

**RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING REGULATION
CENTRAL OFFICE, CENTRE I, WORLD TRADE CENTRE
CUFFE PARADE, COLABA MUMBAI - 400 005.**

RBI/DNBR/2016-17/39

Master Direction DNBR. PD. 003/03.10.119/2016-17

August 25, 2016

**Master Direction - Core Investment Companies (Reserve Bank) Directions,
2016**

In exercise of the powers conferred by sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934 (2 of 1934), and of all the powers enabling it in this behalf, the Reserve Bank of India (hereinafter also referred to as the Bank) being satisfied that it is necessary and expedient in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country to do so, hereby issues to every Core Investment Company, in supersession of the [Notification No. DNBS.\(PD\).219/CGM\(US\)-2011](#) and the [Notification No. DNBS. \(PD\).220/CGM\(US\)-2011 dated January 05, 2011](#), the Core Investment Companies (Reserve Bank) Directions, 2016 (the Directions) hereinafter specified.

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Section – I
Introduction

Chapter – I
PRELIMINARY

1. Short Title and Commencement.

- (a) These Directions shall be called the Core Investment Companies (Reserve Bank) Directions, 2016.
- (b) These directions shall come into force with immediate effect.

2. Applicability

(1) These directions shall apply to every Core Investment Company (CIC), that is to say, a non-banking financial company carrying on the business of acquisition of shares and securities and which satisfies the following conditions as on the date of the last audited balance sheet:-

- i. it holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;
- ii. its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitute not less than 60% of its net assets as mentioned in clause (i) above;
- iii. 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;
- iv. 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
 - (a) investment in
 - (i) bank deposits,
 - (ii) money market instruments, including money market mutual funds and liquid mutual funds
 - (iii) government securities, and
 - (iv) bonds or debentures issued by group companies,
 - (b) granting of loans to group companies and

(c) issuing guarantees on behalf of group companies.

(2) In exercise of the powers conferred by section 45-NC of the Reserve Bank of India Act, 1934 (2 of 1934) (hereinafter referred to as the Act) and of all the powers enabling it in this behalf, the Bank, on being satisfied that it is necessary so to do, hereby declares as under.

(i) The provisions of section 45-IA of the Act shall not apply to a non-banking financial company being a Core Investment Company referred to in the Core Investment Companies (Reserve Bank) Directions, 2016, which is not a Systemically Important Core Investment Company, as defined in clause (xxiv) of paragraph 3 of these Directions;

(ii) The provisions of section 45-IA(1)(b) of the Act shall not apply to a non-banking financial company being a Systemically Important Core Investment Company as defined in the clause (xxiv) of paragraph 3 of these Directions, subject to the condition that it meets the capital requirements and leverage ratio as specified in these Directions.

(iii) The Bank may, if it considers it necessary for avoiding any hardship for any other just and sufficient reason, grant extension of time to comply with or exempt any CIC-ND-SI from all or any of the provisions of these Directions either generally or for any specified period, subject to such conditions as the Bank may impose.

(3) These Directions consolidate the regulations as issued by Department of Non-Banking Regulation, Reserve Bank of India. However, any other Directions/guidelines issued by any other Department of the Bank, as applicable to a Core Investment Company shall be adhered to by it.

Chapter - II Definitions

3. For the purpose of these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below —

(i) “adjusted net worth” means –

(a) the aggregate, as appearing in the last audited balance sheet as at the end of the financial year, of Owned Funds as defined at (xx) below.

(b) as increased by:-

(A) 50% of the unrealized appreciation in the book value of quoted investments as at the date of the last audited balance sheet as at the end of the financial year (such appreciation being calculated, as the excess of the aggregate market value of such investments over the book value of such investments); and

(B) the increase, if any, in the equity share capital since the date of the last audited balance sheet.

(c) as reduced by:-

(A) the amount of diminution in the aggregate book value of quoted investments (such diminution being calculated as the excess of the book value of such investments over the aggregate market value of such investments) and

(B) the reduction, if any, in the equity share capital since the date of the last audited balance sheet.

(ii) "Bank" means the Reserve Bank of India constituted under Section 3 of the Reserve Bank of India Act, 1934

(iii) "break up value" means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company;

(iv) "carrying cost" means book value of the assets and interest accrued thereon but not received;

(v) "Companies in the Group" means an arrangement involving two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18) Common brand name, and investment in equity shares of 20% and above).

(vi) "Conduct of business regulations" means the directions issued by the Bank from time to time on Fair Practices Code and Know Your Customer guidelines.

(vii) "control" shall have the same meaning as is assigned to it under clause (e) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(viii) "current investment" means an investment which is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made;

(ix) "customer interface" means interaction between the CIC and its customers while carrying on its business.

(x) "earning value" means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate:

(a) in case of predominantly manufacturing company, eight per cent;

(b) in case of predominantly trading company, ten per cent; and

(c) in case of any other company, including non-banking financial company, twelve per cent;

Note: If, an investee company is a loss making company, the earning value will be taken at zero;

(xi) "fair value" is the mean of the earning value and the break up value;

(xii) "hybrid debt" means capital instrument which possesses certain characteristics of equity as well as of debt;

(xiii) "investment" means investment in shares, stock, bonds, debentures or securities issued by the Government or local authority or other marketable securities of a like nature.

(xiv) "long term investment" means an investment other than a current investment;

(xv) "market value of quoted investments" means the average of the weekly highs and lows of the closing price of the investments, on a recognized stock exchange where the investment is most actively traded, during the period of 26 weeks immediately preceding the end of the financial year at which date the last audited balance sheet is available.

(xvi)"net assets" means total assets excluding -

- (i) cash and bank balances;
- (ii) investment in money market instruments and money market mutual funds
- (iii) advance payments of taxes; and
- (iv) deferred tax payment.

(xvii) "net asset value" means the latest declared net asset value by the mutual fund concerned in respect of that particular scheme;

(xviii) "net book value" means:

(a) in the case of hire purchase asset, the aggregate of overdue and future instalments receivable as reduced by the balance of unmatured finance charges and further reduced by the provisions made as per paragraph 17(2)(i) of these Directions;

(b) in the case of leased asset, aggregate of capital portion of overdue lease rentals accounted as receivable and depreciated book value of the lease asset as adjusted by the balance of lease adjustment account.

(xix) "outside liabilities" means total liabilities as appearing on the liabilities side of the balance sheet excluding 'paid up capital' and 'reserves and surplus', instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue but including all forms of debt and obligations having the characteristics of debt, whether created by issue of hybrid instruments or otherwise, and value of guarantees issued, whether appearing on the balance sheet or not.

(xx) "owned funds" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by

accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;

(xxi) "public deposit" for the purpose of these Directions shall have the same meaning as defined in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016.

(xxii) "Public funds" includes funds raised either directly or indirectly through public deposits, inter-corporate deposits, bank finance and all funds received from outside sources such as funds raised by issue of Commercial Papers, debentures etc. but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue.

(xxiii) "substantial interest" means holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together in the shares of a company, the amount paid up on which exceeds ten per cent of the paid up capital of the company; or the capital subscribed by all the partners of a partnership firm;

(xxiv) "systemically important Core Investment Company (CIC-ND-SI)" means a core investment company having total assets of not less than ₹100 crore either individually or in aggregate along with other CICs in the Group and which raises or holds public funds.

(xxv) "total assets" means the total of all assets appearing on the assets side of the balance sheet.

4. Words or expressions used and not defined in these directions but defined in the Master Directions issued by the Bank, shall have the meanings respectively assigned to them under that Act or Directions. Any words or expressions used and not defined in these directions or in the Act or any of the Directions issued by the Bank, shall have the meanings respectively assigned to them under the Companies Act, 2013 (18 of 2013).

Chapter – III Registration

5. Every CIC-ND-SI shall apply to the Bank for grant of Certificate of Registration, irrespective of any advice in the past, issued by the Bank, to the contrary.

6. Every CIC shall apply to the Bank for grant of Certificate of Registration within a period of three months from the date of becoming a CIC-ND-SI.

7. Every CIC exempted from registration requirement with Bank shall pass a Board Resolution that it will not, in the future, access public funds. However CICs may be required to issue guarantees or take on other contingent liabilities on behalf of their group entities. Before doing so, all CICs must ensure that they can meet the obligations thereunder, as and when they arise. In particular, CICs which are exempt from registration requirement must be in a position to do so without recourse to public funds in the event the liability devolves, else they shall approach the Bank for registration before accessing public funds. If unregistered CICs with asset size above ₹100 crore access public funds without obtaining a Certificate of Registration (CoR) from the Bank, they shall be seen as violating Core Investment Companies (Reserve Bank) Directions, 2016.

Section – II Prudential Issues

Chapter – IV Capital Requirements

8. Adjusted Net Worth of a CIC-ND-SI shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year.

Explanations

On balance sheet assets

(1) In these Directions, degrees of credit risk expressed as percentage weights have been assigned to balance sheet assets. Hence, the value of each asset / item requires to be multiplied by the relevant risk weights to arrive at risk adjusted value of assets. The aggregate shall be taken into account for reckoning the capital ratio.

The risk weighted assets shall be calculated as the weighted aggregate of funded items as detailed hereunder:

Weighted risk assets - On-Balance Sheet items	Percentage weight
(i) Cash and bank balances including fixed deposits and certificates of deposits with banks	0
(ii) Investments	
(a) Approved securities[Except at (c) below]	0
(b) Bonds of public sector banks	20
(c) Fixed deposits/certificates of deposits/bonds of public financial institutions	100
(d) Shares of all companies and debentures / bonds/commercial papers of all companies and units of all mutual funds	100
(iii) Current assets	
(a) Stock on hire (net book value)	100
(b) Intercompany loans/deposits	100
(c) Loans and advances fully secured against deposits held	0
(d) Loans to staff	0
(e) Other secured loans and advances considered good[Except at (vi) below]	100
(f) Bills purchased/discounted	100
(g) Others (To be specified)	100
(iv) Fixed Assets (net of depreciation)	
(a) Assets leased out (net book value)	100
(b) Premises	100
(c) Furniture & Fixtures	100
(v) Other assets	
(a) Income tax deducted at source (net of provision)	0
(b) Advance tax paid (net of provision)	0
(c) Interest due on Government securities	0
(d) Others (to be specified)	100
(vi) Domestic Sovereign	
(a) fund based claims on the Central Government	0
(b) Direct loan / credit / overdraft exposure and investment in State Government securities	0
(c) Central Government guaranteed claims	0
(d) State Government guaranteed claims,	20

which have not remained in default / which are in default for a period not more than 90 days	
(e) State Government guaranteed claims, which have remained in default for a period of more than 90 days	100

Notes:

(i) Netting shall be done only in respect of assets where provisions for depreciation or for bad and doubtful debts have been made.

(ii) Assets which have been deducted from owned funds to arrive at net owned funds shall have a weight of 'zero'.

(iii) While calculating the aggregate of funded exposure of a borrower for the purpose of assignment of risk weight, such CICs-ND-SI shall net off the amount of cash margin/caution money/security deposits (against which right to set-off is available) held as collateral against the advances out of the total outstanding exposure of the borrower.

(iv) The counterparty credit risk, arising out of exposure of CICs-ND-SI to CCIL on account of securities financing transactions (CBLOs) shall carry a risk weight of zero, as it is presumed that the CCP's exposures to their counterparties are fully collateralised on a daily basis, thereby providing protection for the CCP's credit risk exposures. The deposits / collaterals kept by CICs-ND-SI with CCIL shall attract a risk weight of 20%.

Off-balance sheet items

3. In these Directions, degrees of credit risk exposure attached to off-balance sheet items have been expressed as percentage of credit conversion factor. Hence, the face value of each item requires to be first multiplied by the relevant conversion factor to arrive at risk adjusted value of off-balance sheet item. The aggregate shall be taken into account for reckoning the minimum capital ratio. This shall have to be again multiplied by the risk weight of 100. The risk adjusted value of the off-balance sheet items shall be calculated as per the credit conversion factors of non-funded items as detailed hereunder: -

Nature of item	Credit conversion factor Percentage
i) Financial & other guarantees	100
ii) Share/debenture underwriting obligations	50
iii) Partly-paid shares/debentures	100
iv) Bills discounted/rediscounted	100
v) Lease contracts entered into but yet to be executed	100

Leverage Ratio

9. The outside liabilities of a CIC-ND-SI shall at no point of time exceed 2.5 times its Adjusted Net Worth as on the date of the last audited balance sheet as at the end of the financial year.

Chapter – V Prudential Regulations

10. Prudential Regulations shall be applicable to CIC-ND-SI as defined in clause (xxiv) of paragraph 3 of these Directions.

11. Income recognition

- (i) The income recognition shall be based on recognised accounting principles.
- (ii) Income including interest/ discount/ hire charges/ lease rentals or any other charges on NPA shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed.

12. Income from investments

- (i) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

Provided that the income from dividend on shares of corporate bodies shall be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the CIC's right to receive payment is established.

(ii) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(iii) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

13. Accounting standards

Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as "ICAI") shall be followed insofar as they are not inconsistent with any of these Directions.

14. Accounting of investments

(1) (a) The Board of Directors of every CIC-ND-SI shall frame investment policy for the company and shall implement the same;

(b) The criteria to classify the investments into current and long term investments shall be spelt out by the Board of the company in the investment policy;

(c) Investments in securities shall be classified into current and long term, at the time of making each investment;

(d) In case of inter-class transfer –

(i) There shall be no such transfer on ad-hoc basis;

(ii) such transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board;

(iii) the investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;

(iv) the depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;

(v) the depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of such inter-class transfer, even in respect of the scrips of the same category.

(2) (a) Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.

- (i) equity shares,
- (ii) preference shares,
- (iii) debentures and bonds,
- (iv) Government securities including treasury bills,
- (v) units of mutual fund, and
- (vi) others.

(b) Quoted current investments for each category shall be valued at cost or market value whichever is lower. For this purpose, the investments in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category. If the aggregate market value for the category is less than the aggregate cost for that category, the net depreciation shall be provided for or charged to the profit and loss account. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored. Depreciation in one category of investments shall not be set off against appreciation in another category.

(3) Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower. However, CICs-ND-SI may substitute fair value for the breakup value of the shares, if considered necessary. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at one Rupee only.

(4) Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.

(5) Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.

(6) Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value declared by the mutual fund in respect of each particular scheme.

(7) Commercial papers shall be valued at carrying cost.

(8) A long term investment shall be valued in accordance with the Accounting Standard issued by ICAI.

Note: Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

15. Need for policy on demand/ call loans

(1) The Board of Directors of every CIC-ND-SI granting/intending to grant demand/call loans shall frame a policy for the company and implement the same.

(2) Such policy shall, inter alia, stipulate the following,-

(i) A cut-off date within which the repayment of demand or call loan shall be demanded or called up;

(ii) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut-off date for demanding or calling up such loan is stipulated beyond a period of one year from the date of sanction;

(iii) The rate of interest which shall be payable on such loans;

(iv) Interest on such loans, as stipulated shall be payable either at monthly or quarterly rests;

(v) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period;

(vi) A cut-off date, for review of performance of the loan, not exceeding six months commencing from the date of sanction;

(vii) Such demand or call loans shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.

16. Asset classification

(1) Every CIC-ND-SI shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:

(i) Standard assets;

(ii) Sub-standard assets;

(iii) Doubtful assets; and

(iv) Loss assets.

(2) The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgradation.

(3) For CIC-ND-SIs with total assets of less than ₹500 crore the asset classification norms shall be as follows:

(i) Standard asset shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business;

(ii) Sub-standard asset shall mean

(a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;

(b) an asset where the terms of the agreement regarding interest and/ or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms:

(iii) Doubtful asset shall mean:

a term loan, or

a lease asset, or

a hire purchase asset, or
any other asset,
which remains a sub-standard asset for a period exceeding 18 months;

(iv) loss asset shall mean:

(a) an asset which has been identified as loss asset by the CIC-ND-SI or its internal or external auditor or by the Bank during the inspection of the CIC-ND-SI, to the extent it is not written off by the CIC-ND-SI; and

(b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

(v) Non-Performing Asset (referred to in these Directions as "NPA") shall mean:

(a) an asset, in respect of which, interest has remained overdue for a period of six months or more;

(b) a term loan inclusive of unpaid interest, when the installment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;

(c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;

(d) a bill which remains overdue for a period of six months or more;

(e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/ advances, which facility remained overdue for a period of six months or more;

(f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;

(g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;

(h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities becomes non-performing asset:

Provided that in the case of lease and hire purchase transactions, a CIC-ND-SI shall classify each such account on the basis of its record of recovery.

(4) For CIC-ND-SIs with total assets of ₹ 500 crore and above the asset classification norms shall be as follows:

(i) "standard asset" shall mean the assets in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business;

(ii) "sub-standard asset" shall mean:

(a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;

Provided that the period 'not exceeding 18 months' stipulated in this sub-clause shall be 'not exceeding 16 months' for the financial year ending March 31, 2016; 'not exceeding 14 months' for the financial year ending March 31, 2017; and 'not exceeding 12 months' for the financial year ending March 31, 2018 and thereafter.

(b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms:

(iii) Doubtful asset shall mean:

(a) a term loan, or

(b) a lease asset, or

(c) a hire purchase asset, or

(d) any other asset,

which remains a sub-standard asset for a period 'exceeding 18 months' for the financial year ended March 31, 2015; 'exceeding 16 months' for the financial year ended March 31, 2016; 'exceeding 14 months' for the financial year ending March 31, 2017 and 'exceeding 12 months' for the financial year ending March 31, 2018 and thereafter.

(iv) loss asset shall mean:

(a) an asset which has been identified as loss asset by the CIC-ND-SI with asset size of ₹ 500 crore and above or its internal or external auditor or by the Bank during its inspection, to the extent it is not written off by it; and

(b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower

(v) Non-Performing Asset (referred to in these Directions as "NPA") shall mean:

(a) an asset, in respect of which, interest has remained overdue for a period of six months or more;

(b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;

(c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;

(d) a bill which remains overdue for a period of six months or more;

(e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of six months or more;

(f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;

Provided that the period of 'six months or more' stipulated in sub-clauses (a) to (f) shall be 'five months or more' for the financial year ending March 31, 2016; 'four months or more' for the financial year ending March 31, 2017 and 'three months or more', for the financial year ending March 31, 2018 and thereafter.

(g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;

Provided that the period of 'twelve months or more' stipulated in this sub-clause shall be 'nine months or more' for the financial year ending March 31, 2016; 'six months or more' for the financial year ending March 31, 2017; and 'three months or more' for the financial year ending March 31, 2018 and thereafter.

(h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset:

Provided that in the case of lease and hire purchase transactions, a CIC-ND-SI with asset size of ₹ 500 crore and above shall classify each such account on the basis of its record of recovery.

17. Provisioning requirements

Every CIC-ND-SI shall, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets as provided hereunder:-

Loans, advances and other credit facilities including bills purchased and discounted-

(1) The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

(i) Loss Assets	The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for;
(ii) Doubtful Assets	(a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the CIC-ND-SI has a valid recourse shall be made. The realisable value shall be estimated on a realistic basis; (b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. Estimated realisable value of the outstanding) shall be made on the following basis:-
Period for which the asset has been considered as doubtful	Per cent of provision
Up to one year	20
One to three years	30
More than three years	50
(iii) Sub-standard assets	A general provision of 10 percent of total outstanding shall be made.

(2) Lease and hire purchase assets - The provisioning requirements in respect of hire purchase and leased assets shall be as under:

(i) Hire purchase assets - In respect of hire purchase assets, the total dues (overdue and future instalments taken together) as reduced by

(a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and

(b) the depreciated value of the underlying asset, shall be provided for.

Explanation: For the purpose of this paragraph,

(1) the depreciated value of the asset shall be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of twenty per cent per annum on a straight line method; and

(2) in the case of second hand asset, the original cost shall be the actual cost incurred for acquisition of such second hand asset.

Additional provision for hire purchase and leased assets

(ii) In respect of hire purchase and leased assets, additional provision shall be made as under:

(a) Where hire charges or lease rentals are overdue upto 12 months	Nil
(b) Where hire charges or lease rentals are overdue for more than 12 months but upto 24 months	10 percent of the net book value
(c) Where hire charges or lease rentals are overdue for more than 24 months but upto 36 months	40 percent of the net book value
(d) where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70 percent of the net book value
(e) where hire charges or lease rentals are overdue for more than 48 months	100 percent of the net book value

(iii) On expiry of a period of 12 months after the due date of the last instalment of hire purchase/leased asset, the entire net book value shall be fully provided for.

Notes:

(1) The amount of caution money/margin money or security deposits kept by the borrower with the CIC-ND-SI in pursuance of the hire purchase agreement shall be deducted against the provisions stipulated under clause (i) above, if not already taken into account while arriving at the equated monthly instalments under the agreement. The value of any other security available in pursuance to the hire

purchase agreement shall be deducted only against the provisions stipulated under clause (ii) above.

(2) The amount of security deposits kept by the borrower with the CIC-ND-SI in pursuance to the lease agreement together with the value of any other security available in pursuance to the lease agreement shall be deducted only against the provisions stipulated under clause (ii) above.

(3) It is clarified that income recognition on and provisioning against NPAs are two different aspects of prudential norms and provisions as per the norms are required to be made on NPAs on total outstanding balances including the depreciated book value of the leased asset under reference after adjusting the balance, if any, in the lease adjustment account. The fact that income on an NPA has not been recognised shall not be taken as reason for not making provision.

(4) An asset which has been renegotiated or rescheduled as referred to in paragraph 16.3(ii)(b) and 16.4(ii)(b) of these Directions shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or reschedulement as a doubtful asset or a loss asset as the case may be. Necessary provision shall be made as applicable to such asset till it is upgraded.

(5) The balance sheet to be prepared by a CIC-ND-SI shall be in accordance with the provisions contained in sub-paragraph (2) of paragraph 19 of this Chapter.

(6) All financial leases written on or after April 1, 2001 shall attract the provisioning requirements as applicable to hire purchase assets.

18. Provision for Standard Assets

(1) A CIC-ND-SI with total asset of less than ₹ 500 crore, shall make provision for standard assets at 0.25 percent of the outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets shall not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet.

(2) A CIC-ND-SI with total asset size of ₹ 500 crore and above shall make provision for standard assets at 0.25 per cent by the end of March 2015; 0.30 per cent by the end of March 2016; 0.35 per cent by the end of March 2017 and 0.40 per cent by the end of March 2018 and thereafter, of the outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets shall not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet.

19. Disclosure in the Balance Sheet

(1) Every CIC-ND-SI shall separately disclose in its balance sheet the provisions made as per paragraph 17 above without netting them from the income or against the value of assets.

(2) The provisions shall be distinctly indicated under separate heads of account as under:-

- (i) provisions for bad and doubtful debts; and
- (ii) provisions for depreciation in investments.

(3) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by a CIC-ND-SI.

(4) Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves shall be written back without making adjustment against them.

(5) CIC-ND-SIs with total assets ₹ 500 crore and above shall disclose the following particulars in the Balance Sheet:

- i. Exposure to real estate sector, both direct and indirect; and
- ii. Maturity pattern of assets and liabilities.

20. Accounting year

Every CIC-ND-SI shall prepare its balance sheet and profit and loss account as on March 31 every year. Whenever a CIC-ND-SI intends to extend the date of its balance sheet as per provisions of the Companies Act, it shall take prior approval of the Bank before approaching the Registrar of Companies for this purpose.

Further, even in cases where the Bank and the Registrar of Companies grant extension of time, a CIC-ND-SI shall furnish to the Bank a proforma balance sheet (unaudited) as on March 31 of the year and the statutory returns due on the said

date. Every CIC-ND-SI shall finalise its balance sheet within a period of 3 months from the date to which it pertains.

21. Schedule to the balance sheet

Every CIC-ND-SI shall append to its balance sheet prescribed under the Companies Act, 2013, the particulars in the schedule as set out in Annex I.

22. Transactions in Government securities

Every CIC-ND-SI shall undertake transactions in Government securities through its CSGL account or its demat account:

Provided that no CIC-ND-SI shall undertake any transaction in government security in physical form through any broker.

23. Loans against CICs own shares prohibited

No CIC-ND-SI shall lend against its own shares.

24. Information with respect to change of address, directors, auditors, etc. to be submitted

Every CIC-ND-SI shall communicate, not later than one month from the occurrence of any change in:

- a. the complete postal address, telephone number/s and fax number/s of the registered/corporate office;
- b. the names and residential addresses of the directors of the company;
- c. the names and the official designations of its principal officers;
- d. the names and office address of the auditors of the company; and
- e. the specimen signatures of the officers authorised to sign on behalf of the company;

to the Regional Office of the Department of Non-Banking Supervision of the Bank under whose jurisdiction the CIC is registered.

25. CICs not to be partners in partnership firms

(1) No CIC-ND-SI shall contribute to the capital of a partnership firm or become a partner of such firm.

(2) CIC-ND-SI which had already contributed to the capital of a partnership firm or was a partner of a partnership firm shall seek early retirement from the partnership firm.

(3) In this connection it is further clarified that;

a. Partnership firms mentioned above shall also include Limited Liability Partnerships (LLPs).

b. Further, the aforesaid prohibition shall also be applicable with respect to Association of persons; these being similar in nature to partnership firms

26. Loans against security of shares

CIC-ND-SI lending against the collateral of listed shares shall,

(i) maintain a Loan to Value (LTV) ratio of 50% for loans granted against the collateral of shares. LTV ratio of 50% is required to be maintained at all times. Any shortfall in the maintenance of the 50% LTV occurring on account of movement in the share prices shall be made good within 7 working days

ii) in case where lending is being done for investment in capital markets, accept only Group 1 securities (specified in SMD/Policy/Cir-9/2003 dated March 11, 2003 as amended from time to time, issued by SEBI) as collateral for loans of value more than 5 lakh, subject to review by the Bank.

iii) report on-line to stock exchanges on a quarterly basis, information on the shares pledged in their favour, by borrowers for availing loans in format as given in Annex II.

Section – III Governance Issues

Chapter VI Acquisition / Transfer of Control of Systemically important CICs

27. (i) A systemically important CIC as defined in para 3 (xxiv) of these Directions, shall require prior written permission of the Bank for the following:

a) any takeover or acquisition of control of CIC, which may or may not result in change of management;

b) any change in the shareholding of CIC, including progressive increases over time, which results in acquisition / transfer of shareholding of 26 per cent or more of the paid up equity capital of the CIC.

Provided that, prior approval shall not be required in case of any shareholding going beyond 26% due to buyback of shares / reduction in capital where it has approval of a competent Court. The same is to be reported to the Bank not later than one month from its occurrence;

c) any change in the management of the CIC which results in change in more than 30 per cent of the directors, excluding independent directors.

Provided that, prior approval shall not be required in case of directors who get re-elected on retirement by rotation.

(ii) Notwithstanding clause (i), CICs shall continue to inform the Bank regarding any change in their directors / management not later than one month from the occurrence of any change.

28. Application for prior approval

(i) CICs shall submit an application, in the company letter head, for obtaining prior approval of the Bank as above, along with the following documents:

- a) Information about the proposed directors / shareholders as per the Annex III;
- b) Sources of funds of the proposed shareholders acquiring the shares in the CIC;
- c) Declaration by the proposed directors / shareholders that they are not associated with any unincorporated body that is accepting deposits;
- d) Declaration by the proposed directors / shareholders that they are not associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the Bank;
- e) Declaration by the proposed directors / shareholders that there is no criminal case, including for offence under Section 138 of the Negotiable Instruments Act, against them; and
- f) Bankers' Report on the proposed directors / shareholders.

(ii) Applications in this regard shall be submitted to the Regional Office of the Department of Non-Banking Supervision in whose jurisdiction the Registered Office of the CIC is located.

29. Requirement of Prior Public Notice about change in control / management

(i) A public notice of at least 30 days shall be given before effecting the sale of, or transfer of the ownership by sale of shares, or transfer of control, whether with or without sale of shares. Such public notice shall be given by the CIC and also by the other party or jointly by the parties concerned, after obtaining the prior permission of the Bank.

(ii) The public notice shall indicate the intention to sell or transfer ownership / control, the particulars of transferee and the reasons for such sale or transfer of ownership / control. The notice shall be published in at least one leading national and in one leading local (covering the place of registered office) vernacular newspaper.

Section – IV Miscellaneous Issues

Chapter- VII Overseas Investment

30. These directions are in addition to those prescribed by Foreign Exchange Department for overseas investment.

31. Investment in ¹financial sector overseas

All CICs investing in Joint Venture/Subsidiary/Representative Offices overseas in the financial sector shall require prior approval from the Bank. CICs desirous of making overseas investment in financial sector shall hold a Certificate of Registration (CoR) from the Bank and shall comply with all the regulations applicable to CIC-ND-SI. CICs that are presently exempted from the regulatory framework of the Bank (exempted CICs), shall be required to be registered with the Bank and shall be regulated like CICs-ND-SI, where they intend to make overseas investment in financial sector.

32. Investment in non-financial sector

Exempted CICs making overseas investment in non-financial sector shall not require registration from the Bank and hence, these Directions are not applicable to them.

¹Financial sector for this purpose would mean a sector/ service regulated by a Financial Sector Regulator

Further, a CIC-ND-SI need not obtain prior approval from Department of Non-Banking Supervision (DNBS), RBI, for overseas investment in non-financial sector. However it shall report to the Regional Office of DNBS where it is registered within 30 days of such investment in the stipulated format and at the prescribed periodicity.

The eligibility criteria for investments abroad and other conditions prescribed for CICs are given in the following paragraphs

33. Eligibility Criteria

- i. The Adjusted Net Worth (ANW) of the CIC shall not be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year. The CIC shall continue to meet the requirement of minimum ANW, post overseas investment. For this purpose, the risk weights applicable shall be as provided for in these directions.
- ii. The level of Net Non-Performing Assets of the CIC shall not be more than 1% of the net advances as on the date of the last audited balance sheet.
- iii. The CIC shall generally be earning profit continuously for the last three years and its performance shall be satisfactory during the period of its existence.

34. General Conditions

- i. Direct investment in activities prohibited under FEMA shall not be permitted.
- ii. The total overseas investment shall not exceed 400% of the owned funds of the CIC.
- iii. The total overseas investment in financial sector shall not exceed 200% of its owned funds.
- iv. Investment in financial sector shall be only in regulated entities abroad.
- v. Entities set up abroad or acquired abroad shall be treated as wholly owned subsidiaries (WOS) /joint ventures (JV) abroad.
- vi. Overseas investments by a CIC in financial /non-financial sector shall be restricted to its financial commitment. However with regard to issuing guarantees/Letter of Comfort in this regard the following shall be noted:
 - (a) The CIC can issue guarantees / letter of comfort to the overseas subsidiary engaged in non-financial activity;

(b) CICs must ensure that investments made overseas shall not result in creation of complex structures. In case the structure overseas requires a Non-Operating Holding Company, there shall not be more than two tiers in the structure. CICs having more than one non-operating holding company in existence, in their investment structure, shall report the same to the Bank for a review.

(c) CICs shall comply with the regulations issued under FEMA, 1999 from time to time;

(d) An annual certificate from statutory auditors shall be submitted by the CIC to the Regional Office of DNBS where it is registered, certifying that it has fully complied with all the conditions stipulated under these Guidelines for overseas investment. The certificate as on end March every year shall be submitted by April 30 each year;

(e) If any serious adverse features come to the notice of the Bank, the permission granted shall be withdrawn. All approvals for investment abroad shall be subject to this condition.

35. Specific Conditions

i. Opening of Branches

As CICs are non-operating entities, they shall not, in the normal course, be allowed to open branches overseas.

ii. Opening of WOS/JV Abroad by CICs

In the case of opening of a WOS/JV abroad by a CIC, all the conditions as stipulated above shall be applicable. The NoC to be issued by the Bank is independent of the overseas regulators' approval process. In addition, the following conditions shall apply to all CICs:

(a) The WOS/JV being established abroad shall not be a shell company i.e "a company that is incorporated, but has no significant assets or operations." However companies undertaking activities such as financial consultancy and advisory services shall not be considered as shell companies;

(b) The WOS/JV being established abroad by the CIC shall not be used as a vehicle for raising resources for creating assets in India for the Indian operations;

(c) In order to ensure compliance of the provisions, the parent CIC shall obtain periodical reports/audit reports at least quarterly about the business undertaken by the WOS/JV abroad and shall make them available to the inspecting officials of the Bank;

(d) If the WOS/JV has not undertaken any activity or such reports are not forthcoming, the approvals given for setting up the WOS/JV abroad shall be reviewed;

(e) The WOS/JV shall make disclosure in its Balance Sheet the amount of liability of the parent entity towards it and also whether it is limited to equity / loan or if guarantees are given, the nature of such guarantees and the amount involved;

(f) All the operations of the WOS/JV abroad shall be subject to regulatory prescriptions of the host country.

iii. Opening of Representative Offices Abroad by CICs

CICs shall need prior approval from the DNBS, RBI for opening representative offices abroad. The representative offices can be set up abroad for the purpose of liaison work, undertaking market study and research but not for undertaking any activity which involves outlay of funds. The representative offices shall also comply with regulations, if any, in this regard stipulated by a regulator in the host country. As it is not envisaged that such offices would be carrying on any activity other than liaison work, no line of credit shall be extended.

The parent CICs shall obtain periodical reports about the business undertaken by the representative offices abroad. If the representative offices have not undertaken any activity or such reports are not forthcoming, the Bank may advise the CIC to wind up the establishment.

Chapter - VIII Miscellaneous Instructions

36. Participation in Currency Options/Futures

CIC-ND-SIs shall participate in the designated currency options / futures exchanges recognized by SEBI as clients, subject to RBI (Foreign Exchange Department) guidelines in the matter, only for the purpose of hedging their underlying forex exposures. Disclosures shall be made in the balance sheet relating to transactions undertaken in the currency futures market, in accordance with the guidelines issued by SEBI.

37. Operative instructions relating to relaxation / modification in Ready Forward Contracts, Settlement of Government Securities Transactions and Sale of securities allotted in Primary Issues

All CIC-ND-SIs shall follow the guidelines on transactions in Government Securities as given in the [circular IDMD.PDRS.05/10.02.01/2003-04 dated March 29, 2004](#) and [IDMD.PDRS.4777, 4779 & 4783/10.02.01/2004-05 all dated May 11, 2005](#) as amended from time to time. In case of doubt they may refer to IDMD.

38. Introduction of Interest Rate Futures

CIC-ND-SIs shall participate in the designated interest rate futures(IRF) exchanges recognized by SEBI, as clients, subject to RBI / SEBI guidelines in the matter, for the purpose of hedging their underlying exposures. CIC-ND-SIs participating in IRF exchanges shall submit the data in this regard half yearly, in the prescribed format, to the Regional Office of the Department of Non-Banking Supervision in whose jurisdiction their company is registered, within a period of one month from the close of the half year.

39. Raising Money through Private Placement of Debentures etc. by CIC-ND-SIs

All CIC-ND-SIs shall follow the guidelines on private placement of Non-Convertible Debentures (NCDs) (given in Annex IV) for compliance. It may be noted that the provisions of Companies Act, 2013 and Rules issued there under shall be applicable wherever not contradictory.

40. Applicability of Know Your Customer (KYC) Direction, 2016

All CIC-ND-SIs shall be required to follow the Know Your Customer (KYC) Direction, 2016, issued and as amended from time to time by the Department of Banking Regulation.

41. Rounding off transactions to the Nearest Rupee by CIC-ND-SIs

CIC-ND-SIs shall ensure that all transactions, including payment of interest on deposits/ charging of interest on advances, are rounded off to the nearest rupee, i.e. fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise should be ignored. Further, they shall also ensure that

cheques / drafts issued by clients containing fractions of a rupee are not rejected by them.

42. Ratings for CIC-ND-SIs

CICs also issue financial products like Commercial Paper, Debentures etc. to which rating is assigned by rating agencies. The ratings assigned to such products may undergo changes for various reasons ascribed to by the rating agencies. All CIC-ND-SIs shall furnish the information about downgrading / upgrading of assigned rating of any financial product issued by them, within fifteen days of such a change in rating, to the Regional Office of the Bank under whose jurisdiction their registered office is functioning.

43. Guidelines on Investment in Insurance - Entry into insurance business

The aspirant CICs shall make an application along with necessary particulars duly certified by their statutory auditors to the Regional Office of Department of Non-Banking Supervision under whose jurisdiction the registered office of the CIC is situated. Any CIC registered with the Bank which satisfies the eligibility criteria given below may be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. No ceiling is prescribed for CICs in their investment in an insurance joint venture. The maximum equity contribution such a CIC can hold in the joint venture company shall be as per IRDA approval.

(1)The eligibility criteria for joint venture participant shall be as under, as per the latest available audited balance sheet.

- a. The owned funds of the CIC shall not be less than ₹ 500 crore;
- b. The level of net non-performing assets shall be not more than 1% of the total advances;
- c. The CIC shall have registered net profit continuously for three consecutive years;
- d. The track record of the performance of the subsidiaries, if any, of the concerned CIC shall be satisfactory;
- e. The CIC shall comply with all applicable regulations including these Directions. Thus, CICs-ND-SI are required to maintain adjusted net worth

which shall be not less than 30% of aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items.

(2) No CIC shall be allowed to conduct such business departmentally. Further, a NBFC (in its group / outside the group) shall normally not be allowed to join an insurance company on risk participation basis and hence shall not provide direct or indirect financial support to the insurance venture.

(3) Within the group, CICs shall be permitted to invest up to 100% of the equity of the insurance company either on a solo basis or in joint venture with other non-financial entities in the group. This shall ensure that only the CIC either on a solo basis or in a joint venture with the group company is exposed to insurance risk and the NBFC within the group is ring-fenced from such risk.

(4) In case where a foreign partner contributes 26 per cent of the equity with the approval of Insurance Regulatory and Development Authority/Foreign Investment Promotion Board, more than one CIC may be allowed to participate in the equity of the insurance joint venture. As such participants shall also assume insurance risk, only those CICs which satisfy the criteria given Paragraph 43(1) above, shall be eligible.

(5) CICs shall not enter into insurance business as agents. CICs that wish to participate in insurance business as investors or on risk participation basis shall be required to obtain prior approval of the Bank. The Bank will give permission on case to case basis keeping in view all relevant factors. It shall be ensured that risks involved in insurance business do not get transferred to the CIC.

Notes:

- (1) Holding of equity by a promoter CIC in an insurance company or investment in insurance business shall be subject to compliance with any rules and regulations laid down by the IRDA/Central Government. This shall include compliance with Section 6AA of the Insurance Act as amended by the IRDA Act, 1999, for divestment of equity in excess of 26 per cent of the paid up capital within a prescribed period of time.

- (2) CICs exempted from registration with the Bank in terms of these Directions, shall not require prior approval provided they fulfill all the necessary conditions of exemption.

Chapter - IX Reporting Requirements

44. The reporting requirements in respect of CIC-ND-SIs as prescribed by Department of Non-Banking Supervision shall be adhered to.

Chapter -X Interpretations

45. For the purpose of giving effect to the provisions of these Directions, the Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Bank shall be final and binding on all the parties concerned. Violation of these directions shall invite penal action under the provisions of Act. Further, these provisions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

Chapter - XI Repeal Provisions

46. With the issue of these directions, the instructions / guidelines contained in the following circulars issued by the Bank stand repealed (list as provided below).All approvals / acknowledgements given under the above circulars shall be deemed as given under these directions. Notwithstanding such repeal, any action taken/purported to have been taken or initiated under the instructions/guidelines having repealed shall continue to be guided by the provisions of said instructions/guidelines.

Sr. No.	Notification No.	Date	Subject
1	DNBS.(PD).CC.No.197/03.10.001/2010-11	August 12, 2010	Regulatory Framework for Core Investment Companies (CICs)
2	Notification No.DNBS.(PD).219/CGM(US)-2011	January 5, 2011	Core Investment Companies (Reserve Bank) Directions, 2011
3	DNBS.PD.CC.No.274/03.02.089/2011-12	May 11, 2012	Core Investment Companies (Reserve Bank) Directions, 2011 – Clarification on CICs Issuing Guarantees
4	DNBS.PD.CC.No.311/03.10.01/2012-13	December 06, 2012	Core Investment Companies - Overseas Investment (Reserve Bank) Directions, 2012
5	DNBS.CC.PD.No.312/03.10.01/2012-13	December 07, 2012	Checklist for NBFCs, Non Banking Financial Company-Micro Finance Institutions, Non Banking Financial Company-Factoring Institutions and Core Investment Companies
6	DNBS(PD)CC.No.322/03.10.001/2012-13	April 01, 2013	Core Investment Companies – Guidelines on Investment in Insurance

(C. D. Srinivasan)
Chief General Manager

	<p>(i) Lease assets including lease rentals under sundry debtors :</p> <ul style="list-style-type: none"> (a) Financial lease (b) Operating lease <p>(ii) Stock on hire including hire charges under sundry debtors:</p> <ul style="list-style-type: none"> (a) Assets on hire (b) Repossessed Assets <p>(iii) Other loans counting towards AFC activities</p> <ul style="list-style-type: none"> (a) Loans where assets have been repossessed (b) Loans other than (a) above 	
(4)	<p><u>Break-up of Investments :</u></p> <p><u>Current Investments :</u></p> <p>1. <u>Quoted :</u></p> <ul style="list-style-type: none"> (i) Shares : (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify) <p>2. <u>Unquoted :</u></p> <ul style="list-style-type: none"> (i) Shares : (a) Equity (b) Preference 	
	<p>(ii) Debentures and Bonds</p>	

	<p>(iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)</p> <p><u>Long Term investments :</u></p> <p>1. <u>Quoted :</u></p> <p>(i) Shares : (a) Equity (b) Preference</p> <p>(ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)</p> <p>2. <u>Unquoted :</u></p> <p>(i) Shares : (a) Equity (b) Preference</p> <p>(ii) Debentures and Bonds (iii) Units of mutual funds (iv) Government Securities (v) Others (please specify)</p>																																	
(5)	<p>Borrower group-wise classification of assets financed as in (2) and (3) above :</p> <p>Please see Note 2 below</p> <table border="1" data-bbox="272 1485 1362 2040"> <thead> <tr> <th data-bbox="272 1485 783 1541" rowspan="2"><u>Category</u></th> <th colspan="3" data-bbox="783 1485 1362 1541">Amount net of provisions</th> </tr> <tr> <th data-bbox="783 1541 951 1597">Secured</th> <th data-bbox="951 1541 1169 1597">Unsecured</th> <th data-bbox="1169 1541 1362 1597">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="272 1597 783 1653"><u>1. Related Parties **</u></td> <td data-bbox="783 1597 951 1653"></td> <td data-bbox="951 1597 1169 1653"></td> <td data-bbox="1169 1597 1362 1653"></td> </tr> <tr> <td data-bbox="272 1653 783 1709">(a) Subsidiaries</td> <td data-bbox="783 1653 951 1709"></td> <td data-bbox="951 1653 1169 1709"></td> <td data-bbox="1169 1653 1362 1709"></td> </tr> <tr> <td data-bbox="272 1709 783 1821">(b) Companies in the same group</td> <td data-bbox="783 1709 951 1821"></td> <td data-bbox="951 1709 1169 1821"></td> <td data-bbox="1169 1709 1362 1821"></td> </tr> <tr> <td data-bbox="272 1821 783 1877">(c) Other related parties</td> <td data-bbox="783 1821 951 1877"></td> <td data-bbox="951 1821 1169 1877"></td> <td data-bbox="1169 1821 1362 1877"></td> </tr> <tr> <td data-bbox="272 1877 783 1966">other than related parties</td> <td data-bbox="783 1877 951 1966"></td> <td data-bbox="951 1877 1169 1966"></td> <td data-bbox="1169 1877 1362 1966"></td> </tr> <tr> <td data-bbox="272 1966 783 2040">Total</td> <td data-bbox="783 1966 951 2040"></td> <td data-bbox="951 1966 1169 2040"></td> <td data-bbox="1169 1966 1362 2040"></td> </tr> </tbody> </table>			<u>Category</u>	Amount net of provisions			Secured	Unsecured	Total	<u>1. Related Parties **</u>				(a) Subsidiaries				(b) Companies in the same group				(c) Other related parties				other than related parties				Total			
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(c) Other related parties																																		
other than related parties																																		
Total																																		

(6)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below		
	<u>Category</u>	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	<u>1. Related Parties **</u>		
	(a) Subsidiaries		
	(b) Companies in the same group		
	(c) Other related parties		
	Other than related parties		
	Total		

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other information

Particulars		Amount
(i)	Gross Non-Performing Assets	
	(a) Related parties	
	(b) Other than related parties	
(ii)	Net Non-Performing Assets	
	(a) Related parties	
	(b) Other than related parties	
(iii)	Assets acquired in satisfaction of debt	

Notes:

1. As defined in Core Investment Companies (Reserve Bank) Directions, 2016.
2. Provisioning norms shall be applicable as prescribed in these Directions.
3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments shall be disclosed irrespective of whether they are classified as long term or current in (4) above.

Data on Pledged Securities

Name of the NBFC Lender					
PAN					
Date of Reporting					
Share holding Information					
Name of the Company	ISIN	No of Shares held against loans	Type of the Borrower (Promoter / Non Promoter)	Name of the Borrower	PAN of the Borrower

Annex III – Part (i)

**Information about the Proposed Promoters / Directors / Shareholders of the
Company**

Sr. No.	Particulars Required	Response
1.	Name	
2.	Designation	Chairman / Managing Director / Director / Chief Executive Officer
3.	Nationality	
4.	Age (to be substantiated with date of birth)	
5.	Business Address	
6.	Residential Address	
7.	E-mail address / Telephone number	
8.	PAN Number under Income Tax Act	
9.	Director Identification Number (DIN)	
10.	Social security number / Passport No.*	
11.	Educational / professional qualifications	
12.	Professional Achievement relevant to the job	
13.	Line of business or vocation	
14.	Any other information relevant to the Company	
15.	Name/s of other companies in which the person has held the post of Chairman / Managing Director / Director / Chief Executive Officer	
16.	Name/s of the regulators (RBI, SEBI, IRDA, PFRDA, NHB or any other foreign regulator) of the entities mentioned in which the persons hold directorships	
17.	Name/s of the NBFCs, if any, with which the person is associated as Promoter, Managing Director, Chairman or Director including a Residuary Non-Banking Financial Company, which has been prohibited from accepting deposits / prosecuted by RBI ?	
18.	Detail of prosecution, if any, pending or commenced or resulting in conviction in the past against the person and / or against any of the entities he is associated with for violation of economic laws and regulations	
19.	Cases, if any, where the person or relatives of the person or the companies in which the person is associated with, are in default or have been in default in the last 5 years in respect of credit facilities obtained from any entity or bank	
20.	If the person is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he / she has been banned from entry of any professional occupation at any time	
21.	Whether the person attracts any of the disqualification envisaged under Section 164 of the Companies Act, 2013	
22.	Has the person or any of the companies, he / she is associated with, been subject to any investigation at the instance of the Government Department or Agency	
23.	Has the person at any time been found guilty of violations of rules / regulations / legislative requirements by Customs / Excise / Income Tax	

	/ Foreign Exchange / Other Revenue Authorities, if so, give particulars	
24.	Experience in the business of NBFC (number of years)	
25.	Equity shareholding in the company	
	(i) No. of shares	
	(ii) No. of shares	
	(iii) Percentage to total paid up equity share capital of the company	
26.	Name/s of the companies, firms and proprietary concerns in which the person holds substantial interest	
27.	Names of the principal bankers to the concerns at 26 above	
28.	Names of the overseas bankers *	
29.	Whether number of directorships held by the person exceeds the limits prescribed under Section 165 of the Companies Act, 2013	
Signature :		
Name :		
Designation :		
Company Seal :		
Date :		
Place :		
* For foreign promoters / directors / shareholders		
Note : (i) Separate form should be submitted in respect of each of the proposed promoters / directors / shareholders		

Annex III – Part (ii)

Information about Corporate Promoter

Sr. No.	Particulars Required	Response
1.	Name	
2.	Business Address	
3.	E-mail address / Telephone number	
4.	PAN Number under Income Tax Act	
5.	Name and contact details of compliance officer	
6.	Line of business	
7.	The details of their major shareholders (more than 10%) and line of activity, if corporates	
8.	Names of the principal bankers / overseas bankers *	
9.	Name/s of the regulators (RBI, SEBI, IRDA, PFRDA, NHB or any other foreign regulator)	
10.	Name/s of Company/ies in the Group as defined in the Prudential Norms Directions	
11.	Name/s of the company/ies in the Group that are NBFCs	
12.	Specify the names of companies in the group which have been prohibited from accepting deposits / prosecuted by RBI?	
13.	Detail of prosecution, if any, pending or commenced or resulting in conviction in the past against the corporate for violation of economic laws and regulations	
14.	Cases, if any, where the corporate, is in default or have been in default in the last 5 years in respect of credit facilities obtained from any	

	entity or bank	
15.	Whether the corporate has been subject to any investigation at the instance of the Government Department or Agency	
16.	Has the Corporate at any time been found guilty of violations of rules / regulations / legislative requirements by Customs / Excise / Income Tax / Foreign Exchange / Other Revenue Authorities, if so, give particulars	
17.	Has the promoter corporate / majority shareholder of the promoter corporate, if a corporate, ever applied to RBI for CoR which has been rejected	
Signature :		
Name :		
Designation :		
Company Seal :		
Date :		
Place :		
* For foreign corporate		

Guidelines on Private Placement of NCDs (maturity more than 1 year) by CICs:

1 CICs shall put in place a Board approved policy for resource planning which, inter-alia, shall cover the planning horizon and the periodicity of private placement.

2 The issues shall be governed by the following instructions:

i) The minimum subscription per investor shall be ₹20,000 (Rupees Twenty thousand);

ii) The issuance of private placement of NCDs shall be in two separate categories, those with a maximum subscription of less than ₹ 1 crore and those with a minimum subscription of ₹ 1 crore and above per investor;

iii) There shall be a limit of 200 subscribers for every financial year, for issuance of NCDs with a maximum subscription of less than ₹ 1 crore, and such subscription shall be fully secured;

iv) There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of ₹ 1 crore and above; the option to create security in favour of subscribers shall be with the issuers. Such unsecured debentures shall not be treated as public deposits as defined in Core Investment Companies (Reserve Bank) Directions, 2016.

v) A CIC shall not extend loans against the security of its own debentures (issued either by way of private placement or public issue).

3. Tax exempt bonds offered by CICs are exempted from the applicability of the circular.

4. For NCDs of maturity upto one year, guidelines on Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010, dated June 23, 2010, by Internal Debt Management Department, RBI shall be applicable.
