



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

DRAFT FOR PUBLIC COMMENTS

December 12, 2012

All NBFCs (except primary dealers)

Dear Sir,

‘Review of NBFC Regulatory Framework – Recommendations of the Working Group on Issues and Concerns in the NBFC Sector – Corporate Governance and Disclosures for NBFCs

The Reserve Bank set up a Working Group (WG) under the chairmanship of Smt. Usha Thorat, former Deputy Governor, RBI, to review the extant regulatory framework of NBFCs. The WG submitted the report on August, 2011 which was placed in public domain by the Reserve Bank for comments. The report along with the feedback was examined by the Reserve Bank and accordingly, it has been decided to amend the existing Directions of NBFCs wherever applicable.

2. The details of changes made to the existing regulatory framework on Corporate Governance and Disclosures for NBFCs are given in Annexes 1- 5.

Yours sincerely,

(Uma Subramaniam)
Chief General Manager-in-Charge

Encl: as above.

Revised Guidelines on Corporate Governance and Disclosure for NBFCs

Attention is invited to DNBS(PD) CC. No.61/02.82/2005-06 dated December 12, 2005, DNBS(PD) CC. No.94/03.10.042/2006-07 dated May 8, 2007 and DNBS(PD) CC. No.104/03.10.042/2007-08 dated July 11, 2007. The need for adoption of good corporate governance practices continues to engage stakeholder attention. With the growing systemic significance of NBFCs, it becomes important that the directors and shareholders who are responsible for steering their affairs are fit and proper persons besides having the necessary qualifications. Further, it is also necessary that NBFCs should improve upon disclosures for better market access and retention of stakeholder confidence.

2. The WG set up to study the issues and concerns in the NBFC sector has made recommendations on the area of corporate governance. Accordingly, it has been decided to make the following amendments regarding change in control and transfer of share holdings, number of directorships which an individual may hold if associated with systemically important NBFCs, induction of independent directors and remuneration policies and disclosures.

3. In this connection, attention is also drawn to the Non-Banking Financial Companies (Deposit Accepting) (Approval of Acquisition or Transfer of Control) Directions, 2009 issued by the Reserve Bank on September 17, 2009. In terms of the Directions, any takeover or acquisition of control¹ of a deposit taking NBFC, whether by acquisition of shares or otherwise, or any merger/amalgamation of a deposit taking NBFC with another entity, or any merger/amalgamation of any entity with a deposit

¹ "control" shall have the same meaning as is assigned to it under clause (c) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. (Right to appoint majority of the Directors or to control management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their share-holding or management rights or shareholders agreement or voting agreements or in any other manner).

taking NBFC, shall require prior written approval of the Reserve Bank of India. Non-deposit-taking NBFCs presently are not covered under the above Directions. This poses concerns in areas of governance as there is hardly any due diligence carried out by the Bank on whether the new members in the management are fit and proper persons.

4. Prior Approval of RBI in cases of Change in Control or Transfer of Shareholding

4.1 It has been decided that all registered NBFCs both deposit taking and non-deposit taking should take prior approval from the Reserve Bank where there is a change in control and / or increase of shareholding to the extent of 25 percent or in excess thereof, of the paid up equity capital of the company by individuals or groups, directly or indirectly. Acquisitions in the ordinary course of business by an underwriter, a stock broker and a merchant banker are not covered by this requirement.

4.2 For any acquisitions and for all mergers under Section 391-394 of the Companies Act, 1956 by or of an NBFC, the NBFC involved should approach the Reserve Bank (even before filing for the same in the Courts) to ensure adherence to the basic tenets of corporate governance and overall health of the sector. Non-adherence to these guidelines will result in cancellation of the CoR of the concerned NBFC.

4.3 In reiteration of instructions laid out in DNBS(PD)CC.No.259/03.02.59/2011-12 dated March 15, 2012, there can be no change in control of the NBFC prior to commencement of business and regularization of its CoR.

5. Prior Approval for Appointment of CEO and Related Matters

5.1 Appointment of CEOs of NBFCs with asset size of Rs. 1000 crore and above would require the Reserve Bank's prior approval. In the interest of good governance and the sensitivities associated with NBFCs, the number of Directorships held by a single director of any NBFC, public or private, may not exceed the maximum number prescribed under Section 275 of the Companies Act 1956. In addition, such

companies, whether listed or not, will need to comply with Clause 49 of SEBI's listing agreement on corporate governance including induction of Independent Directors.

6. Criteria for NBFCs to Ascertain Fit and Proper Criteria for Directors

6.1 All NBFCs-ND-SI and NBFCs-D shall ensure that there is a policy in place for ascertaining the fit and proper criteria for appointment of directors. To ensure continuing due diligence on directors, the Nomination Committee of **all** NBFCs with asset size Rs. 100 crore and above shall certify annually to RBI on 'fit and proper' status of directors. Guidelines for NBFCs to ascertain fit and proper criteria of directors are given in Annex 2. Annex 3 contains the draft of the declaration and undertaking to be given by the Director and Annex 4 gives draft Deed of Covenant to be signed between the Director and the company. All NBFCs-ND-SI and NBFCs-D shall also furnish to the Reserve Bank a quarterly statement on change of directors certified by the auditors and a certificate from the Managing Director that fit and proper criteria in selection of directors has been followed.

6.2 NBFCs with assets of Rs. 100 crore and more but less than Rs. 1000 crore are encouraged to adopt Clause 49 principles in their governance practices.

7. Disclosures in Financial Statements – Notes to Account

7.1 At present, balance sheet disclosures by NBFCs are largely guided by those laid down by accounting standards and the Companies Act 1956, SEBI regulation on disclosures for listed companies, and a few items mandated by the Reserve Bank. The disclosures mandated by the Bank require all NBFCs (irrespective of whether they hold public deposits or not) to attach a schedule to their balance sheet containing additional particulars of assets and liabilities and details of their non-performing assets. NBFCs-ND-SI have to, in addition, disclose their Capital to Risk Asset Ratio, their exposure (both direct and indirect) to the real estate, and the maturity pattern of their assets and liabilities.

7.2 The above disclosures are far from comprehensive. NBFCs being financial entities are exposed to risks arising out of counterparty failures, funding and asset concentration, interest rate movements and risks pertaining to liquidity and solvency. Besides, they are highly leveraged entities, deeply interconnected with the financial markets and now increasingly into offering complex products. There is therefore need for greater transparency and greater rigour in disclosure norms.

7.3 Consequently, all registered NBFCs should disclose their registration with other regulator(s) such as SEBI, IRDA, Stock Market and Commodity Exchanges, as well as any credit ratings assigned by rating agencies. In addition, all registered NBFCs should disclose penalties, if any levied by any regulator.

7.4 NBFCs with asset size of Rs. 1000 crore and above will need to comply with mandatory disclosures under Clause 49 of the SEBI listing agreement, irrespective of whether they are listed or not. Additionally, they will need to disclose their provision coverage ratio, liquidity ratio, asset liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/assignment transactions and other disclosures as given in Annexure 5. Further, in the case of unlisted NBFCs with asset size of Rs.1000 crore and above, these disclosures should be made available on their websites.

8. Remuneration and Compensation

8.1 It will be mandatory for registered NBFCs with assets of Rs. 1000 crore and above to constitute a Remuneration Committee to decide on the compensation payable to the Executives. NBFCs with asset size below Rs. 1000 crore are encouraged to adopt such practices. Guidelines on Compensation to management of NBFCs will be issued separately.

'Fit and Proper' Criteria for Directors of NBFCs

In the background of the 'Report of the Consultative Group of Directors of Banks / Financial Institutions', Reserve Bank in June 2004 had issued Directive to banks on undertaking due diligence on the persons before they are appointed on the Boards of banks. Specific 'fit and proper' criteria to be fulfilled by the directors were also advised.

2. The importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. While the Reserve Bank does carry out due diligence on directors while issuing Certificate of Registration to an NBFC, it is necessary that NBFCs put in place an internal supervisory process on a continuing basis in the matter. Further, in order to streamline and bring in uniformity in the process of due diligence while appointing directors, NBFCs are advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

(a) NBFCs should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. NBFCs should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex- 3.

(b) the process of due diligence should be undertaken by the NBFCs at the time of appointment / renewal of appointment.

(c) the boards of the NBFCs should constitute Nomination Committees to scrutinize the declarations.

(d) based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.

(e) NBFCs should obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.

(f) the Board of the NBFC must ensure in public interest that the nominated / elected directors execute the deeds of covenants in the format given in Annex-4.

Name of NBFC: _____

Declaration and Undertaking by Director * (with enclosures as appropriate as on _____)

I. Personal details of director

- a. Full name
- b. Date of Birth
- c. Educational Qualifications
- d. Relevant Background and Experience
- e. Permanent Address
- f. Present Address
- g. E-mail Address / Telephone Number
- h. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle
- i. Relevant knowledge and experience
- j. Any other information relevant to Directorship of the NBFC

II Relevant Relationships of director

- a. List of Relatives if any who are connected with the NBFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956)
- b. List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956)
- c. List of entities in which he/she is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007
- d. Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)
- e. Fund and non-fund facilities, if any, presently availed

of by him/her and/or by entities listed in II (b) and (c) above from the NBFC

- f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default at any time in the last five years in respect of credit facilities obtained from the NBFC or any other NBFC / bank.

III Records of professional achievements

- a. Professional achievements relevant

IV. Proceedings, if any, against the director

- a. If the director 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 at any profession/ occupation at any time.
- b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations
- c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director
- d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Company's Act 1956?
- e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?
- f. Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars
- g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.

- V. **Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper**

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Place :

Signature

Date :

- VI. **Remarks of Chairman of Nomination Committee/Board of Directors of NBFC**

Place :

Signature

Date :

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand _____ **BETWEEN** _____, having its registered office at _____ (hereinafter called the 'NBFC") of the one part and Mr / Ms _____ of _____ (hereinafter called the "Director") of the other part.

WHEREAS

A. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the NBFC.

B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS :

1. The director acknowledges that his / her appointment as director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.

2. The director covenants with the NBFC that :

(i) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

(ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the NBFC a list of his / her relatives as defined in the Companies Act, 1956 and to the extent the director is aware directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The director shall in carrying on his / her duties as director of the NBFC:

- (a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
- (b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the NBFC;
- (c) shall keep himself / herself informed about the business, activities and financial status of the NBFC to the extent disclosed to him / her;
- (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the NBFC;
- (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;
- (f) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- (g) shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
- (h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;

(v) The director shall have :

- (a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;
- (b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
- (c) duty to acquire proper understanding of the business of the NBFC.

(vi) The director shall :

- (a) not evade responsibility in regard to matters entrusted to him / her by the Board;
- (b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
- (c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the NBFC in his / her capacity as director of the NBFC only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

(i) the NBFC shall apprise the director about:

- (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
- (b) control systems and procedures;
- (c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
- (d) qualification requirements and provide copies of Memorandum and Articles of Association;
- (e) corporate policies and procedures;
- (f) insider dealing restrictions;
- (g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
- (h) appointments of Senior Executives and their authority;
- (i) remuneration policy,
- (j) deliberations of committees of the Board, and
- (k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the NBFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the NBFC to the directors shall include but not be limited to the following :

- (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
- (b) NBFC's strategic and business plans and forecasts;
- (c) organisational structure of the NBFC and delegation of authority;
- (d) corporate and management controls and systems including procedures;
- (e) economic features and marketing environment;
- (f) information and updates as appropriate on NBFC's products;
- (g) information and updates on major expenditure;
- (h) periodic reviews of performance of the NBFC; and
- (i) report periodically about implementation of strategic initiatives and plans;

(iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The NBFC shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve NBFC of India and other concerned statutory and governmental authorities.

6. The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the NBFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the NBFC

Director

By

Name:

Name:

Title:

In the presence of:

1.

2.

Disclosure for NBFCs with Asset Size Rs. 1000 Crore and Above

1. Minimum Disclosures

At a minimum, the items listed in this Annex should be disclosed in the 'Notes to Accounts' by all NBFCs with asset size Rs. 1000 crore and above. The disclosures will help understanding of the financial position and performance of the NBFC. The disclosures listed are intended only to supplement, and not to replace, other disclosure requirements as applicable.

2. Summary of Significant Accounting Policies

NBFCs should disclose the accounting policies regarding key areas of operations at one place along with Notes to Accounts in their financial statements. A suggestive list includes - Basis of Accounting, Transactions involving Foreign Exchange, Investments - Classification, Valuation, etc, Advances and Provisions thereon, Fixed Assets and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc.

3. Disclosure Requirements

In order to encourage market discipline, Reserve Bank has over the years developed a set of disclosure requirements which allow the market participants to assess key pieces of information on capital adequacy, risk exposures, risk assessment processes and key business parameters which enhances comparability.

4. Capital

		(Amount in Rs. crore)	
Particulars		Current Year	Previous Year
i)	CRAR (%)		
ii)	CRAR - Tier I Capital (%)		
iii)	CRAR - Tier II Capital (%)		
iv)	Amount of subordinated debt raised as Tier-II capital		
v)	Amount raised by issue of PDI		

4.1 Investments

		(Amount in Rs. crore)	
Particulars		Current Year	Previous Year
(1)	Value of Investments		
(i)	Gross Value of Investments		
(a)	In India		
(ii)	Provisions for Depreciation		
(a)	In India		
(iii)	Net Value of Investments		

	(a)	In India		
(2)	Movement of provisions held towards depreciation on investments.			
	(i)	Opening balance		
	(ii)	Add : Provisions made during the year		
	(iii)	Less : Write-off / write-back of excess provisions during the year		
	(iv)	Closing balance		

4.2 Repo Transactions (in face value terms)

(Amount in ₹ crore)					
		Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Outstanding during the year	Outstanding as on March 31
Securities sold under repo					
i.	Government securities				
ii.	Corporate debt securities				
Securities purchased under reverse repo					
i.	Government securities				
ii.	Corporate debt securities				

4.3 Derivatives

4.3.1 Forward Rate Agreement / Interest Rate Swap

(Amount in ₹ crore)			
	Particulars	Current Year	Previous Year
(i)	The notional principal of swap agreements		
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
(iii)	Collateral required by the NBFC upon entering into swaps		
(iv)	Concentration of credit risk arising from the swaps \$		
(v)	The fair value of the swap book @		
<p>Note : Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should also be disclosed.</p> <p>\$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies.</p> <p>@ If the swaps are linked to specific assets, liabilities, or commitments, the fair value would be the estimated amount that the NBFC would receive or pay to terminate the swap agreements as on the balance sheet date.</p>			

4.3.2 Exchange Traded Interest Rate Derivatives

(Amount in ₹ crore)		
S. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a)	
	b)	
	c)	
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March (instrument-wise)	
	a)	
	b)	
	c)	
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	
	a)	
	b)	
	c)	
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	
	a)	
	b)	
	c)	

4.3.3 Disclosures on Risk Exposure in Derivatives

Qualitative Disclosure

NBFCs shall discuss their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include :

- a) the structure and organization for management of risk in derivatives trading,
- b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,
- c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
- d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

Quantitative Disclosures

(Amount in ₹ crore)			
Sl. No.	Particular	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	For hedging		
(ii)	Marked to Market Positions [1]		
	a) Asset (+)		
	b) Liability (-)		
(iii)	Credit Exposure [2]		
(iv)	Unhedged Exposures		

4.4 Non-Performing Assets

(Amount in ₹ crore)			
Particulars		Current Year	Previous Year
(i)	Net NPAs to Net Advances (%)		
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance		
	(b) Additions during the year		
	(c) Reductions during the year		
	(d) Closing balance		
(iii)	Movement of Net NPAs		
	(a) Opening balance		
	(b) Additions during the year		
	(c) Reductions during the year		
	(d) Closing balance		
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance		
	(b) Provisions made during the year		
	(c) Write-off / write-back of excess provisions		
	(d) Closing balance		

4.4.1 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

		(Amount in ₹ crore)	
Particulars		Current year	Previous Year
(i)	No. of accounts		
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC		
(iii)	Aggregate consideration		
(iv)	Additional consideration realized in respect of accounts transferred in earlier years		
(v)	Aggregate gain / loss over net book value		

4.4.2 Details of non-performing financial assets purchased / sold

NBFCs which purchase non-performing financial assets from other NBFCs shall be required to make the following disclosures in the Notes to Accounts to their Balance sheets:

A. Details of non-performing financial assets purchased :

			(Amount in ₹ crore)	
Particulars			Current year	Previous Year
1.	(a)	No. of accounts purchased during the year		
	(b)	Aggregate outstanding		
2.	(a)	Of these, number of accounts restructured during the year		
	(b)	Aggregate outstanding		

B. Details of Non-performing Financial Assets sold :

			(Amount in ₹ crore)	
Particulars			Current year	Previous Year
1.	No. of accounts sold			
2.	Aggregate outstanding			
3.	Aggregate consideration received			

4.4.3 Provisions on Standard Assets

			(Amount in ₹ crore)	
Particulars			Current Year	Previous Year
Provisions towards Standard Assets				
Note : Provisions towards Standard Assets need not be netted from gross advances but shown separately as 'Provisions against Standard Assets', under 'Other Liabilities and				

Provisions - Others' in the balance sheet.

4.5 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

	Up to 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits									
Advances									
Investments									
Borrowings									
Foreign Currency assets									
Foreign Currency liabilities									

4.6 Exposures

4.6.1 Exposure to Real Estate Sector

		(Amount in ₹ crore)	
Category		Current Year	Previous Year
a)	Direct Exposure		
(i)	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
(ii)	Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;		
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a.	Residential,		
b.	Commercial Real Estate.		
Total Exposure to Real Estate Sector			

4.6.2 Exposure to Capital Market

(Amount in ₹ crore)			
Particulars		Current Year	Previous Year
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;		
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;		
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;		
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;		
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		
(vi)	loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		
(vii)	bridge loans to companies against expected equity flows / issues;		
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)		
Total Exposure to Capital Market			

4.6.3 Risk Category wise Country Exposure (For Factoring Companies)

(Amount in ₹ crore)				
Risk Category*	Exposure (net) as at March... (Current Year)	Provision held as at March... (Current Year)	Exposure (net) as at March... (Previous Year)	Provision held as at March... (Previous Year)
Insignificant				
Low				
Moderate				
High				
Very High				
Restricted				
Off-credit				
Total				

* NBFCs may use the seven category of classification followed by Export Credit Guarantee Corporation of India Ltd. (ECGC) for the purpose of classification and making provisions for country risk exposures. ECGC shall provide to NBFCs, on request, quarterly updates of their country classifications and shall also inform all NBFCs in case

of any sudden major changes in country classification in the interim period.

4.6.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC.

The NBFC should make appropriate disclosure in the 'Notes to Account' to the annual financial statements in respect of the exposures where the NBFC had exceeded the prudential exposure limits during the year. The sanctioned limit or entire outstanding, whichever is high, shall be reckoned for arriving at exposure limit and for disclosure purpose.

4.6.5 Unsecured Advances

In order to enhance transparency and ensure correct reflection of the unsecured advances, it is advised as under:

a) For determining the amount of unsecured advances the rights, licenses, authorisations, etc., charged to the NBFCs as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured.

b) NBFCs should also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure may be made under a separate head in "Notes to Accounts". This would differentiate such loans from other entirely unsecured loans.

4.7 Miscellaneous

4.7.1 Amount of Provisions made for Income-tax during the year

Particulars	(Amount in ₹ crore)	
	Current Year	Previous Year
Provision for Income Tax		

4.7.2 Disclosure of Penalties imposed by RBI

Consistent with the international best practices in disclosure of penalties imposed by the regulator, placing the details of the levy of penalty on the NBFC in public domain will be in the interests of the investors and depositors. Further, strictures or directions on the basis of inspection reports or other adverse findings should also be placed in the public domain. The penalty should also be disclosed in the "Notes to Accounts" to the Balance Sheet.

5. Disclosure Requirements for 'Notes to Accounts' :

5.1 Net Profit or Loss for the period, prior period items and changes in accounting policies.

Since the format of the profit and loss account of NBFCs does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, may be made in the 'Notes to Accounts' to the balance sheet of NBFCs.

5.2 Revenue Recognition

An enterprise should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

5.3 Accounting Standard 18 - Related Party Disclosures

This Standard is applied in reporting related party relationships and transactions between a reporting enterprise and its related parties. The illustrative format of disclosure is furnished below :

It may be noted that the format is merely illustrative and is not exhaustive.

(Amount in ₹ crore)						
Items / Related Party	Parent (as per ownership or control)	Subsidiaries	Associates / Joint ventures	Key Management Personnel @	Relatives of Key Management Personnel	Total
Borrowings #						
Deposit#						
Placement of deposits #						
Advances #						
Investments#						
Non-funded commitments#						
Leasing / HP arrangements availed #						
Leasing / HP arrangements provided #						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services *						
Receiving of services *						
Management contracts*						
@ Whole time directors of the Board and CEOs.						
# The outstanding at the year-end and the maximum during the year are to be disclosed.						

Illustrative disclosure of names of the related parties and their relationship with the NBFC

- | | |
|--|------------------------|
| 1. Parent | A Ltd |
| 2. Subsidiaries | B Ltd and C Ltd |
| 3. Associates | P Ltd, Q Ltd and R Ltd |
| 4. Jointly controlled entity | L Ltd |
| 5. Key Management Personnel | Mr. M and Mr. N |
| 6. Relatives of Key Management Personnel | Mr. D and Mr. E |

5.4 Accounting Standard 21 - Consolidated Financial Statements (CFS)

As regards disclosures in the 'Notes to Accounts' to the Consolidated Financial Statements, NBFCs may be guided by general clarifications issued by Institute of Chartered Accountants of India from time to time.

A parent company, presenting the CFS, should consolidate the financial statements of all subsidiaries - domestic as well as foreign. The reasons for not consolidating a subsidiary should be disclosed in the CFS. The responsibility of determining whether a particular entity should be included or not for consolidation would be that of the Management of the parent entity. In case, its Statutory Auditors are of the opinion that an entity, which ought to have been consolidated, has been omitted, they should incorporate their comments in this regard in the "Auditors Report".

5.5 Accounting Standard 22 - Accounting for Taxes on Income

This Standard is applied in accounting for taxes on income. This includes the determination of the amount of the expense or saving related to taxes on income in respect of an accounting period and the disclosure of such an amount in the financial statements. Adoption of AS 22 may give rise to creation of either a deferred tax asset (DTA) or a deferred tax liability (DTL) in the books of accounts of NBFCs and creation of DTA or DTL would give rise to certain issues which have a bearing on the computation of capital adequacy ratio and NBFCs' ability to declare dividends. In this regard it is clarified as under :

- DTL should be included under item (vi) 'others (including provisions)' of Schedule 5 - 'Other Liabilities and Provisions' in the balance sheet. The balance in DTL account will not be eligible for inclusion in Tier I or Tier II capital for capital adequacy purpose as it is not an eligible item of capital.
- DTA included under item (vi) 'others' of Schedule 11 'Other Assets' in the balance sheet.
- The DTA computed as under should be deducted from Tier I capital :
 - i) DTA associated with accumulated losses; and
 - ii) The DTA (excluding DTA associated with accumulated losses), net of DTL. Where DTL is in excess of the DTA (excluding DTA associated with accumulated losses), the excess shall neither be adjusted against item (i) nor added to Tier I capital.

5.6 Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements

This Accounting Standard sets out principles and procedures for recognising, in the consolidated financial statements, the effects of the investments in associates on the financial position and operating results of a group. An NBFC may acquire more than 20% of voting power in the borrower entity in satisfaction of its advances and it may be able to demonstrate that it does not have the power to exercise significant influence since the rights exercised by it are protective in nature and not participative. In such a circumstance, such investment may not be treated as investment in associate under this Accounting Standard. Hence the test should not be merely the proportion of investment but the intention to acquire the power to exercise significant influence.

5.7 Accounting Standard 24 - Discontinuing Operations

Merger/ closure of branches of NBFCs by transferring the assets / liabilities to the other branches of the same NBFC may not be deemed as a discontinuing operation and hence this Accounting Standard will not be applicable to merger / closure of branches by transferring the assets / liabilities to the other branches of the same NBFC.

Disclosures would be required under the Standard only when :

- a) discontinuing of the operation has resulted in shedding of liability and realisation of the assets by the NBFC or decision to discontinue an operation which will have the above effect has been finalised by the NBFC and
- b) the discontinued operation is substantial in its entirety.

6. Additional Disclosures

6.1 Provisions and Contingencies

To facilitate easy reading of the financial statements and to make the information on all Provisions and Contingencies available at one place, NBFCs are required to disclose in the 'Notes to Accounts' the following information :

(Amount in ₹ crore)		
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Current Year	Previous Year
Provisions for depreciation on Investment		
Provision towards NPA		
Provision made towards Income tax		
Other Provision and Contingencies (with details)		

6.2 Draw Down from Reserves

Suitable disclosures are to be made regarding any draw down of reserves in the 'Notes to Accounts' to the Balance Sheet.

6.3 Provisioning Coverage Ratio (PCR)

The PCR (ratio of provisioning to gross non-performing assets) should be disclosed in the Notes to Accounts to the Balance Sheet.

6.4 Concentration of Deposits, Advances, Exposures and NPAs

6.4.1 Concentration of Deposits (for deposit taking NBFCs)

(Amount in ₹ crore)	
Total Deposits of twenty largest depositors	
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	

6.4.2 Concentration of Advances*

(Amount in ₹ crore)	
Total Advances to twenty largest borrowers	
Percentage of Advances to twenty largest borrowers to Total Advances of	

the NBFC	
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6.4.3 **Concentration of Exposures****

(Amount in ₹ crore)	
Total Exposure to twenty largest borrowers / customers	
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	

6.4.4 **Concentration of NPAs**

(Amount in ₹ crore)	
Total Exposure to top four NPA accounts	

6.5 **Sector-wise NPAs**

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector
1.	Agriculture & allied activities	
2.	MSME	
3.	Corporate borrowers	
4.	Services	
2.	Unsecured personal loans	
3.	Auto loans	
4.	Other personal loans	

6.6 **Movement of NPAs**

(Amount in ₹ crore)	
Particulars	
Gross NPAs* as on 1st April of particular year (Opening Balance)	
Additions (Fresh NPAs) during the year	
Sub-total (A)	
Less :	
(i)	Upgradation
(ii)	Recoveries (excluding recoveries made from upgraded accounts)
(iii)	Write-offs
Sub-total (B)	
Gross NPAs as on 31st March of following year (closing balance) (A-B)	

6.7 Overseas Assets, NPAs and Revenue (for those with Joint Ventures and Subsidiaries abroad)

(Amount in ₹ crore)	
Particulars	
Total Assets	
Total NPAs	
Total Revenue	

6.8 Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas

6.9 Disclosures relating to Securitisation

The Notes to Accounts of the originating NBFCs should indicate the outstanding amount of securitised assets as per books of the SPVs sponsored by the NBFC and total amount of exposures retained by the NBFC as on the date of balance sheet to comply with the Minimum Retention Requirements (MRR). These figures should be based on the information duly certified by the SPV's auditors obtained by the originating NBFC from the SPV. These disclosures should be made in the format given below.

S. No.	Particulars	No. / Amount in ₹ crore
1.	No of SPVs sponsored by the NBFC for securitisation transactions*	
2.	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	
3.	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	
	a) Off-balance sheet exposures	
	First loss	
	Others	
	b) On-balance sheet exposures	
	First loss	
	Others	
4.	Amount of exposures to securitisation transactions other than MRR	
	a) Off-balance sheet exposures	
	i) Exposure to own securitizations	
	First loss	
	Loss	
	ii) Exposure to third party securitisations	
	First loss	
	Others	
	b) On-balance sheet exposures	
	i) Exposure to own securitisations	

		First loss	
		Others	
	ii)	Exposure to third party securitisations	
		First loss	
		Others	
*Only the SPVs relating to outstanding securitisation transactions may be reported here			

7. Disclosure of Complaints

7.1 Customer Complaints

(a)	No. of complaints pending at the beginning of the year	
(b)	No. of complaints received during the year	
(c)	No. of complaints redressed during the year	
(d)	No. of complaints pending at the end of the year	
