



RBI/2010-11/549

DNBS.PD.CC.No. 221/03.02.002 /2010-11

May 27, 2011

All NBFCs

Dear sir,

Review of Guidelines on entry of NBFCs into Insurance Business

Please refer to the [circular DNBS.\(PD\).CC.No. 13 /02.01/99-2000 dated June 30, 2000](#) issued on Amendment to NBFC Regulations which contains the Guidelines for entry of NBFCs into Insurance Business. In terms of para 2 of the above guidelines, NBFCs registered with RBI which satisfy the stipulated eligibility criteria will be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution such an NBFC can hold in a joint venture (JV) company is 50 per cent of the paid-up capital of the insurance company. Further, in terms of para 4 of the said Guidelines, a subsidiary or company in the same group of an NBFC or of another NBFC engaged in the business of a non-banking financial institution or banking business shall not be allowed to join the insurance company on risk participation basis.

2. It is clarified that in case more than one company (irrespective of doing financial activity or not) in the same group of the NBFC wishes to take a stake in the insurance company, the contribution by all companies in the same group shall be counted for the limit of 50 percent prescribed for the NBFC in an insurance JV.

3. The term "Companies in the same group shall mean an arrangement involving two or more entities related to each other through any of the following relationships : Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above".

Yours sincerely,

(Uma Subramaniam)
Chief General Manager-in-Charge