

# FIDC

## Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs –AFCs)  
101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077 (India)  
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November 14, 2016

**Mr. N.S. Vishwanathan**  
Deputy Governor  
Reserve Bank of India  
Central Office Building  
19<sup>th</sup> Floor, Sahid Bhagat Singh Road,  
Mumbai 400 001.

Respected Sir,

**SUB: WITHDRAWAL OF LEGAL TENDER CHARACTER OF EXISTING RUPEES  
500 & 1000 BANK NOTES–DEPOSIT OF THESE NOTES INTO LOAN  
ACCOUNTS**

We at FIDC sincerely **congratulate** the Government of India and Reserve Bank of India for taking this bold step towards fighting the menace of accumulation of unaccounted wealth and illegal infusion of fake currency, in the system.

We stand fully committed to co-operate and assist in making this endeavor a success. For this, it is important to recognize and address the difficulties being faced by the common citizens and make suitable amendments to the operating guidelines.

Sir, as you are aware, NBFCs have played a significant role in expanding the borders of financial inclusion and in delivering credit to under-served and unbanked sections of our Society. A substantial number of our customers live in semi-urban and rural areas, where banking habits are still in a relatively under-developed state. A large part of our loans to segments such as transport operators, farmers, equipment hirers, SMEs and small traders get repaid on a routine basis through cash collections. Transport operators for example, return to their home towns after several days in their road trips with cash. The current demonetisation has introduced significant uncertainty in the minds of our customers as well as among the NBFCs on how loans would be serviced until the currency situation stabilises.

The borrowers' business has been affected with no money circulation. Because of the very nature of their trade and credit behaviour, if we don't collect the available cash from the borrowers, it is most likely to roll forward to the next month, making it more difficult for

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them to repay. This may lead to loan defaults thereby adding stress to the overall asset quality.

The Reserve Bank has rightly recognised this issue and through its notification DCM (PLG) No 1251/10.27.00/2016-17 dated November 10, 2016 permitted **banks (only)** to take old notes, so long as these are credited to the customers' deposit or loan accounts. The condition imposed is that strict adherence to CTR/STR reporting is mandatory.

NBFCs are also subject to the provisions of Prevention of Money Laundering Act, 2002 similar to banks, under which NBFCs are subject to CTR/STR reporting.

**We therefore request that NBFCs should also be permitted to accept the old notes till December 30, 2016, subject to the following:**

- 1. The amount so collected should only be credited to the loan accounts of the borrowers**
- 2. Strict adherence to CTR/STR and other obligations under the PMLA Act.**

This would go a long way in managing the current situation without compromising the objective of demonetisation, in any manner. In fact it may actually help in bringing some amount of money back into the mainstream thereby furthering the objective.

We once again reiterate our full support and assistance in making the demonetisation scheme a success.

We sincerely request your kind consideration. Assuring you of our full cooperation always and thanking in you in anticipation

Yours Faithfully

**For FINANCE INDUSTRY DEVELOPMENT COUNCIL**

**MAHESH THAKKAR**  
**Director General**