FM THEORY QUESTIONS

MOST IMPORTANT

1. Write a short note on Commercial Paper in India
Ans. **Issue of Commercial Papers in India**: CP was introduced as a money market instruments in India in January 1990 with a view to enable the companies to borrow for short term. Since the CP represents an unsecured borrowing in the money market, the regulation of CP comes under the purview of the reserve bank of India; (a) CP can be issued in multiples of ₹ 5 Lakhs. (b) CP can be issued for a minimum duration of 7 days and maximum period of 12 months. (c) For issuing CP the company's+ net worth should be at least ₹ 4 crores (d) CP can neither be redeemed before maturity nor can be extended beyond th1e maturity period. (e) CP issue requires a credit rating of P2 from CRISIL or A2 from ICRA

2. Wite a short note on Venture Capital
Ans. Venture risk and Capital is a form of equity financing especially designed for funding high risk and high reward projects. There is a common perception that venture capital is a means of financing high technology projects. However, venture capital is investment of long-term financial mode in: 1. Ventures promoted by technically or entrepreneurs; or professionally qualified but unproven 2. Ventures seeking to harness commercially unproven technology: or 3. High risk ventures. The term venture capital represents financial investment in a highly risky project with the objective of earning a high rate of return. Venture capital (VC) is a type of private equity, a form of financing that is provided by firms or funds to small. early-stage. emerging firms that are deemed to have high growth potential, or which have demonstrated high growth (in terms of number of employees, annual revenue. or both). It is a type of funding for a new or growing business. It usually comes under venture capital firms that specialize in building

high risk financial portfolios. With venture capital, the venture capital firm gives funding to the start-up company exchange for equity in the start-up.

3. Write a short note on Objectives, Functions and Powers of the Securities Exchange Board of India (SEBI).

Ans.

Objectives, Functions and Powers of the Securities Exchange Board of India (SEBI): The overall objective of the (SEBI);

The overall objective of the SEBI is to protect the interests of the investors in securities and to promote the development of and to regulate the securities market and for matters connected therewith or incidental thereto.

To carry out its overall objectives, the SEBI performs the following function:

- Regulate the business in stock exchanges and other securities markets;
- Registering and regulating the working of stock brokers, share-transfer agents, bankers, underwriters, portfolio managers, investment advisor and such other intermediaries, who may be associated with the securities market in any manner
- Registering and regulating the working of depositories, custodians of securities, credit rating schemes, including mutual funds;
- Prohibiting market. fraudulent and unfair trade practices relating to the securities market

It has the powers to call for periodical return from any recognized stock exchange. It performs such functions and exercises such powers, under the Securities Contract (Regulation) Act, 1956, as may be delegated to it by the Central Government.

4. List any four Alternative Investment Funds (AIF) and four Credit Rating Agencies in India. List any six Money Market Instruments Traded, List any four features of Treasury bills. How is Yield on Treasury Bills calculated?

Ans.

(i) Alternative Investment Funds:

(a) Angel Fund
(b) Venture Capital Fund
(c) Private Equity Fund
(d) Hedge Fund

(ii) Four credit rating agencies in India:

(a) CRISIL Ratings Limited (Formerly the Credit Rating Information Services of India Limited)
(b) ICRA Limited (Formerly Investment Information and Credit Rating Agency of India

(c) Care Ratings Limited (C1redit Analysis and Research Limited)
(d) India Ratings and Research Pvt. Ltd. (Formerly Fitch Ratings India Pvt. LTD)

(iii) Money Market Instruments:
(a) Call Money
(b) Commercial papers
(c) Repos
(d) Inter Corporate Deposits
(e) Commercial Bills
(f) Certificate of Deposits

(iv) Features of Treasury Bills:
(a) They are negotiable securities.
(b) They are highly liquid as they are of shorter tenure and there is a possibility of inter-bank repos in them.
(c) There is an absence of default risk.
(d) They have an assured yield, low transaction cost, and are eligible for inclusion in the Securities for SLR purpose

(v) Yield on Treasury Bills:
It is calculated as per the following formula:
yield = formula: (100 -P) x 365 x 100/(P x D)
Where, P= Purchase price
D = Days to maturity

5. Examine the difference between Primary Market and Secondary Market

Ans.

Difference Between Primary Market and Secondary Market

Basis	Primary Market	Secondary Market
Nature of Financing	It provides funds to new enterprises & also for expansion and diversification of the existing one and its contribution to company financing is direct.	It does not supply additional funds to company since the company is not involved in transaction.
Nature of Securities	It deals with new securities, i.e. securities which were not previously available, and are offered for the first time to the investors	It is a market for old securities which have been issued already and granted stock exchange quotation.

Sale/ Purchase	Securities are acquired from issuing companies themselves.	Securities are purchased and sold by the investors without any involvement of the companies
Liquidity	It does not lend any liquidity to the securities.	The secondary market provides facilities for the continuous purchase and sale of securities, thus lending liquidity and marketability to the securities
Organisational difference	It is not rooted in any particular spot and has no geographical existence. It has neither any tangible form nor any administrative organisational set up.	Secondary markets have physical existence in the form of stock exchange and are located in a particular geographical area having an administrative organisation.
Requirement	Helps in creating new capital	Helps in maintenance of existing capital
Volume	Volume of transaction is low as compared to secondary market	Volume of transaction is high as compared to primary market

6. Briefly describe the primary functions of commercial banks in India.

Ans.

Banking Functions (Primary functions): Most of banking functions are: -

(A) Acceptance of Deposits from Public: - Bank accepts following deposits from publics:

i. Demand deposits can be in the form of current account or savings account. These deposits are withdrawable any time by depositors by cheques. Current deposits have no interest or nominal interest. Such accounts are maintained by commercial firms and businessman. Interest rate of saving deposits varies with time period, Savings accounts are maintained for encouraging savings of households.

ii. Fixed deposits are those deposits which are withdrawable only after a specific period. It earns a higher rate of interest.

iii. In recurring deposits, people deposit a fixed sum every month for a fixed period of time.

(B) Advancing Loans: - It extends loans and advances out of money deposited by public to various business units and to customers against some approved. Usually, banks grant short-term or medium-terms loans to meet requirements of working capital of industrial units and trading units. Banks discourage loans for consumption purposes. Loans may be secured or unsecured. Banks do not give loan in form of cash. They make the customer open account and transfer loan amount in the customer's account.

Banks grant loan in following ways: -

(i) **Overdraft: -** Banks grant overdraft facilities to current account holder to draw amount in excess of balance held.

(ii) **Cash Credit**: **-** Banks grant credit in cash to current account holder against hypothecation of goods.

(iii) **Discounting Trade Bills: -** The banks facilitate trade and commerce by dis. counting bills of exchange.

(iv) **Term Loan: -** Banks grant term loan to traders and to agriculturists against some collateral securities.

(v) **Consumer Credit: -** Banks grant credit to households in a limited amount to buy durable goods.

(vi) **Money at Call or Short-term Advances: -** Banks grant loan for a very short period not exceeding 7 days to dealers/brokers in stock exchange against collateral securities.

(C) **Credit Creation: -** Credit creation is another banking function of commercial bank. i.e., it manufactures money.

(D) **Use of Cheque System: -** Banks have introduced the cheque system for withdrawal of deposits. There are two types of cheques - bearer & cross cheque. A bearer cheque is encashable immediately at the bank by its possessor. A crossed cheque is not encashable immediately. It has to be deposited only in the payee's account. It is not negotiable.

(E) **Remittance of Funds: -** Banks provides facilities to remit funds from one place to another for their customers by issuing bank drafts, mail transfer etc.

7. What are the principal features of a commercial paper? Discuss the advantages offered by commercial paper to its issuers.

Ans.

Features of a Commercial Paper

- Commercial Paper (CP) is an unsecured short-term promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued only by large, well known, creditworthy companies and is typically unsecured, issued at a discount on face value, and redeemable at its face value.
- The aim of its issuance is to provide liquidity or finance company's investments, e.g., in inventory and accounts receivable.
- The major issuers of commercial papers are financial institutions, such as finance companies, bank holding companies, insurance companies.
- CP should be issued for a minimum period of 7 days to a maximum period of one year.
- No grace period is allowed for payment and if the maturity date falls on a holiday it should be paid on the previous working day.

- Commercial paper can be permitted to be issued by the companies whose tangible net worth is not less than ₹ 4 crore and fund based working capital limits are not less than ₹ 4 crore.
- It must be a listed company on a stock exchange and should have given credit rating by CRISIL.
- The difference between the initial investment and the maturity value, constitutes the income of the investor.

Advantages

1) **Simplicity:** Documentation involved in issue of Commercial Paper is simple and minimum.
2) **Cash Flow Management:** The issuer company can issue Commercial Paper with suitable maturity periods (not exceeding one year), tailored to match the cash flows of the Company.
3) **Alternative for Bank Finance:** A well-rated company can diversify its sources of finance from Banks, to short-term money markets, at relatively cheaper cost.
4) **Returns to Investors:** CP's provide investors with higher returns than the banking system.
5) **Incentive for Financial Strength:** Companies which raise funds through CP become well-known in the financial world for their strengths. They are placed in a more favourable position for raising long-term capital also. So, there is an inbuilt incentive for Companies to remain financially strong.

8. Foreign Currency Convertible Bonds (FCCBs).

Ans.

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9. List the different types of Money Market Instruments.

Ans.

Different types of Money Market Instruments:

1. **Call Money**: Call/Notice money is an amount borrowed or lent on demand for a very short period. If the period is more than one day and upto 14 days, it is called notice money and if the period is more than 14 days, it is called call money.
2. **Treasury Bills**: Treasury bills are short-term instruments issued by the Reserve Bank on behalf of the government to tide over short-term liquidity shortfalls. This instrument is used by the government to raise short-term funds to bridge seasonal or temporary gaps between its receipts (revenue and capital) and expenditure. They form the most important segment of the money market not only in India but all over the world as well.
3. **Commercial Bills**: The working capital requirement of business firms is provided by banks through cash-credits / overdraft and purchase/discounting of commercial bills. Commercial bill is a short term, negotiable, and self-liquidating instrument with low risk. It enhances the liability to make payment in a fixed date when goods are bought on credit.
4. **Commercial Paper**: Commercial paper (CP) is an unsecured short-term promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued only by large, well known, creditworthy companies and is typically unsecured, issued at a discount on face value, and redeemable at its face value. the aim of its issuance

is to provide liquidity or finance company's investments, e.g., in inventory and accounts receivable.

5. **Certificate of Deposits (CD)**: CD is a negotiable money market instrument and issued in dematerialized form or as a usance promissory note, for funds deposited at a Bank or other eligible Financial Institution for a specified time period.
6. **Repo, Reverse Repo**: Repo or ready forward contact is an instrument for borrowing funds by selling securities with an agreement to repurchase the said securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed. Repo rate is the return earned on a repo transaction expressed as an annual interest rate. The Reverse of the repo transaction is called 'reverse repo' which is lending of funds against buying of securities with an agreement to resell the said securities on a mutually agreed future date at an agreed price which includes interest for the funds lent.
7. **Promissory Notes and Government Securities**: Promissory Note is a written, dated and signed two-party instrument containing an unconditional promise by the maker to pay a definite sum of money to a payee on demand or at a specified future date. A government security is a tradable instrument issued by the central government or the state governments. It acknowledges the Government's debt obligation. Such securities are short-term (usually called treasury bills, with original maturities of less than one year) or long-term (usually called Government bonds or dated securities with original maturity of one year or more).

10. Explain the regulatory role of RBI.

Ans.

(1) Regulator of the Banking System:

The Reserve Bank regulates and supervises the nation's financial system. Different departments of the Reserve Bank oversee the various entities that comprise India's financial infrastructure. RBI oversees:

A. **Commercial Banks and All-India Development Financial Institutions**: Regulated by the Department of Banking Operations and Development, supervised by the Department of Banking Supervision.
B. **Urban Co-operative Banks**: Regulated and supervised by the Urban Banks Department.
C. **Regional Rural Banks (RRB), District Central Cooperative Banks and State Co-operative Banks**: Regulated by the Rural Planning and Credit Department and supervised by NABARD.
D. **Non-Banking Financial Companies (NBFC)**: Regulated and supervised by the Department of Non- Banking Supervision.

The Board for Financial Supervision oversees the Reserve Bank's regulatory and supervisory responsibilities.

Consumer confidence and trust are fundamental to the proper functioning of the banking system. RBI's supervision and regulation help ensure that banks are stable and that the system functions smoothly.

As the nation's financial regulator, the Reserve Bank handles a range of activities, including:

A. Licensing
B. Prescribing capital requirements
C. Monitoring governance
D. Setting prudential regulations to ensure solvency and liquidity of the banks
E. Prescribing lending to certain priority sectors of the economy
F. Regulating interest rates in specific areas
G. Setting appropriate regulatory norms related to income recognition, asset classification, provisioning, investment valuation, exposure limits and the like initiating new regulation.

(2) Regulator and Supervisor of Payment and Settlement Systems:

The Payment and Settlement Systems Act of 2007 (PSS Act) gives the Reserve Bank oversight authority, including regulation and supervision, for the payment and settlement systems in the country. In this role, RBI focus on the development and functioning of safe, secure and efficient payment and settlement mechanisms.

The Reserve Bank has a two-tiered structure. The first tier provides the basic framework for our payment systems. The second-tier focusses on supervision of this framework. As part of the basic framework, the Reserve Bank's network of secure systems handles various types of payment and settlement activities. Most operate on the security platform of the Indian Financial Network (INFINET), using digital signatures for further security of transactions. The various systems used are as follows:

A. **Retail payment systems**: Facilitating cheque clearing, electronic funds transfer, through National Electronic Funds Transfer (NEFT), settlement of card payments and bulk payments, such as electronic clearing services. Operated through local clearing houses throughout the country.
B. **Large Value Systems**: Facilitating settlement of inter-bank transactions from financial markets.

These include:

A. **Real Time Gross Settlement System (RTGS)**: For funds transfers
B. **Securities Settlement System**: For the government securities market.
C. **Foreign Exchange Clearing**: For transactions involving foreign currency.
D. **Department of Payment and Settlement Systems**: The Reserve Bank's payment and settlement systems regulatory arm.

E. **Department of Information Technology**: Technology support for the payment systems and for the Reserve Bank’s internal IT systems.

11. Distinguish between Hedge Funds and Mutual Funds.

Ans.

Hedge funds are like mutual funds in two respects:

(i) they are pooled investment vehicles i.e., several investors entrust their money to a manager) and (ii) they invest in publicly traded securities. But there are important differences between a hedge fund and a mutual fund. These stem from and are best understood in light of the hedge fund's charter: investors give hedge funds the freedom to pursue absolute return strategies.

Mutual Funds Seek Relative Returns: Most mutual funds invest in a predefined style, such as "small cap value", or into a particular sector, such as the Internet sector. To measure performance, the mutual fund's returns are compared to a style-specific index or benchmark. For example, if you buy into a "small cap value" fund, the managers of that fund may try to outperform the Nifty Small Cap Index. Less active managers might construct the portfolio by following the index and then applying stock-picking skills to increase (over-weigh) favoured stocks and decrease (under-weigh) less appealing stocks.

A mutual fund's goal is to beat the index or "beat the bogey", even if only modestly. If the index is down 10% while the mutual fund is down only 7%, the fund's performance would be called a success. On the passive-active spectrum, on which pure index investing is the passive extreme, mutual funds lie somewhere in the middle as they semi-actively aim to generate returns that are favourable compared to a benchmark.

12. Explain the Registration requirement of NBFCs’. Describe what is residuary Non-Banking Company (RNBC).

Ans.

Registration requirement of NBFCs:

In terms of Section 45-IA of the RBI Act, 1934, no Non-banking Financial Company can commence or carry-on business of a non-banking financial institution without obtaining a certificate of registration from the Bank and without having a Net Owned Funds of `25 lakhs (rupees two crores since April 1999). However, in terms of the powers given to the Bank, to obviate dual regulation, certain categories of NBFCs which are regulated by other regulators are exempted from the requirement of registration with RBI viz. Venture Capital Fund/Merchant Banking companies/Stock broking companies registered with SEBI, Insurance Company holding a valid Certificate of Registration issued by IRDA, Nidhi companies as notified under Section 620A of the Companies Act, 1956, Chit companies as defined in clause (b) of Section 2 of the Chit Funds Act, 1982, Housing Finance Companies regulated by National Housing Bank, Stock Exchange or a Mutual Benefit company.

NBFCs- Exempted from Registration:

Housing Finance Companies, Merchant Banking Companies, Stock Exchanges, Companies engaged in the business of stock-broking/sub-broking, Venture Capital Fund Companies, Nidhi Companies, Insurance companies and Chit Fund Companies are NBFCs but they have been exempted from the requirement of registration under Section 45-IA of the RBI Act,1934 subject to certain conditions. Housing Finance Companies are regulated by National Housing Bank, Merchant Banker/Venture Capital Fund Company/stock-exchanges/stock brokers/sub brokers are regulated by Securities and Exchange Board of India, and Insurance companies are regulated by Insurance Regulatory and Development Authority. Similarly, Chit Fund Companies are regulated by the respective State Governments and Nidhi Companies are regulated by Ministry of Corporate Affairs, Government of India. It may also be mentioned that Mortgage Guarantee Companies have been notified as Non-Banking Financial Companies under Section 45 I(f)(iii) of the RBI Act, 1934.

Residuary Non-Banking Company (RNBC):

Residuary Non-Banking Company is a class of NBFC which is a company and has as its principal business, the receiving of deposits, under any scheme or arrangement or in any other manner and not being Investment, Asset Financing, Loan Company. These companies are required to maintain investments as per directions of RBI, in addition to liquid assets. The functioning of these companies is different from those of NBFCs in terms of method of mobilization of deposits and requirement of deployment of depositors' funds as per Directions. Besides, Prudential Norms Directions are applicable to these companies also.

13. Describe the functions of Commercial Banks.

Ans.

Functions of commercial banks can be divided in two groups–banking functions (primary functions) and non-banking functions (secondary functions).

Banking Functions (primary functions): Most of banking functions are: –

A. **Acceptance of Deposits from Public: -** Bank accepts following deposits from publics: -
   (i) Demand deposits can be in the form of current account or savings account. These deposits are withdrawable any time by depositors by cheques. Current deposits have no interest or nominal interest. Such accounts are maintained by commercial firms and business man. Interest rate of saving deposits varies with time period. Savings accounts are maintained for encouraging savings of households.
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(iv) Term Loan: - Banks grant term loan to traders and to agriculturists against some collateral securities.

(v) Consumer Credit: - Banks grant credit to households in a limited amount to buy durable goods.

(vi) Money at Call or Short-term Advances: - Banks grant loan for a very short period not exceeding 7 days to dealers / brokers in stock exchange against collateral securities.

C. Credit Creation: Credit creation is another banking function of commercial bank. i.e., it manufactures money.

D. Use of Cheque System: Banks have introduced the cheque system for withdrawal of deposits. There are two types of cheques – bearer & cross cheque. A bearer cheque is encashable immediately at the bank by its possessor. A crossed cheque is not encashable immediately. It has to be deposited only in the payee's account. It is not negotiable.

E. Remittance of Funds: Banks provides facilities to remit funds from one place to another for their customers by issuing bank drafts, mail transfer etc.

14. Discuss the concept of Hedge Fund with its benefits. Also explain the Hedging strategies adopted in case of Hedge Funds.

Ans.

Hedge funds are private investment vehicles not open to the general investment public. Hedge funds face less regulation than publicly traded mutual funds, allowing them to hold substantial short positions to preserve capital during market downturns. Typically, hedge fund managers generate profit from both long as well as short positions. The private nature of hedge funds often suits both the needs of investors and managers.

Benefits of Hedge Funds

- Seek higher returns: Hedge fund strategies generate positive returns in both rising and falling equity and bond markets.
- Investment styles: Huge variety of hedge fund investment styles - many uncorrelated with each other provides investors with a wide choice of hedge fund strategies to meet their investment objectives.
- Long term Solution: Hedge funds provide an ideal long-term investment solution, eliminating the need to correctly time entry and exit from markets.
- Diversification:
  - (i) Inclusion of hedge funds in a balanced portfolio reduces overall portfolio risk and volatility and increases returns.
  - (ii) Adding hedge funds to an investment portfolio provides diversification not otherwise available in traditional investing.

Hedging strategies adopted in case of Hedge Funds

- Selling short: Selling shares without owning them, to buy them back at a future date at a lower price in the expectation that their price will drop.
- Using arbitrage: Seeking to exploit pricing inefficiencies between related securities.
- Trading options or Derivatives: Contracts whose values are based on the performance of any underlying financial asset, index or other investment.
- Investing in anticipation of a specific event: Merger transaction, hostile takeover, spin-off, exiting of bankruptcy proceedings, etc.
- Investing in deeply discounted securities: Of companies about to enter or exit financial distress or bankruptcy, often below liquidation value.

15. Interpret the different categories of NBFC registered with RBI.

Ans:

Within this broad categorization the different types of NBFCs are as follows:

(i) Asset Finance Company (AFC) : An AFC is a company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive/economic activity, such as auto-mobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines.

(ii) Investment Company (IC): IC means any company which is a financial institution carrying on as its principal business the acquisition of securities,

(iii) Loan Company (LC): LC means any company which is a financial institution carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an Asset Finance Company.

(iv) Infrastructure Finance Company (IFC): IFC is a non-banking finance company (a) which deploys at least 75% of its total assets in infrastructure loans, (b) has a minimum Net Owned Funds of ₹300crores, (c) has a minimum credit rating of ‘A ‘or equivalent (d) and a CRAR of 15%.

(v) Systemically Important Core Investment Company (CIC-ND-SI): CIC-ND-SI is an NBFC carrying on the business of acquisition of shares and securities which satisfies the following conditions:- (a) it holds not less than 90% of its Total Assets in the form of investment in equity shares, preference shares, debt or loans in group companies; (b) its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitutes not less than 60% of its Total Assets; (c) it does not trade in its investments in shares, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment; (d) it does not carry on any other financial activity referred to in Section 45I(c) and 45I(f) of the RBI act,1934 except investment in bank deposits, money market instruments, government securities, loans to and investments in debt issuances of group companies or guarantees issued on behalf of group companies. (e) Its asset size is ₹100 crores or above and (f) It accepts public funds

(vi) Infrastructure Debt Fund: Non- Banking Financial Company (IDF-NBFC): IDFNBFC is a company registered as NBFC to facilitate the flow of long-term debt into infrastructure projects. IDF-NBFC raise resources through issue of Rupee or Dollar denominated bonds of minimum 5-year maturity. Only Infra-structure Finance Companies (IFC) can sponsor IDF-NBFCs.

(vii) Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI): NBFCMFI is a non-deposit taking NBFC having not less than 85% of its assets in the nature of qualifying assets which satisfy the following criteria:

(a) Loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding ₹1,00,000 or urban and semi-urban household income not exceeding ₹1,60,000;
(b) Loan amount does not exceed ₹50,000 in the first cycle and ₹1, 00,000 in subsequent cycles;
(c) Total indebtedness of the borrower does not exceed ₹1, 00,000;
(d) Tenure of the loan not to be less than 24 months for loan amount in excess of

(e) ₹ 15,000 with prepayment without penalty;
(f) Loan to be extended without collateral;
(g) Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;
(h) Loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower.

(viii) Non-Banking Financial Company – Factors (NBFC-Factors): NBFC-Factor is a non-deposit taking NBFC engaged in the principal business of factoring. The financial assets in the factoring business should constitute at least 50 % of its total assets and its income derived from factoring business should not be less than 50 percent of its gross income.

(ix) Mortgage Guarantee Companies (MGC): MGC are financial institutions for which at least 90% of the business turnover is mortgage guarantee business or at least 90% of the gross income is from mortgage guarantee business and net owned fund is ₹100 crore.

(x) NBFC- Non-Operative Financial Holding Company (NOFHC): It is the financial institution through which promoter / promoter groups will be permitted to set up a new bank. It's a wholly-owned Non-Operative Financial Holding Company (NOFHC) which will hold the bank as well as all other financial services companies regulated by RBI or other financial sector regulators, to the extent permissible under the applicable regulatory prescriptions.