

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: 022 21029898/9820035553 • E-mail: directorgeneral@fidcindia.org.in



www.fidcindia.org.in



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ADVISORY ON STRICT COMPLIANCE TO REGULATIONS & GOVERNANCE

To All Members of FIDC

Dear Members,

Ever since its inception, FIDC has always advocated the importance of high governance and regulatory compliance standards to its members and has tried to play its role as a responsible association of a highly regulated and important sector of the economy.

Over the past few years, the NBFC sector has been growing at a very healthy pace and playing its significant role in building our nation by channelising appropriate financial assistance to the under-served segments such as MSMEs, transport operators, contractors and agriculturists. As our industry grows in stature and size over the next few decades, as we all work towards a Viksit Bharat, it is appropriate to rededicate ourselves to ensuring sustainable growth of our industry. Friends, we have seen regulatory actions over the past few months by the Reserve Bank of India and other regulators against a few of the large entities having substantial business to emphasise on the importance of strict compliance and governance. Of course, the clear message is that if business has to be done, it has to be done in accordance with acceptable standards and within the laws of the land. This is only to be expected in view of the deep impact financial services has in the growth and sustenance of our country.

FIDC would like to advise all its members as follows:

- **Adherence to all applicable laws and regulations at all times is a sine qua non.**
- **Specifically, all norms relating to KYC/AML should be followed by all our members, since any loophole in our internal processes could compromise India's internal security and economic interests. There should not be a short**

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cut or an attempt to circumvent these most important norms in any manner.

- **Any observations / concerns / queries raised by the regulator during the course of supervision (both on-site and off-site) must be accorded the highest priority and suitable action taken within the prescribed time frame.**
- **It is equally important to keep the regulator informed on the remedial measures being taken to address their concerns, as and when required.**
- **While each NBFC should have the flexibility to define its own financial risk appetite as decided by their Boards, appropriate risk management frameworks must be put in place and reviewed periodically. Members must ensure that there is zero risk appetite on regulatory matters.**
- **Appropriate processes for monitoring the end use of loans must be put in place.**
- **Board level governance standards and processes as defined in the Companies Act and relevant RBI guidelines must be followed strictly.**
- **Fair Practices Code must be followed in customer dealings at all times. This is important for NBFCs since a large number of our borrowers belong to vulnerable segments with a lower level of financial literacy and hence are gullible to questionable business practices.**
- **Members must always ensure that their businesses are conducted in a manner to ensure sustainable growth and profitability and not fall victims to short term measures.**

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For the benefit of its members, FIDC has constituted several committees of outstanding and experienced professionals in areas of legal and regulatory compliance, financial prudence and human resources. Members are encouraged to raise any issues where they need guidance on such areas. FIDC would make all efforts to address these queries in the interests of our industry. Since NBFCs are an important segment in our financial system, good individual conduct builds our reputation and brand as an industry. Let us build this sector as a trustworthy and dependable sector to reckon with in our journey towards a developed India.

Thanking you,
Yours faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
DIRECTOR GENERAL