

# Update

## RBI compliances getting tougher day by day for NBFCs: Introduction of 'Branch Info' Return

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## Update

### Introduction

There were times when Non Banking financial Companies (“NBFCs”) had their own set of privileges over banks. The compliances laid down by Reserve Bank of India (“RBI”) were far more lenient for NBFCs than those for banks. But gone are those golden days and now even the NBFCs are under the RBI screening. Having said this, the roots of the new compliances for NBFC, is the famous **Sahara Case**<sup>1</sup>.

It's quite interesting to know that there have been a series of compliances post the **Sahara Judgment** in August 2012. Few of the important Guidelines are **Guidelines on Securitisation of Standard Assets**<sup>2</sup>, **Guidelines for Private Placement of NBFCs**<sup>3</sup> etc. Apart from these, RBI in recent past kept sending notices to companies asking to send their annual reports, for the RBI to examine whether the company is an NBFC or not. By this we can applaud the efforts of RBI for avoiding speculation in NBFCs.

### Introduction of 'Branch Info' Return

Today, the 4<sup>th</sup> day of September, 2013, RBI vide its **Notification RBI/2013-14/219**<sup>4</sup> came up with an additional requirement to comply with for the NBFCs. This requirement deals with the Returns to be submitted by the NBFC with respect to their Branch offices.

As spoken earlier, though the RBI had many regulatory compliances imposed on NBFCs; However till date there were none such compliance for the Branch Offices set up by NBFCs. This new introduction the RBI can now enable RBI to keep a check on the happenings of the Branch Offices of the NBFCs.

### Requirement under this compliance are as below:

All deposit taking NBFCs and all Non-deposit taking NBFCs having total assets more than Rs.50 crore are advised as under:

1. Submit within one month from the date of this circular, information in respect of all their branches functioning as on June 30, 2013.

<sup>1</sup> <http://indiankanoon.org/doc/79701153/>

<sup>2</sup> <http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7517&Mode=0>

<sup>3</sup> <http://rbidocs.rbi.org.in/rdocs/Notification/PDFs/CC330270613F.pdf>

<sup>4</sup> <http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8368&Mode=0>



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2. Thereafter, update on a quarterly basis, the details of the branches opened/closed during the calendar quarter. Such updating will be done within 10 days of the calendar quarter to which the information relates.

Furthermore, till now only the NBFCs-D was to file the details of their branches through Form NBS-1. With the introduction of Branch Information Returns, both the NBFCs-D & the NBFCs-ND, having asset size of Rs. 50 crores, will now have to give the details of their Branches. Thus, the existing form NBS-1 required to be filed by the NBFC-D has been done away with. All NBFCs with specified asset size have to submit the new form.

### **Our Comments**

Having laid down a systematic procedure for evaluating the NBFCs and their Branch Offices, this new compliance might tighten the working of NBFCs. But it would surely curb down the speculative transaction as well, which otherwise are hard on RBI to track down.

#### **Also see our other related write-ups:**

- See our detailed write up on the Leasing to get impetus with ECB doors under automatic route opening up for NBFC-AFCs: [https://www.india-financing.com/Leasing to get impetus with ECB doors under automatic route opening up for NBFC - AFCs.pdf](https://www.india-financing.com/Leasing%20to%20get%20impetus%20with%20ECB%20doors%20under%20automatic%20route%20opening%20up%20for%20NBFC%20-%20AFCs.pdf)
- RBI takes the wind out of NBFC's sails: imposes restrictions on Private Placement of Debentures: [https://www.india-financing.com/RBI takes the wind out of NBFC sails imposes restrictions on private placement of debentures.pdf](https://www.india-financing.com/RBI%20takes%20the%20wind%20out%20of%20NBFC%20sails%20imposes%20restriction%20s%20on%20private%20placement%20of%20debentures.pdf)
- NBFC Debentures Guidelines at [https://india-financing.com/Private Placement of Debentures by NBFCs.pdf](https://india-financing.com/Private%20Placement%20of%20Debentures%20by%20NBFCs.pdf)
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