**Certificate Course for Non-Banking Financial Companies**

RBI Notifications during the period 1st Jan 2019 to 30th June 2019

RBI/2018-19/184 DNBR (PD) CC. No.099/03.10.001/2018-19 May 16, 2019

Non-Banking Financial Company– Investment and Credit Companies, Infrastructure Finance Companies, Micro Finance Institutions, Factors and Infrastructure Debt Funds

**Risk Management System – Appointment of Chief Risk Officer (CRO) for NBFCs**

With the increasing role of NBFCs in direct credit intermediation, there is a need for NBFCs to augment risk management practices. While Boards of NBFCs should strive to follow best practices in risk management, it has been decided that NBFCs with asset size of more than Rs.50 billion shall appoint a CRO with clearly specified role and responsibilities. The CRO is required to function independently so as to ensure highest standards of risk management.

2. The NBFCs shall strictly adhere to the following instructions in this regard:

a) The CRO shall be a senior official in the hierarchy of an NBFC and shall possess adequate professional qualification/ experience in the area of risk management.

b) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Non-Banking Supervision of the regional office of the Bank under whose jurisdiction the NBFC is registered. In case the NBFC is listed, any change in incumbency of the CRO shall also be reported to the stock exchanges.

c) The Board shall put in place policies to safeguard the independence of the CRO. In this regard, the CRO shall have direct reporting lines to the MD & CEO/ Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC/ Board shall meet the CRO without the presence of the MD & CEO, at least on a quarterly basis. The CRO shall not have any reporting relationship with the business verticals of the NBFC and shall not be given any business targets. Further, there shall not be any ‘dual hatting’ i.e. the CRO shall not be given any other responsibility.

d) The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products (retail or wholesale) shall be vetted by the CRO from the angle of inherent and control risks. The CRO’s role in deciding credit proposals shall be limited to being an advisor.

e) In NBFCs that follow committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal.

3. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 has been modified accordingly.

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Ref. CEPD. PRS. No.4535/13.01.004/2018-19 April 26, 2019

**Ombudsman Scheme for Non-Banking Financial Companies, 2018**

The Reserve Bank of India (RBI) had vide [Notification Ref.CEPD.PRS.No.3590/13.01.004/2017-18 dated February 23, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11220&Mode=0), implemented the Ombudsman Scheme for Non-Banking Financial Companies (NBFCs) as defined in Section 45-I(f) of the Reserve Bank of India Act, 1934 and registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934 which are authorised to accept deposits. The Scheme was to be extended to remaining identified categories of NBFCs based on experience gained. As announced in Para 11 of the [Statement on Developmental and Regulatory Policies of the Monetary Policy Statement dated April 04, 2019](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46724), in partial modification of the Notification ibid, RBI hereby directs that the Non-banking Financial Companies, as defined in Section 45-I(f) of the Reserve Bank of India Act, 1934 and registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934 which (a) are authorised to accept deposits; (b) are Non-Deposit Taking Non-Banking Financial Companies having customer interface, with assets size of Rupees 100 crore or above, as on the date of the audited balance sheet of the previous financial year, or of any such asset size as the RBI may prescribe, will come within the ambit, and shall comply with the provisions of the [Ombudsman Scheme for Non-Banking Financial Companies, 2018](https://rbidocs.rbi.org.in/rdocs/Content/PDFs/NBFC23022018.pdf).

2. The Non-Banking Financial Company - Infrastructure Finance Company (NBFC-IFC), Core Investment Company (CIC), Infrastructure Debt Fund-Non-Banking Financial Company (IDF-NBFC) and an NBFC under liquidation, **are excluded** from the ambit of the Scheme.

3. The Scheme will continue to be administered from the offices of the Non-Banking Financial Companies Ombudsman in four metro centers viz. Chennai, Kolkata, Mumbai and New Delhi for handling complaints from the respective zones, so as to cover the entire country. The area of jurisdiction of these offices is indicated in ‘**Annex- I**' of the Scheme.

4. The extension of the Scheme to eligible Non-Deposit Accepting Non-Banking Financial Companies shall come into effect and force from April 26, 2019.

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RBI/2018-19/170 DNBR (PD) CC.No.098/03.10.001/2018-19 April 16, 2019

All Systemically Important Non-Deposit taking Non-Banking Financial Company – Investment and Credit Companies

**Licensing as Authorised Dealer- Category II**

A large segment of population is increasingly getting connected with forex transactions on individual accounts. In order to increase the accessibility and efficiency of services extended to the members of the public for their day-to-day non-trade current account transactions, it has been decided that Systemically Important Non-Deposit taking Investment and Credit Companies shall be eligible for Authorized Dealer- Category II (AD- Cat II) licence, subject to meeting the following conditions:

NBFCs offering such services shall have a ‘minimum investment grade rating’.

NBFCs offering such services shall put in place a board approved policy on (a) managing the risks, including currency risk, if any, and (b) handling customer grievances arising out of such activities. A monitoring mechanism, at least at monthly intervals, shall be put in place for such services.

2. The eligible NBFCs desirous of undertaking AD-Cat II activities shall approach the Reserve Bank of India, Foreign Exchange Department, Central Office, Mumbai for the AD-Cat II licence.

3. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 has been modified accordingly.

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RBI/2018-19/130 DNBR (PD) CC.No.097/03.10.001/2018-19 February 22, 2019

All NBFCs

**Harmonisation of different categories of NBFCs**

Please refer to paragraph 5 of the Statement on Developmental and Regulatory Policies of the Sixth Bi-monthly Monetary Policy Statement for 2018-19 dated February 07, 2019 on Harmonisation of NBFC Categories.

2. Over a period of time, evolution of the NBFC sector has resulted in several categories of NBFCs intended to focus on specific sector/ asset classes. Different sets of regulatory prescriptions were accordingly put in place.

3. On a review, it has been decided that in order to provide NBFCs with greater operational flexibility, harmonisation of different categories of NBFCs into fewer ones shall be carried out based on the principle of regulation by activity rather than regulation by entity. Accordingly, it has been decided to merge the three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called NBFC - Investment and Credit Company (NBFC-ICC).

4. Differential regulations relating to bank’s exposure to the three categories of NBFCs viz., AFCs, LCs and ICs stand harmonised vide Bank’s circular DBR.BP.BC.No.25/21.06.001/2018-19 dated, February 22, 2019. Further, a deposit taking NBFC-ICC shall invest in unquoted shares of another company which is not a subsidiary company or a company in the same group of the NBFC, an amount not exceeding twenty per cent of its owned fund.

5. All related Master Directions (Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016, Standalone Primary Dealers (Reserve Bank) Directions, 2016 and Residuary Non-Banking Companies (Reserve Bank) Directions, 2016) have been updated accordingly.

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RBI/2018-19/129 DNBR (PD) CC.No.096/03.10.001/2018-19 February 22, 2019

All systemically important non-deposit taking NBFCs

**Interest Subvention Scheme for MSMEs**

As you are aware, Government of India, on November 2, 2018, has announced ‘Interest Subvention Scheme for MSMEs 2018’.

2. A copy of the salient features and operational guidelines for implementation of the captioned scheme, released by the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India, is enclosed. Small Industries Development Bank of India (SIDBI) is the single national level nodal implementation agency for the scheme.

3. You are therefore requested to take appropriate action as envisaged for RBI registered systemically important non-banking financial companies and issue necessary instructions to your branches /controlling offices for implementation of the scheme.

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RBI/2018-19/127 DBR.No.BP.BC.26/21.04.048/2018-19 February 22, 2019

All banks and NBFCs regulated by the Reserve Bank of India

**Micro, Small and Medium Enterprises (MSME) sector- Restructuring of Advances**

Please refer to circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 on the above subject. One of the conditions for restructuring of existing loan of MSMEs without a downgrade in the asset classification is as under:

“the borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration” (c.f. para 1 (iii) of the above referred circular).

2. It is clarified that the eligibility for restructuring without GST-registration, as per the circular under reference, should be determined on the basis of exemption limit obtaining as on the date of the aforesaid circular, i.e., January 1, 2019.

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RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 January 1, 2019

All banks and NBFCs regulated by the Reserve Bank of India

**Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances**

1. Please refer to the circulars DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018 and DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018. In this regard, with a view to facilitate meaningful restructuring of MSME accounts {MSME as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006} that have become stressed, it has been decided to permit a one-time restructuring of existing loans to MSMEs classified as ‘standard’ without a downgrade in the asset classification, subject to the following conditions:

i. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹250 million as on January 1, 2019.

ii. The borrower’s account is in default but is a ‘standard asset’ as on January 1, 2019 and continues to be classified as a ‘standard asset’ till the date of implementation of the restructuring.

iii. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration.

iv. The restructuring of the borrower account is implemented on or before March 31, 2020. A restructuring would be treated as implemented if the following conditions are met:

1. all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities are completed by all lenders; and
2. the new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.

v. A provision of 5% in addition to the provisions already held, shall be made in respect of accounts restructured under these instructions. Banks will, however, have the option of reversing such provisions at the end of the specified period, subject to the account demonstrating satisfactory performance during the specified period as defined at paragraph 5 below.

vi. Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms.

vii. Banks and NBFCs shall make appropriate disclosures in their financial statements, under ‘Notes on Accounts’, relating to the MSME accounts restructured under these instructions as per the following format:

|  |  |
| --- | --- |
| **No. of accounts restructured** | **Amount (₹ in million)** |
|   |   |

viii. All other instructions applicable to restructuring of loans to MSME borrowers shall continue to be applicable.

2. Banks and NBFCs desirous of adopting this scheme shall put in place a Board approved policy on restructuring of MSME advances under these instructions within a month from the date of this circular. The policy shall, inter alia, include framework for viability assessment of the stressed accounts and regular monitoring of the restructured accounts.

3. It is clarified that accounts classified as NPA can be restructured; however, the extant asset classification norms governing restructuring of NPAs will continue to apply.

4. As a general rule, barring the above one-time exception, any MSME account which is restructured must be downgraded to NPA upon restructuring and will slip into progressively lower asset classification and higher provisioning requirements as per extant IRAC norms. Such an account may be considered for upgradation to ‘standard’ only if it demonstrates satisfactory performance during the specified period.

5. ‘Specified Period’ means a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium under the terms of restructuring package. ‘Satisfactory Performance’ means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.