**CERTIFICATE COURSE FOR NBFCs**

**RBI Notifications during the period 1st July 2019 to 31st December 2019**

**RBI/2019-20/30 DNBR (PD) CC.No.101/03.10.001/2019-20 August 02, 2019**

All NBFCs

**Levy of foreclosure charges/pre-payment penalty on Floating Rate Loans by NBFCs**

Please refer to paragraph 30(4) of Chapter VI of Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and paragraph 30(4) of Chapter V of Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 on waiver of foreclosure charges/ prepayment penalty on all floating rate term loans sanctioned to individual borrowers.

2. It is clarified that NBFCs shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

3. The [Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10586) and the [Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10585) have accordingly been updated.

--------------------------------

**RBI/2019-20/95 DOR.NBFC (PD) CC. No.103/22.10.038/2019-20 November 08, 2019**

All Non-Banking Financial Companies-Micro Finance Institutions (NBFC-MFIs)

**Qualifying Assets Criteria - Review of Limits**

Please refer to the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=48318) issued as part of Monetary Policy Statement dated October 4, 2019 and Para 3 of the[Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10586) and the [Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10585) prescribing the eligibility criteria for classification under ‘Qualifying Assets’ for NBFC-MFIs.

2. Taking into consideration the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and to enable them play their assigned role in a growing economy, it has been decided to increase the household income limits for borrowers of NBFC-MFIs from the current level of ₹1,00,000 for rural areas and ₹1,60,000 for urban/semi urban areas to ₹1,25,000 and ₹2,00,000 respectively.

3. Further, the limit on total indebtedness of the borrower has been increased from ₹1,00,000 to ₹1,25,000. In light of the revision to the limit on total indebtedness, the limits on disbursal of loans have been raised from ₹60,000 for the first cycle and ₹1,00,000 for the subsequent cycles to ₹75,000 and ₹1,25,000 respectively.

4. These instructions shall come into effect from the date of this circular.

5. All other terms and conditions specified under the master directions shall remain unchanged. The master directions, ibid, are being modified accordingly.

**RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 November 04, 2019**

All Non-Banking Financial Companies (NBFCs) including Core Investment Companies (CICs)

**Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies**

Please refer to paragraph 108 and paragraph 94 of [Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10586), and [Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10585), both dated September 1, 2016, respectively.

**Guidelines on Liquidity Risk Management Framework**

2. In order to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to NBFCs, it has been decided to revise the extant guidelines on liquidity risk management for NBFCs. All non-deposit taking NBFCs with asset size of ₹ 100 crore and above, systemically important Core Investment Companies and all deposit taking NBFCs irrespective of their asset size, shall adhere to the set of liquidity risk management guidelines given below. However, these guidelines will not apply to Type 1 NBFC-NDs[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11719&Mode=0#F1), Non-Operating Financial Holding Companies and Standalone Primary Dealers. It will be the responsibility of the Board of each NBFC to ensure that the guidelines are adhered to. The internal controls required to be put in place by NBFCs as per these guidelines shall be subject to supervisory review. Further, as a matter of prudence, all other NBFCs are also encouraged to adopt these guidelines on liquidity risk management on voluntary basis.

3. While some of the current regulatory prescriptions applicable to NBFCs on ALM framework have been recast below, a few additional features including disclosure standards have also been introduced. The detailed guidelines are given in [Annex A](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11719&Mode=0#ANA) and the important changes are as under:

i) Granular Maturity Buckets and Tolerance Limits

The 1-30 day time bucket in the Statement of Structural Liquidity is segregated into granular buckets of 1-7 days, 8-14 days, and 15-30 days. The net cumulative negative mismatches in the maturity buckets of 1-7 days, 8-14 days, and 15-30 days shall not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets. NBFCs, however, are expected to monitor their cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits with the approval of the Board. The above granularity in the time buckets would also be applicable to the interest rate sensitivity statement required to be submitted by NBFCs.

ii) Liquidity risk monitoring tools

NBFCs shall adopt liquidity risk monitoring tools/metrics in order to capture strains in liquidity position, if any. Such monitoring tools shall cover a) concentration of funding by counterparty/ instrument/ currency, b) availability of unencumbered assets that can be used as collateral for raising funds; and, c) certain early warning market-based indicators, such as, book-to-equity ratio, coupon on debts raised, breaches and regulatory penalties for breaches in regulatory liquidity requirements. The Board of NBFCs shall put in place necessary internal monitoring mechanism in this regard.

iii) Adoption of “stock” approach to liquidity

In addition to the measurement of structural and dynamic liquidity, NBFCs are also mandated to monitor liquidity risk based on a “stock” approach to liquidity. The monitoring shall be by way of predefined internal limits as decided by the Board for various critical ratios pertaining to liquidity risk. Indicative liquidity ratios are short-term liability to total assets; short-term liability to long-term assets; commercial papers to total assets; non-convertible debentures (NCDs) (original maturity less than one year) to total assets; short-term liabilities to total liabilities; long-term assets to total assets; etc.

iv) Extension of liquidity risk management principles

In addition to the liquidity risk management principles underlining extant prescriptions on key elements of ALM framework, it has been decided to extend relevant principles to cover other aspects of monitoring and measurement of liquidity risk, viz., off-balance sheet and contingent liabilities, stress testing, intra-group fund transfers, diversification of funding, collateral position management, and contingency funding plan.

**Introduction of Liquidity Coverage Ratio (LCR)**

4. In addition, to the guidelines as detailed in [Annex A](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11719&Mode=0#ANA) of this circular, the following categories of NBFCs shall adhere to the guidelines on LCR including disclosure standards as provided in [Annex B](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11719&Mode=0#ANB):

(A) All non-deposit taking NBFCs with asset size of ₹ 10,000 crore and above, and all deposit taking NBFCs irrespective of their asset size, shall maintain a liquidity buffer in terms of LCR which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days. The stock of HQLA to be maintained by the NBFCs shall be minimum of 100% of total net cash outflows over the next 30 calendar days. The LCR requirement shall be binding on NBFCs from December 1, 2020 with the minimum HQLAs to be held being 50% of the LCR, progressively reaching up to the required level of 100% by December 1, 2024, as per the time-line given below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| From | December 1, 2020 | December 1, 2021 | December 1, 2022 | December 1, 2023 | December 1, 2024 |
| Minimum LCR | 50% | 60% | 70% | 85% | 100% |

(B) All non-deposit taking NBFCs with asset size of ₹ 5,000 crore and above but less than ₹ 10,000 crore shall also maintain the required level of LCR starting December 1, 2020, as per the time-line given below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| From | December 1, 2020 | December 1, 2021 | December 1, 2022 | December 1, 2023 | December 1, 2024 |
| Minimum LCR | 30% | 50% | 60% | 85% | 100% |

(C) Core Investment Companies, Type 1 NBFC-NDs, Non-Operating Financial Holding Companies and Standalone Primary Dealers are exempt from the applicability of LCR norms.

5. [Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company, Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10586), [Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10585)and [Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10564) are being modified accordingly.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT88CF9DC47368A842CEB727122B1F5DC383.PDF>

----------------------------------------------

**RBI/2019-20/131 DOR.NBFC (PD) CC.No.107/03.10.001/2019-20 December 31, 2019**

All NBFCs

**Extension of relaxation on the guidelines to NBFCs on securitisation transactions**

Please refer to the [circular DNBR (PD)CC.No.95/03.10.001/2018-19 dated November 29, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11422&Mode=0) on “Relaxation on the guidelines to NBFCs on securitisation transactions” and the [circular DNBR (PD)CC.No.100/03.10.001/2018-19 dated May 29, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11567&Mode=0) extending the dispensation till December 31, 2019.

2. On a review, it has been decided to extend the relaxation provided therein till June 30, 2020. All other instructions governing securitisation and direct assignment transactions remain unchanged.

--------------------------------------

**RBI/2019-20/121 DOR.NBFC(PD) CC.No.106/03.10.124/2019-20 December 23, 2019**

All Non-Banking Financial Company – Peer to Peer Lending Platforms

**Review of Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017**

Please refer to paragraphs 7 and 9 of [Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017, dated October 04, 2017](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11137).

2. On a review, it has been decided that

(i) The aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of ₹ 50,00,000 provided that such investments of the lenders on P2P platforms are consistent with their net-worth.

The lender investing more than ₹ 10,00,000 across P2P platforms shall produce a certificate to P2P platforms from a practicing Chartered Accountant certifying minimum net-worth of ₹ 50,00,000. Further, all the lenders shall submit declaration to P2P platforms that they have understood all the risks associated with lending transactions and that P2P platform does not assure return of principal/payment of interest.

(ii) Escrow accounts to be operated by bank promoted trustee for transfer of funds need not be mandatorily maintained with the bank which has promoted the trustee.

3. [Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11137), have accordingly been updated.

**RBI/2019-20/37 DBR.AML.BC.No.11/14.01.001/2019-20 August 9, 2019**

The Chairpersons/ CEOs of all the Regulated Entities

**Amendment to Master Direction (MD) on KYC**

Government of India, vide Gazette Notification G.S.R. 381(E) dated May 28, 2019, has notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

2. The change carried out in the Master Direction in accordance with the aforementioned amendment to the PML Rules is as under:

* A proviso has been added to condition (b) of Section 23 of the Master Direction to the effect that, where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.

3. The [Master Direction on KYC dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566), is hereby updated to reflect the change effected by the above amendment and shall come into force with immediate effect.

-------------------------------------------------------------------

**RBI/2019-20/39 FIDD.CO.Plan.BC.7/04.09.01/2019-20 August 13, 2019**

The Chairman/ Managing Director & CEOs All Scheduled Commercial Banks (Excluding Regional Rural Banks and Small Finance Banks)

**Priority Sector Lending – Lending by banks to NBFCs for On-Lending**

In order to boost credit to the needy segment of borrowers, it has been decided that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories subject to the following conditions:

1. **Agriculture:** On-lending by NBFCs for ‘Term lending’ component under Agriculture will be allowed up to ₹ 10 lakh per borrower.
2. **Micro & Small enterprises:** On-lending by NBFC will be allowed up to ₹ 20 lakh per borrower.
3. **Housing:** Enhancement of the existing limits for on-lending by HFCs vide para 10.5 of our Master Direction on Priority Sector lending, from ₹ 10 lakh per borrower to ₹ 20 lakh per borrower.

2. Under the above on-lending model, banks can classify only the fresh loans sanctioned by NBFCs out of bank borrowings, on or after the date of issue of this circular. However, loans given by HFCs under the existing on-lending guidelines will continue to be classified under priority sector by banks.

3. Bank credit to NBFCs for On-Lending will be allowed upto a limit of five percent of individual bank’s total priority sector lending on an ongoing basis. Further, the above instructions will be valid for the current financial year upto March 31, 2020 and will be reviewed thereafter. However, loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

4. The existing guidelines on bank loans to MFIs for on-lending as detailed in para 19 of Master Directions on Priority Sector Lending will continue to be applicable for NBFC-MFIs.

5. The guidelines shall come into effect from the date of the issuance of this Circular.

-------------------------------------------------