

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

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

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To

The Chairman,

Securities and Exchange Board of India

SEBI Bhavan, Plot No. C4-A, G Block

Bandra Kurla Complex

Bandra (East), Mumbai – 400051

July 15, 2025

SUB: FIDC SUBMISSIONS ON POLICY AND REGULATORY MATTERS CONCERNING NBFCs

Respected Shri Tuhin Kanta Pandeyji,

FIDC is the **apex industry association** of NBFCs, established over 21 years ago. It is the **recognized voice of the NBFC sector**, actively engaging with regulators, policymakers and key financial institutions to foster sustainable growth. Our members consist of leading NBFCs and also a wide spectrum of middle and base layer NBFCs across the country. NBFCs play a vital role in expanding formal credit access, bridging the credit gap for underserved segments, and complementing traditional banks with specialized financial products and services.

We are pleased to share that the **Finance Industry Development Council (FIDC)** has received **“In-principle” recognition from the Reserve Bank of India to function as a Self-Regulatory Organisation (SRO) for NBFC Sector (including HFCs).**

On behalf of FIDC, we extend our gratitude to SEBI for its continued efforts to enhance transparency, investor protection, and orderly development of the capital markets.

We **thank** you for granting a personal appointment to FIDC to discuss SEBI regulations related to issues concerning NBFCs.

In recent months, several of our member NBFCs—particularly those listed on the debt and/or equity segments—have raised important points regarding regulatory frameworks and operational practices affecting their participation in the capital

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markets. While some of these matters are procedural or entity-specific, many have far-reaching industry-wide implications that merit review at a policy level.

We are pleased to submit herewith a **high-level consolidated note (ANNEXURE I)** categorizing the issues into:

- **Policy-related issues:** requiring strategic and structural alignment across regulatory frameworks;
- **Cross-Regulatory Coordination:** System-wide issues that require alignment between SEBI, RBI, and other regulators to ensure unified supervision, reduce compliance overlaps, and strengthen investor protection and digital resilience; and
- **Other Regulatory & Operational matters:** concerning operational harmonization and process efficiency.

This note – **ANNEXURE 1** has been compiled after reviewing formal written submissions from our member NBFCs and is intended to serve as a **precursor to a more detailed representation** (which we shall submit separately).

We **Thank you** for your engagement with FIDC and sincerely request your kind attention to these points.

Warm regards,

Thanking you,

Yours sincerely,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
CHAIRMAN
9820035553

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ANNEXURE 1

High-Level Representation of NBFC sector issues to SEBI Chairman

SUB: Policy and Regulatory Alignment with SEBI on key areas of concerns of NBFCs

This note presents a consolidated view of industry-wide concerns raised by member NBFCs through FIDC, for consideration by SEBI leadership.

The concerns are categorized as:

- A. POLICY-RELATED ISSUES
- B. CROSS-REGULATORY COORDINATION
- C. OTHER REGULATORY & OPERATIONAL ISSUES

A. POLICY-RELATED ISSUES

1. High-Value Debt Listed Entity (HVDLE) Threshold Rationalization for NBFCs

Concern: The ₹1,000 crore threshold for HVDLE classification is disproportionately low for NBFCs.

Submission: Recommend a higher HVDLE threshold of ₹5,000 crore for NBFCs to ensure proportional compliance burden and sectoral equity.

2. Face Value & Issuance Norms for Sub-Debt and Perpetual Debt Instrument (PDI)

Concern: Issuance of sub-debt and NBFC-PDIs with lower face value (₹10,000) is permitted, but appointment of Merchant Banker is mandated even for private placements—leading to high costs and delays.

Submission: Allow ₹10,000 face value sub-debt issuances under simplified private placement norms (without Merchant Banker), especially for listed NBFCs already subject to disclosure under LODR.

3. Valuation & Investment Caps on NBFC-PDIs

Concern: Clubbing NBFC-PDIs with bank Additional Tier 1(AT1) bonds in valuation norms and investment exposure caps has dried up demand for PDIs despite lower risk.

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Submission: Exclude NBFC-PDIs from 100-year valuation rule and 10% exposure cap applicable to mutual funds.

4. Listing and Market Enablement for Pass-Through Certificates (PTCs)

Concern: PTCs remain unlisted, limiting participation.

Submission: Recommend SEBI to constitute a Working Group for enabling listing and standardization of PTCs, unlocking investor interest in securitized NBFC assets.

5. Reconsideration of ISIN limitation impacting liquidity for NBFCs

Concern: SEBI's ISIN cap of 9 for plain vanilla NCDs limits NBFCs' ability to tailor issuance across tenors and match ALM needs. This creates friction in responding to investor demand and reduces issuance flexibility.

Submission: Request enhancement of ISIN cap to 21 per year for large NBFCs (as per SEBI's Large Corporate Borrower framework) to support diverse maturities, frequent issuances, and better ALM planning.

6. Treatment of Infra Bonds by NBFCs

Concern: No clarity on whether long-tenor bonds funding affordable housing or infra loans can be tagged as "infra bonds."

Submission: Allow NBFCs to designate 7+ year bonds as infra bonds to unlock investor headroom and address ALM.

7. Public Issue of NCDs – Cost Rationalization

Concern: Current disclosure, audit, and legal processes for each tranche lead to high issuance costs and time delays.

Submission: Permit use of previous quarter's disclosures; allow streamlined documentation for upper-layer NBFCs with high governance.

8. Oversight of Foreign Proxy Advisory Firms

Concern: Recommendations by foreign proxy firms on Indian AGMs/postal ballots often do not align with Indian laws and regulatory intent, potentially distorting shareholder outcomes.

Submission: SEBI may consider regulatory checks requiring India-context compliance declarations or disclosures by foreign proxy advisors

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9. Simplified Listing for Private Placement Debt Instruments

Concern: Listing procedures for privately placed debt instruments remain complex and delay treasury execution.

Submission: SEBI may permit post-issuance listing of pure debt instruments without prior approvals and consider a fast-track route via a small facilitation committee.

10. Increase in Investor Cap for Private Placements

Concern: The 200-investor cap in private placements limits depth in the institutional debt market.

Submission: Consider increasing the limit to 1,000 investors while retaining the ₹1 crore minimum, to deepen debt participation.

11. Bond Market Liquidity Enhancements

Submission Proposals:

- Enable **Loan Against NCDs** as a regulatory product.
- Encourage **bond market-making** with issuer/SPV support.
- Permit **put options** at periodic intervals to facilitate retail exits.

12. Promotion of ESG Labelled Bond Issuances by NBFCs

Concern: Though SEBI has an ESG bond framework, NBFC adoption is limited due to lack of implementation clarity, market incentives, and streamlined certification/disclosure procedures.

Submission: SEBI may:

- Provide clearer guidance on ESG bond issuance for NBFCs
- Offer incentives (e.g., priority listing, disclosure templates)
- Encourage institutional investor allocation mandates for labelled issuances

NBFCs are ideal channels for green/social/impact financing due to their on-ground reach and sectoral exposure

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B. CROSS-REGULATORY COORDINATION

1. Data Confidentiality Sharing Among Regulators

Concern: In matters of default, fraud investigations, or forensic triggers, data available with SEBI or listed entities could support RBI or other regulatory actions—and vice versa.

Submission: Establish a **secured, confidential sharing framework** between SEBI, RBI, and other regulators to enable **early detection of market abuse**, systemic risks, and investor harm.

2. Unified KYC Framework Across Regulators

Concern: Investors currently undergo **multiple KYC processes** under SEBI, RBI, and IRDAI regimes for each financial product or platform.

Submission: Promote a **single, regulator-agnostic KYC process** (possibly CKYC or KRAs), minimizing redundancy and enabling faster digital onboarding across financial products.

3. Cybersecurity and Resilience – Joint Standards

Concern: Separate guidelines from different regulators on cyber-risk, ransomware response, and digital infrastructure standards lead to operational fragmentation.

Submission: Request for **joint, uniform cybersecurity and resilience framework** for systemically important financial institutions (including UL-NBFCs), harmonized across SEBI, RBI, and CERT-IN.

C. OTHER REGULATORY & OPERATIONAL ISSUES

1. Market Rumour Verification (LODR Regulation 30(11))

Concern: 3% price movement trigger leads to frequent, unnecessary reviews, especially for large NBFCs.

Submission: Raise materiality threshold to 5%+ for large-cap NBFCs to avoid operational inefficiency.

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2. Unclaimed Dividends/Redemptions

Concern: Lack of automated mechanism for payment of past dues to eligible demat holders with updated KYC.

Submission: Enable auto-credit of such dues (similar to physical holders) via RTAs to reduce IEPF transfers and investor grievances.

3. Electronic Mode for Dividend/Redemption to Demat Holders

Concern: While electronic mode is mandatory for physical holders, demat holders still face inconsistencies.

Submission: Mandate uniform digital payments to demat holders via SEBI circular.

4. BRSR – Disclosure by Value Chain Partners

Concern: Difficulties in obtaining accurate KPI data from value chain partners for BRSR reporting.

Submission: Clarify timeline and nature of data expected; allow flexibility for upstream disclosures.

5. Annual Reports for Debenture Holders

Concern: No parity with equity holders in electronic dissemination of reports.

Submission: Allow web-based access and email link circulation for debenture holders, as permitted for equity holders under Reg. 58.

6. Alignment of SEBI LODR & NCS Regulations

Concern: Disparity between compliance officer/RTA filings for equity vs. debt listed companies; XBRL vs. PDF formats.

Submission: Harmonize reporting and signing requirements under NCS Regs and LODR, including GID/KID formats.

7. Re-lodgement of Physical Share Transfers

Concern: Small shareholder base makes media-wide disclosure impractical.

Submission: Permit direct communication in lieu of bi-monthly public notices for companies with <20 physical holders.

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8. TDS Applicability on Listed Bonds (Sec 194A)

Concern: Confusion due to full TDS deduction irrespective of bond transfer; impacts investor interest.

Submission: Exempt listed bonds from TDS (as earlier), especially in the secondary market context.

9. Digitalization of Investment Process

Concern: Bond applications continue to follow a largely physical or hybrid process.

Submission: Mandate fully digital, ASBA-like mechanism for primary bond issuance, similar to equity IPOs.

10. Advance Timeline for Annual Report Dispatch to NCD Holders

Concern: The 21-day advance dispatch of annual reports to NCD holders adds cost despite limited AGM voting relevance.

Submission: Recommend relaxed or digital-only dispatch norms for NCD holders unless consent or voting is specifically involved.

11. Standard Operating Framework for NCD Buybacks

Concern: There is currently no clear regulatory Standard Operating Procedures (SOP) for voluntary buybacks or repurchases of NCDs, leading to uncertainty around approvals, disclosures, timelines, and treatment of ISINs post-buyback.

Submission: SEBI may issue standard guidelines covering:

- Required approvals (trustees, board, etc.)
- Investor disclosures
- Execution timelines
- Clarification on ISIN reuse after buyback

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GLOSSARY OF TERMS:

Abbreviation	Full Form
AGM	Annual General Meeting
ALM	Asset-Liability Management
ASBA	Application Supported by Blocked Amount
AT1	Additional Tier 1 (Capital)
BRSR	Business Responsibility and Sustainability Reporting
CERT-IN	Indian Computer Emergency Response Team
CKYC	Central KYC (Know Your Customer)
CP	Commercial Paper
ESG	Environmental, Social, and Governance
FIDC	Finance Industry Development Council
GID/KID	General Information Document / Key Information Document
HFC	Housing Finance Company
HVDLE	High-Value Debt Listed Entity
IEPF	Investor Education and Protection Fund
IPO	Initial Public Offering
IRDAI	Insurance Regulatory and Development Authority of India
ISIN	International Securities Identification Number
KPI	Key Performance Indicator
KRA	KYC Registration Agency
KYC	Know Your Customer
LODR	Listing Obligations and Disclosure Requirements
NBFC	Non-Banking Financial Company
NCD	Non-Convertible Debenture
NCS	Non-Convertible Securities
NDF	Non-Deliverable Forward
PDI	Perpetual Debt Instrument
PTC	Pass-Through Certificate
RTA	Registrar and Transfer Agent
SEBI	Securities and Exchange Board of India
SOP	Standard Operating Procedure
SPV	Special Purpose Vehicle
TDS	Tax Deducted at Source
UL-NBFC	Upper-Layer Non-Banking Financial Company
XBRL	eXtensible Business Reporting Language
