

Note

Operational requirements in case your Company is an NBFC-CIC-SI

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Note

Quite a common thing to find that many companies are into financial business and the maximum income made is through the financial activities. In case such companies have their assets and income to the extent of 50% from the financial activities, then such companies are called Non-Banking Financial Companies (NBFCs).

NBFCs are classified further on the basis of the capital adequacy, investment in group companies, total assets etc. and accordingly there are operational/registration requirements for them. Here we deal with operational requirements specifically for NBFC-CIC-SI. They can be distinguished from below mentioned qualifications:

Non-Banking Financial Company is one where the company is having 50% of its assets and income from financial activities



For an NBFC to be a Core Investment Company (CIC) requirements are:

- An NBFC carrying on the business of acquisition of shares and securities
- It holds not less than 90% of its net assets in the form of investment in group companies
- its investments in the equity shares in group companies constitutes not less than 60% of its net assets
- it does not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;
- it does not carry on any other financial activity referred to in Section 45I(c) and 45I(f) of the Reserve Bank of India Act, 1934 except granting of loans to group companies, issuing guarantees on behalf of group companies and investment

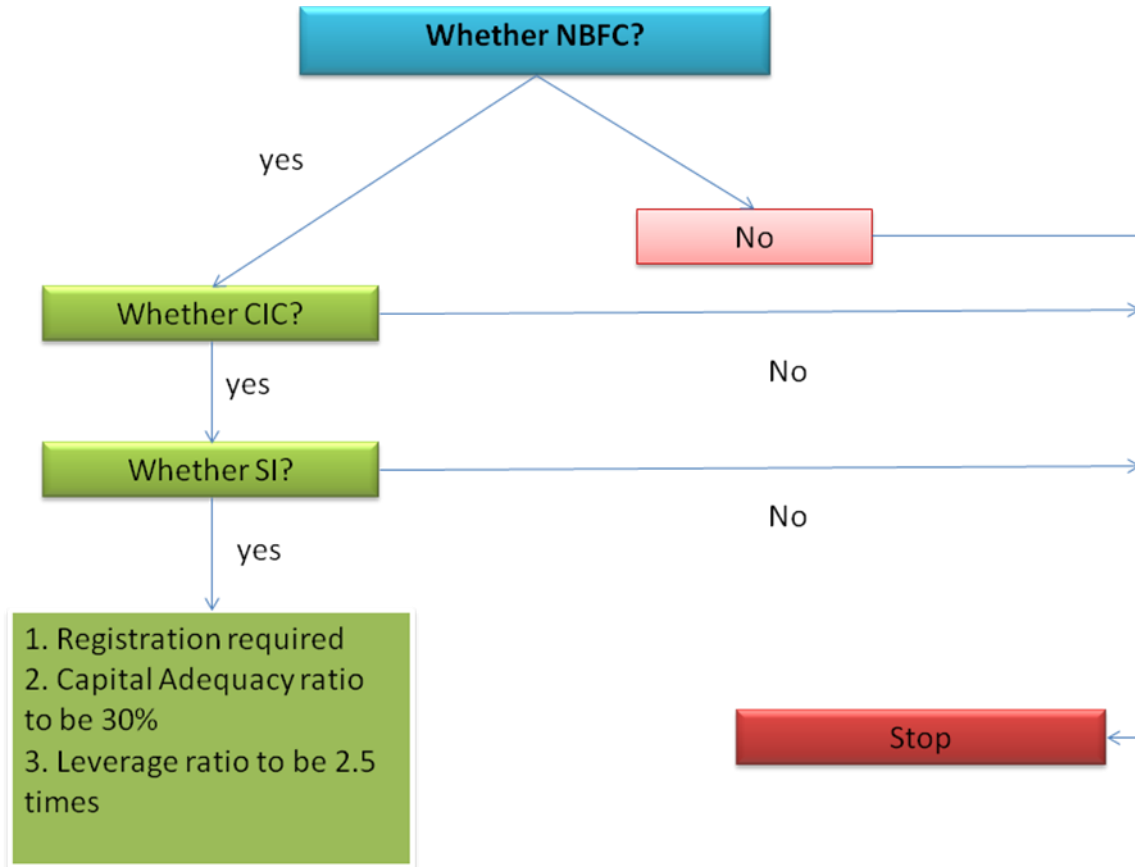


For an NBFC-CIC to qualify as a Systematically Important (SI) the following are required:

- Having total assets of not less than Rs.100 crore, either individually or in aggregate along with other Core Investment Companies in the Group; and
- Raises or holds public funds



Note



Accordingly, if your NBFC falls is a NBFC-CIC-SI, you are required to comply with the above stated operational requirements.