

# Update



## Fraud reporting by NBFCs: RBI revised the threshold limit

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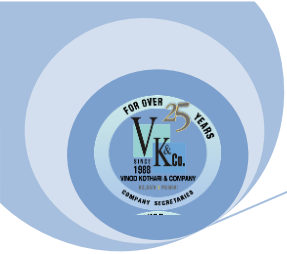
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## *Fraud reporting by NBFCs: RBI revised the threshold limit*

# **Article**

The Reserve Bank of India ('RBI') issued 'Frauds – Future approach towards monitoring of frauds in NBFCs' (hereinafter referred to as 'Guidelines') on classification of frauds, approach towards monitoring of frauds and reporting requirements vide its notification dated October 26, 2005<sup>1</sup>. This Guideline was applicable to a Deposit taking Non-Banking Finance Companies ('NBFC-D') and was extended to Non-Deposit accepting Systemically Important Non-Banking Finance Companies ('NBFC-ND-SI') vide a notification dated March 02, 2012<sup>2</sup>.

### **Present Circular**

RBI vide Circular No. RBI/2015-16/327 DNBR (PD) CC.No.075/03.10.001/2015-16 dated February 18, 2016<sup>3</sup>, increased the threshold limit from Rs. 25 lakh to Rs. 1 crore for reporting of frauds and submission of quarterly reports on fraud to Central Fraud Monitoring Cell, Reserve Bank of India, Department of Banking Supervision. Further, reporting of frauds below the threshold limit mentioned above shall be furnished to the Regional Office of Reserve Bank of India, Department of Non-Banking Supervision under whose jurisdiction the Registered Office of the NBFC falls.

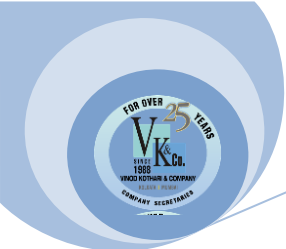
The tabular representation of reporting requirements pre and post the amendment is as specified hereunder:

<b>Limit</b>	<b>Pre-amendment reporting requirement</b>	<b>Limit</b>	<b>Post-amendment reporting requirement</b>	<b>Form</b>
Less than Rs. 1 lakh	No reporting required	Less than Rs. 1 lakh	No reporting required	-
Rs. 1 lakh and above but less than Rs. 25 lakh	Regional Office (RO) of the RBI, Department of Non-Banking Supervision (DNBS) under whose jurisdiction the Registered Office of the NBFC falls	Rs. 1 lakh and above but less than Rs. 1 crore	RO of the RBI, DNBS under whose jurisdiction the Registered Office of the NBFC falls	FMR-1 - within 21 days of detection of the fraud
Rs. 25 lakh and above	Central Office (CO) of the RBI, Department of Banking Supervision	Rs.1 crore and above	CO of the RBI, DBS, FMC	

<sup>1</sup><https://rbidocs.rbi.org.in/rdocs/notification/PDFs/66933.pdf>

<sup>2</sup><https://rbi.org.in/Scripts/NotificationUser.aspx?Id=7037&Mode=0>

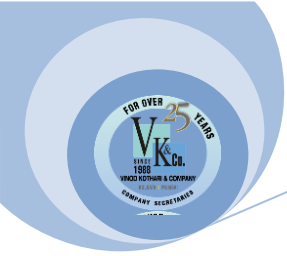
<sup>3</sup><https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10287&Mode=0>



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Limit	Pre-amendment reporting requirement	Limit	Post-amendment reporting requirement	Form
	(DBS), Frauds Monitoring Cell (FMC) RO of the RBI, DNBS under whose jurisdiction the Registered Office of the NBFC falls		RO of the RBI, DNBS under whose jurisdiction the Registered Office of the NBFC falls	
Rs. 25 lakh and above	Chief General Manager-in-charge of the DBS, RBI, FMC, CO Chief General Manager-in-charge of the DNBS, RBI, CO RO of RBI, DNBS under whose jurisdiction the Registered Office of the NBFC is functioning	Rs. 25 lakh and above	Chief General Manager-in-charge of the DBS, RBI, FMC, CO Chief General Manager-in-charge of the DNBS, RBI, CO RO of RBI, DNBS under whose jurisdiction the Registered Office of the NBFC is functioning	D.O. Letter - within a week of such frauds being detected by the NBFC
No Limit	RO of RBI, DNBS under whose jurisdiction the Registered Office of the NBFC falls	No Limit	RO of RBI, DNBS under whose jurisdiction the Registered Office of the NBFC falls	FMR-2 - Quarterly Report on Frauds Outstanding within 15 days of the end of the quarter
Rs. 1 lakh and above but less than Rs. 25 lakh	RO of RBI, DNBS under whose jurisdiction the Registered Office of the NBFC falls	Rs. 1 lakh and above but less than Rs. 1 crore	RO of RBI, DNBS under whose jurisdiction the Registered Office of the NBFC falls	FMR-3 - within 15 days of the end of the quarter
Rs. 25 lakh or above	DBS, CO, FrMC	Rs. 1 crore or above	DBS, CO, FrMC	



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### Conclusion

RBI has revised the threshold limit to Rs. 1 crore for reporting the fraud to Central Office of RBI, Department of Banking Supervision, Fraud Monitoring Cell. However, there is no clarity on increasing the limit for submission of D.O. letter to Central Office of RBI, DBS and DNBS and to Regional Office of RBI, DNBS. This Circular has brought changes only with respect to reporting of frauds and submission of quarterly report on fraud with RBI. Therefore, in author's view, the limit of Rs. 25 lakhs still exist in case of submission of D.O. letter. The change is definitely a relief for NBFCs from filing requirements where the amount of fraud does not exceed Rs. 1 crore.

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