

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3369
ANSWERED ON:12.05.2006
GUIDELINES FOR NON- BANKING FINANCIAL INSTITUTIONS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the RBI has issued fresh guidelines to non-banking financial institutions to check irregularities in their functioning;
- (b) if so, the details in this regard; and
- (c) the extent to which the Government is likely to check the activities of NBFC by such guidelines ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

a) & (b) :- Reserve Bank of India (RBI) has been issuing directions/guidelines to NBFCs under statutory provisions from time to time. Such directions/guidelines have been issued encompassing various aspects such as acceptance of public deposits, Income Recognition, Asset Classification and provisioning requirements, Capital Adequacy, Credit/Investment concentration norms, Guidelines on Asset Liability Management, Guidelines on investments in Insurance Companies and requirement of auditors to furnish exception report to RBI on non-adherence to instructions issued by RBI. In the recent past the RBI has issued `Know Your Customer` guidelines on customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature.

(c) :- The NBFCs have to function within the framework of directions/guidelines issued by the RBI. RBI has a system of inspecting deposit taking NBFCs and is also obtaining returns from these companies to monitor their activities. Certain returns on important financial parameters are also obtained from large non-deposit taking NBFCs with asset size of Rs. 100 Crore and above. In case of need, scrutiny of non deposit taking NBFCs is also carried out.