

# Note

## Second Quarter Review of Monetary Policy 2012-13: NBFC sector may expect major regulatory reforms



Piyush Sinha  
[piyush@vinodkothari.com](mailto:piyush@vinodkothari.com)  
Vinod Kothari & Company  
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## *Note*

The Reserve Bank of India (RBI) on Tuesday, October 30, 2012 announced its ***Second Quarter Review of the Monetary Policy 2012-13***<sup>1</sup> which played the trumpet, announcing regulatory changes for the NBFCs sector. The Monetary Policy stated that the recommendations of the Usha Thorat Committee Report shall be considered and the draft guidelines for NBFCs shall be placed end of November, 2012 for public comments.

Last year a Working Group was formed by the RBI to review the existing norms for the NBFCs sector. to eliminate the regulatory gaps between banks and NBFCs. The Committee was headed by its former Governor Ms. Usha Thorat. The Committee made its observations in its Report<sup>2</sup> in late August last year. The Committee recommended much stringent norms for the NBFCs which included higher capital norms at the rate 12%. The report also recommended a minimum asset size of Rs. 50 Crores along with a Net Owned Fund (NOF) of Rs. 2 Crores for registering as a new NBFC.

The report triggered much chaos in the industry. NBFCs and other associations like the Finance Industry Development Council (FIDC), Fixed Income Money Market & Derivatives Association (FIMMADA), Foreign Exchange Dealers Association (FEDAI) made requests to RBI to reconsider its stance of implementing the recommendations made by the Thorat Committee. After having various discussions held with various representatives from the sector, RBI in its Second Quarter Review of the Monetary Policy 2012-13 has decided to place the draft guidelines in its website by November end 2012.

The clouds of regulatory changes hovering around the NBFCs sector calls for a new beginning. Whether the regulations will be dampen the NBFCs growth further or provide an upswing only RBI or time may tell.

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<sup>i</sup> For more articles on related topics, click [here](#)

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<sup>1</sup> The Monetary Policy can be viewed here:

<http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7647&Mode=0>

<sup>2</sup> The report can be viewed here:

<http://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=647>

Our earlier article on the Thorat Committee report can be viewed here:

<http://www.microfinancefocus.com/full-throttle-reform-nbfc-regulation-creates-several-potential-issues>