

Notification No.DNBS.159/CGM(CSM)-2002 dated October 1, 2002

**RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE 1, WORLD TRADE CENTRE
CUFFE PARADE, COLABA
MUMBAI - 400 005**

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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 -

1. In the chart relating to "Approved Credit Rating Agencies" appended to paragraph 4, in sub-paragraph (1), under the column relating to the minimum investment grade rating, the symbol of rating of "Ind BBB -(BBB Minus) against the Fitch Ratings India Private Ltd., shall be substituted by "tA-(ind)(FD)".

2. In sub-paragraph (13) of Paragraph 4, after item (h) the following item (i) shall be inserted:

"(i) that the deposits solicited by it are not insured."

3. For Paragraph 6, the following shall be substituted:

"6. (1) every non-banking financial company shall -

- (i) open a Constituent's Subsidiary General Ledger (CSGL) account with a scheduled commercial bank, or the Stock Holding Corporation of India Ltd. (SHCIL) or a dematerialized account with a depository through a depository participant registered with the Securities and Exchange Board of India and keep the unencumbered approved securities required to be maintained by it in pursuance of Section 45-IB of the Reserve Bank of India Act, 1934 (2 of 1934) and the Notification No. DFC.121/ ED(G)-98 dated January 31, 1998 in such CSGL account or dematerialised account;

- (ii) designate one of the scheduled commercial banks, in the place where the registered office of the non-banking financial company is situated, as its designated banker and entrust, in physical form, to such bank or the SHCIL the unencumbered term deposits in any scheduled commercial bank maintained by it in pursuance of Notification No. DFC.121/ED(G)-98 dated January 31, 1998 and such unencumbered approved securities which have not been dematerialised;

and intimate the name and address of such scheduled commercial bank where it has opened its CSGL account or has held the securities in physical form, or the location of the SHCIL where it has opened its CSGL account or has held the securities in physical form or the depository (and the depository participant) where it has held its dematerialised account, in writing, to the Regional Office of the Reserve Bank of India under whose jurisdiction the registered office of the company is situated, as specified in Second Schedule hereto:

Provided that where a non-banking financial company intends to entrust the securities specified in clause (ii) above with the designated banker or SHCIL, at a place other than the place at which its registered office is located, it may do so with the prior approval, in writing, of the Regional Office of the Reserve Bank of India under whose jurisdiction the registered office of the company is situated, as specified in Second Schedule hereto;

- (2) The securities mentioned in sub-paragraph (1) above shall continue to be kept as specified therein for the benefit of the depositors and shall not be withdrawn or encashed or otherwise dealt with by the non-banking financial company except for repayment to the depositors with the prior approval of Reserve Bank of India :

Provided that,

- (i) a non-banking financial company may withdraw a portion of such securities in proportion to the reduction of its public deposits duly certified to that effect by its auditor;
- (ii) where the non-banking financial company intends to substitute such securities kept in physical form, it may do so by entrusting securities of equal value to the designated bank or SHCIL before such withdrawal;
- (iii) where the non-banking financial company sells or purchases or substitutes the securities kept in dematerialised form, it may do so by transactions undertaken through its CSGL account or dematerialized account with the depository; and

- (iv) the market value of these securities shall, at no point of time, be less than the percentage of public deposits as specified in Notification No.DFC.121/ED(G)-98 dated January 31, 1998."

Sd/-
(C. S. Murthy)
Chief General Manager - in - charge