

## Norms On NBFC Companies By RBI

In order to bring Non Banking Financial Company (NBFC) regulations in alignment with the banking norms, RBI has issued revised regulatory framework for NBFCs.

The key changes introduced to regulatory framework are delineated below:

1. **Limit of minimum 'Net Owned Fund' raised to Rs. 2 Crores:** As per new regulations, it shall be mandatory for all NBFCs to attain a limit of minimum Net Owned Fund ('NOF') of INR. 200 lakhs by the end of March 2017, as per the milestone given below:
  - a) INR. 100 lakh by the end of March 2016
  - b) INR. 200 lakh by the end of March 2017

NBFCs failing to achieve the aforesaid ceiling within the stipulated time shall not be eligible to hold the Certificate of Registration ('CoR') as NBFCs. It will be incumbent upon such NBFCs, the NOF of which falls below Rs. 200 lakh, to submit a certificate of statutory auditor certifying compliance to the revised levels at the end of each of the two financial years, i.e. (March 2016 and March 2017).

2. **Existing unrated asset finance companies to get themselves rated:** In order to move over to a regimen of only credit rated NBFCs accepting public deposits, the existing unrated asset finance companies are required to get themselves rated by March 31, 2016.
3. **Revised Systemic Significance:** The threshold limit for defining systemic significance for non-deposit accepting NBFCs ('NBFCs-ND') has been revised in the light of the overall increase in the growth of the NBFC sector. Now systemically important non-Deposit taking NBFCs ('NBFCs-ND-SI') should have asset size of INR. 500 crore and above as per the last audited balance sheet.
4. **Assets size of NBFCs in case of multiple NBFCs:** NBFCs that are part of a corporate group or floated by a common set of promoters will not be viewed on a standalone basis. The total assets of NBFCs in a group (including deposit taking NBFCs, if any) will be aggregated to determine if such consolidation falls within the asset sizes two categories, i.e., NBFCs-ND or NBFCs-ND-SI.

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5. **Compliance with prudential norms and conduct of business regulations:** All NBFCs-ND with assets of Rs. 500 crore and above, irrespective of whether they have accessed public funds or not, shall comply with prudential regulations as applicable to NBFCs-ND-SI. They shall also comply with conduct of business regulations if customer interface exists.
6. **Prudential regulations applicable to NBFCs-ND with assets of less than INR 500 crores:** The NBFCs-ND with asset size of less than Rs. 500 crores, are exempted from the requirement of maintaining Capital to Risk Asset Ratio (CRAR) and complying with credit concentration norms.
7. **Revised criteria for NPA classification:** The revised norms would reduce the period in a phased manner so that the norms would become at par with banks by March 31, 2018.
8. **Revised provisioning norms for Standard Assets:** The provision for standard assets for NBFCs-ND-SI and for all NBFCs-D, had been increased to 0.40%. The compliance to the revised norm will be phased in as given below:
  - a) 0.30% by the end of March 2016.
  - b) 0.35% by the end of March 2017.
  - c) 0.40% by the end of March 2018
9. **Revised corporate governance and disclosure norms for NBFCs:** NBFCs-D with minimum deposits of INR. 20 crores, and NBFCs-ND with minimum asset size of Rs. 50 crores are required to constitute an Audit Committee.

NBFCs-D with minimum deposits of INR. 20 crores and NBFCs-ND with minimum assets of INR 100 crores are advised to constituting Nomination Committee to ensure 'fit and proper' status of proposed/existing directors and Risk Management Committee.

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