

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

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August 05, 2024

Shri M Rajeshwar Rao,
Deputy Governor,
Reserve Bank of India
Central Office Building
Shahid Bhagat Singh Road
Mumbai-400 001

Sub: Clarification on Paragraph 97 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Paragraph)

Respected Sir,

At outset, we wish to place on record our appreciation for continuous guidance provided by Reserve Bank of India (RBI). Our members have requested for clarifications on Paragraph 97 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Paragraph). We will be grateful if clarification for these can be provided:

“97. Key Managerial Personnel

Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. It is clarified that they can assume directorship in NBFC-BL.”

In this regard, it is requested that some of our members are a part of large business groups with multiple NBFCs / HFCs or CICs within the group. To have better governance many have Group CFOs / CRO / other key personnel who become Directors/KMP in more than one NBFC but within the same group. We submit that such an arrangement would be overall in the interests of better governance of each

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of these NBFCs and would ensure better management. Further, the Board of these individual NBFCs have other directors, including Independent Directors to ensure that interest of each company is separately ensured and no one director can overly influence the working.

We are of the bonafide view that the restriction on KMPs becoming directors is not applicable to the NBFCs in base layer within the Group.

We look forward to positive consideration of our submissions and shall be happy to provide any other information / clarification on the abovesaid concerns.

Thanking you,

Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
DIRECTOR GENERAL
9820035553