

Synopsis.



NBFC

- Meaning.
- Registration as NBFC
- Investigation Power of RBI
- classification of NBFC.
- classif<sup>n</sup> based on supervision
- Recent RBI Reforms
- provisioning Norms
- corporate Governance Norms

## PART - E - NBFC.

Means.

FI which is  
a company.

which has its  
Principal b'ness is

any other non  
banking insti<sup>n</sup>  
or any class of  
Such institution

The Receiving  
of deposits  
under any sch/  
arr. or any other  
manner.

or

Lending of  
money.  
in any manner.

RBI may  
notify in  
off. Gaz.

### ⇒ Registration as NBFC.

- It should be a co. registered under sec. 3 of co. Act, 2013.
- It should have Min NW - 10cr.
- Reg. with RBI
- Having Net owned Fund of 25L - 100cr(max)

### ⇒ Rule of 50%.

- Financial assets to constitute more than 50% of the total asset.

and

- Income from fin. activities - more than 50% of the total income to constitute

↓  
Principal business - Finance.

↓  
Finance co.

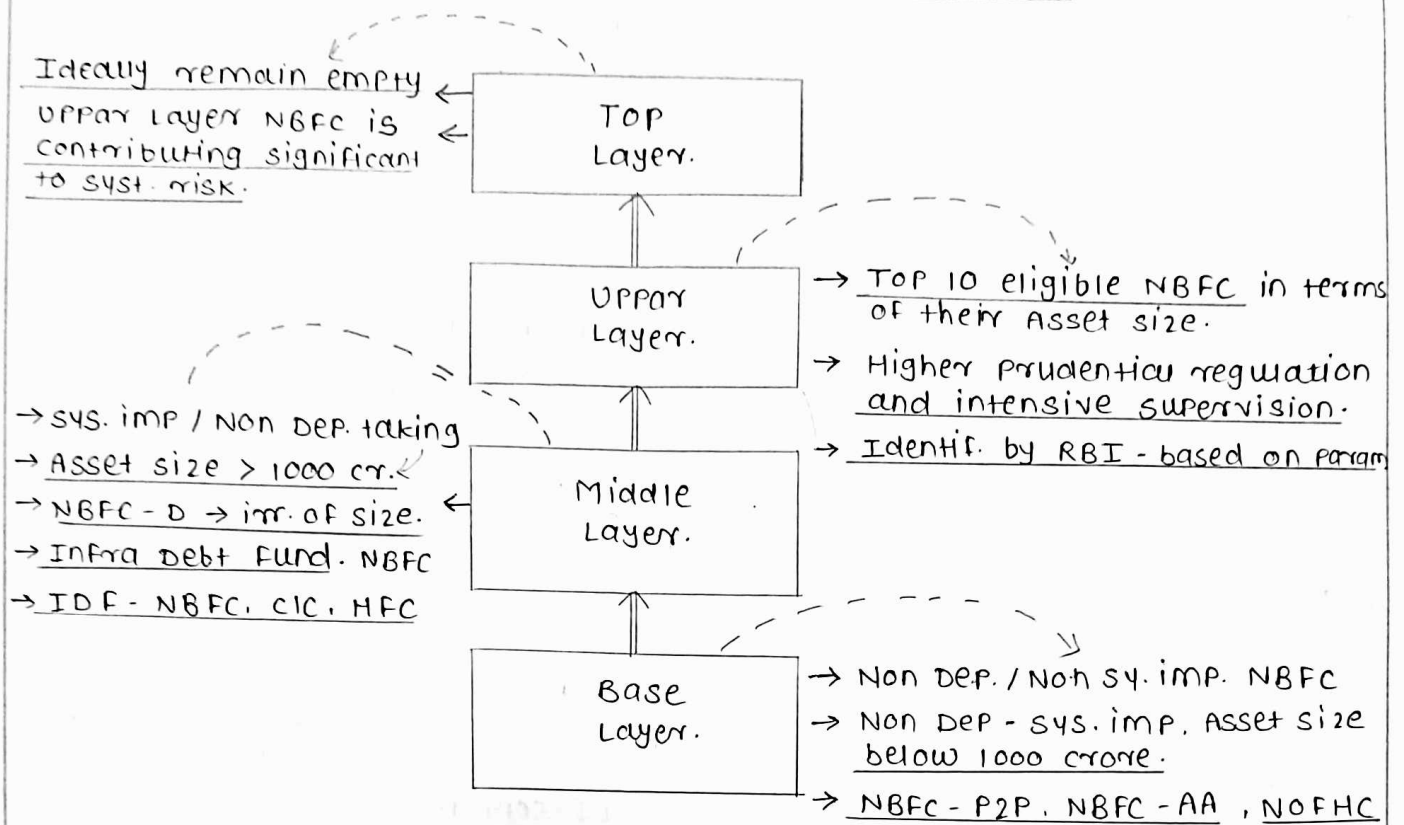
### ⇒ Investigation Power of RBI.

- Power to remove any director. [in pub int or to prevent the affairs in detrimental manner] [EXCEPT for Govt NBFC]
- Power to supersede the BOD of NBFC. [EXCEPT for Govt NBFCs]
- Power to provide for resolution in the Public interest.
- call for info, cause inspection, order audit.
- Power to take actions against auditors of NBFC.

### ⇒ classification of NBFC.

- IFC : NBFC
- IDF : NBFC.
- MFC : NBFC
- HFC : NBFC
- ICC : NBFC
- CIC : core invt. co.
- FC : NBFC
- AA : NBFC
- P2P
- MGC.

## classification of NBFC based on Supervision



## ⇒ Recent RBI reforms on risk based Supervision

1] <u>Reclassif<sup>n</sup> of NBFC</u>	<ul style="list-style-type: none"> <li>• layer based classification into 4 Layers (Base, middle, upper, top)</li> <li>• classif<sup>n</sup> in terms of Asset size.</li> </ul>
2] <u>Enhance Governance:</u>	<ul style="list-style-type: none"> <li>• <u>Governance over diff. Layer</u> will vary and depend upon meeting of threshold</li> <li>• Add<sup>n</sup> discl. requirement for upper and middle layer NBFCs are Prescribed.</li> <li>• consti<sup>n</sup> of internal committees.</li> </ul>
3] <u>Additional Discl. requirement</u>	<ul style="list-style-type: none"> <li>• <u>Base Layer NBFC</u> - Add<sup>n</sup> discl. such as RPT, exposure to real estate sector, exposure to cap. market etc.</li> </ul>
4] <u>Director to have bank / NBFC Experience.</u>	<ul style="list-style-type: none"> <li>• At least one of the director shall have relevant experience of having worked in a Bank / NBFC.</li> </ul>
5] <u>ceiling on subscription through IPO.</u>	<ul style="list-style-type: none"> <li>• ceiling of <u>1 crore per borrower</u> for financing subscription to IPO.</li> <li>• NBFC can fix more conservative limits.</li> </ul>

6] <u>Loan to director and senior officer.</u>	NBFC shall put in place a board approved Policy for granting loans to dir/senior officers.
7] <u>core Fin. Service solution.</u>	<ul style="list-style-type: none"> <li>• Akin to core banking soln adopted by banks</li> <li>• Adopted by NBFC Middle Layer &amp; Upper Layer with 10 or more fixed point service delivery unit.</li> <li>• <u>Quarterly Reported to RBI</u></li> </ul>

→ Provisioning Norms :-

	Provisioning for NBFC - ND - SI & NBFC - D	Provisioning for NBFC - ND - NSI
<u>Standard Assets</u>	0.40% (At the end of each yr)	0.25% (at the end of each yr)
<u>Sub-standard Assets.</u>	10% (if remain o/s for 12m)	10% (if remain o/s for 18m)
<u>Doubtful Assets</u>	100% (if remain substandard for 12 m).	100% (if remain substandard for 18 m)
<u>LOSS Assets.</u>	100% <u>write off</u>	100% <u>write off.</u>

→ NPA - Assets with an overdue period of more than 90 days will be classified as NPA.

- Earlier the time period was different for diff. NBFCs
- RBI has also given a gliding path to comply with the new definition by 31-03-2026.

⇒ Corporate Governance Norms for NBFC.

