

RBI / 2008-09/167

DNBS.PD. CC No. 128 / 03.02.059 /2008-09

September 15, 2008

All Non-Banking Financial Companies
excluding Residuary Non-Banking Companies

Dear Sir,

Reclassification of NBFCs

Please refer to Company Circular DNBS.PD. CC No. 85 / 03.02.089 /2006-07 dated December 06, 2006 on the captioned subject. It was advised therein that NBFCs financing real / physical assets for productive / economic activity will be classified as Asset Finance Company (AFC) as per the criteria given under paragraph 4 of that circular. Consequent upon re-classification of NBFCs, in the proposed structure the following categories of NBFCs will emerge:

- (i) Asset Finance Company
- (ii) Investment Company
- (iii) Loan Company

2. Accordingly, it was advised that the companies satisfying the conditions specified may approach the Regional Office in the jurisdiction of which their Registered Office is located, along with the original Certificate of Registration (CoR) issued by the Bank to recognize their classification as Asset Finance Companies. Their request must be supported by their Statutory Auditors' certificate indicating the asset / income pattern of the company as on March 31, 2006. The change in classification would be incorporated in the Certificate of Registration issued by the Bank as NBFC-Asset Finance Company; NBFC-D-AFC if accepting deposits and NBFC-ND-AFC, if not accepting deposits.

3. It has been observed that though NBFCs were advised to approach Regional Office in their jurisdiction duly supported by statutory auditors' certificate indicating the asset / income pattern of the companies as on March 31, 2006, the progress in this regard is not satisfactory. Since Equipment Leasing (EL) and Hire-Purchase (HP) classification is no longer valid, it is desirable to accord the valid classification to such NBFCs.

4. As substantial time has elapsed, since the issue of the circular, it has now been decided that erstwhile EL/HP NBFCs should, duly supported by Statutory Auditors' Certificate as on March 31, 2008, immediately approach the Regional Office concerned for appropriate classification latest by December 31, 2008 after which NBFCs which have not opted for the classification would be deemed to be loan companies.

Yours faithfully,

(P. Krishnamurthy)
Chief General Manager In-Charge