RBI Steps for Infrastructure Finance Companies

The Reserve Bank of India has today issued a notification introducing a new category of Non Banking Finance Companies as “Infrastructure Finance Companies (IFCs)”. The existing categories of NBFCs are Asset Finance Companies (AFCs), Loan Companies (LCs) and Investment Companies (ICs).

It may be recalled that in paragraph 178 of the Second Quarter Review of Monetary Policy 2009-10, announced on October 27, 2009, it was indicated that systematically important non deposit taking non banking finance companies engaged predominantly in the infrastructure financing had requested that there should be a separate category of infrastructure financing NBFCs in view of the critical role played by them in providing credit to the infrastructure sector. In another notification issued today the Reserve Bank has linked the risk weight of banks’ exposure to infrastructure finance companies to their credit rating assigned by external credit assessment institutions (ECAs). This is also done in pursuance of the announcement made in paragraph 160 of the Second Quarter Review of Monetary Policy 2009-10.

Further with a view to encouraging larger flow of funds to infrastructure, the exposure of a bank to infrastructure finance companies has been enhanced up to 20 per cent of its capital funds.

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