

RESERVE BANK OF INDIA
DEPARTMENT OF REGULATION (NON-BANKING FINANCIAL COMPANIES),
CENTRAL OFFICE, 2ND FLOOR, MAIN OFFICE BUILDING,
SHAHID BHAGAT SINGH MARG, FORT, MUMBAI – 400 001

RBI/DoR(NBFC)/2016-17/40

Master Direction DoR(NBFC).PD.001/03.10.119/2016-17

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Master Direction - Exemptions from the provisions of RBI Act, 1934

The Reserve Bank of India (the Bank), being satisfied that, in the public interest, and to enable the Bank to regulate the financial system of the country to its advantage, in exercise of the powers conferred by section 45NC of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and of all the powers enabling it in this behalf exempts the categories of non-banking financial companies as given below from certain provisions of the Reserve Bank of India Act, 1934 (the RBI Act, 1934) as specified hereunder.

1. Exemption from provisions of Chapter III B of the RBI Act, 1934 to the following:

A Non-Banking institution which is authorized to operate a payment system and to issue prepaid payment instruments under the Payment and Settlement Systems Act, 2007 (Act 51 of 2007). This exemption shall be limited and restricted to money received by such non-banking institution for issue of prepaid payment instruments.

2. Exemption from sections 45-IA, 45-IB and 45-IC of the RBI Act, 1934 to the following:

(i) Micro Finance Companies i.e. any non-banking financial company which is

- a. engaged in micro financing activities, providing credit not exceeding ₹50,000 for a business enterprise and ₹1,25,000 for meeting the cost of a dwelling unit

to any poor person for enabling him to raise his level of income and standard of living; and

- b. licensed under section 25 of the Companies Act, 1956; and
- c. not accepting public deposits as defined in sub-paragraph (xiii) of paragraph 3 of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#).

(ii) Securitisation and Reconstruction Companies i.e. a non-banking institution which is a Securitisation company or Reconstruction company registered with the Bank under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

(iii) Nidhi Companies i.e. a non-banking financial company -notified under section 620A of the Companies Act, 1956 (Act 1 of 1956), as Nidhi Company.

(iv) Mutual Benefit Companies i.e. a non-banking financial company being a mutual benefit company as defined in sub-paragraph (x) of paragraph 3 of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#).

(v) Chit Companies i.e. a non-banking financial company doing the business of chits, as defined in clause (b) of section 2 of the Chit Funds Act, 1982 (Act 40 of 1982).

(vi) Mortgage Guarantee Companies i.e. notified as non-banking financial company in terms of section 45 I (f)(iii) of the RBI Act, 1934 with the prior approval of the Central Government, and a company registered with the Bank under the scheme for registration of Mortgage Guarantee Companies.

(vii) Merchant Banking Companies i.e. a non-banking financial company subject to compliance with the following conditions:

- a. It is registered with the Securities and Exchange Board of India as a Merchant Banker under section 12 of the Securities and Exchange Board of India Act, 1992 and is carrying on the business of merchant banker in accordance with the Securities and Exchange Board of India Merchant Banking (Rules) 1992

and Securities and Exchange Board of India Merchant Banking (Regulations) 1992;

- b. acquires securities only as a part of its merchant banking business;
- c. does not carry on any other financial activity referred to in section 45I(c) of the RBI Act, 1934; and
- d. does not accept or hold public deposits as defined in sub-paragraph (xiii) of paragraph 3 of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#)

Further the entities at sub paragraph (i) to (vii) above shall be exempt from the applicability of the provisions of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#), [Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#) and [Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016](#).

(viii) Housing Finance Institutions i.e. a non-banking financial company which is a housing finance institution as defined in Section 2 (d) of the National Housing Bank Act, 1987.

3. Exemption from sections 45-IB and 45-IC of the RBI Act, 1934 to the following:

Government Companies i.e. a non-banking financial company as defined in section 45-I(f) of the RBI Act being a Government company as defined in Clause (45) of Section 2 of Companies Act, 2013, is valid for the phased- in period as under:

Sec 45 IB	Maintenance of percentage of assets – 15% of the outstanding deposits	March 31, 2019 – 5% of outstanding deposits March 31, 2020 – 10% of outstanding deposits March 31, 2021 – 12% of outstanding deposits March 31, 2022 – 15% of outstanding deposits
Sec 45 IC	Reserve Fund	March 31, 2019

4. Exemption from sections 45-IA, 45-IB, 45-IC, 45-MB and 45-MC of the RBI Act, 1934 to the following:

(i) Insurance Companies i.e. a non-banking financial company doing the business of insurance, holding a valid certificate of registration issued under section 3 of the Insurance Act, 1938 (IV of 1938); and not holding or accepting public deposit as

defined in sub-paragraph (xiii) of paragraph 3 of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#).

(ii) Stock Exchanges i.e. a non-banking financial company being a stock exchange, recognised under section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and not holding or accepting public deposit as defined in sub-paragraph (xiii) of paragraph 3 of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#).

(iii) Stock brokers or sub-brokers i.e. a non-banking financial company doing the business of a stock-broker or sub-broker holding a valid certificate of registration obtained under section 12 of the Securities and Exchange Board of India Act, 1992 (Act 15 of 1992) and not holding or accepting public deposit as defined in sub-paragraph (xiii) of paragraph 3 of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#).

Further, the entities at sub-paragraph (i) to (iii) above shall be exempt from the provisions of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#), [Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#) and [Non-Banking Financial Company – Non- Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016](#).

5. Exemption from sections 45-IA and 45-IC of the RBI Act, 1934 to the following:

Alternative Investment Fund (AIF) Companies i.e. a non-banking financial company, which is an Alternative Investment Fund holding a certificate of registration obtained under section 12 of the Securities and Exchange Board of India Act, 1992 (Act 15 of 1992) and not holding or accepting public deposit as defined in sub-paragraph (xiii) of paragraph 3 of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#).

Further, such companies shall be exempt from the provisions of [Non-Banking Financial Companies Acceptance of Public Deposits \(Reserve Bank\) Directions, 2016](#), [Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#) and [Non-](#)

[Banking Financial Company – Non- Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016.](#)

6. Exemption from section 45-IA of the RBI Act, 1934 to the following:

Unregistered Core Investment Companies i.e. a non-banking financial company in the nature of a Core Investment Company as stated at para 6 of the Core Investment Companies (Reserve Bank) Directions, 2016.

7. Exemption from section 45-IA(1)(b) of the RBI Act, 1934 to the following:

Core Investment Companies i.e. a non-banking financial company being a Core Investment Company as defined in clause (viii) of sub-paragraph (1) of paragraph 3 of the [Core Investment Companies \(Reserve Bank\) Directions, 2016](#), subject to the condition that it meets with the capital requirements and leverage ratio as specified in the said directions.

(Manoranjan Mishra)
Chief General Manager