GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
STARRED QUESTION NO. *295
ANSWERED ON-9.12.2019

SUPPORT TO NBFCs

*295: SHRI KANUMURU RAGHU RAMA KRISHANA RAJU:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken a decision to come to the rescue of stressed Non-Banking Financial Companies (NBFCs) suffering from financial crisis;

(b) if so, the details thereof;

(c) whether it is true that the Government is planning to come up with a single window system to deal with the NBFCs that are on the verge of insolvency and if so, the details thereof; and

(d) the measures being taken by the Government to protect them?

ANSWER

THE FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

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Statement as referred to in reply of Lok Sabha Starred Question no. *295 for answer on 9th December, 2019/Agrahayana 18, 1941 (Saka) regarding "Support to NBFCs" by SHRI KANUMURU RAGHU RAMA KRISHANA RAJU, Hon'ble Member of Parliament

(a) to (d): NBFCs have played a significant role in credit delivery to small businesses and retail borrowers. A number of measures have been taken to support NBFCs, including, *inter alia*, the following:

(i) During the period from October 2018 to November 2019, Public Sector Banks have sanctioned support to NBFCs amounting to a total of ₹ 4.47 lakh crore, including ₹ 1.28 lakh crore for buy-outs of asset pools of NBFCs.

(ii) Open market operations have been conducted, in addition to regular Liquidity Adjustment Facility auctions, to inject liquidity in financial markets.

(iii) RBI has asked NBFCs with assets over Rs. 5,000 crore to appoint a Chief Risk Officer to improve their standards of risk management.

(iv) RBI has permitted a special dispensation for banks, whereby their incremental credit to NBFCs after 19.10.2018 could be treated as high-quality liquid assets for calculation of liquidity coverage ratio.

(v) Banks have been permitted to provide partial credit enhancement to bonds issued by NBFCs — Non-Deposit-taking Systemically Important registered with RBI and Housing Finance Companies (HFCs) registered with the National Housing Bank, thereby increasing their ability to borrow in the market.

(vi) RBI reduced the minimum average maturity requirement for External Commercial Borrowings in the infrastructure space by eligible borrowers from five years to three years.

(vii) Risk weights as per credit agency assigned ratings have been made applicable to bank exposures to NBFCs other than NBFC — Core Investment Companies, thereby facilitating flow of credit to well-rated NBFCs.

(viii) Securitisation guidelines for NBFCs have been relaxed by lowering the minimum holding period requirements for eligible loan assets till 31.12.2019.

(ix) Bank credit to NBFCs other than NBFC — Micro-Finance Institutions for on-lending to agriculture, micro and small enterprises, and housing has been made eligible for classification as priority sector up to a limit of five percent of individual bank's total priority sector lending and up to Rs. 10 lakh per borrower for agriculture, up to Rs. 20 lakh per borrower for micro and small enterprises, and up to Rs. 20 lakh per borrower for housing.

(x) Single-borrower exposure limit for NBFCs that are not financing infrastructure has been increased from 15% to 20% of tier-I capital of the bank.

(xi) Scheduled commercial banks other than Regional Rural Banks and Small Finance Banks have been allowed to engage with NBFC — Non-Deposit-taking Systemically Important to co-originate loans for creation of priority sector assets.

(xii) Government has launched a Partial Credit Guarantee Scheme for purchase of pooled assets of NBFCs.

The Reserve Bank of India Act, 1934 has been amended to vest Reserve Bank of India (RBI) with the powers to, *inter alia*, to undertake resolution of stressed NBFCs through amalgamation, reconstruction or splitting of viable and unviable businesses into separate units. Further, in exercise of powers under sections 227 and 239 of the Insolvency and Bankruptcy Code, 2016, Government has notified the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019, providing a generic framework for insolvency and liquidation proceedings of financial service providers. Further, in consultation with RBI, Government has notified that the resolution and liquidation proceedings of NBFCs with asset size of Rs. 500 crore or more, as per last audited balance-sheet, can be undertaken in accordance with the provisions of the said Code and Rules.

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