

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO.4988

TO BE ANSWERED ON THE 31st March 2017/ Chaitra 10, 1939 (SAKA)

Norms for NBFC

4988. DR. BHOLA SINGH:

DR. K. KAMARAJ:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has recently proposed to tighten norms for Non-Banking Financial Company (NBFC) and if so, the details thereof;
- (b) whether the existing vigilance mechanism for NBFC is insufficient in view of growing importance of the finance sector;
- (c) if so, the details thereof; and
- (d) the corrective steps taken/being taken by the Government in this regard?

ANSWER

The Minister of State in the Ministry of Finance
(SHRI SANTOSH KUMAR GANGWAR)

(a): Reserve Bank of India (RBI) has informed that there is no recent proposal for tightening the norms for Non-Banking Financial Company (NBFCs)

(b) to (d): The supervisory mechanism for NBFCs registered with RBI is based on annual on-site inspection, off-site return discipline, reliance on statutory auditor's certificate as also auditor's exception reports to ensure adherence to the regulatory framework for NBFCs. The annual on-site inspection focuses mainly on NBFC-Non-Deposit Systemically Important (NBFC-NDSI) NBFCs (asset size >Rs. 500 crore) and NBFC-Deposit (NBFC-D) taking companies. Other than this, all other NBFCs are also subject to periodic on-site inspection based on risk perception. The supervisory concerns raised in the inspection report are sent to the NBFC for ensuring compliance. In certain cases, based on the size of the NBFC and the severity of the concerns, the supervisory concerns are also put up to the Board for Financial Supervision.

NBFC-NDSI and NBFC-D are required to submit quarterly off-site returns. From the other NBFCs whose asset size is less than Rs.500 crore, a simplified annual return is obtained.

The Statutory Auditors of the NBFCs are required to submit an annual certificate to RBI certifying that the registered NBFC continues to carry on NBF activity and meets the Principal Business Criteria to be eligible to hold the Certificate of Registration.

The above supervisory mechanism for registered NBFCs has been found to be adequate.
