaneous non-banking companies and nidhi companies.

2. You are requested to ensure meticulous compliance with the new ceiling on rate of interest. Other conditions relating to the rests at which interest can be compounded, rate of brokerage, etc., remain unchanged. It is also reiterated that the NBFCs are strictly prohibited from payment of any incentive, gifts, etc., to the depositors.

3. A copy each of the amending Notifications No. 146 and 147 is enclosed.

Yours faithfully,

Sd/-
(R. Sadanandam)
Chief General Manager-in-Charge
Encls: 2 sheets
NOTIFICATION NO. DNBS. 146 / CGM (RS)-2000 DATED March 31, 2001

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 Deposits (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 stand amended, with immediate effect, as follows, namely –

In Paragraph 4, sub-paragraph (7) shall be substituted by the following, namely

"(7) On and from April 1, 2001 no non-banking financial company shall invite or accept or renew public deposit at a rate of interest exceeding fourteen per cent per annum. Interest may be paid or compounded at rests which shall not be shorter than monthly rests."

Sd/-
( R. Sadanandam )
Chief General Manager-in-Charge
NOTIFICATION No. DNBS. 147 / CGM (RS)-2001 DATED March 31, 2001

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 Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 1977, in exercise of the powers conferred by Sections 45J, 45K and 45L 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. 39 / DG (H)-77 dated June 30, 1977 shall stand amended with immediate effect, as follows, namely -

In paragraph 9A, in sub-paragraph (a), on and from April 1, 2001, the words "fifteen per cent " shall be substituted by the words "fourteen per cent".

Sd/-
( R. Sadanandam )
Chief General Manager-in-Charge