



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/DNBR/2016-17/46

Master Direction DNBR.PD.009/03.10.119/2016-17

September 02, 2016

(Updated as on February 23, 2018)

(Updated as on November 09, 2017)

## Master Direction- Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016

The Reserve Bank of India, (the Bank), in exercise of the powers conferred under section 45JA of the Reserve Bank of India Act, 1934 (hereinafter referred to "the Act"), and of all the powers enabling it in this behalf, hereby issues these directions for compliance of the same by every non-banking financial company undertaking the business of Account Aggregator as defined herein.

### 1. Short title, commencement and applicability of the directions :

- (i) These directions shall be known as the "Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016".
- (ii) These directions shall come into force with effect from the date of notification, by the Bank in the Official Gazette, of a non-banking institution that carries on 'the business of an account aggregator' to be a non-banking financial company, under sub-clause (iii) of clause (f) of section 45I of the Act.

### 2. Scope

These directions provide a framework for the registration and operation of Account Aggregator in India.

### 3. Definitions

- (1) In these directions unless the context otherwise requires,
  - i. "Account Aggregator" means a non-banking financial company as notified under in sub-clause (iii) of clause (f) of section 45-I of the Act, that undertakes the business of an account aggregator, for a fee or otherwise, as defined at clause (iv) of sub-section 1 of section 3 of these directions.
  - ii. "bank" means -

- a) a banking company; or
  - b) a corresponding new bank; or
  - c) the State Bank of India; or
  - d) a subsidiary bank; or
  - e) such other bank which the Bank may, by notification, specify for the purposes of these directions; and
  - f) a co-operative bank as defined under clause (cci) of section 5 read with section 56 of the Banking Regulation Act, 1949 (10 of 1949);
- iii. "Banking company" means a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);
- iv. "business of an account aggregator" means the business of providing under a contract, the service of,
- retrieving or collecting such financial information pertaining to its customer, as may be specified by the Bank from time to time;
  - and
  - consolidating, organizing and presenting such information to the customer or any other financial information user as may be specified by the Bank;

**Provided that**, the financial information pertaining to the customer shall not be the property of the Account Aggregator, and not be used in any other manner.

- v. "Company" means a company registered under section 3 of the Companies Act, 1956 or a company registered under sub section (20) of section 2 of the Companies Act, 2013;
- vi. "Customer" for the purpose of these directions means a 'person' who has entered into a contractual arrangement with the Account Aggregator to avail services provided by the Account Aggregator;
- vii. "Depository" means a company which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992;
- viii. "Depository Participant" means a person registered under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992;
- ix. "Financial Information" means information in respect of the following with financial information providers:

- a) bank deposits including fixed deposit accounts, savings deposit accounts, recurring deposit accounts and current deposit accounts,
  - b) Deposits with NBFCs
  - c) Structured Investment Product (SIP)
  - d) Commercial Paper (CP)
  - e) Certificates of Deposit (CD)
  - f) Government Securities (Tradable)
  - g) Equity Shares
  - h) Bonds
  - i) Debentures
  - j) Mutual Fund Units
  - k) Exchange Traded Funds
  - l) Indian Depository Receipts
  - m) CIS (Collective Investment Schemes) units
  - n) Alternate Investment Funds (AIF) units
  - o) Insurance Policies
  - p) Balances under the National Pension System (NPS)
  - q) Units of Infrastructure Investment Trusts
  - r) Units of Real Estate Investment Trusts
  - s) Any other information as may be specified by the Bank for the purposes of these directions, from time to time;
- x. “Financial Sector regulator” for the purpose of these directions, shall mean the Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority and Pension Fund Regulatory and Development Authority;
  - xi. “Financial information provider” means bank, banking company, non-banking financial company, asset management company, depository, depository participant, insurance company, insurance repository, pension fund and such other entity as may be identified by the Bank for the purposes of these directions, from time to time;
  - xii. “Financial information user” means an entity registered with and regulated by any financial sector regulator;

- xiii. "Insurance Repository" means a company formed under the Companies Act, 1956 and which has been granted a certificate of registration by Insurance Regulatory and Development Authority (IRDA) for maintaining data of insurance policies in electronic form on behalf of insurers.
- xiv. "Leverage Ratio" means the ratio of the Outside Liabilities excluding borrowings/ loans from the group entities to Owned Funds.
- xv. "Non-banking financial company" means a company registered under the Companies Act and which has been granted certificate of registration by the Bank under section 45IA of the Act;
- xvi. "Person" means
  - a) an individual,
  - b) a Hindu undivided family,
  - c) a company,
  - d) a firm,
  - e) an association of persons or a body of individuals, whether incorporated or not, and
  - f) every artificial juridical person, not falling within any of the preceding sub-clauses.

(2) Words or expressions used in these directions but not defined herein but defined in the Act, shall have the same meaning as assigned to them under the Act. Any other words or expressions not defined in the Act, shall have the same meaning assigned to them in the Companies Act, 1956/ 2013.

#### 4. **Registration and matters incidental thereto**

4.1 (a) No entity other than a company shall undertake the business of an Account Aggregator.

(b) No company shall commence or carry on the business of an Account Aggregator without obtaining a certificate of registration from the Bank.

**Provided that**, entities being regulated by other financial sector regulators and aggregating only those accounts relating to the financial information pertaining to customers of that particular sector will be excluded from the above registration requirement.

(c) **Subject to the above proviso**, entities that are undertaking the business of an Account Aggregator, as defined at paragraph 3(iv) of these directions, as on the date of effect of these directions, shall apply for registration as an Account Aggregator, in compliance with these directions, to the Bank within a month from that date. Such companies, which have applied to the Bank for registration as an NBFC - Account Aggregator, shall be permitted to continue the business of an Account Aggregator till their application for issue of Certificate of Registration is rejected or twelve months from date of the application, whichever is earlier.

(d) Every company seeking registration with the Bank as an Account Aggregator shall have a net owned fund of not less than rupees two crore, or such higher amount as the Bank may specify.

**Provided that**, those companies not having a Net Owned Fund of minimum of Rupees two crore at the time of seeking registration, shall meet the Net Owned Fund criteria within the period of validity of the in-principle approval for grant of certification of registration given by the Bank.

#### 4.2 **Process of registration**

4.2.1 Every company seeking registration as an NBFC- Account Aggregator shall make an application for registration to the Department of Non-Banking Regulation, Mumbai of the Bank, in the form specified by the Bank for the purpose at Annex 1.

4.2.2 The Bank for the purpose of considering the application for registration shall require to be satisfied that the following conditions are fulfilled:-

- a) The company has the necessary resources and wherewithal to offer such services to customers.
- b) The company has the adequate capital structure to undertake the business of an account aggregator.
- c) The promoters of the company are fit and proper.
- d) The general character of the management or proposed management of the company are not prejudicial to the public interest.
- e) The company has a plan for a robust Information Technology system.
- f) The company shall not have a leverage ratio of more than seven.

- g) That the public interest shall be served by the grant of certificate of registration to the Account Aggregator to commence or to carry on the business in India.
- h) Any other condition that made be specified by the Bank from time to time, the fulfilment of which in the opinion of the Bank shall be necessary to ensure that the commencement of or carrying on the business in India shall not be prejudicial to the public interest.

4.2.3 The Bank may, after being satisfied that the conditions specified under paragraph 4.2.2 are fulfilled, grant in-principle approval for registering as an Account Aggregator subject to such conditions as it may consider fit to impose.

4.2.4 The validity of the in-principle approval issued by the Bank will be twelve months from the date of granting such in-principle approval.

4.2.5 Within the period of twelve months, the company shall put in place the technology platform, enter into all other legal documentations required to be ready for operations and report position of compliance with the terms of grant of in-principle approval to the Bank. The Bank may, after being satisfied that the company is ready to commence operations and in compliance with the registration requirements, grant it a Certificate of Registration as an NBFC - Account Aggregator subject to such conditions as it may consider fit to impose.

4.2.6 The Bank may cancel the certificate of registration granted to an Account Aggregator, if such company -

- (a) ceases to carry on the business of an Account Aggregator in India; or
- (b) has failed to comply with any condition subject to which the certificate of registration has been issued to it; or
- (c) it comes to the notice of the Bank that the Account Aggregator is no longer eligible to hold the certificate of registration; or
- (d) at any time fails to fulfill any of the conditions referred to in paragraphs 4.2.2 and 4.2.5; or
- (e) fails to -
  - i) comply with any direction issued by the Bank; or
  - ii) maintain accounts, publish and disclose its financial position in accordance with the requirements of any law or any direction or order issued by the Bank; or

iii) submit or offer for inspection its books of account or other relevant documents when so demanded by the Bank.

## **5. Duties and Responsibilities of an Account Aggregator**

- a) Account Aggregator shall provide services to a customer based on the customer's explicit consent.
- b) Account Aggregator shall ensure that the providing of services to a customer shall be backed by appropriate agreements/ authorisations between the Account Aggregator, the customer and the Financial information providers.
- c) Account Aggregator shall not support transactions by customers.
- d) Account Aggregator shall ensure appropriate mechanisms for proper customer identification.
- e) Account Aggregator shall share information as referred to under paragraph 3(iv) only with the customer to whom it relates or any other financial information user as authorized by the customer in accordance with the terms of the consent provided by the customer.
- f) Account Aggregator shall not undertake any other business other than the business of account aggregator. Deployment of investible surplus by an Account Aggregator in instruments, not for trading, shall however be permitted.
- g) No financial information of the customer accessed by the Account Aggregator from the financial information providers shall reside with the Account Aggregator.
- h) Account Aggregator shall not use the services of a third party service provider for undertaking the business of account aggregation.
- i) User authentication credentials of customers relating to accounts with various financial information providers shall not be accessed by the Account Aggregator.
- j) Account Aggregator shall have a Citizen's Charter that explicitly guarantees protection of the rights of a customer. The Account Aggregator shall not part with any information that it may come to acquire from/ on behalf of a customer without the explicit consent of the customer.

k) In the event of any difference in position of financial information in the statement generated by/from the Account Aggregator and the books of the Financial information provider, the position as reflected in the records of the Financial information provider shall be considered as correct.

## **6. Consent Architecture**

6.1 No financial information of the customer shall be retrieved, shared or transferred by the Account Aggregator without the explicit consent of the customer.

6.2 An Account Aggregator shall perform the function of obtaining, submitting and managing the customer's consent in accordance with these directions.

6.3 The consent of the customer obtained by the Account Aggregator shall be a standardised consent artefact which shall contain the following details, namely:—

- (i) identity of the customer and optional contact information;
- (ii) the nature of the financial information requested;
- (iii) purpose of collecting such information;
- (iv) the identity of the recipients of the information, if any;
- (v) URL or other address to which notification needs to be sent every time the consent artefact is used to access information
- (vi) Consent creation date, expiry date, identity and signature/ digital signature of the Account Aggregator; and
- (vii) any other attribute as may be prescribed by the Bank.

6.4 The consent artefact can also be obtained in electronic form.

6.5 At the time of obtaining consent, the Account Aggregator shall inform the customer of all necessary attributes to be contained in the consent artefact as per paragraph 6.3 above and the right of the customer to file complaints with relevant authorities in case of non-redressal of grievances.

6.6 An Account Aggregator shall also provide its customers a functionality to revoke consent to obtain information that is rendered accessible by a consent artefact, including the ability to revoke consent to obtain parts of such information.



Upon revocation, a fresh consent artefact shall be shared with the Financial Information provider.

6.7 An electronic consent artefact shall be capable of being logged, audited and verified.

**7. Sharing of financial information by Financial Information providers upon valid consent artefact being presented**

7.1 Financial Information providers shall share financial information of a customer with an Account Aggregator on being presented a valid consent artefact by an Account Aggregator in accordance with Clause 6.

7.2 Upon being presented the consent artefact, the Financial Information provider shall verify:

- (a) validity of consent
- (b) specified dates and usage; and
- (c) the credentials of the Account Aggregator

through appropriate means.

7.3 Upon due verification, the Financial Information providers shall digitally sign the financial information and securely transmit the same to the Account Aggregator in accordance with the terms contained in the consent artefact.

7.4 All responses of the Financial Information provider shall be in real time.

7.5 To enable these data flows, the Financial Information providers shall:

- (a) implement interfaces that will allow an Account Aggregator to submit consent artefacts, and authenticate each other, and would enable secure flow of financial information to the Account Aggregator;
- (b) adopt means to verify the consent including digital signatures, if any, contained in the consent artefact;
- (c) implement means to digitally sign the financial information that is shared by them about the customers;

- (d) maintain a log of all information sharing requests and the actions performed by them pursuant to such requests, and submit the same to the Account Aggregator.

## **7.6 Use of information by Account Aggregator and Financial Information user**

7.6.1 Where financial information has been provided by a Financial Information provider to an Account Aggregator for transferring to a Financial Information user with the customer's explicit consent, the Account Aggregator shall:

- (i) verify the identity of the Financial Information user; and, if verified,
- (ii) securely transfer the customer's information to the intended recipient in accordance with the terms of the consent artefact.

7.6.2 Where financial information has been provided by a Financial Information provider to an Account Aggregator for transferring to the customer or to a Financial Information user, it shall not be used or disclosed by an Account Aggregator or the Financial Information user except as may be specified in the consent artefact.

## **8. Rights of the customer**

- a) An Account Aggregator shall enable the customer to access a record of the consents provided by him and the Financial Information users with whom the information has been shared.
- b) An Account Aggregator shall not use or access any customer information other than for performing the business of account aggregator explicitly requested by the customer.

## **9. Data Security**

- (a) Business of an Account Aggregator will be entirely Information Technology (IT) driven. Account Aggregator shall adopt required IT framework and interfaces to ensure secure data flows from the Financial Information providers to its own systems and onwards to the Financial Information users.

(b) Account Aggregator shall not request or store customer credentials (like passwords, PINs, private keys) which may be used for authenticating customers to the Financial Information providers. Access by Account Aggregators to customer's information shall only be based on consent-based authorisation.

(c) The technology should also be scalable to cover any other financial information or financial information provider as may be specified by the Bank in future.

(d) There shall be adequate safeguards built in its IT systems to ensure that it is protected against unauthorised access, alteration, destruction, disclosure or dissemination of records and data.

(e) Appropriate measures for Disaster Risk Management and Business Continuity shall be in place.

(f) Information System Audit of the internal systems and processes shall be in place and shall be conducted at least once in two years by CISA certified external auditors. Report of the external auditor shall be submitted to the Regional Office of the Department of Non-Banking Supervision of the Bank, under whose jurisdiction the Registered Office of the Account Aggregator is located, within one month of submission of the report by the external auditor.

## **10. Customer Grievance**

10.1 An account aggregator shall have in place a Board approved policy for handling/ disposal of customer grievances/ complaints. It shall have a dedicated set-up to address customer grievances/ complaints.

10.2 Customer complaints shall be handled/ disposed of by the Account Aggregator within such time and in such manner as provided for in its Board approved policy, but in any case not beyond a period of one month from its receipt.

10.3 At the operational level, Account Aggregator shall display the following information prominently, for the benefit of customers, on the website and at the place/s of business:

(a) the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the company.

(b) that if the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Bank.

#### **10A. Nodal Officer/ Principal Nodal Officer**

NBFCs covered under the [Ombudsman Scheme for Non-Banking Financial Companies, 2018](#) shall appoint Nodal Officer/ Principal Nodal Officer in accordance with directions as provided under Annex 8.

#### **11. Pricing**

11.1 An Account Aggregator would require to have a Board approved policy for pricing of services. Pricing of services will be in strict conformity with the internal guidelines adopted by the Account Aggregator which need to be transparent and available in public domain.

#### **12. Corporate Governance**

12.1 An Account Aggregator shall have adequate internal mechanisms for reviewing, monitoring and evaluating its controls, systems, procedures and safeguards. The integrity of the IT systems shall be maintained at all times and all necessary precautions taken to ensure that the records are not lost, destroyed or tampered with.

##### **12.2 Audit Function**

12.2.1 An Account Aggregator shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors.

Explanation I : The Audit Committee constituted by a non-banking financial company as required under Section 177 of the Companies Act, 2013 shall be the Audit Committee for the purposes of this paragraph.

Explanation II : The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

### **12.3 Nomination Committee**

12.3.1 An Account Aggregator shall form a Nomination Committee consisting of not less than three members of its Board of Directors to ensure 'fit and proper' status of proposed/ existing directors.

Explanation I : The Nomination Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

### **12.4 Risk Management Committee**

12.4.1 The account aggregator shall establish a well-documented risk management framework which shall include

- a) A sound and robust technology risk management framework;
- b) Strengthening system security, reliability, resiliency, and recoverability; and
- c) Deploying strong authentication to protect access to customer data and systems.

12.4.2 To manage the integrated risk, an Account Aggregator shall form a Risk Management Committee consisting of not less than three members of its Board of Directors. The Risk Management Committee shall

- a) give due consideration to factors such as reputation, customer confidence, consequential impact and legal implications, with regard to investment in controls and security measures for computer systems, networks, data centres, operations and backup facilities.
- b) have oversight of technology risks and ensure that the organisation's IT function is capable of supporting its business strategies and objectives.

### **12.5 Fit and Proper Criteria**

12.5.1 An Account Aggregator shall

- i. ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors/ managing director/ CEO

at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the Guidelines contained in Annex 4;

ii. obtain a declaration and undertaking from the directors/ managing director/ CEO giving additional information on the directors/ managing director/ CEO. The declaration and undertaking shall be on the lines of the format given in Annex 5;

iii. obtain a Deed of Covenant signed by the directors/ managing director/ CEO, which shall be in the format as given in Annex 6;

iv. furnish to the Bank an annual statement on change of directors/ managing director/ CEO duly certified by the Statutory Auditors that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Bank within 15 days of the close of the year.

### **13. Requirement to obtain prior approval of the Bank for acquisition or transfer of control of Account Aggregators –**

13.1 (i) The prior written permission of the Bank shall be required for -

a) any takeover or acquisition of control of an Account Aggregator, which may or may not result in change of management;

b) any change in the shareholding of an Account Aggregator, including progressive increases over time, which would result in acquisition / transfer of shareholding of 26 per cent or more of the paid up equity capital of the Account Aggregator.

**Provided that**, prior approval would not be required in case of any shareholding becoming 26% or more due to buyback of shares / reduction in capital where it has approval of a competent Court. The same is to be reported to the Bank not later than one month from its occurrence;

c) any change in the management of the Account Aggregator which would result in change in more than 30 per cent of the directors, excluding independent directors.

**Provided that**, prior approval would not be required in case of directors who get re-elected on retirement by rotation.

d) any change in shareholding that will give the acquirer a right to nominate a director.

### **13.2 Application for prior approval**

(i) An Account Aggregator shall submit an application, on the company letter head, for obtaining prior approval of the Bank, along with the following documents:

- a) Information about the proposed promoters/ directors/ shareholders of the company as per Annex 2 and information about the proposed corporate promoters of the company as per Annex 3;
- b) Sources of funds of the proposed shareholders acquiring the shares in the Account Aggregators; and
- c) Bankers' Report on the proposed directors / shareholders.

(ii) Applications in this regard may be submitted to the Regional Office of the Department of Non-Banking Supervision of the Bank where it is registered.

### **13.3 Public notice about change in control/ management**

i. A public notice of at least 30 days shall be given before effecting the sale of, or transfer of the ownership by sale of shares, or transfer of control, whether with or without sale of shares. Such public notice shall be given by the Account Aggregator and also by the other party or jointly by the parties concerned, after obtaining the prior permission of the Bank.

ii. The public notice shall indicate the intention to sell or transfer ownership/ control, the particulars of transferee and the reasons for such sale or transfer of ownership/ control. The notice shall be published in at least one leading national and in one leading local (covering the place of registered office) vernacular newspaper.

### **13.4 Information with respect to change of address, directors, auditors, etc. to be submitted**

Every Account Aggregator shall communicate, not later than one month from the occurrence of any change in :

- (a) the complete postal address, telephone number/s and fax number/s of the registered / corporate office;
- (b) the names and residential addresses of the directors of the company;
- (c) the names and office address of the auditors of the company; and

(d) the specimen signatures of the officers authorised to sign on behalf of the company

to the Regional Office of the Department of Non-Banking Supervision of the Bank in whose jurisdiction the Registered Office of the Account Aggregator is located.

#### **14. Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFC-AA.**

Every Account Aggregator shall conduct a self-assessment of their existing outsourcing arrangements and bring these in line with the directions as provided at Annex 7.

#### **15. Returns**

The Bank may, from time to time, prescribe return/s to be submitted by Account Aggregator as deemed fit.

#### **16. Supervision**

The Bank may, at any time, cause an inspection by one or more of its officers or employees or other persons, of any Account Aggregator and at any intervals as it deems fit.

#### **17. Exemptions**

17.1 The Bank may, if it considers necessary for avoiding any hardship or for any other just and sufficient reason, grant extension of time to comply with or exempt any company or class of companies or all companies, from all or any of the provisions of these guidelines either generally or for any specified period, subject to such conditions as the Bank may impose.

17.2 The Bank can give any clarification in respect of the above directions and such clarification shall be treated as part of these directions. The directions can be amended by the Bank from time to time.

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**ANNEX 1**

**APPLICATION FORM FOR REGISTRATION WITH RBI UNDER SECTION 45-IA  
OF THE RBI ACT, 1934**

**FORM OF APPLICATION FOR CERTIFICATE OF REGISTRATION TO  
COMMENCE/CARRY ON THE BUSINESS OF A NON-BANKING FINANCIAL  
COMPANY - NON-DEPOSIT TAKING (NBFC-ND)**

**TYPE I - NBFC-ND  TYPE II - NBFC-ND  (TICK X WHICHEVER IS  
APPLICABLE)**

**SPECIFIC CATEGORY- NBFC-MFI  NBFC-FACTOR  NBFC-IDF   
NBFC-Account Aggregator  (TICK X IF APPLICABLE)**

Name and address of registered  
office of the company  
(in block letters)

*By Registered Post A.D./Hand Delivery*

To

The Chief General Manager  
Department of Non-Banking Regulation  
Reserve Bank of India  
Centre I, World Trade Centre  
Mumbai-400 005

Dear Sir,

*Application for a Certificate of Registration to commence the business of a NBFC-ND*

We make this application in terms of sub-section (2) of section 45-IA of the Reserve Bank of India Act, 1934 for issue of a Certificate of Registration. The required documents/ information as per the instructions are furnished.

We are desirous of commencing the business of a Non-Banking Financial Company. Hence, we hereby request you to kindly issue the necessary Certificate of Registration under sub-section (1) of section 45-IA of the Reserve Bank of India Act, 1934 to enable our company to commence/carry on\* the business of a NBFC-ND .

We declare that to the best of our knowledge and belief the information furnished in the statements/annexes enclosed hereto is true/correct and complete.

	Yours faithfully,
	Signature:
Date:	Name:

Place:	Designation:
	Company Seal:

Encl. : .....Sheets

## INSTRUCTIONS

*(Fill up the application form strictly in accordance with these instructions)*

### GENERAL

- (1) Application should be made in the prescribed form only. Wherever space is insufficient, information may be furnished in separate sheet/s.
- (2) Application along with enclosures duly completed should be duly filed, page numbered and submitted
- (3) A photocopy of the application as submitted may be kept with the company for its record.
- (4) Application should be signed by any of the following officials authorised by the Board of Directors, in this behalf (*viz.*, Chairman, Managing Director, Chief Executive Officer, Company Secretary, a whole-time Director or any other official).
- (5) Application should bear common seal of the company and certified by the Statutory Auditors.

### Annex IA

- (6) If the company or any of its Directors/shareholders/Major functionaries/principal officers have ever defaulted in timely repayment of deposit and payment of interest, a list of all such pending cases and the action taken in respect of each case should be furnished. The company should also submit a list containing the details of all the court cases pending against it, including those pending in consumer fora.

### Annex IB

- (7) For filling up Annex IB, please refer to the provisions contained in Non-Banking Financial Company Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 on prudential norms as amended from time to time
- (8) The particulars/information to be furnished in Annex IB of the application should be based on figures as disclosed in the **latest** annual audited balance-sheet. However, in the case of a newly incorporated company, such particulars/information should be based on the balance-sheet as on a date falling **within thirty days** preceding the date of application.
- (9) The contents of Annex IA & IB should be certified by the Statutory Auditors.

## Annex IC

(10) Please ensure that names (spelling, etc.) and addresses (at item No.7 & 8) tally with DIN allotment letter. Please explain reasons for variations, if any, and support the claim of genuineness with a magistrate's certificate

(11) 'Substantial interest' means holding of beneficial interest by an individual or his/her spouse or minor child, whether singly or taken together, in shares of a company/capital of a firm, the amount paid-up on which exceeds 10 per cent of the paid-up capital of the company or total capital subscribed by all the partners of a partnership firm.

## Annex IA

### Company Identification Information (CII)

Sr. No.	Particulars	Response
1	Name of the company	
2	CIN of the company	
3	PAN of the company	
4	Date of Incorporation	
5	Complete Registered Address of the Company (Including Phone Number, Fax Number, Email)	
6	Address of the Corporate Office: (If different from the Office mentioned in 4 above.)	
7	The ROC with which the company is registered	<b>City:</b> <b>State:</b>
8	How is the company registered with ROC (Tick whichever is applicable)	(i) Public Ltd Co (ii) Private Ltd Co (iii) Deemed public Co (iv) Government Company (v) Others (to be specified)
9	If registered as Public Limited Company, date of commencement of business.	Date: dd/mm/yyyy
10	Whether the company has changed its name earlier?	Yes /No
11	If yes, a list of all the earlier names of the company and date/s of change together with the names of Chief Executive Officer and Chairman at the time of change of name along with the reasons for such a change should be furnished.	
12	Is the Company registered with any other financial regulator other than ROC	Yes/No
13	If yes, furnish Name of the Regulator, Registration number of the company and date of Registration	
14	Whether the MoA permits the company to carry out Financial	Yes/No

	Business	
15	Amount of Net Owned Funds as on (date)	Rs. Crore
16	Applicant Company- a) Total Assets: b) Total Liabilities: c) No. of branches:	Rs. Crore Rs. Crore
17	Details of Start-up capital of the company is from own sources /borrowed funds/Foreign funding (Amount in Rs. -----)	Own funds: Rs. Borrowed Capital: Rs. Foreign Funding: Rs.
18	Details of Latest shareholding pattern (with %). Provide details about the line of activity of corporate stake holders.	Name of Shareholder: % shareholding:
19	Net Worth of Shareholders holding Substantial Interest (more than 10%) in the company.	Name of shareholder: Net worth of the shareholder: Rs.
20	Whether the company has received Foreign Direct Investment.	Yes/No
21	If yes, how was it received? FIPB or Automatic Route. Submit the copies of relevant certificates (viz. FIRC, FC-GPRs etc) in this regard	specify the Entity, Amount and % of FDI in shareholding
22	Has the company already started its business operations?	Yes /No
23	If yes, please furnish a brief background note on the activities of the company since inception and the reasons for applying for NBFC registration.	
24	Is the Company carrying on any Finance related business?	Yes/No
25	If yes, specify the type of Activity.	
26	Has it applied to RBI earlier for a CoR. If yes details thereof to be submitted. If not applied to RBI earlier, whether the company was doing NBFIs activities without CoR. If yes, indicate reasons for same. Whether company has completely stopped NBFIs activities now and furnish the certificate in this regard certified by their auditor. Also, submit a letter seeking to be condoned for violation of Sec 45 IA if the company had conducted NBFIs business detailing the circumstances.	Yes/No
27	Whether the company has ever accepted deposits in the past?	Yes /No
28	If yes, specify under which provisions of law it has been accepted along with the period and the quantum of deposits outstanding as on the date of this application	
29	Has the Company defaulted in repayment of the deposits accepted earlier? If so, to what extent. Quantify the amount of default.	Yes /No
30	Whether the company has raised any funds by way of unsecured loans from others (including the directors) during the year	Yes /No
31	If yes, whether these unsecured loans fall under the exempted category of Public deposits. Please furnish full details of the loans.	Yes /No
32	Has the company borrowed from Bank/NBFC/FI etc?	Yes /No
33	If yes, Please furnish full details of the loans (Viz. Name of the entity, Amount of loan, Loan Classification by Bank viz. Standard, Sub-standard etc) and balance outstanding as on the date of application	
34	Is the present company created out of mergers and acquisition if	Yes /No

	any with/of other companies?	
35	If yes, please furnish complete information about the merger/acquisition and the names of the earlier company/ies which merged to form the present company or the earlier company which took over the present company	
36	Is the Company a Subsidiary of a Holding Company?	Yes/No
37	If Yes, Please full particulars of all the Holding Company.	
38	Does the Company have a Subsidiary/Associate/Group company	Yes/No
39	If Yes, please furnish full particulars of all the subsidiaries/Associate/Group company/Related Parties in tabular form as per CC No. 312 dated December 07, 2012, updated from time to time. Additionally, furnish CIBIL Score or equivalent Credit Information Score of each of these companies.	
40	Has the other regulatory body initiated any penal action against the company or any of its Subsidiary/Associate/Holding Company?	Yes/No
41	If yes, please furnish complete details of strictures, penalties, adjudications, investigations etc together with the reasons for such action against the Subsidiary/Associate/Group/Holding Company.	
42	Are there any pending civil or criminal cases against the company?	Yes /No
43	If yes, give complete information about the case and the courts in which it is pending	
44	If it is an existing company, was it engaged in full-fledged or partial money changing activity?	Yes /No
45	If yes, please furnish a copy of the RBI's permission in this regard.	
46	If it is an existing company, is it engaged in any capital market activity?	Yes /No
47	If yes, whether it is registered with SEBI and has there been any non-compliance with SEBI Regulations?	
48	Whether the company had been issued a Certificate of Registration earlier in terms of Circular DFC (COC) No. 2/02/04/96-97, dated July 24, 1996?	Yes /No
49	If Yes Please furnish information on the CoR. Please submit a copy of the CoR.	
50	Whether the company was transacting the business of Non-banking financial institution as on January 9, 1997?	Yes /No
51	If Yes, please complete particulars of the type of business	
52	Date of commencement of the business	dd/mm/yyyy
53	Classification as made by RBI (EL/HP/LC/IC/RNBC/MNBC). Reference No. and date of RBI Classification advice	
54	Whether the applicant company or its group companies/subsidiaries/associate company is/are engaged in Multi level Marketing activity?	Yes/No
55	If yes, specify the details thereof.	
56	Name/s of Statutory Auditor/s of the company with address/es Telephone numbers, fax, email and the ICAI registration Number	
57	Name/s & Address/es of bankers of the company, with complete address, telephone number	
58	Declaration: I, Shri/Smt/Kum. _____ director of (Name of	

	applicant company) confirm on behalf of the company that the company owns electronic infrastructure and is capable to electronically submit data/returns through internet as and when required by Reserve Bank of India (Tick $\checkmark$ if complied)	
59	<p><b>Details of the Authorised Official-</b></p> <p><b>Signature:</b>  <b>Name:</b>  <b>Designation</b>  <b>Company Seal:</b>  <b>Date:</b>  <b>Place:</b></p>	

### Statutory Auditors Certificate

**In addition to the above, we also certify that:**

- a) the company is not carrying on any NBFC activity
- b) that the company has/has not accepted FDI till date (Fill the details as applicable).  
Whether the company fulfils the Minimum capitalization norms or not. (Specify details)
- c) that the company has/has not borrowed funds from the bank/s(Fill the details as applicable)
- d) adequacy of statutory NOF post investment (applicable only in case of NBFC share holders)
- e) If unsecured loans are raised by the applicant company, whether they fall under the exempted category of Public deposits.
- f) UIBs in the group where the director holds substantial interest or otherwise has not accepted any public deposit in the past/does not hold any public deposit as on date.
- g) Net Worth of Shareholders holding Substantial Interest (more than 10%) has been verified by us
- h) the company has not accepted public funds in the past/does not hold any public fund as on the date (applicable only in case of Type I - NBFC-ND)
- i) the company does not have any customer interface as on date (applicable only in case of Type I - NBFC-ND)
- j) the company has not accepted any public deposit, in the past (specify period)/does not hold any public deposit as on the date (applicable only in case of Type II - NBFC-ND, NBFC-MFI, NBFC- factor, NBFC-IDF, NBFC-AA)

Certified that the data/information furnished above has been examined by us and to the best of my knowledge and belief they are correct.

**Place:**

**Name of the Statutory Auditor:**

**Signature:**

**Date:**

**Common Seal:**

**Annex IB**

**STATEMENT OF CAPITAL FUNDS AS ON\*.....**

*(Rs. in thousands)*

**CAPITAL FUNDS - TIER-I**

<b>Item Name</b>	<b>Item Code</b>	<b>Amount Rs.</b>
(i) Paid-up Equity Capital	111	
(ii) Free reserves (Please see note below) :		
(a) General Reserves	112	
(b) Share Premium	113	
(c) Capital Reserves (representing surplus on sale of assets held in separate account)	114	
(d) Debentures Redemption Reserve	115	
(e) Capital Redemption Reserve	116	
(f) Credit Balance in P & L Account	117	
(g) Other free reserves (to be specified)	118	
(iii) Total (111 to 118)	110	
(iv) Accumulated balance of loss	121	
(v) Deferred Revenue Expenditure	122	
(vi) Other Intangible Assets	123	
(vii) Total (121 to 123)	120	
(viii) Owned funds (110 - 120)	130	

**Note :** 'Free reserves' shall include balance in share premium account, capital and debenture redemption reserves and any other reserves shown in the balance-sheet and created through an allocation out of profits but not being (a) a reserve created for repayment of any future liability or for depreciation on assets or for bad debts, or (b) a reserve created by revaluation of assets of the company.

<b>Item Name</b>	<b>Item Code</b>	<b>Amount Rs.</b>
(ix) Investment in shares of: [please see Note (1) below] :		
(a) Subsidiaries	141	
(b) Companies in the same Group	142	

(c) Other non-banking financial companies	143	
(x) The book value of debentures bonds, outstanding loans and advances (including hire-purchase and lease finance) made to and deposits with [please see note (2) below] :		
(a) Subsidiaries	144	
(b) Companies in the same Group	145	
(xi) Total (141 to 145)	140	
(xii) Amount of item 140 in excess of 10 per cent of item 130 above	150	
(xiii) Tier-I Capital: Net owned funds (130 - 150)	151	

**Notes :**

1. Investments in shares includes investment in fully convertible debentures and/or convertible portion of partially convertible debentures. Investments held either in investment account or stock-in-trade should be included under this item.
2. Debentures whether held in investment account or by way of stock-in-trade should be included under this item. Non-convertible debentures, non-convertible portion of partially convertible debentures and optionally convertible debentures should also be included under this item.

Certified that the data/information furnished in this statement are in accordance with the guidelines issued by the Reserve Bank of India. They have been compiled from the books of account and other records of the company and to the best of my knowledge and belief they are correct.

For and on behalf of

	Name of the Company :	
	Signature :	
Date :	Name :	
	Designation :	
Place :	Company Seal :	

**AUDITOR'S REPORT**

We have examined the books of account and other records maintained by.....Limited in respect of the capital funds, risk assets/exposures and risk asset ratio, etc., as on.....and report that to the best of our knowledge and



according to the information and explanations given to us and as shown by the record examined by us, the figures shown in the statement are correct.

Place:

Date :

*Statutory Auditors*

## Annex IC

### Information on the Management (IOM)

(Separate form should be submitted in respect of each of the Directors)

Sr. No.	Particulars	Response
1	Name	
2	Director Identification Number (DIN)	
3	Designation in company	
4	Nationality	
5	If a Foreign National, which country please specify country and Passport Number * Furnish copy of the Passport details	Country: Passport Number:
6	Date of Birth Age as on the date of Application	DD\MM\YYYY Y Age: -- Yrs.
7	Business Address (along with Phone, Fax and Email)	
8	Residential Address (along with Phone, Fax and Email) with supporting document	
9	PAN Number under Income Tax Act	
10	Educational/professional qualifications	
11	Experience if any, in the Financial Services Sector (including Banking Sector). Details should be provided with such as name of the company, designation held, Experience in years etc.	
12	Is the Director associated with any other entity in any capacity?	Yes/No
13	If yes, Please furnish the name(s) of other organisations or entities or associations or Unincorporated entities in which the person has held the post of Chairman or Managing Director or Director or Chief Executive Officer or associated with the above entities in any other capacity. Indicating the activity of the company and regulators, if any	
14	Declaration: I, Shri/Smt/Kum. _____ director of (Name of applicant company) confirm that I comply with section 45S of Chapter IIIC of the RBI Act, 1934. (Tick <input checked="" type="checkbox"/> if complied)	
15	Is/was the Director associated as Promoter, Managing Director, Chairman or Director with any other NBFC including a Residuary Non-Banking Financial Company which has been prohibited from accepting deposits/prosecuted by RBI?	Yes/No
16	If yes, please furnish the name(s) of the entity and the position held and	

	period of the position	
17	Has any prosecution, either civil or criminal, been initiated or pending or commenced or has resulted in conviction, if any, in the past, against the Director and/or against any of the entities he is associated with for violation of economic laws and regulations.	Yes/No
18	If yes please furnish a gist and status of the case pending as on the date of application.	
19	Has the Director or any relative of the Director (relative as per Companies Act) or the companies/entities in which the Director is/was associated with, are in default or have defaulted in the past in respect of credit facilities obtained from any entity or bank.	Yes/No
20	If yes, please furnish complete information about the default and the name of the lending institution.	
21	Is there any disciplinary action, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry of any professional occupation at any time?	Yes/No
22	If yes, please furnish complete information about the action initiated.	
23	Whether the Director at any point of time is/ was associated with any company engaged with Multi-Level Marketing (Ponzi schemes)	Yes/No
24	If yes, please furnish complete information on the same.	
25	Whether the Director attracts any of the disqualification envisaged under Section 274 of the Companies Act, 1956 / Section 164 of the Companies Act, 2013.	Yes/No
26	Has the Director or any of the companies, he is associated with, been subject to any investigation at the instance of the Government Departments or any other Statutory Agencies.	Yes/No
27	If yes, give details of the investigation.	
28	Has the Director at any time been found guilty of violations of rules/ regulations/ legislative requirements by Customs/ Excise/ Income Tax/ Foreign Exchange/ Other Revenue Authorities?	Yes/No
29	If yes, give details of the violations and action thereof.	
30	Name/s of the companies, firms, partnership firms, in which the director holds substantial interest.	
31	Whether number of directorships held by the Director exceeds the limits prescribed under Section 275 of the Companies Act, 1956 / Section 165 of the Companies Act, 2013.	Yes/No
32	Company to mention details of the Unincorporated bodies (Name of UIB, % holding of director, type of UIB viz. Proprietorship, partnership firm etc), if any, in the group where the directors may be holding directorship with/without substantial interest. Whether any financial activity is present in the UIB. (Yes/No). If yes state the activity.	
33	Whether any prohibitory order was issued in the past to the company or any other NBFC/RNBC/any other entity with which the directors/promoters etc. were associated? If yes, please furnish a copy containing the details of the prohibitory order	Yes/No
34	Whether the company or any of its directors was/is involved in any criminal case, including under section 138(1) of the Negotiable	Yes/No

	Instruments Act?	
35	If yes, please furnish full details of the case	
36	Whether any order has been passed by Company Law Board against companies with which the Directors are associated?	Yes/No
37	If yes, please furnish full details of the same.	
38	CIBIL or equivalent Credit Information Score Adverse remarks, if any to be incorporated	
39	<b>Signature:</b> <b>Name:</b> <b>Designation</b> <b>Company Seal:</b>  <b>Date:</b> <b>Place:</b>	

**Note:**

(i) Separate form should be submitted in respect of each of the Directors, by using photocopy of this format

## ANNEX 2

### Information about the proposed directors/ shareholders (Separate form should be submitted in respect of each of the Directors/ shareholders)

Sr. No.	Particulars	Response
1	Name	
2	Director Identification Number (DIN)	
3	Designation in company	
4	Nationality	
5	If a Foreign National, please specify country and Passport Number * Furnish copy of the Passport details	Country: Passport Number:
6	Date of Birth Age as on the date of Application	DD\MM\YYYY Age: -- Yrs.
7	Business Address (along with Phone, Fax and Email)	
8	Residential Address (along with Phone, Fax and Email) with supporting document	
9	PAN Number under Income Tax Act	
10	Educational/ professional qualifications	
11	Experience, if any, in the Financial Services Sector (including Banking Sector). Details should be provided with such as name of the company, designation held, Experience in years etc.	
12	Professional Achievement relevant to the job	
13	Line of business or vocation	
14	Any other information relevant to Directorship of the Company	
15	Is the Director/ shareholder associated with any other entity in any capacity?	Yes/No
16	If yes, please furnish the name(s) of other organisations or entities or associations or Unincorporated entities in which the person has held the post of Chairman or Managing Director or Director or Chief Executive Officer or associated with the above entities as a promoter or in any other capacity, indicating the activity of the company and regulators, if any	
17	Name/s of the regulators (RBI,SEBI,IRDA,PFRDA,NHB or any other foreign regulator) of the entities mentioned in which the Directors hold directorships	
18	Declaration: I, Shri/Smt/Kum._____ director of (Name of applicant company) confirm that I comply with section 45S of Chapter IIIC of the RBI Act, 1934. (Tick √ if complied)	
19	Is/ was the Director associated as Promoter, Managing Director, Chairman or Director with any other NBFC including a	Yes/No

	Residuary Non-Banking Financial Company which has been prohibited from accepting deposits/ prosecuted by RBI?	
20	If yes, please furnish the name(s) of the entity and the position held and period of the position. Please furnish a copy containing the details of the prohibitory order.	
21	Has any prosecution, either civil or criminal, been initiated or pending or commenced or has resulted in conviction, if any, in the past, against the Director/ shareholder and/ or against any of the entities he is associated with for violation of economic laws and regulations, including under section 138(1) of the Negotiable Instruments Act?	Yes/No
22	If yes, please furnish a gist and status of the case pending as on the date of application.	
23	Has the Director/ shareholder or any relative of the Director/ shareholder (relative as per Companies Act) or the companies/ entities in which the Director/ shareholder is/ was associated with, are in default or have defaulted in the past in respect of credit facilities obtained from any entity or bank?	Yes/No
24	If yes, please furnish complete information about the default and the name of the lending institution.	
25	Is there any disciplinary action, pending or commenced or resulting in conviction in the past against him/ her or whether he/ she has been banned from entry of any professional occupation at any time?	Yes/No
26	If yes, please furnish complete information about the action initiated.	
27	Whether the Director/ shareholder at any point of time is/ was associated with any company engaged with Multi-Level Marketing (Ponzi schemes).	Yes/No
28	If yes, please furnish complete information on the same.	
29	Whether the Director/ shareholder attracts any of the disqualification envisaged under Section 274 of the Companies Act, 1956/ Section 164 of the Companies Act, 2013?	Yes/No
30	Has the Director/ shareholder or any of the companies he is associated with, been subject to any investigation at the instance of the Government Departments or any other Statutory Agencies?	Yes/No
31	If yes, give details of the investigation.	
32	Has the Director/ shareholder at any time been found guilty of violations of rules/ regulations/ legislative requirements by Customs/ Excise/ Income Tax/ Foreign Exchange/ Other Revenue Authorities?	Yes/No
33	If yes, give details of the violations and action thereof.	
34	Name/s of the companies, firms, partnership firms, in which the director holds substantial interest.	
35	Names of the principal bankers to the concerns at 34 above	
36	Names of the overseas bankers (for foreign directors/ shareholders)	

37	Whether number of directorships held by the Director exceeds the limits prescribed under Section 275 of the Companies Act, 1956 / Section 165 of the Companies Act, 2013?	Yes/No
38	Mention details of the Unincorporated bodies (Name of UIB, % holding of director/ shareholder, type of UIB viz. Proprietorship, partnership firm etc), if any, in the group where the directors/ shareholder may be holding directorship with/ without substantial interest. Whether any financial activity is present in the UIB? (Yes/No). If yes state the activity.	
39	If yes, please furnish full details of the case	
40	Whether any order has been passed by Company Law Board against companies with which the Directors/ shareholder are associated?	Yes/No
41	If yes, please furnish full details of the same.	
42	Is the director/ shareholder associated with any company, the application for CoR of which has been rejected by the Reserve Bank	Yes/No
43	If yes, please furnish full details of the same.	
44	CIBIL or equivalent Credit Information Score Adverse remarks, if any to be incorporated	
45	Equity shareholding in the company	
(i)	No. of shares	.....
(ii)	Face value	Rs.
(iii)	Percentage to total equity share capital of the company	.....
46	<b>Signature:</b> <b>Name:</b> <b>Designation</b> <b>Company Seal:</b>  <b>Date:</b> <b>Place:</b>	

**Information about the proposed corporate promoters**

Sr. No.	Particulars	Response
1	Name	
2	Nationality	
3	PAN Number under Income Tax Act	
4	Business Address (along with Phone, Fax and Email)	
5	Name and details of Compliance Officer	
6	Line of business	
7	Details of major shareholders (more than 10%) and the line of activity of the corporate	
8	Names of the principal bankers/ overseas bankers *	
9	Name/s of the regulators (RBI, SEBI, IRDA, PFRDA, NHB or any other foreign regulator)	
10	Name/s of Company/ies in the Group as defined in the Prudential Norms Directions	
11	Name/s of the regulators (RBI, SEBI, IRDA, PFRDA, NHB or any other foreign regulator) of the entities mentioned with which the corporate is associated with.	
12	Name/s of the companies, firms, partnership firms, in which the corporate holds substantial interest.	
13	Names of the principal bankers/ overseas bankers to the concerns at 12 above (for foreign directors/ shareholders)	
14	Whether any prohibitory order was issued in the past to the corporate or any other NBFC/ RNBC/ any other entity with which the corporate was associated? If yes, please furnish a copy containing the details of the prohibitory order.	Yes/ No
15	Has any prosecution, either civil or criminal, been initiated or pending or commenced or has resulted in conviction, if any, in the past, against the corporate and/or against any of the entities it is associated with for violation of economic laws and regulations, including under section 138(1) of the Negotiable Instruments Act?	Yes/ No
16	If yes please furnish a gist and status of the case pending as on the date of application.	
17	Has the corporate or the companies/ entities in its group are in default or have defaulted in the past in respect of credit facilities obtained from any entity or bank?	Yes/No

18	If yes, please furnish complete information about the default and the name of the lending institution.	
19	Whether the corporate at any point of time is/ was associated with any company engaged with Multi-Level Marketing (Ponzi schemes)?	Yes/No
20	If yes, please furnish complete information on the same.	
21	Has the corporate or any of the companies/ entities in its group been subject to any investigation at the instance of the Government Departments or any other Statutory Agencies?	Yes/ No
22	If yes, give details of the investigation.	
23	Has the corporate at any time been found guilty of violations of rules/ regulations/ legislative requirements by Customs/ Excise/ Income Tax/ Foreign Exchange/ Other Revenue Authorities?	Yes/ No
24	If yes, give details of the violations and action thereof.	
25	Corporate to mention details of the Unincorporated bodies (Name of UIB, % holding of director, type of UIB viz. Proprietorship, partnership firm etc), if any, it is associated with, with/ without substantial interest. Whether any financial activity is present in the UIB. (Yes/No). If yes state the activity.	
28	Whether any order has been passed by Company Law Board against corporate or the companies with which the corporate is associated?	Yes/ No
29	If yes, please furnish full details of the same.	
30	Has the promoter corporate/ majority shareholder of the promoter corporate, if a corporate, ever applied to RBI for CoR which has been rejected?	Yes/ No
31	If yes, please furnish full details of the same.	
32	<b>Signature:</b> <b>Name:</b> <b>Designation</b> <b>Company Seal:</b>  <b>Date:</b> <b>Place:</b>	

\* For foreign corporate



**Fit and Proper' Criteria for directors of AAs**

AAs are advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

- (a) AA should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. AA should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex- 5
- (b) The process of due diligence should be undertaken by the AA at the time of appointment / renewal of appointment.
- (c) The board of the AA should constitute Nomination Committee to scrutinize the declarations.
- (d) Based on the information provided in the signed declaration, Nomination Committee should decide on the acceptance or otherwise of the directors, where considered necessary.
- (e) Where there is any change in information provided by the directors earlier, the same should be furnished by them to the AA immediately.
- (f) AA should obtain annually as on 31<sup>st</sup> March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- (g) The Board of the AA must ensure in public interest that the nominated/ elected directors execute the deeds of covenants in the format given in Annex-6.

\*\*\*\*\*

Name of NBFC- AA: \_\_\_\_\_

**Declaration and Undertaking by Director (with enclosures as appropriate as on \_\_\_\_\_)**

**I. Personal details of director**

- a. Full name
- b. Date of Birth
- c. Educational Qualifications
- d. Relevant Background and Experience
- e. Permanent Address
- f. Present Address
- g. E-mail Address / Telephone Number
- h. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle
- i. Any other information relevant to Directorship of the AA

**II Relevant Relationships of director**

- a. List of Relatives if any who are connected with the AA (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)
- b. List of entities if any in which he/ she is considered as being interested (Refer Sections 299(3)(a) and 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)
- c. List of entities in which he/ she is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007
- d. Name of NBFCs in which he/ she is or has been a member of the board (giving details of period during which such office was held)
- e. Fund and non-fund facilities, if any, presently availed

of by him/ her and/ or by entities listed in II (b) and (c) above from the NBFCs

- f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from any NBFC / bank.

### **III Records of professional achievements**

- a. Relevant professional achievements

### **IV. Proceedings, if any, against the director**

- a. If the director is a member of a professional association/ body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.
- b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/ or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations
- c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director
- d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?
- e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?
- f. Has the director at any time been found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise/ income tax/ foreign exchange/ other revenue authorities, if so give particulars
- g. Whether the director has at any time come to the

adverse notice of a regulator such as SEBI, IRDA, MCA, PFRDA, NHB.

**(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/ setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)**

- V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper

### **Undertaking**

I confirm that the above information is to the best of my knowledge, information and belief true and complete. I undertake to keep the AA fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the AA.

Place :

Signature

Date :

- VI. **Remarks of Chairman of Nomination Committee/Board of Directors of NBFC-AA**

Place :

Signature

Date:

**Form of Deed of Covenants with a Director**

**THIS DEED OF COVENANTS** is made this \_\_\_\_\_ day of \_\_\_\_\_ Two thousand \_\_\_\_\_ **BETWEEN** \_\_\_\_\_, having its registered office at \_\_\_\_\_ (hereinafter called the 'AA ') of the one part and Mr / Ms \_\_\_\_\_ of \_\_\_\_\_ (hereinafter called the "Director") of the other part.

**WHEREAS**

A. The director has been appointed as a director on the Board of Directors of the AA (hereinafter called "the Board") and is required as a term of his/ her appointment to enter into a Deed of Covenants with the AA.

B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

**NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS :**

1. The director acknowledges that his/ her appointment as director on the Board of the AA is subject to applicable laws and regulations including the Memorandum and Articles of Association of the AA and the provisions of this Deed of Covenants.

2. The director covenants with the AA that :

(i) The director shall disclose to the Board the nature of his/ her interest, direct or indirect, if he/ she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the AA and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/ she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

(ii) The director shall disclose by general notice to the Board his/ her other directorships, his/ her memberships of bodies corporate, his/ her interest in other entities and his/ her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the AA a list of his / her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The director shall in carrying on his / her duties as director of the AA:

(a) use such degree of skill as may be reasonable to expect from a person with his/ her knowledge or experience;

(b) in the performance of his/ her duties take such care as he/ she might be reasonably expected to take on his/ her own behalf and exercise any power vested in him/ her in good faith and in the interests of the AA;

- (c) shall keep himself/ herself informed about the business, activities and financial status of the AA to the extent disclosed to him/ her;
- (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his/ her obligations as director of the AA;
- (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the AA;
- (f) shall bring independent judgment to bear on all matters affecting the AA brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- (g) shall in exercise of his/ her judgement in matters brought before the Board or entrusted to him/ her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/ her independent judgement; and
- (h) shall express his/ her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his/ her independent judgement;
- (v) The director shall have :
  - (a) fiduciary duty to act in good faith and in the interests of the AA and not for any collateral purpose;
  - (b) duty to act only within the powers as laid down by the AA's Memorandum and Articles of Association and by applicable laws and regulations; and
  - (c) duty to acquire proper understanding of the business of the AA.
- (vi) The director shall :
  - (a) not evade responsibility in regard to matters entrusted to him/ her by the Board;
  - (b) not interfere in the performance of their duties by the whole-time directors and other officers of the AA and wherever the director has reasons to believe otherwise, he/ she shall forthwith disclose his/ her concerns to the Board; and
  - (c) not make improper use of information disclosed to him/ her as a member of the Board for his/ her or someone else's advantage or benefit and shall use the information disclosed to him/ her by the AA in his/ her capacity as director of the AA only for the purposes of performance of his/ her duties as a director and not for any other purpose.

3. The AA covenants with the director that:

- (i) the AA shall apprise the director about:
  - (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
  - (b) control systems and procedures;
  - (c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
  - (d) qualification requirements and provide copies of Memorandum and Articles of Association;
  - (e) corporate policies and procedures;

- (f) insider dealing restrictions;
- (g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
- (h) appointments of Senior Executives and their authority;
- (i) remuneration policy,
- (j) deliberations of committees of the Board, and
- (k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the AA shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the AA and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the AA to the directors shall include but not be limited to the following :

- (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
- (b) AA's strategic and business plans and forecasts;
- (c) organisational structure of the AA and delegation of authority;
- (d) corporate and management controls and systems including procedures;
- (e) economic features and marketing environment;
- (f) information and updates as appropriate on AA's products;
- (g) information and updates on major expenditure;
- (h) periodic reviews of performance of the AA; and
- (i) report periodically about implementation of strategic initiatives and plans;

(iv) the AA shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The AA shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The AA shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.

6. The director shall not assign, transfer, sublet or encumber his/ her office and his/ her rights and obligations as director of the AA to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the AA.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and/ or supplements and/ or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the AA.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

**IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.**

For the AA

Director

By .....

Name:

Name:

Title:

In the presence of:

1.

2. ....



**Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFC-AA****1. Introduction**

1.1 'Outsourcing' is defined as the NBFC's use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the NBFC itself, now or in the future.

'Continuing basis' includes agreements for a limited period.

1.2 NBFCs have been outsourcing various activities and are hence exposed to various risks as detailed in para 5.3. Further, the outsourced activities are to be brought within regulatory purview to a) protect the interest of the customers of NBFCs and b) to ensure that the NBFC concerned and the Reserve Bank of India have access to all relevant books, records and information available with service provider. Typically outsourced financial services include applications processing (loan origination, credit card), document processing, marketing and research, supervision of loans, data processing and back office related activities, besides others.

1.3 Some key risks in outsourcing are Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counterparty Risk, Country Risk, Contractual Risk, Access Risk, Concentration and Systemic Risk. The failure of a service provider in providing a specified service, a breach in security/confidentiality, or non-compliance with legal and regulatory requirements by the service provider can lead to financial losses or loss of reputation for the NBFC and could also lead to systemic risks.

1.4 It is therefore imperative for the NBFC outsourcing its activities to ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourced activities. The directions are applicable to material outsourcing arrangements as explained in para 3 which may be entered into by an NBFC with a service provider located in India or elsewhere. The service provider may either be a member of the group/ conglomerate to which the NBFC belongs, or an unrelated party.

1.5 The underlying principles behind these directions are that the regulated entity shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and RBI nor impede effective supervision by RBI. NBFCs, therefore, have to take steps to ensure that the service provider employs the same high standard of care in performing the services as is expected to be employed by the NBFCs, if the activities were conducted within the NBFCs and not outsourced. Accordingly, NBFCs shall not engage in

outsourcing that would result in their internal control, business conduct or reputation being compromised or weakened.

1.6 (i) These directions are concerned with managing risks in outsourcing of financial services and are not applicable to technology-related issues and activities not related to financial services, such as usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records, etc. NBFCs which desire to outsource financial services would not require prior approval from RBI. However, such arrangements would be subject to on-site/ off-site monitoring and inspection/ scrutiny by RBI.

(ii) In regard to outsourced services relating to credit cards, RBI's detailed instructions contained in its circular on credit card activities vide [DBOD.FSD.BC.49/24.01.011/2005-06 dated November 21, 2005](#) would be applicable.

## **2. Activities that shall not be outsourced**

NBFCs which choose to outsource financial services shall, however, not outsource core management functions including Internal Audit, Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms for opening deposit accounts, according sanction for loans (including retail loans) and management of investment portfolio. However, for NBFCs in a group/conglomerate, these functions may be outsourced within the group subject to compliance with instructions in Para 6. Further, while internal audit function itself is a management process, the internal auditors can be on contract.

## **3. Material Outsourcing**

For the purpose of these directions, material outsourcing arrangements are those which, if disrupted, have the potential to significantly impact the business operations, reputation, profitability or customer service. Materiality of outsourcing would be based on:

- the level of importance to the NBFC of the activity being outsourced as well as the significance of the risk posed by the same;
- the potential impact of the outsourcing on the NBFC on various parameters such as earnings, solvency, liquidity, funding capital and risk profile;
- the likely impact on the NBFC's reputation and brand value, and ability to achieve its business objectives, strategy and plans, should the service provider fail to perform the service;
- the cost of the outsourcing as a proportion of total operating costs of the NBFC;
- the aggregate exposure to that particular service provider, in cases where the NBFC outsources various functions to the same service provider and
- the significance of activities outsourced in context of customer service and protection.

#### **4. NBFC's role and Regulatory and Supervisory Requirements**

4.1 The outsourcing of any activity by NBFC does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. NBFCs would therefore be responsible for the actions of their service provider including Direct Sales Agents/ Direct Marketing Agents and recovery agents and the confidentiality of information pertaining to the customers that is available with the service provider. NBFCs shall retain ultimate control of the outsourced activity.

4.2 It is imperative for the NBFC, when performing its due diligence in relation to outsourcing, to consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration.

4.3 Outsourcing arrangements shall not affect the rights of a customer against the NBFC, including the ability of the customer to obtain redress as applicable under relevant laws. In cases where the customers are required to deal with the service providers in the process of dealing with the NBFC, NBFCs shall incorporate a clause in the relative product literature/ brochures, etc., stating that they may use the services of agents in sales/ marketing etc. of the products. The role of agents may be indicated in broad terms.

4.4 The service provider shall not impede or interfere with the ability of the NBFC to effectively oversee and manage its activities nor shall it impede the Reserve Bank of India in carrying out its supervisory functions and objectives.

4.5 NBFCs need to have a robust grievance redress mechanism, which in no way shall be compromised on account of outsourcing.

4.6 The service provider, if not a group company of the NBFC, shall not be owned or controlled by any director of the NBFC or their relatives; these terms have the same meaning as assigned under Companies Act, 2013.

#### **5. Risk Management practices for Outsourced Financial Services**

##### **5.1 Outsourcing Policy**

An NBFC intending to outsource any of its financial activities shall put in place a comprehensive outsourcing policy, approved by its Board, which incorporates, inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities.

##### **5.2 Role of the Board and Senior Management**

###### **5.2.1 Role of the Board**

The Board of the NBFC, or a Committee of the Board to which powers have been delegated shall be responsible *inter alia* for the following:

- i. approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing

and the policies that apply to such arrangements;

- ii. laying down appropriate approval authorities for outsourcing depending on risks and materiality;
- iii. setting up suitable administrative framework of senior management for the purpose of these directions;
- iv. undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and
- v. deciding on business activities of a material nature to be outsourced, and approving such arrangements.

### **5.2.2 Responsibilities of the Senior Management**

- i. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
- ii. developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;
- iii. reviewing periodically the effectiveness of policies and procedures;
- iv. communicating information pertaining to material outsourcing risks to the Board in a timely manner;
- v. ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;
- vi. ensuring that there is independent review and audit for compliance with set policies and
- vii. undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

### **5.3 Evaluation of the Risks**

The NBFCs shall evaluate and guard against the following risks in outsourcing:

- i. Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of the NBFC.
- ii. Reputation Risk – Where the service provided is poor and customer interaction is not consistent with the overall standards expected of the NBFC.
- iii. Compliance Risk – Where privacy, consumer and prudential laws are not adequately complied with by the service provider.
- iv. Operational Risk- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies.
- v. Legal Risk – Where the NBFC is subjected to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements due to omissions and commissions of the service provider.
- vi. Exit Strategy Risk – Where the NBFC is over-reliant on one firm, the loss of relevant skills in the

NBFC itself preventing it from bringing the activity back in-house and where NBFC has entered into contracts that make speedy exits prohibitively expensive.

- vii. Counter party Risk – Where there is inappropriate underwriting or credit assessments.
- viii. Contractual Risk – Where the NBFC may not have the ability to enforce the contract.
- ix. Concentration and Systemic Risk – Where the overall industry has considerable exposure to one service provider and hence the NBFC may lack control over the service provider.
- x. Country Risk – Due to the political, social or legal climate creating added risk.

#### **5.4 Evaluating the Capability of the Service Provider**

5.4.1 In considering or renewing an outsourcing arrangement, appropriate due diligence shall be performed to assess the capability of the service provider to comply with obligations in the outsourcing agreement. Due diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors. NBFCs shall consider whether the service providers' systems are compatible with their own and also whether their standards of performance including in the area of customer service are acceptable to it. NBFCs shall also consider, while evaluating the capability of the service provider, issues relating to undue concentration of outsourcing arrangements with a single service provider. Where possible, the NBFC shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

5.4.2 Due diligence shall involve an evaluation of all available information about the service provider, including but not limited to the following:

- i. past experience and competence to implement and support the proposed activity over the contracted period;
- ii. financial soundness and ability to service commitments even under adverse conditions;
- iii. business reputation and culture, compliance, complaints and outstanding or potential litigation;
- iv. security and internal control, audit coverage, reporting and monitoring environment, business continuity management and
- v. ensuring due diligence by service provider of its employees.

#### **5.5 The Outsourcing Agreement**

The terms and conditions governing the contract between the NBFC and the service provider shall be carefully defined in written agreements and vetted by NBFC's legal counsel on their legal effect and enforceability. Every such agreement shall address the risks and risk mitigation strategies. The agreement shall be sufficiently flexible to allow the NBFC to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement shall also bring out the nature of legal relationship between the parties - i.e. whether agent, principal or otherwise. Some of the key provisions of the contract shall be the following:

- i. the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
- ii. the NBFC must ensure it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;
- iii. the contract shall provide for continuous monitoring and assessment by the NBFC of the service provider so that any necessary corrective measure can be taken immediately;
- iv. a termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;
- v. controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information shall be incorporated;
- vi. there must be contingency plans to ensure business continuity;
- vii. the contract shall provide for the prior approval/ consent by the NBFC of the use of subcontractors by the service provider for all or part of an outsourced activity;
- viii. it shall provide the NBFC with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for the NBFC;
- ix. outsourcing agreements shall include clauses to allow the Reserve Bank of India or persons authorised by it to access the NBFC's documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a reasonable time;
- x. outsourcing agreement shall also include a clause to recognise the right of the Reserve Bank to cause an inspection to be made of a service provider of an NBFC and its books and account by one or more of its officers or employees or other persons;
- xi. the outsourcing agreement shall also provide that confidentiality of customer's information shall be maintained even after the contract expires or gets terminated and
- xii. the NBFC shall have necessary provisions to ensure that the service provider preserves documents as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

## **5.6 Confidentiality and Security**

5.6.1 Public confidence and customer trust in the NBFC is a prerequisite for the stability and reputation of the NBFC. Hence the NBFC shall seek to ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of the service provider.

5.6.2 Access to customer information by staff of the service provider shall be on 'need to know' basis i.e., limited to those areas where the information is required in order to perform the outsourced function.

5.6.3 The NBFC shall ensure that the service provider is able to isolate and clearly identify the NBFC's

customer information, documents, records and assets to protect the confidentiality of the information. In instances, where service provider acts as an outsourcing agent for multiple NBFCs, care shall be taken to build strong safeguards so that there is no comingling of information / documents, records and assets.

5.6.4 The NBFC shall review and monitor the security practices and control processes of the service provider on a regular basis and require the service provider to disclose security breaches.

5.6.5 The NBFC shall immediately notify RBI in the event of any breach of security and leakage of confidential customer related information. In these eventualities, the NBFC would be liable to its customers for any damages.

## **5.7 Responsibilities of Direct Sales Agents (DSA)/ Direct Marketing Agents (DMA)/ Recovery Agents**

5.7.1 NBFCs shall ensure that the DSA/ DMA/ Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly aspects such as soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products on offer, etc.

5.7.2 NBFCs shall put in place a board approved Code of conduct for DSA/ DMA/ Recovery Agents, and obtain their undertaking to abide by the code. In addition, Recovery Agents shall adhere to extant instructions on Fair Practices Code for NBFCs as also their own code for collection of dues and repossession of security. It is essential that the Recovery Agents refrain from action that could damage the integrity and reputation of the NBFC and that they observe strict customer confidentiality.

5.7.3 The NBFC and their agents shall not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the debtors' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

## **5.8 Business Continuity and Management of Disaster Recovery Plan**

5.8.1 An NBFC shall require its service providers to develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. NBFCs need to ensure that the service provider periodically tests the Business Continuity and Recovery Plan and may also consider occasional joint testing and recovery exercises with its service provider.

5.8.2 In order to mitigate the risk of unexpected termination of the outsourcing agreement or liquidation of the service provider, NBFCs shall retain an appropriate level of control over their outsourcing and the right to intervene with appropriate measures to continue its business operations in such cases without incurring prohibitive expenses and without any break in the operations of the NBFC and its services to the customers.

5.8.3 In establishing a viable contingency plan, NBFCs shall consider the availability of alternative service providers or the possibility of bringing the outsourced activity back in-house in an emergency and the costs, time and resources that would be involved.

5.8.4 Outsourcing often leads to the sharing of facilities operated by the service provider. The NBFC shall ensure that service providers are able to isolate the NBFC's information, documents and records, and other assets. This is to ensure that in appropriate situations, all documents, records of transactions and information given to the service provider, and assets of the NBFC, can be removed from the possession of the service provider in order to continue its business operations, or deleted, destroyed or rendered unusable.

## **5.9 Monitoring and Control of Outsourced Activities**

5.9.1 The NBFC shall have in place a management structure to monitor and control its outsourcing activities. It shall ensure that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities.

5.9.2 A central record of all material outsourcing that is readily accessible for review by the Board and senior management of the NBFC shall be maintained. The records shall be updated promptly and half yearly reviews shall be placed before the Board or Risk Management Committee.

5.9.3 Regular audits by either the internal auditors or external auditors of the NBFC shall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the NBFC's compliance with its risk management framework and the requirements of these directions.

5.9.4 NBFCs shall at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider shall highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

5.9.5 In the event of termination of the outsourcing agreement for any reason in cases where the service provider deals with the customers, the same shall be publicized by displaying at a prominent place in the branch, posting it on the web-site, and informing the customers so as to ensure that the customers do not continue to deal with the service provider.

5.9.6 Certain cases, like outsourcing of cash management, might involve reconciliation of transactions between the NBFC, the service provider and its sub-contractors. In such cases, NBFCs shall ensure that reconciliation of transactions between the NBFC and the service provider (and/ or its sub-contractor), are carried out in a timely manner. An ageing analysis of entries pending reconciliation with outsourced vendors shall be placed before the Audit Committee of the Board (ACB) and NBFCs shall make efforts to reduce the old outstanding items therein at the earliest.

5.9.7 A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the ACB of the NBFC.

## **5.10 Redress of Grievances related to Outsourced Services**



- i. NBFCs shall constitute Grievance Redressal Machinery as contained in RBI's circular on Grievance Redressal Mechanism vide DNBS. CC. PD. No. 320/03. 10. 01/2012-13 dated February 18, 2013. At the operational level, all NBFCs shall display the name and contact details (Telephone/ Mobile nos. as also email address) of the Grievance Redressal Officer prominently at their branches/ places where business is transacted. The designated officer shall ensure that genuine grievances of customers are redressed promptly without involving delay. It shall be clearly indicated that NBFCs' Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.
- ii. Generally, a time limit of 30 days may be given to the customers for preferring their complaints/ grievances. The grievance redressal procedure of the NBFC and the time frame fixed for responding to the complaints shall be placed on the NBFC's website.

#### **5.11 Reporting of transactions to FIU or other competent authorities**

NBFCs would be responsible for making Currency Transactions Reports and Suspicious Transactions Reports to FIU or any other competent authority in respect of the NBFCs' customer related activities carried out by the service providers.

### **6. Outsourcing within a Group/ Conglomerate**

6.1 In a group structure, NBFCs may have back-office and service arrangements/ agreements with group entities e.g. sharing of premises, legal and other professional services, hardware and software applications, centralize back-office functions, outsourcing certain financial services to other group entities, etc. Before entering into such arrangements with group entities, NBFCs shall have a Board approved policy and also service level agreements/arrangements with their group entities, which shall also cover demarcation of sharing resources i.e. premises, personnel, etc. Moreover the customers shall be informed specifically about the company which is actually offering the product/service, wherever there are multiple group entities involved or any cross selling observed.

6.2 While entering into such arrangements, NBFCs shall ensure that these:

- a. are appropriately documented in written agreements with details like scope of services, charges for the services and maintaining confidentiality of the customer's data;
- b. do not lead to any confusion to the customers on whose products/services they are availing by clear physical demarcation of the space where the activities of the NBFC and those of its other group entities are undertaken;
- c. do not compromise the ability to identify and manage risk of the NBFC on a stand-alone basis;
- d. do not prevent the RBI from being able to obtain information required for the supervision of the NBFC or pertaining to the group as a whole; and
- e. incorporate a clause under the written agreements that there is a clear obligation for any service provider to

comply with directions given by the RBI in relation to the activities of the NBFC.

6.3 NBFCs shall ensure that their ability to carry out their operations in a sound fashion would not be affected if premises or other services (such as IT systems, support staff) provided by the group entities become unavailable.

6.4 If the premises of the NBFC are shared with the group entities for the purpose of cross-selling, NBFCs shall take measures to ensure that the entity's identification is distinctly visible and clear to the customers. The marketing brochure used by the group entity and verbal communication by its staff / agent in the NBFCs premises shall mention nature of arrangement of the entity with the NBFC so that the customers are clear on the seller of the product.

6.5 NBFCs shall not publish any advertisement or enter into any agreement stating or suggesting or giving tacit impression that they are in any way responsible for the obligations of its group entities.

6.6 The risk management practices expected to be adopted by an NBFC while outsourcing to a related party (i.e. party within the Group / Conglomerate) would be identical to those specified in Para 5 of this directions.

## **7. Off-shore outsourcing of Financial Services**

7.1 The engagement of service providers in a foreign country exposes an NBFC to country risk -economic, social and political conditions and events in a foreign country that may adversely affect the NBFC. Such conditions and events could prevent the service provider from carrying out the terms of its agreement with the NBFC. To manage the country risk involved in such outsourcing activities, the NBFC shall take into account and closely monitor government policies and political, social, economic and legal conditions in countries where the service provider is based, both during the risk assessment process and on a continuous basis, and establish sound procedures for dealing with country risk problems. This includes having appropriate contingency and exit strategies. In principle, arrangements shall only be entered into with parties operating in jurisdictions generally upholding confidentiality clauses and agreements. The governing law of the arrangement shall also be clearly specified.

7.2 The activities outsourced outside India shall be conducted in a manner so as not to hinder efforts to supervise or reconstruct the India activities of the NBFC in a timely manner.

7.3 As regards the off-shore outsourcing of financial services relating to Indian Operations, NBFCs shall additionally ensure that

- a) Where the off-shore service provider is a regulated entity, the relevant off-shore regulator will neither obstruct the arrangement nor object to RBI inspection visits/ visits of NBFCs internal and external auditors.
- b) The availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or the NBFC in India.

- c) The regulatory authority of the offshore location does not have access to the data relating to Indian operations of the NBFC simply on the ground that the processing is being undertaken there (not applicable if off shore processing is done in the home country of the NBFC).
- d) The jurisdiction of the courts in the off shore location where data is maintained does not extend to the operations of the NBFC in India on the strength of the fact that the data is being processed there even though the actual transactions are undertaken in India and
- e) All original records continue to be maintained in India.

**Ombudsman Scheme for Non-Banking Financial Companies, 2018 - Appointment of the Nodal Officer/Principal Nodal Officer**

The Reserve Bank of India (RBI) has brought into operation on February 23, 2018, the [Ombudsman Scheme for Non-Banking Financial Companies, 2018 \(The Scheme\)](#). The Scheme is available on the RBI website [www.rbi.org.in](http://www.rbi.org.in). The Non-Banking Financial Companies (NBFCs) that are covered under the Scheme (covered NBFCs) are advised to ensure that a suitable mechanism exists for receiving and addressing complaints from their customers with specific emphasis on resolving such complaints expeditiously and in a fair manner.

2. In this connection attention is invited to para 15.3 of the Scheme in terms of which
  - (i) The NBFCs covered by the Scheme shall appoint Nodal Officers (NOs) at their Head/Registered/Regional/Zonal Offices and inform all the Offices of the Ombudsman about the same.
  - (ii) The NOs so appointed shall be responsible for representing the company and furnishing information to the Ombudsman in respect of complaints filed against the NBFC.
  - (iii) Wherever more than one zone/region of a NBFC is falling within the jurisdiction of an Ombudsman, one of the NOs shall be designated as the 'Principal Nodal Officer' (PNO) for such zones or regions.
3. The PNO/NO shall be responsible, inter alia, for representing the covered NBFC before the Ombudsman and the Appellate Authority under the Scheme. The PNO/NO appointed at the Head Office of the NBFC shall be responsible for coordinating and liaising with the Customer Education and Protection Department (CEPD), RBI, Central Office. Covered NBFCs are at liberty to appoint the Grievance Redressal Officer (GRO) identified by the respective NBFCs in terms of extant guidelines on Grievance Redressal Mechanism, applicable to them, as the PNO or NO, provided that the officer concerned is sufficiently senior in the organisation. Where there is more than one Nodal Officer for a zone, the PNO shall be responsible for representing the company and furnishing information to the Ombudsman in respect of complaints filed against the NBFC.
4. With a view to strengthening the Grievances Redressal System and enhancing its effectiveness, the NBFCs shall take necessary steps as outlined above. Further, the name and details of the PNO/NO at the Head Office may be forwarded to the Chief General Manager, Consumer Education and Protection Department, Reserve Bank of India, Central Office, 1st Floor, Amar Building, Sir P.M. Road, Mumbai 400 001 ([email](#)). The names and contact details of PNOs/NOs of the zones may be forwarded to the RBI Ombudsman of the concerned zone.

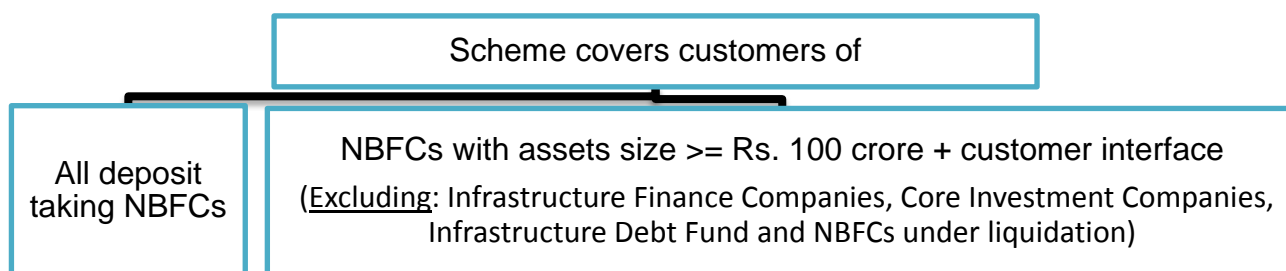
## **Display of Information**

5. Covered NBFCs shall display prominently, for the benefit of their customers, at their branches/ places where business is transacted, the name and contact details (Telephone/ Mobile numbers as also email addresses) of the PNOs/NOs/GROs and the name and contact details of the Ombudsman, who can be approached by the customer.

6. Covered NBFCs shall prominently display the salient features of the Scheme (in English, Hindi and Vernacular language) at all their offices and branches in such a manner that a person visiting the office or branch has easy access to the information. A template for the salient features of the Scheme to be displayed is enclosed for reference. (Appendix A)

7. All the above details along with a copy of the Scheme should also be prominently displayed on the website of covered NBFCs.

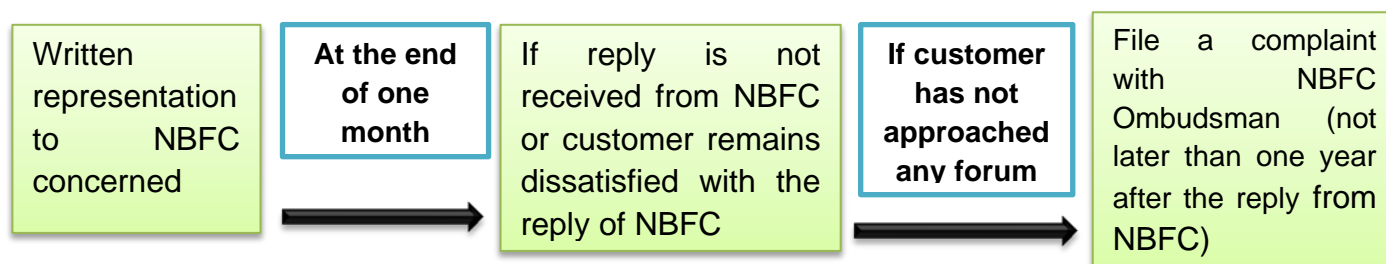
### Ombudsman Scheme for Non-Banking Financial Companies, 2018 : Salient Features



#### Grounds for filing a complaint by a customer:

- Interest/Deposit not paid OR paid with delay
- Cheque not presented OR done with delay
- Not conveyed the amount of loan sanctioned, terms & conditions, annualised rate of interest, etc.
- Notice not provided for changes in agreement, levy of charges
- Failure to ensure transparency in contract/loan agreement
- Failure/ Delay in releasing securities/ documents
- Failure to provide legally enforceable built-in repossession in contract/ loan agreement
- RBI directives not followed by NBFC
- Guidelines on Fair Practices Code not followed

#### How can a customer file complaint?



#### How does Ombudsman take decision?

- Proceedings before Ombudsman are summary in nature
- Promotes settlement through conciliation → If not reached, can issue Award/Order

#### Can a customer appeal, if not satisfied with decision of Ombudsman?

**Yes**, If Ombudsman's decision is appealable → Appellate Authority: Deputy Governor, RBI

#### Note:

- This is an Alternate Dispute Resolution mechanism
- Customer is at liberty to approach any other court/forum/authority for the redressal at any stage

Refer to [www.rbi.org.in](http://www.rbi.org.in) for further details of the Scheme