

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

**NOTIFICATION No. DNBS. 127 /CGM(VSNM)-98 dated December 18, 1998.**

The Reserve Bank of India, having considered it necessary 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, it is necessary to amend the Non-Banking Financial Companies Acceptance of Public Deposit (Reserve Bank) Directions, 1998, in exercise of the powers conferred by sections 45J, 45K, 45L and 45MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.118/DG(SPT)/98 dated January 31,1998 stand amended with immediate effect, as follows, namely -

1. In paragraph 2, in sub-paragraph (2) after the words and figure and brackets “(Act No.1 of 1956)”, the following shall be inserted namely, -  
“or Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 or the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987”
2. In paragraph 4, sub-paragraph (4) shall be substituted by the following, namely,

-  
**“(4) Ceiling on quantum of deposit**  
**Equipment Leasing Company (ELC)**  
**Hire Purchase Finance Company (HPFC)**  
**Loan Company (LC) and Investment**  
**Company - Acceptance of public deposit**

No equipment leasing company or hire purchase finance company or loan company or investment company shall, accept or renew public deposit except as provided hereunder -

**EL/HPFC**

- (a) An equipment leasing company or a hire purchase finance company -
  - (i) having NOF of twenty five lakh of rupees or more; and
  - (ii) Complying with all the prudential norms with capital adequacy ratio of not less than fifteen percent as per last audited balance-sheet,  
may, accept or renew public deposit, together with the amounts remaining outstanding in the books of the company as on the date of acceptance or renewal of such deposit, not exceeding one and one half times of its NOF or public deposit upto ten crore of rupees, which ever is lower.
- (b) An equipment leasing company or a hire purchase finance company, -
  - (i) having NOF of twenty five lakh of rupees or more;
  - (ii) complying with all the prudential norms; and

- (iii) having minimum investment grade credit rating,

may, accept or renew public deposit, together with the amounts remaining outstanding in the books of the company as on the date of acceptance or renewal of such deposit, not exceeding four times of its NOF.

**LC/IC**

- (c) A loan company or an investment company, –

- (i) having NOF of twenty five lakh of rupees or more;
- (ii) having minimum investment grade credit rating; and
- (iii) complying with all the prudential norms with capital adequacy ratio of not less than fifteen percent as per last audited balance-sheet,

may, accept or renew public deposit, together with the amounts remaining outstanding in the books of the company as on the date of acceptance or renewal of such deposit, not exceeding one and one half times of its NOF:

Provided that a loan company or an investment company which is complying with all the above conditions and having, as on the date of its coming into force of these directions, AAA (triple A) grade credit rating but not having capital adequacy ratio of fifteen percent may, so long it continues to maintain the same position of its credit rating, accept or renew public deposit only upto the extent of not exceeding the amount outstanding as at the close of business on December 18, 1998 or one and one-half time of its NOF, whichever is more, and shall bring down its public deposit to the level as specified in paragraph 4(6) of the directions and also attain the capital adequacy ratio of fifteen percent before March 31, 2000.

- (d) A loan company or an investment company which complies with all the prudential norms and having, as on the date of coming into force of these directions –

- (i) NOF of twenty five lakh of rupees or more; and
- (ii) AA (double A) grade credit rating; but not having capital adequacy ratio of fifteen percent or above as per last audited balance-sheet

may, so long it continues to maintain the same position of its credit rating, accept or renew the public deposit together with the amounts outstanding in the books of the company on the date of acceptance or renewal of such deposit, not exceeding an amount equivalent to its NOF until it attains the capital adequacy ratio of fifteen percent but not later than March 31, 2000 (as per audited balance-sheet) with other stipulations remaining the same.

- (e) A loan company or an investment company which complies with all the prudential norms and having, as on the date of coming into force of these directions –

- (i) NOF of twenty five lakh of rupees or more; and

- (ii) A (single A) grade credit rating but not having capital adequacy ratio of fifteen percent or above as per last audited balance-sheet may, so long it continues to maintain the same position of its credit rating, accept or renew the public deposit, together with the amounts outstanding in the books of the company as on the date of acceptance or renewal of such deposit not exceeding an amount equivalent to one-half of its NOF until it attains the capital adequacy ratio of fifteen percent but not later than March 31, 2000 (as per audited balance-sheet) with other stipulations remaining the same.”
- 3. In paragraph 4, sub-paragraph (5) shall be substituted by the following namely,  
-

**“Downgrading of Credit Rating**

- (5) In the event of downgrading of credit rating below the minimum specified investment grade as provided for in paragraph 4(4), a non-banking financial company shall regularise the excess deposit as provided hereunder :

**ELC/HPFC**

- (i) An equipment leasing company or a hire purchase finance company shall,
  - (a) with immediate effect, stop accepting public deposit, if it is already holding public deposit to the extent permissible under sub-clause (b) of paragraph 4(4) above;
  - (b) report the position within fifteen working days to the Reserve Bank of India; and
  - (c) reduce, within three years from the date of such downgrading of credit rating, the amount of excess public deposit to nil or the appropriate extent permissible under sub-clause (a) of paragraph 4(4) above as the case may be, to which it is entitled to accept, by repayment as and when such deposit falls due or otherwise.

**LC/IC**

- (ii) A loan company or an investment company shall,
  - (a) with immediate effect, stop accepting public deposit;
  - (b) report the position within fifteen working days to the Reserve Bank of India; and
  - (c) reduce, within three years from the date of such downgrading of credit rating, the amount of excess public deposit to nil by repayment as and when such deposit falls due or otherwise.”
- 4. In Paragraph 4, sub-paragraph (6), shall be substituted by the following, namely, -
  - 6 “Where an equipment leasing company or a hire purchase finance company or a loan company or an investment company holds, at the close of business on December 18, 1998 public deposit in excess of the appropriate extent to which it is entitled to accept under the above provisions of these directions, it shall,
    - (i) stop accepting public deposit; and

- (ii) reduce, before December 31, 2001, the amount of excess public deposit to nil or the appropriate extent permissible under sub-clause (d) or (e) of paragraph 4(4) above as the case may be, by repayment as and when such deposit falls due or otherwise.

Note :

In the event of excess public deposits arising out of the regulatory ceiling or downgrading of credit rating, the NBFC may renew the maturing public deposit subject to the compliance of the repayment stipulations contained in sub-paragraph (5) and (6) of paragraph 4 and other provisions of these directions. It is to clarify that no matured public deposit shall be renewed without the express and voluntary consent of the depositor.”

- 5. In Paragraph 4, in sub-paragraph (12), the sub-clause (a) of clause (ii) shall be substituted by the following, namely, -
  - a. “the credit rating assigned for its fixed deposit and the name of the credit rating agency which rated the company or a statement from the management if it is an equipment leasing or a hire purchase finance company that, the quantum of public deposit held by it is not exceeding one and one-half times of its NOF or not exceeding rupees ten crore whichever is less.”
- 6. In Paragraph 4, in sub-paragraph (13), in clause (i), the following sub-clause shall be inserted, namely, -
  - h. “the information, relating to the aggregate dues (including the non-fund based facilities provided to) from companies in the same group or other entities or business ventures in which, the directors and/or the NBFC are holding substantial interest and the total amount of exposure to such entities.”
- 7. In Paragraph 4, in sub-paragraph (16), the clause (ii) shall be substituted, by the following, namely, -
  - (i) “The register or registers aforesaid shall be kept at each branch in respect of the deposit accounts opened by that branch of the company and a consolidated register for all the branches taken together at the registered office of the company and shall be preserved in good order for a period of not less than eight calendar years following the financial year in which the latest entry is made of the repayment or renewal of any deposit of which particulars are contained in the register;  
Provided that, if the company keeps the books of account referred to in sub-section (1) of section 209 of the Companies Act, 1956 (1 of 1956) at any place other than its registered office in accordance with the proviso to that sub-section, it shall be deemed to be sufficient compliance with this clause if the register aforesaid is kept at such other place, subject to the condition that the company delivers to the Reserve Bank of India a copy of the notice filed with the Registrar of Companies under the proviso to the said sub-section within seven days of such filing.”
- 8. In Paragraph 6, in sub-paragraph (1), before the proviso, the following shall be inserted, namely, -  
“or

a non-banking financial company may entrust such securities to the Stock Holding Corporation of India Ltd., with the prior approval, in writing, of regional office of the Reserve Bank of India under whose jurisdiction the registered office of the company is situated as specified in second schedule hereto, subject to such conditions as may be specified by the Reserve Bank of India in this behalf.”

Sd/-

( V. S. N. MURTY)

CHIEF GENERAL MANAGER



RESERVE BANK OF INDIA  
DEPARTMENT OF NON-BANKING SUPERVISION  
CENTRAL OFFICE  
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MUMBAI 400 005.

**NOTIFICATION No. DNBS. 128/CGM(VSNM)-98 dated December 18, 1998.**

The Reserve Bank of India, having considered it necessary 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, it is necessary to amend the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, in exercise of the powers conferred by section 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.119/DG(SPT)/98 dated January 31, 1998 stand amended with immediate effect as follows, namely -

1. After paragraph 11A, a new paragraph shall be inserted as follows, namely, -

**Restrictions on investments in land  
and building and Unquoted shares**

“11B (i) No equipment leasing company or hire purchase finance company, which is accepting public deposit, shall, invest in -

- (a) land or building, except for its own use, an amount exceeding ten percent of its owned fund;
- (b) unquoted shares of another company, which is not a subsidiary company or a company in the same group of the NBFC, an amount exceeding ten percent of its owned fund.

(ii) No loan company or investment company, which is accepting public deposit, shall, invest in -

- (a) land or building, except for its own use, an amount exceeding ten percent of its owned fund ;

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- (b) unquoted shares of another company, which is not a subsidiary company or a company in the same group of the NBFC, an amount exceeding twenty percent of its owned fund :

Provided that the land or building or unquoted shares acquired in satisfaction of its debts shall be disposed off by the NBFC within a period of three years or within such period as extended by the Bank, from the date of such acquisition if the investment in these assets together with such assets already held by the NBFC exceeds the above ceiling;

Provided further that the land or building or unquoted shares held by the company in excess of the ceiling specified hereinabove on the date of commencement of these directions, shall be disposed off so as to bring down such holding within the said ceiling by the NBFC within three years or within such period as extended by the Bank, from the date of coming into force of these Directions.”

2. In the half-yearly return on prudential norms required to be submitted as per provisions of paragraph 13 of these directions, at the end of Part H, the following shall be inserted, namely, -

#### **Part - I**

##### **Particulars regarding Investments in premises and unquoted shares**

Item name	Item code	Amount
-----		
“(i) Investments in Premises, (Land and buildings) except for own use, (out of item code 253 in the return) held by the company in excess of 10 percent of the owned fund		
(a) Acquired by the company independently	710	
(b) Acquired in satisfaction of its debts.	720	

- 3 -

Item name	Item code	Amount
-----		
(ii) Investments in unquoted shares		



except those held in the  
subsidiaries and companies in the  
same group (vide item code 141  
and 142) in excess of

(a) 10 percent of the owned fund 730  
in case of equipment leasing  
and hire purchase finance  
companies

(b) 20 percent of the owned fund 740  
in case of loan and investment  
companies”

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Sd/-  
( V. S. N. MURTY)  
CHIEF GENERAL MANAGER

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**NOTIFICATION No. DNBS. 129/CGM(VSNM)-98 dated December 18, 1998.**

In exercise of the powers conferred under exclusion clause (iv)(d) of section 45I(bb) of the Reserve Bank of India Act, 1934 (2 of 1934), the Reserve Bank of India specifies the institutions as under :

- “(i) a company incorporated under the Companies Act, 1956 (1 of 1956);
- (ii) a Corporation established by or under any Statute; and
- (iii) a cooperative society registered under the Cooperative Societies Act of any State.”

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**NOTIFICATION No. DNBS. 130/CGM(VSNM)-98 dated December 18, 1998.**

In exercise of the powers conferred by sub-section (1A) of section 45MA of the Reserve Bank of India Act, 1934 (2 of 1934), the Reserve Bank of India hereby directs that the directions contained in Notification No.DFC.117/DG(SPT)/98 dated January 2,1998 stand amended with immediate effect, as follows, namely –

In In paragraph 3, in sub-paragraph (B), after clause (i), the following clause (ia) shall be inserted, namely, -

“(ia) whether the public deposit held by the company in excess of the quantum of such deposit permissible to it under the provisions of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 are regularised in the manner provided in the directions.”

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( V. S. N. MURTY)  
CHIEF GENERAL MANAGER

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**NOTIFICATION No. DNBS. 131/CGM(VSNM)-98 dated December 18, 1998.**

In exercise of the powers conferred under the sub-section (2) of section 45IB of the Reserve Bank of India Act, 1934 (2 of 1934) for the purpose of ensuring compliance with the maintenance of percentage of assets by non-banking financial companies, the Reserve Bank of India hereby directs that directions contained in Notification DFC(COC) No. 108/ED(JRP)-97 dated April 30, 1997 stand amended with immediate effect as under :

1. In Form of Quarterly Return II, item 10 shall be substituted by the following namely, -

“10. Information regarding  
Regularisation of excess  
Deposits for compliance of  
Non-Banking Financial  
Companies Acceptance of  
Public Deposits (Reserve  
Bank) Directions, 1998

- |       |  |       |
|-------|--|-------|
| (i)   | Net owned fund (as per the<br>last audited balance sheet<br>of the company)                                  | ----- |
| (ii)  | Capital adequacy ratio (as per the<br>last audited balance sheet<br>of the company)                          | ----- |
| (iii) | Classification of the company<br>i.e. equipment leasing/hire<br>purchase finance/loan/<br>investment company | ----- |
| (iv)  | Credit rating for fixed deposits<br>of the company valid as<br>on the date of the return                     | ----- |
| (v)   | Public deposits outstanding<br>as at the close of business<br>on December 18, 1998                           | ----- |

- (vi) Quantum of excess public deposit held, if any, by the company as on December 18, 1998 -----
- (vii) Public Deposit outstanding as on date of this return # -----
- (viii) Quantum of public deposits permissible as per the provisions of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 as on date of this return # -----
- (ix) Quantum of excess public deposits remaining to be regularised on the date of this return # -----
- (x) Deposits accepted during the quarter under reference -----
- (xi) Deposits renewed during the quarter under reference -----
- (xii) Deposits matured but remained unpaid/unrenewed as on the date of this return # -----
- (xiii) Steps taken/being taken to regularise the excess public deposits within the time frame permitted under the Directions (A statement should be enclosed) -----

# Date of return shall be reckoned with reference to the last working day of the quarter to which the return relates. “

Sd/-  
( V. S. N. MURTY)  
CHIEF GENERAL MANAGER