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

22nd October 2020

Shri Manoranjan Mishra,
Chief General Manager,
Reserve Bank of India,
Department of Regulations (NBFCs),
Main Office Building, 1st Floor,
Shahid Bhagat Singh Road,
Fort, MUMBAI 400 001

Respected Sir,

SUB: APPLICABILITY OF LCR GUIDELINES

We welcome regulatory governance of NBFCs being further brought on par with Banks in respect to 'Liquidity Risk Management Framework for NBFCs and CICs', vide RBI circular 4th November 2019.

In line with this objective, regarding applicability of LCR guidelines to NBFCs, we request the said guidelines w.r.t. 'Outflows' - be made on par with those applicable to Banks and NOT more stringent.

Few examples of the clauses w.r.t. 'Outflows' applicable to NBFCs which are more stringent than Banks are given below:

Predominantly vehicle finance NBFC / other such NBFCs, will be economically affected for higher HQLA maintenance on "uncommitted" fund based limits given to Vehicle Dealers towards their purchase /lifting of vehicles from OEMs/vehicle manufacturers (refer row A in the table below wherein higher run-off factors for such outflows are prescribed for NBFCs).

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Particulars	**Current Run-off factors as per Banks' LCR guidelines**	**Higher Run-off factors as per NBFCs' LCR guidelines**
A. Outflows on account of contingent Funding liabilities (uncommitted limits to customers) *(pg. 16/17 of PDF attached)*	**5%** of the total uncommitted funding limits (as per Basel norms).	**115%** of the total uncommitted funding limits. **Justification for bringing run-off factors on par with Banks:** In case of severe stress - Uncommitted revocable contingent Funding outflows / disbursements can be postponed / cancelled unilaterally by the Company. Hence run off factor of 5% (based on Basel norms applicable to Banks) can be applied to such uncommitted Funding sanctions to NBFCs as well.
B. Cash outflows in the next 30 days	**Range of 5% to 100%** for different items of Cash outflows.	**115%** for total cash outflows. **Justification for bringing run-off factors on par with Banks:** • Outflows on account of repayment of scheduled liability e.g. contracted CP/NCD repayment and Bank Loan facilities with scheduled payment dates, in the subsequent 30 days will be ONLY at 100% of the liability even in severe Stressed scenario.

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Request:

1. The Proposed LCR guidelines applicable to NBFCs w.e.f. Dec 2020 - *to be brought of par with Banks for treatment of* ***'Outflows'*** *(both for uncommitted fund based limits as well as Other cash outflows, refer row A & B in table).*

2. At least callable Fixed Deposit placed with Scheduled commercial banks can be considered as Liquid Asset for calculating LCR, even for Non callable Fixed Deposit placed with banks one can premature / take loan against the same to manage immediate liquidity requirement

We request your kind and favourable consideration of these requests.

We **thank you** once again for the support extended to NBFCs during this period of crisis.

We seek an audience with your kind-self and seek your sympathetic consideration of our request and positive response.

Thanking you,

Yours faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

MAHESH THAKKAR
DIRECTOR GENERAL
98200 35553