

# FIDC

## Finance Industry Development Council

*(A Representative Body of Assets and Loan Financing NBFCs)*

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

Tel: 022 21029898/9820035553 • E-mail: [directorgeneral@fidcindia.org](mailto:directorgeneral@fidcindia.org); Website: [www.fidcindia.org](http://www.fidcindia.org)

December 09, 2020

Madam/Sir,

### **SUB: CONTOURS OF NBFC OPERATING GUIDELINES REQUIRED**

**Finance Industry Development Council (FIDC)** is a Representative Body of Asset and Loan Financing of the NBFCs registered with the Reserve Bank of India. FIDC was formed 16 years ago and is the recognized face of the NBFC sector. We have been engaged in regular interaction both with Reserve Bank of India and Govt. of India, which include pre-budget meetings and also important policy related meetings with RBI. Almost all the leading NBFCs and a large number of small and medium sized NBFCs are our members.

We **thank you** for the opportunity given to us for putting forth our suggestions on IFSC Regulations and guidelines for NBFCs operations.

To make NBFCs operational at GIFT IFSC, any operating guidelines should address 2 aspects:

1. Amendments to master circular to clarify who can set up and eligibility to set up:
  - i. Specify in “The Master Circular – Opening of Branch/Subsidiary/Joint Venture/ Representative office or Undertaking Investment Abroad by NBFCs dated July1st, 2015” that –
    - a. NBFCs intending to open Branch/Subsidiary/Joint Venture/ Representative Office or Undertaking Investment and having the relevant approval of RBI under FEMA should be mandated to operate through IFSC, instead of having a foreign location. This will help exponential growth of financial activities at IFSC and save the corporates’ huge establishment costs.



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- b. For all existing Indian NBFCs, NOC route should not be required and they should be automatically grandfathered into IFSC.
- c. The restriction on multi-layered and cross-jurisdictional structures under the Master Circular should not be applicable to NBFC operations in GIFT City.
- d. The requirement for the NBFC to be profit earning for the immediately preceding 3 years before being eligible to set-up overseas entities, should not apply to operations in GIFT City as the requirement is ensured by RBI under FEMA.
- e. Banks/insurance companies, other entities in India should also be permitted to establish NBFCs in IFSCs the financial income test under S. 45(I)(c) of the RBI Act is not applicable to foreign jurisdictions.

### 2. Operating guidelines for an NBFC which is set up at IFSC:

- ii. Disclosure requirements to regulator at IFSC should be at par with disclosure requirements sought internationally.
- iii. Prudential norms (capital adequacy, concentration norms, etc.) should be relaxed at IFSC vis-à-vis domestic tariff area
- iv. Simplify fund transfer process (as compared to ODI) between parent entity and IFSC entity and vice versa subject to prudential norms on limits assigned
- v. Deployment of funds in activities / sectors -
  - a. Infrastructure,
  - b. Leasing equipment (financial as well as operating)
  - c. Financing and leasing of aircrafts, including engines, other aircraft parts and helicopters,
  - d. Asset reconstruction,
  - e. Capital market – margin funding, etc.
  - f. Housing refinancing,



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- g. Factoring and bill discounting
  - h. Loans against shares/securities listed at IFSC or liquid securities listed in recognized global exchanges
  - i. Trading and / or clearing member across asset class i.e. equity derivatives, commodity derivatives, currency derivatives and fixed income derivatives.
- vi. Allow funds to be deployed for asset creation for –
- a. India operations
  - b. IFSC operations
  - c. Operating overseas branches
- vii. Sources of funds -
- a. Equity and debt capital from domestic and overseas entities (including branches of banks overseas)

We hope you will consider our suggestions.

Thanking you,

Yours sincerely,

**FOR FINANCE INDUSTRY DEVELOPMENT COUNCIL**

**MAHESH THAKKAR**  
**DIRECTOR GENERAL**  
**9820035553**



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