All NBFCs

Madam/ Sir,

Harmonisation of different categories of NBFCs

Please refer to paragraph 5 of the *Statement on Developmental and Regulatory Policies* of the *Sixth Bi-monthly Monetary Policy Statement for 2018-19* dated February 07, 2019 on Harmonisation of NBFC Categories.

2. Over a period of time, evolution of the NBFC sector has resulted in several categories of NBFCs intended to focus on specific sector/ asset classes. Different sets of regulatory prescriptions were accordingly put in place.

3. On a review, it has been decided that in order to provide NBFCs with greater operational flexibility, harmonisation of different categories of NBFCs into fewer ones shall be carried out based on the principle of regulation by activity rather than regulation by entity. Accordingly, it has been decided to merge the three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called **NBFC - Investment and Credit Company (NBFC-ICC)**.

4. Differential regulations relating to bank’s exposure to the three categories of NBFCs viz., AFCs, LCs and ICs stand harmonised vide Bank’s *circular DBR.BP.BC.No.25/21.06.001/2018-19* dated, February 22, 2019. Further, a deposit taking NBFC-ICC shall invest in unquoted shares of another company which is not a subsidiary company or a company in the same group of the NBFC, an amount not exceeding twenty per cent of its owned fund.

5. All related *Master Directions* (Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016, Standalone Primary Dealers (Reserve Bank) Directions, 2016 and Residuary Non-Banking Companies (Reserve Bank) Directions, 2016) have been updated accordingly.

Yours faithfully

(Manoranjan Mishra)
Chief General Manager