



N. A. SHAH ADVISORY SERVICES LLP

BULLETIN

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EXECUTIVE SUMMARY

- ◆ NBFCs that are part of common group / common promoters shall be considered on consolidated basis for the purpose of classification under the Middle Layer.
- ◆ Ministry of Home Affairs has released revised FAQs in relation to Foreign Contribution Regulation Act, 2010 (FCRA).

CONSOLIDATION OF ASSETS OF NBFCs IN THE GROUP

- ◆ RBI had introduced revised regulatory framework for NBFCs on 22nd October 2021 wherein NBFCs are now categorised into 4 layers viz. NBFC - Base Layer (NBFC-BL), NBFC - Middle Layer (NBFC-ML), NBFC - Upper Layer (NBFC-UL) and NBFC – Top Layer (NBFC-TL) based on their size, activities and perceived riskiness.
- ◆ Continuing the concept of 'Multiple NBFCs'¹ under the erstwhile regulations, the RBI has now provided that, the total assets of all the NBFCs in the Group² / with a common promoter shall be consolidated to determine the threshold for their classification in the Middle Layer.
- ◆ Thus, NBFCs in the Group which are classified as NBFC-BL exclusively due to their size, will now be classified as NBFC-ML, if the consolidated total asset size of the all the NBFCs in the Group crosses the threshold applicable to NBFC-ML. Regulations applicable to NBFC-ML will accordingly apply to all such NBFCs. However, NBFCs which are classified as NBFC-BL irrespective of their size, shall continue to be classified as NBFC-BL.
- ◆ Statutory auditors are required to certify the asset size (as on March 31) of all the NBFCs in the Group every year. The certificate shall be furnished to the Department of Supervision of the Reserve Bank under whose jurisdiction the NBFCs are registered.


REVISED FAQs on FCRA

- ◆ Ministry of Home Affairs has released revised FAQs in relation to FCRA. For more information please refer the [link](#).

¹ As per para 16 of the Master Direction – Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016.

² "Companies in the group", shall mean an arrangement involving two or more entities related to each other through any of the following relationships:

Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20 per cent and above.



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