



Non-Banking Financial Companies – some issues & recent developments

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Outline

- What is NBFC?
- History leading to 1997 law
- Developments thereafter
 - Directions
 - Amendments
 - Thorat Committee Report
 - Recent Draft Guidelines



Scheme of NBFC law

- Act
- Directions
 - Deposits
 - Prudential Norms
 - Auditors
- Circulars
- Practice

Important terms

- NBFC
 - Differentiated from:-
 - Other financial entities
 - Other “NBFCs”
- When does a Company become NBFC?
 - Eligibility vs. obligation
 - Formula for deeming an NBFC
 - Yearly check
 - Transitional issues



Important terms

- Deposits/Public Deposits
- NOF
- Categories of NBFCs
- Systemically important NBFCs



Registration

- Minimum NOF
 - Owned Funds
 - Reductions
- Procedure for registration
- Investigation
- Types of registration



Important conditions of acceptance of deposits

- Minimum Net owned funds
- Credit Rating
- Capital Adequacy
- Limits on deposits
- Interest
- Brokerage/expenses
- Minimum and Maximum term
- Liquidity



Prudential Norms

- Recognition of income on NPAs
- Provisioning
- Concentration
- Capital Adequacy, etc.



Auditors duties

- Comprehensive checking and reporting
 - Registration for non-NBFCs
 - Continuation of business
 - Compliance of provisions/Directions
- Direct reporting
- Deposit repayment



Takeovers/Mergers of NBFCs

- Takeovers
 - Substantial acquisition of shares
 - Change of directors
- Mergers
- Deposit taking vs. non-deposit taking
- Issue of transfer of registration
- Requirements by Court/RD



CICs

- Issue re holding companies
- Systemically important NBFCs accessing public funds
- Other companies



Thorat Committee recommendations

- Registration
 - Companies accessing public funds
 - Companies not accessing public funds
- Asset/income mix
- Existing NBFCs – de registration



Recent draft Guidelines

- Entry norms
- Asset/income mix
- What is public funds
- Existing unregistered companies?
- Applicability of Prudential Norms and other rules?
- Will free energies
- Conversion of firms/individuals, etc. to Company/NBFC.



Finance activities by non-companies

- LLPs
- Individuals/firms

State Acts re deposits

- Various states – Bihar, Maharashtra, Tamil Nadu, Gujarat, etc.
- Widely drafted?
- Applicable to? :-
 - Individuals
 - Firms
 - Companies
 - NBFCs?
- Powers



THANK YOU!

**QUERIES/COMMENTS
WELCOME!**