

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-712
ANSWERED ON- 7/2/2022

PCA FRAMEWORK FOR NBFCs

712. SHRI A. GANESHAMURTHI

Will the Minister of FINANCE be pleased to state:-

- (a) whether the Reserve Bank of India has announced a Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs), to strengthen applicable supervisory tools in line with the PCA framework for banks;
- (b) if so, the details and the present status thereof;
- (c) the number of NBFCs who have complied with the guidelines of RBI in this regard; and
- (d) whether any monitoring mechanism has been put in place to oversee the implementation of PCA and if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (d): Yes Sir. Reserve Bank of India (RBI) had issued a circular dated 14.12.2021, to put in place a PCA Framework for NBFCs to enable supervisory intervention at appropriate time and require the NBFCs to initiate and implement remedial measures in a timely manner, so as to restore their financial health. This framework shall come into effect from 1.10.2022 on the basis of the financial position of NBFCs as on or after 31.3.2022. The PCA framework is applicable to all Deposit Taking NBFCs (excluding Government Companies) (NBFCs-D) and all Non-Deposit Taking NBFCs in Middle, Upper and Top layers (NBFCs-ND) [including Investment and Credit Companies, Core Investment Companies (CICs), Infrastructure Debt Funds, Infrastructure Finance Companies, Micro Finance Institutions and Factors but excluding NBFCs not accepting/not intending to accept public funds, Government Companies, Primary Dealers and Housing Finance Companies].

RBI would track Capital to Risk Weighted Assets Ratio, Tier I Capital Ratio and Net NPA Ratio (NNPA) for NBFCs-D and NBFCs-ND and Adjusted Net Worth/Aggregate Risk Weighted Assets, Leverage Ratio and NNPA for CICs. An NBFC will generally be placed under PCA Framework based on the audited Annual Financial Results and/or the Supervisory Assessment made by RBI. However, RBI may impose PCA on any NBFC during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.
