

# Regulatory Framework for Non-Banking Financial Companies (NBFCs)

26<sup>th</sup> May 2018 | Mumbai

**Venue: proposed to be announced**

**Vinod Kothari Consultants P. Ltd. is assessing a preliminary interest for the titled workshop. Those who are interested may please get in touch. Contact details are provided at the end of this brochure.**

## **Background**

Non-Banking Financial Companies (NBFCs) have rapidly emerged as an important segment of the Indian financial system. Moreover, NBFCs assume significance in the small business segment as they primarily cater to the credit requirements of the unorganized sector such as wholesale & retail traders, small-scale industries and small borrowers at the local level. NBFC is a heterogeneous group of financial institutions, performing a wide range of activities like hire-purchase finance, vehicle financing, equipment lease finance, personal loans, working capital loans, consumer loans, housing loans, loans against shares and investment, etc.

The non-banking financial segment has witnessed considerable growth in the last few years and is now being recognized as complementary to the banking sector due to implementation of innovative marketing strategies, introduction of tailor-made products, customer-oriented services, attractive rates of return on deposits and simplified procedures etc.

While NBFCs have witnessed substantial growth over the years, there are few areas of concern which need to be addressed. For instance, while NBFCs have enjoyed an edge over banks in semi-urban & rural markets where banking network is not yet strong, they have limited spread in urban markets. Nonetheless, in recent years, NBFCs have begun to create niches for themselves that are often neglected by banks. These primarily include providing finance to non-salaried individuals, traders, transporters, stock brokers, etc.

In the past few years, the increased competition from banks in the retail finance segment has led to excess diversification by NBFCs from their core business activities. The sector has witnessed introduction of various innovative products such as used vehicles financing, small personal loans, three-wheeler financing, IPO financing, finance for tyres & fuel, asset management, mutual fund distribution and insurance advisory, etc. Besides, NBFCs are aspiring to emerge as a one-stop shop for all financial services.

NBFCs have also ventured into riskier segments such as unsecured loans, purchase finance for used commercial vehicles, capital market lending, etc. Moreover, NBFC's customer profile is concentrated on the self-employed segment. The earlier mentioned factors increase their risk profile which could have adverse impact on the financial health of NBFCs.

# Course Outline

## **Session 1: What is non-banking finance?**

- Meaning of non-banking financial companies as per the RBI Act
- Overview of regulatory set up distinguishing between non-banking non-financial companies and banking companies
- Distinction between banks and non-banking financial companies - What can NBFCs do and not banks? What can banks do and not NBFCs?
- Regulatory arbitrage

## **Session 2: RBI regulation on NBFC business**

- RBI regulatory framework
- Systemically important and non-systemically important companies
- Corporate governance norms
- Other norms applicable to NBFCs
- Prudential Norms for Systematically Important and Non Systematically Important Non-Deposit taking Non-Banking
- Core Investment Companies
- Registration requirement of NBFC with various entities, viz., FIU-IND, CERSAI, CIC, IUs, etc.

## **Session 3: Recent changes in the NBFC sector**

- IT Directions
- Outsourcing Directions
- Ombudsman Scheme
- Miscellaneous changes

## **Session 4: Corporate debt restructuring and framework for revitalising distressed assets in the economy**

- Corporate debt restructuring guidelines
- Framework for revitalising distressed assets in the economy
- Credit risk management and bar against funding of equity

## **Who should attend?**

Chief Executive Officer/ Managing Director, Chief Financial Officer, Chief Risk Officer, Chief Investment Officer, Company Secretary & Head of Legal/ Regulatory Affairs, Head of Compliance, Head of Debt Markets, Head of Credit/ Stressed Assets, Head of Strategy & Planning, Product & Business Heads, Head of Private Equity/ Venture Capital, Head of Asset & Fund Management.

### **From which organisations?**

- NBFCs into financing/ leasing/ credit
- Micro-finance/ SME credit
- Asset Management & Mutual Funds
- Financial Advisories & Consultants
- Asset Reconstruction Companies
- Private Wealth managers
- Stock brokers & traders

# Faculty



**Mr. Vinod Kothari**  
**Director, Vinod Kothari Consultants P. Ltd.**  
**Director, Indian Securitisation Foundation**

**About:**

Mr. Vinod Kothari, both a Chartered Accountant and a Chartered Secretary, is an internationally recognised author, trainer and consultant on specialised financial subjects, viz., securitisation, credit derivatives, asset-backed financing, accounting for financial instruments, Basel III, etc. Mr. Kothari has been a member of the consulting team of the Asian Development Bank to advise the Govt of India on security interest laws in India. He has his share of notable contributions to the literature of securitization and other financial and non-financial resources which are very much accepted and followed by readers.

He has extensive consulting experience in securitisation – offering comprehensive securitization related consulting services to a variety of clients including originators, investors, IT companies, etc. apart from one-off services to several companies in different countries. The locations where he has lectured on these subjects include New York, Washington, London, Milan, Frankfurt, Singapore, Hong Kong, Sydney, Colombia (South America), South Africa, Malaysia, Jordan, Dubai, Kuwait, Egypt, Sri Lanka, Bangladesh, etc.

He is renowned for offering services to a number of listed companies which not only include advisory or consultancy related services or conduct of due diligences, but also litigation related services. He, along with his team has conducted various successful summits on securitisation and various advance financial topics which has garnered appreciable response from the industry.

Mr. Kothari also is sought as faculty in various reputed colleges and institutions. He also has a vast experience in working with the various regulators like SEBI, NHB and Government of India and multilateral organisations like IFC and ADB.

Besides, Mr. Kothari has had the opportunity to serve as the Chairman of the Institute of Company Secretaries of India Eastern India Regional Council, Calcutta. In 1987, a voluntary organisation of Calcutta chose him as the Outstanding Young Person of Calcutta in the field of Finance and Taxation.

**Consulting Assignments:**

- He is a part of a sub-committee created by SEBI for providing recommendations to the regulators on covered bonds in India.
- Director of Indian Securitisation Foundation, a representative body of the securitisation industry in India promoting capital market instruments in India.
- He carried out a study on covered bonds in India for the Asian Development Bank.

- He was an integral part in developing a toolkit for the IFC titled “India Toolkit for Low Income Housing Finance – A Practitioner’s Guide prepared in collaboration with Habitat for Humanity.
- He was sub-consultant to “Affordable Housing Finance Project” of IFC, awarded to IMAcS. He was retained by the National Housing Bank for assisting them in promoting Covered Bonds in India.
- He was a part of Working Committee formulated by National Housing Bank for promoting capital market instruments such as RMBS and Covered Bonds for the housing sector in India.
- He was been retained by Govt. of Jordan for suggesting and working on funding for a high-profile low-cost housing project.
- He was been retained by the Asian Development Bank, Manila for two important projects: to advise the Govt. of India on reforming secured lending law in India; and to develop securitisation-related legal framework in the Asian region.
- Claims extensive consulting experience in securitisation – offering comprehensive securitisation-related consulting services to a variety of clients including originators, investors, IT companies, etc, apart from one-off services to several companies in different countries.

#### **Author of Books:**

- Securitisation Asset Reconstruction and Enforcement of Security Interests
- Banking Law and Practice in India, 26<sup>th</sup> Edition
- Law Relating to Insolvency & Bankruptcy Code, 2016
- Guide to Structured Finance – Incorporating Securitisation, Credit-Derivatives, Leasing and REITs, 2014 Edition
- Introduction to Securitization (co-authored with Frank J. Fabozzi)
- Securitisation: The Financial Instrument of the Future, Fifth edition 2006.
- Taxation of Lease Transactions in India, co-authored by Sikha Bansal, 2013
- Lease Financing and Hire Purchase, Fourth Edition, 1996.
- Credit Derivatives and Structured Credit Trading, 2009 Edition
- Guide to Structured Finance, 2014 Edition
- Author of 3 Chapters in Handbook of Finance, (editor Frank Fabozzi), published by Wiley, USA.
- Corporate Boards, Committees and Policies under the Companies Act
- Understanding Companies Act 2013, 2014 Edition
- Guide to Independent Directors, 2014 Edition
- Led a team of 17 specialist editors for the latest edition of Guide to the Companies Act, A. Ramaiya, 18th Edition.
- Prepared the key highlights and reference tables for “Corporate Laws” second edition and “The Companies Act, 2013” published by Lexis Nexis Guide to Housing Finance – A comprehensive guide to mortgage lending, 2013 Edition

### Lecturing:

- He is a visiting faculty at Indian Institute of Management, Joka, Calcutta for several years, teaching a full-fledged course for the final year students on Structured Finance and Taxation. Over 125 students sign up of the course every year.
- He is a guest faculty at the National University of Juridical Sciences- the subject taught here are insolvency and credit interest enforcement laws in India and other countries. The course included a comparative study of the insolvency and creditors' rights in USA, UK and Australia.

### Articles:

- Vinod Kothari's articles on asset-based finance, securitisation etc. have appeared in several national and international journals including Duke Journal of Comparative International Law (USA), US Banker (USA), Export trader (Spain), Trade and Forfeiting Review (UK), Journal of International Banking Law and Regulation (UK), Equipment Finance Journal (USA), Monitor daily (USA),Analyst (India), etc.
- Vinod Kothari also contributed to Euro money's yearbooks on leasing and securitisation

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