

Frequently Asked Questions on NBFCs

QUES -1 What is a Non-Banking Financial Company (NBFC)?

ANS -1 A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by Government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property. A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-banking financial company (Residuary non-banking company).

QUES 2. NBFCs are doing functions similar to banks. What is difference between banks & NBFCs ?

ANS 2. NBFCs are doing functions akin to that of banks, however there are a few differences:

- (i) a NBFC cannot accept demand deposits;
- (ii) it is not a part of the payment and settlement system and as such cannot issue cheques to its customers; and
- (iii) deposit insurance facility of DICGC is not available for NBFC depositors unlike in case of banks.

QUES-3. Is it necessary that every NBFC should be registered with RBI?

ANS 3. In terms of Section 45-IA of the RBI Act, 1934, it is mandatory that every NBFC should be registered with RBI to commence or carry on any business of non-banking financial institution as defined in clause (a) of Section 45 I of the RBI Act, 1934.

However, to obviate dual regulation, certain category of NBFCs which are regulated by other regulators are exempted from the requirement of registration with RBI viz. Venture Capital Fund/Merchant Banking companies/Stock broking companies registered with SEBI, Insurance Company holding a valid Certificate of Registration issued by IRDA, Nidhi companies as notified under Section 620A of the Companies Act, 1956, Chit companies as defined in clause (b) of Section 2 of the Chit Funds Act, 1982 or Housing Finance Companies regulated by National Housing Bank.

QUES 4. What are the different types of NBFCs registered with RBI?

ANS 4. The NBFCs that are registered with RBI are:

- (i) equipment leasing company;
- (ii) hire-purchase company;
- (iii) loan company;
- (iv) investment company.

With effect from December 6, 2006 the above NBFCs registered with RBI have been reclassified as

- (i) Asset Finance Company (AFC)
- (ii) Investment Company (IC)
- (iii) Loan Company (LC)

AFC would be defined as any company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive / economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines. Principal business for this purpose is defined as aggregate of financing real/physical assets supporting economic activity and income arising therefrom is not less than 60% of its total assets and total income respectively.

The above type of companies may be further classified into those accepting deposits or those not accepting deposits.

Besides the above class of NBFCs the Residuary Non-Banking Companies are also registered as NBFC with the Bank.

QUES 5. What are the requirements for registration with RBI?

ANS 5. A company incorporated under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45 I(a) of the RBI Act, 1934 should have a minimum net owned fund of Rs 25 lakh (raised to Rs 200 lakh w.e.f April 21, 1999). The company is required to submit its application for registration in the prescribed format alongwith necessary documents for Bank's consideration. The Bank issues Certificate of Registration after satisfying itself that the conditions as enumerated in Section 45-IA of the RBI Act, 1934 are satisfied.

QUES 6. Where one can find list of Registered NBFCs and instructions issued to NBFCs?

ANS 6. The list of registered NBFCs is available on the web site of Reserve Bank of India and can be viewed at www.rbi.org.in. The instructions issued to NBFCs from time to time are also hosted at the above site. Besides, instructions are also issued through Official Gazette notifications. Press Release is also issued to draw attention of the public/NBFCs.

QUES 7. Can all NBFCs accept deposits and what are the requirements for accepting Public Deposits?

ANS 7. All NBFCs are not entitled to accept public deposits. Only those NBFCs holding a valid Certificate of Registration with authorisation to accept Public Deposits can accept/hold public deposits. The NBFCs accepting public deposits should have minimum stipulated Net Owned Fund and comply with the Directions issued by the Bank.

QUES 8. Is there any ceiling on acceptance of Public Deposits? What is the rate of interest and period of deposit which NBFCs can accept?

ANS 8. Yes, there is ceiling on acceptance of Public Deposits. A NBFC maintaining required NOF/CRAR and complying with the prudential norms can accept public deposits as follows:

Category of NBFC	Present on deposits	Ceiling public	Revised Ceiling on public deposits (w.e.f, Jun 17, 2008)
AFCs maintaining CRAR of 15% without credit rating and having NOF more than Rs 25 lakh but less than Rs 200 lakh	1.5 times of NOF or Rs 10 crore whichever is less		Equal to NOF
AFCs with CRAR of 12% and having minimum investment grade credit rating and having NOF more than Rs 25 lakh but less than Rs 200 lakh	4 times of NOF		1.5 times of NOF
LCs/ICs with CRAR of 15% and having minimum investment grade credit rating and having NOF more than Rs 25 lakh but less than Rs 200 lakh	1.5 times of NOF		Equal to NOF

AFCs – Asset Finance Companies
 LCs – Loan Companies
 ICs – Investment Companies

Presently, the maximum rate of interest a NBFC can offer is 12.5% (w.e.f., April 24, 2007). The interest may be paid or compounded at rests not shorter than monthly rests.

The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand.

The RNBCs have different norms for acceptance of deposits which are explained elsewhere in this booklet.

QUES 9. What are the salient features of NBFCs regulations which the depositor may note at the times of investment?

ANS 9. Some of the important regulations relating to acceptance of deposits by NBFCs are as under:

- i) The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand.
- ii) NBFCs cannot offer interest rates higher than the ceiling rate prescribed by RBI from time to time. The present ceiling is 12.5 per cent per annum. The interest may be paid or compounded at rests not shorter than monthly rests.
- iii) NBFCs cannot offer gifts/incentives or any other additional benefit to the depositors.
- iv) NBFCs (except certain AFCs) should have minimum investment grade credit rating.
- v) The deposits with NBFCs are not insured.
- vi) The repayment of deposits by NBFCs is not guaranteed by RBI.
- vii) There are certain mandatory disclosures about the company in the Application Form issued by the company soliciting deposits.

QUES 10. What is 'deposit' and 'public deposit'? Is it defined anywhere?

ANS 10. The term 'deposit' is defined under Section 45 I(bb) of the RBI Act, 1934. 'Deposit' includes and shall be deemed always to have included any receipt of money by way of deposit or loan or in any other form but does not include:

- amount raised by way of share capital, or contributed as capital by partners of a firm;
- amount received from scheduled bank, co-operative bank, a banking company, State Financial Corporation, IDBI or any other institution specified by RBI;
- amount received in ordinary course of business by way of security deposit, dealership deposit, earnest money, advance against orders for goods, properties or services;
- amount received by a registered money lender other than a body corporate;
- amount received by way of subscriptions in respect of a 'Chit'.

Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 defines a 'public deposit' as a 'deposit' as defined under Section 45 I(bb) of the RBI Act, 1934 and further excludes the following:

- amount received from the Central/State Government or any other source where repayment is guaranteed by Central/State Government or any amount received from local authority or foreign government or any foreign citizen/authority/person;
- any amount received from financial institutions;
- any amount received from other company as inter-corporate deposit;
- amount received by way of subscriptions to shares, stock, bonds or debentures pending allotment or by way of calls in advance if such amount is not repayable to the members under the articles of association of the company;
- amount received from shareholders by private company;
- amount received from directors or relative of the director of a NBFC;
- amount raised by issue of bonds or debentures secured by mortgage of any immovable property or other asset of the company subject to conditions;
- the amount brought in by the promoters by way of unsecured loan;
- amount received from a mutual fund;
- any amount received as hybrid debt or subordinated debt;
- any amount received by issuance of Commercial Paper.

Thus, the directions have sought to exclude from the definition of public deposit amount raised from certain set of informed lenders who can make independent decision.

QUES 11. Are Secured debentures treated as Public Deposit? If not who regulates them?

ANS 11. Debentures secured by the mortgage of any immovable property or other asset of the company if the amount raised does not exceed the market value of the said immovable property or other asset are excluded from the definition of 'Public Deposit' in terms of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998. Secured debentures are debt instruments and are regulated by Securities & Exchange Board of India.

QUES 12. Whether NBFCs can accept deposits from NRIs?

ANS 12. Effective from April 24, 2004, NBFCs cannot accept deposits from NRI except deposits by debit to NRO account of NRI provided such amount do not represent inward remittance or transfer from NRE/FCNR (B) account. However, the existing NRI deposits can be renewed.

QUES 13. Is nomination facility available to the Depositors of NBFCs?

ANS 13. Yes, nomination facility is available to the depositors of NBFCs. The Rules for nomination facility are provided for in section 45QB of the Reserve Bank of India Act, 1934. Non-Banking Financial Companies have been advised to adopt the Banking Companies (Nomination) Rules, 1985 made under Section 45ZA of the Banking Regulation Act, 1949. Accordingly, depositor/s of NBFCs are permitted to nominate, one person to whom, the NBFC can return the deposit in the event of the death of the depositor/s. NBFCs are advised to accept nominations made by the depositors in the form similar to one specified under the said rules, viz Form DA 1 for the purpose of nomination, and Form DA2 and DA3 for cancellation of nomination and variation of nomination respectively.

QUES14. What else should a depositor bear in mind while depositing money with NBFCs?

ANS 14. While making deposits with a NBFC, the following aspects should be borne in mind:

- (i) Public deposits are unsecured.
- (ii) A proper deposit receipt which should, besides the name of the depositor/s state the date of deposit, the amount in words and figures, rate of interest payable and the date of maturity should be insisted. The receipt shall be duly signed by an officer authorised by the company in that behalf.
- (iii) The Reserve Bank of India does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of the liabilities by the company.

QUES 15. It is said that rating of NBFCs is necessary before it accepts deposit? Is it true? Who rates them?

ANS 15. An unrated NBFC, except certain Asset Finance companies (AFC), cannot accept public deposits. An exception is made in case of unrated AFC companies with CRAR of 15% which can accept public deposit up to 1.5 times of the NOF or Rs 10 crore whichever is lower without having a credit rating (now revised to an amount equivalent to the NOF). A NBFC may get itself rated by any of the four rating agencies namely, CRISIL, CARE, ICRA and FITCH Ratings India Pvt. Ltd.

QUES 16. What are the symbols of minimum investment grade rating of different companies?

ANS 16. The symbols of minimum investment grade rating of the Credit rating agencies are:

Name of rating agencies	Level of minimum investment grade credit rating (MIGR)
CRISIL	FA- (FA MINUS)
ICRA	MA- (MA MINUS)
CARE	CARE BBB (FD)
FITCH Ratings India Pvt. Ltd.	tA-(ind)(FD)

It may be added that A is not equivalent to A, AA- is not equivalent to AA and AAA- is not equivalent to AAA.

QUES 17. Can a NBFC which is yet to be rated accept public deposit?

ANS 17. No, a NBFC cannot accept deposit without rating except an EL/HP company complying with prudential norms and having CRAR of 15%, though not rated, may accept public deposit up to 1.5 times of NOF or Rs. 10 crore whichever is less (now revised to an amount equivalent to NOF).

NOTE: CRAR for NBFCs-NDSI (non-deposit taking systemically important companies – having asset size of Rs.100 crore and above) has been raised from 10% to 12% by March 31, 2010 and further to 15% by March 31, 2011, in terms of Annual Policy Statement for 2008-09, taking in to account the difficulty in raising equity capital in the current economic environment.

QUES 18. When a company's rating is downgraded, does it have to bring down its level of public deposits immediately or over a period of time?

ANS 18. If rating of a NBFC is downgraded to below minimum investment grade rating, it has to stop accepting public deposit, report the position within fifteen working days to the RBI and reduce within three years from the date of such downgrading of credit rating, the amount of excess public deposit to nil or to the appropriate extent permissible under paragraph 4(4) of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998; however such NBFC can renew the matured public deposits subject to repayment stipulations specified above and compliance with other conditions for acceptance of deposits.

QUES 19. In case a NBFC defaults in repayment of deposit what course of action can be taken by depositors?

ANS 19. If a NBFC defaults in repayment of deposit, the depositor can approach Company Law Board or Consumer Forum or file a civil suit to recover the deposits.

QUES 20. What is the role of Company Law Board in protecting the interest of depositors? How one can approach it?

ANS 20. Where a non-banking financial company fails to repay any deposit or part thereof in accordance with the terms and conditions of such deposit, the Company Law Board (CLB) either on its own motion or on an application from the depositor directs, by order, the non-banking financial company to make repayment of such deposit or part thereof forthwith or within such time and subject to such conditions as may be specified in the order.

As explained above the depositor can approach CLB by mailing an application in prescribed form to the appropriate bench of the Company Law Board according to its territorial jurisdiction with the prescribed fee.

QUES 21. Can you give the addresses of the various benches of the Company Law Board (CLB) indicating their respective jurisdiction?

ANS 21. The details of addresses and territorial jurisdiction of the bench officers of CLB are as under:

Sr. No.	Addresses	Territorial Jurisdiction
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1.	Bench Officer, Company Law Board, Northern Region Bench, Shastri Bhavan, 'A' Wing, 5 th Floor, Dr. Rajendra Prasad Road, New Delhi 110 001.	Uttar Pradesh, Jammu & Kashmir, Punjab, Himachal Pradesh, Rajasthan, Haryana and Union Territories of Chandigarh and Delhi
2.	Bench Officer, Company Law Board, Southern Region Bench, Shastri Bhavan, 'A' Wing, 5 th Floor, Block 8, No 26, Haddows Road, Chennai 600 006.	Tamil Nadu, Andhra Pradesh, Kerala, Karnataka, Union Territories of Amindivi, Minicoy and Lakshadweep Islands and Pondicherry
3.	Bench Officer, Company Law Board, Western Region Bench, 2 nd Floor, N.T.C. House, 15, Narottam Morarjee Marg, Ballard Estate, Mumbai-400 038.	Maharashtra, Gujarat, Madhya Pradesh, Goa and Union Territories of Dadra & Nagar Haveli, Daman and Diu.
4.	Bench Officer, Company Law Board, Eastern Region Bench, 9, Old Post Office Street, 6 th Floor, Kolkata 700 001.	West Bengal, Orissa, Bihar, Assam, Tripura, Manipur, Nagaland, Meghalaya, Arunachal Pradesh, Mizoram, Union Territories of Andaman and Nicobar Islands.
5.	Bench Officer, Company Law Board, Principal Bench at New Delhi, Shastri Bhavan, 'A' Wing, 5 th Floor, Dr. Rajendra Prasad Road, New Delhi 110 001.	All Principal Bench matters all over India.

QUES 22. We hear that in a number of cases official liquidators have been appointed on the defaulting NBFCs. What is their role and how one can approach them?

ANS 22. Official Liquidator is appointed by the court after giving the company reasonable opportunity of being heard in a winding up petition. The liquidator performs duties of winding up and such duties in reference thereto as the court may impose.

Where the court has appointed an official liquidator or provisional liquidator, he becomes custodian of the property of the company and runs the day-to-day affairs of the company. He has to draw up a statement of affairs of the company in prescribed form containing particulars of assets of the company, its debts and liabilities, names/residences/occupations of its creditors, the debts due to the company and such other information as may be prescribed. The scheme is drawn up by the liquidator and same is put up to the court for approval. The liquidator realizes the assets of the company and arranges to repay the creditors according to the scheme approved by the court. The liquidator generally inserts advertisement in the newspaper inviting claims from depositors/investors in compliance with court orders. Therefore, the investors/depositors should file the claims within due time as per such notices of the liquidator. The Reserve Bank also provides assistance to the depositors in furnishing addresses of the official liquidator.

QUES 23. Consumer Court play useful role in attending to depositors problems. Can one approach Consumer Forum, Civil Court, CLB simultaneously?

ANS 23. Yes, a depositor can approach any or all of the redressal authorities i.e consumer forum, court or CLB.

QUES 24. Is there an Ombudsman for hearing complaints against NBFCs?

ANS 24. No, there is no Ombudsman for hearing complaints against NBFCs.

QUES 25. What are various prudential regulations applicable to NBFCs?

ANS 25. The Bank has issued detailed directions on prudential norms, vide Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. The directions inter alia, prescribe guidelines on income recognition, asset classification and provisioning requirements applicable to NBFCs, exposure norms, constitution of audit committee, disclosures in the balance sheet, requirement of capital adequacy, restrictions on investments in land and building and unquoted shares.

QUES 26. Please explain the terms 'owned fund' and 'net owned fund' in relation to NBFCs?

ANS 26. 'Owned Fund' means aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company after deducting therefrom accumulated balance of loss, deferred revenue expenditure and other intangible assets. The amount of investments of such company in shares of its subsidiaries, companies in the same group and all other NBFCs and the book value of debentures, bonds, outstanding loans and advances made to and deposits with subsidiaries and companies in the same group is arrived at. The amount thus calculated, to the extent it exceeds 10% of the owned fund, is reduced from the amount of owned fund to arrive at 'Net Owned Fund'.

QUES 27. What are the responsibilities of the NBFCs accepting/holding public deposits with regard to submission of Returns and other information to RBI?

ANS 27. The NBFCs accepting public deposits should furnish to RBI

- i. Audited balance sheet of each financial year and an audited profit and loss account in respect of that year as passed in the general meeting together with a copy of the report of the Board of Directors and a copy of the report and the notes on accounts furnished by its Auditors;
- ii. Statutory Annual Return on deposits - NBS 1;
- iii. Certificate from the Auditors that the company is in a position to repay the deposits as and when the claims arise;
- iv. Quarterly Return on liquid assets;
- v. Half-yearly Return on prudential norms;
- vii. Half-yearly ALM Returns by companies having public deposits of Rs. 20 crore and above or with assets of Rs. 100 crore and above irrespective of the size of deposits ;
- viii. Monthly return on exposure to capital market by companies having public deposits of Rs. 50 crore and above; and
- ix. A copy of the Credit Rating obtained once a year along with one of the Half-yearly Returns on prudential norms as at (v) above.

QUES 28. What are the documents or the compliance required to be submitted to the Reserve Bank of India by the NBFCs not accepting/holding public deposits?

ANS 28. The NBFCs having assets size of Rs. 100 crore and above but not accepting public deposits are required to submit a Monthly Return on important financial parameters of the company. All companies not accepting public deposits have to pass a board resolution to the effect that they have neither accepted public deposit nor would accept any public deposit during the year.

However, all the NBFCs (other than those exempted) are required to be registered with RBI and also make sure that they continue to be eligible to remain Registered. Further, all NBFCs (including non-deposit taking) should submit a certificate from their Statutory Auditors every year to the effect that they continue to undertake the business of NBFI requiring holding of CoR under Section 45-IA of the RBI Act, 1934.

RBI has powers to cause Inspection of the books of any company and call for any other information about its business activities. For this purpose, the NBFC is required to furnish the information in respect of any change in the composition of its Board of Directors, address of the company and its Directors and the name/s and official designations of its principal officers and the name and office address of its Auditors. With effect from April 1, 2007 non-deposit taking NBFCs with assets size of Rs 100 crore and above have been advised to maintain minimum CRAR of 10% and shall also be subject to single/group exposure norms.

QUES 29. The NBFCs have been made liable to pay interest on the overdue matured deposits if the company has not been able to repay the matured public deposits on receipt of a claim from the depositor. Please elaborate the provisions.

ANS 29. As per Reserve Bank's Directions, overdue interest is payable to the depositors in case the company has delayed the repayment of matured deposits, and such interest is payable from the date of receipt of such claim by the company or the date of maturity of the deposit whichever is later, till the date of actual payment. If the depositor has lodged his claim after the date of maturity, the company would be liable to pay interest for the period from the date of claim till the date of repayment. For the period between the date of maturity and the date of claim it is the discretion of the company to pay interest.

QUES 30. Can a company pre-pay its public deposits?

ANS 30. A NBFC accepts deposits under a mutual contract with its depositors. In case a depositor requests for pre-mature payment, Reserve Bank of India has prescribed Regulations for such an eventuality in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 wherein it is specified that NBFCs cannot grant any loan against a public deposit or make premature repayment of a public deposit within a period of three months (lock-in period) from the date of its acceptance, however in the event of death of a depositor, the company may, even within the lock - in period, repay the deposit at the request of the joint holders with survivor clause / nominee / legal heir only against submission of relevant proof, to the satisfaction of the company.

An NBFC subject to above provisions, if it is not a problem company, may permit after the lock-in period premature repayment of a public deposit at its sole discretion, at the rate of interest prescribed by the Bank.

A problem NBFC is prohibited from making premature repayment of any deposits or granting any loan against public deposits/deposits, as the case may be. The prohibition shall not, however, apply in the case of death of depositor or repayment of tiny deposits i.e. up to Rs. 10000/- subject to lock in period of 3 months in the latter case.

QUES 31. What is the liquid asset requirement for the deposit taking companies? Where these assets are kept? Does Depositors have any claims on them?

ANS 31. In terms of Section 45-IB of the RBI Act, 1934 the minimum level of liquid asset to be maintained by NBFCs is 15 per cent of public deposits outstanding as on the last working day of the second preceding quarter. Of the 15%, NBFCs are required to invest not less than ten percent in approved securities and the remaining 5% can be in unencumbered term deposits with any scheduled commercial bank. Thus, the liquid assets may consist of Government securities, Government guaranteed bonds and term deposits with any scheduled commercial bank.

The investment in Government securities should be in dematerialised form which can be maintained in Constituents' Subsidiary General Ledger (CSGL) Account with a scheduled commercial bank (SCB) / Stock Holding Corporation of India Limited (SHCIL). In case of Government guaranteed bonds the same may be kept in dematerialised form with SCB/SHCIL or in a dematerialised account with depositories [National Securities Depository Ltd. (NSDL)/Central Depository Services (India) Ltd. (CDSL)] through a depository participant registered with Securities & Exchange Board of India (SEBI). However in case there are Government bonds which are in physical form the same may be kept in safe custody of SCB/SHCIL.

NBFCs have been directed to maintain the mandated liquid asset securities in a dematerialised form with the entities stated above at a place where the registered office of the company is situated. However, if a NBFC intends to entrust the securities at a place other than the place at which its registered office is located, it may do so after obtaining in writing the permission of RBI. It may be noted that the liquid assets in approved securities will have to be maintained in dematerialised form only.

The liquid assets maintained as above are to be utilised for payment of claims of depositors. However, deposit being unsecured in nature depositors do not have direct claim on liquid assets.

QUES 32. Please tell us something about the companies which are NBFCs, but are exempted from registration?

ANS 32. Housing Finance Companies, Merchant Banking Companies, Stock Exchanges, Companies engaged in the business of stock-broking/sub-broking, Venture Capital Fund Companies, Nidhi Companies, Insurance companies and Chit Fund Companies are NBFCs but they have been exempted from the requirement of registration under Section 45-IA of the RBI Act, 1934 subject to certain conditions.

Housing Finance Companies are regulated by National Housing Bank, Merchant Banker/Venture Capital Fund Company/stock-exchanges/stock brokers/sub-brokers are regulated by Securities and Exchange Board of India, Insurance companies are regulated by Insurance Regulatory and Development Authority. Similarly, Chit Companies are regulated by the respective State Governments and Nidhi Companies are regulated by Ministry of Company Affairs, Government of India.

QUES 33. There are some entities (not companies) which carry on activities like that of NBFCs. Are they allowed to take deposit? Who regulates them?

ANS 33. Any person who is an individual or a firm or unincorporated association of individual cannot accept deposit except by way of loan from relatives, if his/its business wholly or partly includes business that of loan, investment, hire-purchase or leasing company or principal

business is that of receiving of deposits under any scheme or arrangement or in any manner or lending in any manner.

QUES 34. What is a Residuary Non-Banking Company (RNBC)? In what way it is different from other NBFCs?

ANS 34. Residuary Non-Banking Company is a class of NBFC which is a company and has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner and not being Investment, Asset Financing, Loan Company. These companies are required to maintain investments as per directions of RBI, in addition to liquid assets. The functioning of these companies is different from those of NBFCs in terms of method of mobilisation of deposits and requirement of deployment of depositors' funds. However, Prudential Norms Directions are applicable to these companies also.

QUES 35. We understand that there is no ceiling on raising of deposits by RNBCs, then how safe is deposit with them?

ANS 35. It is true that there is no ceiling on raising of deposits by RNBCs but every RNBC has to ensure that the amounts deposited and investments made by the company are not less than the aggregate amount of liabilities to the depositors. To secure the interest of depositor, such companies are required to invest in a portfolio comprising of highly liquid and secured instruments viz. Central/State Government securities, fixed deposit of scheduled commercial banks (SCB), Certificate of deposits of SCB/FIs, units of Mutual Funds, etc.

QUES 36. Can RNBC forfeit deposit if deposit installments are not paid regularly or discontinued?

ANS 36. No Residuary Non-Banking Company shall forfeit any amount deposited by depositor, or any interest, premium, bonus or other advantage accrued thereon.

QUES 37. Please tell us something on rate of interest payable by RNBCs on deposits and maturity period of deposits?

ANS 37. The amount payable by way of interest, premium, bonus or other advantage, by whatever name called by a residuary non-banking company in respect of deposits received shall not be less than the amount calculated at the rate of 5% (to be compounded annually) on the amount deposited in lump sum or at monthly or longer intervals; and at the rate of 3.5% (to be compounded annually) on the amount deposited under daily deposit scheme. Further, a RNBC can accept deposits for a minimum period of 12 months and maximum period of 84 months from the date of receipt of such deposit. They cannot accept deposits repayable on demand.

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