FIDC

Finance Industry Development Council

(A Representative Body of Assets and Loan Financing NBFCs)

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

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Smt. Nirmala Sitharaman ji,
Hon'ble Minister of Finance,
Ministry of Finance,
Government of India,
North Block,
New Delhi 110 001

March 30, 2020

Hon'ble Finance Minister Madam,

Sub: Corona Virus and its impact on the NBFC sector – Request for amendments to RBI announcements and a few consequent measures

We at FIDC ***thank you*** very much for the proactive measures being taken by the Ministry of Finance and the Reserve Bank of India to help mitigate the negative economic fallout of the Corona Virus pandemic. The measures announced by you on the 26th of March to provide succor to the economically weaker sections and the measures announced by the RBI on the 27th of March are indeed unprecedented, far reaching and bold measures to help the Indian economy rebuild itself. We at FIDC are committed to playing our part in this exercise by asking our members to pass on the facility of EMI moratorium and deferment of interest on working capital loans to all their customers.

Madam, we would like to highlight some of the issues that still need to be addressed urgently, in order to make these relief measures comprehensive and effective. NBFCs are financial intermediaries that borrow money and lend it further. We are funded by banks and money market instruments such as commercial paper and non-convertible debentures on the basis of matched assets and liabilities. NCDs and CPs comprise about 35-40% of NBFC funding and hence form a significant portion of our liabilities. Any deferment or moratorium given to our customers will necessarily have an impact on our ability to service our lenders (viz., banks, MFs and Insurance companies). Hence, for the moratorium to be fully effective without impacting the asset-liability matching would need to be applied on all sources of funding availed of by NBFCs

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and relevant instructions may need to be issued by other sector regulators – viz., SEBI and IRDA. Our request therefore is for the following:

- **Make the moratorium/deferment and elongation of the repayment schedule as also the residual tenure mandatory for all term loans outstanding as on March 1, 2020 and also for the loans disbursed thereafter. (Since almost all sectors of the economy are affected by the situation with negligible number of exceptions). Most of our lending is to the retail and MSME sectors which are particularly vulnerable in this situation. This will avoid any fear or favour in extending such facility in the minds of the decision makers and will be uniformly applicable.**

- **Allow NBFCs to extend the tenure of the loans given to such borrowers for a few months beyond the three months solely to permit borrowers to pay the deferred interest through easier instalments instead of a lump sum at the end, which may be highly burdensome for them.**

- **Banks must offer moratorium/deferment of interest (as the case may be) for all loans extended by them to NBFCs to the full extent.**

- **The same facility should be extended to cover all money market instruments such as commercial paper and non-convertible debentures/bonds.**

- **NBFCs are required to offer moratorium of EMIs of loans, whether they are on their books or sold through the process of securitisation or assignment of receivables. If the investor banks which hold the pass-through certificates do not provide automatic approval in this regard, it will cause a hardship for the customers of NBFCs. Notification may be issued in this regard.**

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- **Similar facility should be offered by money market participants such as mutual funds, insurance companies and others who hold commercial paper/bonds issued by NBFCs. Instructions to operationalise this may be issued by the appropriate authority such as IRDA/SEBI etc.**

- **An advisory must be given to credit rating agencies by SEBI and RBI such that any deferment/moratorium given to an NBFC is not considered as a negative rating criterion.**

- **Procedures of issuance of NCDs need to be simplified in the current scenario, where the company is required to use their letter head and digital signatures for confirmation of allotment of issuance, listing, filing of forms with ROC etc. Hence, we request for appropriate changes in the regulations to accept the email confirmation received from authorised signatories of the issuer / R&T Agent.**

We sincerely request you to consider the aforesaid suggestions, which go a long way in helping the country to rebuild the economy from the catastrophic effects of the unprecedented situation.

Yours faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

MAHESH THAKKAR
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