

NBFC REGISTRATION

NBFC (AN INTRODUCTION)

1. What are NBFCs ?

NBFCs or Non-Banking Financial Companies are Companies incorporated under Companies Act, 2013. These companies are engaged in business activities like loans, advances, hire-purchase, debt, equity, currency exchange, financing assets, Peer to Peer Lending, and many more. NBFCs carry on their operations as per guidelines specified by the Reserve Bank of India (RBI).

Section 45-I(c) of the Reserve Bank of India Act, 1934, provides for a Non-banking Company which is carrying on a business of financial institution. The Ministry of Corporate Affairs also governs and manages the functions of the NBFCs.

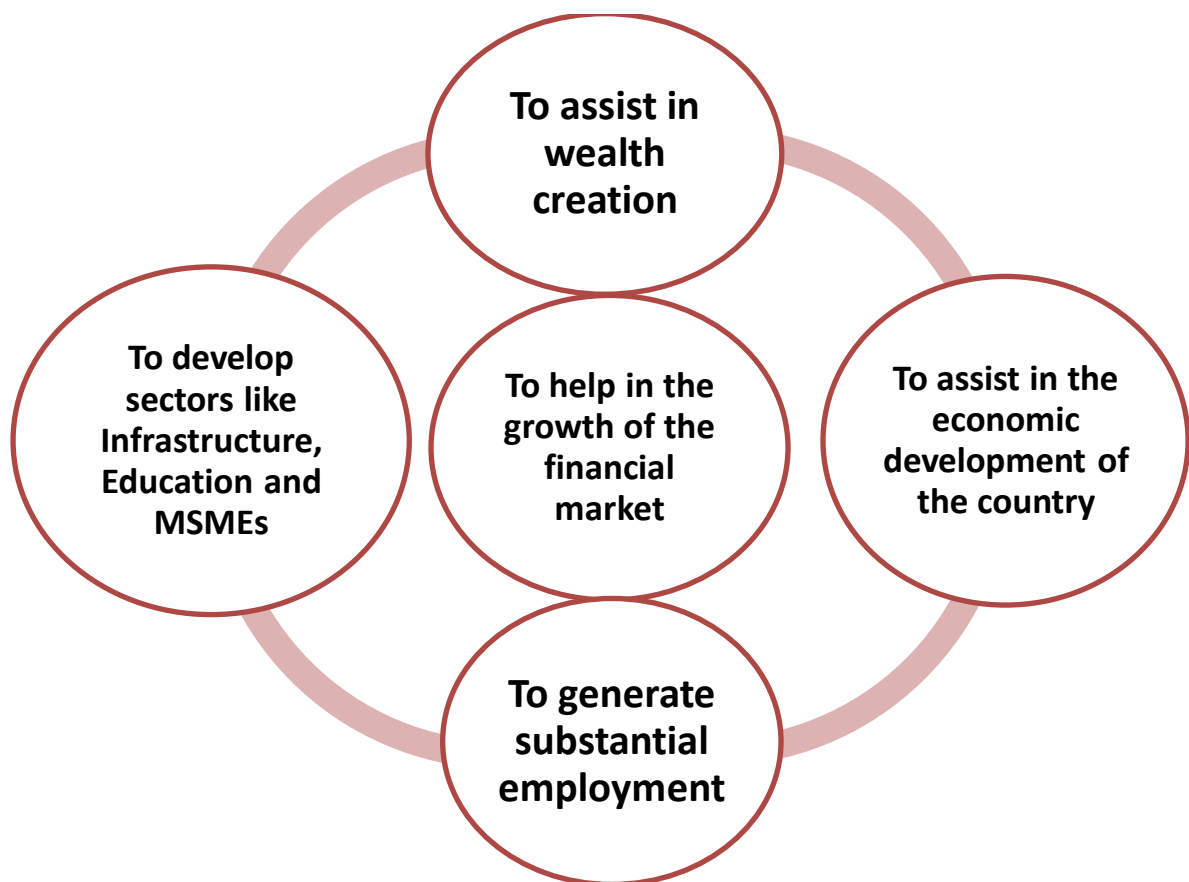
Difference between a Bank and NBFCs: -

NBFCs can lend and invest money, just like other banks. The activities of banks and NBFCs are most of similar. The financial intermediaries (*I.e Banks and NBFCs*) are regulated by the Companies Act, 2013, and the Banking Regulation Act, 1949. The control of both the financial intermediaries is under the Reserve Bank of India. The difference between financial intermediaries is as follows:

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| a. | NBFCs cannot accept demand deposits like banks; |
| b. | NBFCs cannot issue cheques on itself and do not form part of the settlement and payment system; |
| c. | The facility of deposit insurance provided by Deposit Insurance and Credit Guarantee Corporation (DICGC) is not available to the NBFCs depositors. |

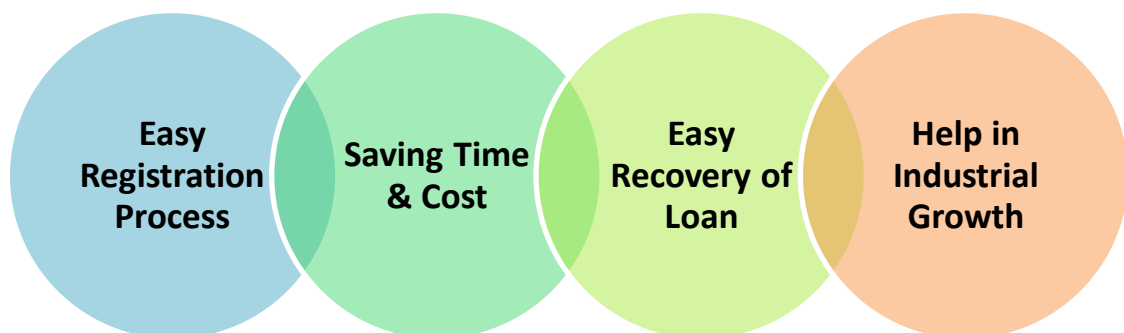
2. Role and Function of NBFCs:

The role and functions of an NBFC in India can be summarized as:



3. Advantages of NBFC Registration:

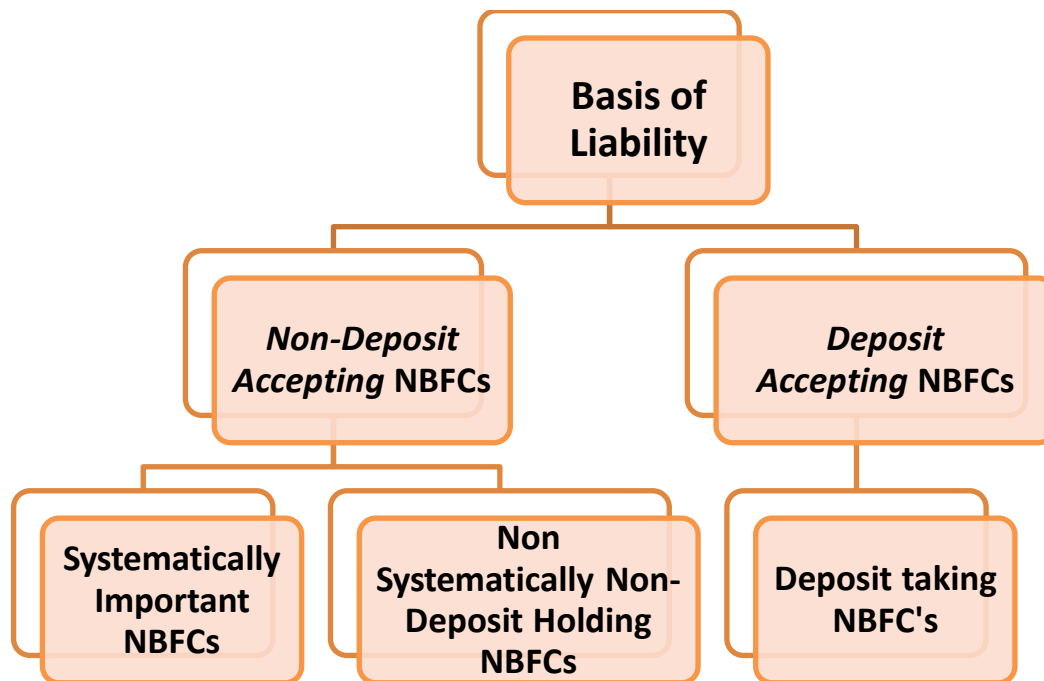
The advantages of NBFC Registration are as follows:



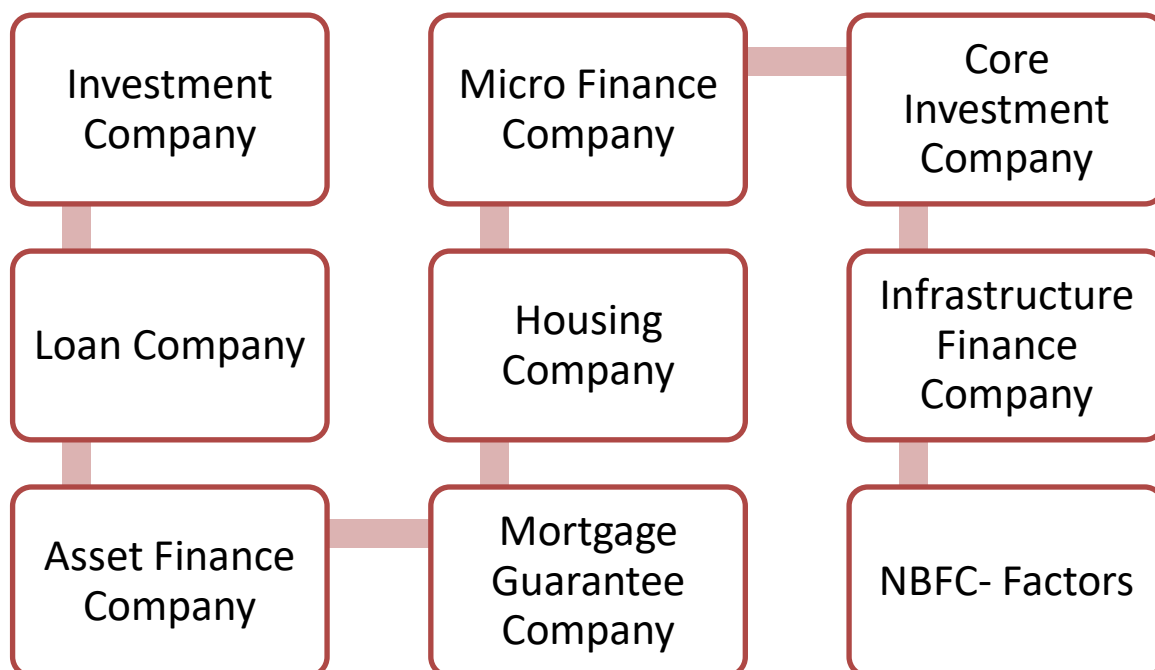
4. Type of NBFCs:

The categorizations of NBFCs are done in the following types: -

a. On the Basis of Liability:



b. On the Basis of Activity:



5. Principal Business of NBFCs in India:

The following principal Business Activity are done by NBFCs in India: -

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| a. | Secured Loan; |
| b. | Gold Loan; |
| c. | Unsecured Loan or Business Loan; |
| d. | Personal Loan; |
| e. | Investment in Share or Mutual funds or Debentures; |
| f. | NBFC must maintain 50% of its assets as Financial Assets and 50% of its income must be generated from Financial Activity; |
| g. | Personal Loan or Digital Lending. |

NBFCs do not include the entities with the principle business as follows:

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| a. | Agriculture Activity; |
| b. | Industrial Activity; |
| c. | Purchase and Sale of any goods; |
| d. | Purchase/ Sale/ Construction of an Immovable Property. |

NBFC Registration Process



NBFC Registration In India

NBFC REGISTRATION PROCEDURE

1. Basic Requirements:

The basic requirements for getting an NBFC Registered from RBI are as follows:

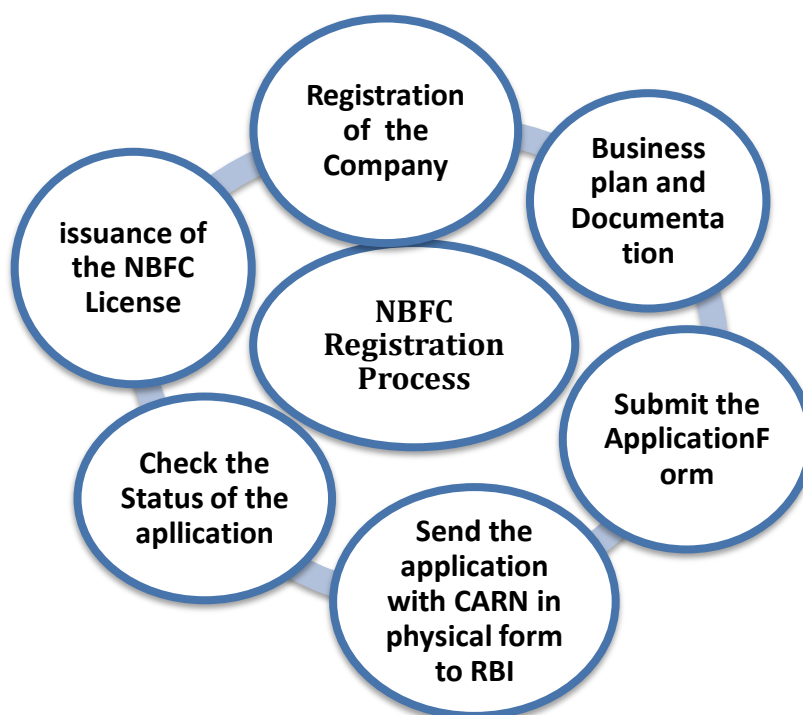
- a. An NBFC should be a registered Company under the Companies Act, 2013;
- b. An NBFC should have the minimum ***net owned funds** of 2 crore Rupees (except for NBFC-Factors, NBFC-MFIs, CIC).

**Net Owned Funds can be calculated from a last audited balance sheet of the entity. Paid-up Equity Capital, Share Premium Account Balance, Free Reserves, and Capital Reserve will constitute Total Owned Funds. In order to calculate Net Owned Funds, Balance of Accumulated Loss, deduct Revaluation Reserves, and the book value of Intangible Assets from Total Owned Funds. If the investment in shares of other NBFCs or in debentures and shares of subsidiaries and group companies is in excess of 10% of the owned funds shall be subtracted from the Net Owned Funds.*

2. NBFC Registration Process:

The following steps are followed for Registration of an NBFC:

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| a. | Register a Company under the Companies Act 2013. |
| b. | Minimum Net Owned Funds of a Company should be Rs. 2 Crores or more. |
| c. | There must be at least 1 Director in the Company from the same background.; |
| d. | Having a Good CIBIL score is must requirement for presenting to register as an NBFC. |
| e. | Next, to visit RBI's official website COSMOS and fill in an application form. |
| f. | Submit the required documents, along with the application form. |
| g. | Once we have submitted the application form, a CARN number will be generated. |
| h. | Send a hard copy of the application with the reference of CARN to the regional branch of RBI where the proposed registered office is to be situated. |
| i. | After the application is checked and verified, the License shall be given to the Company. |



3. Documents Required:

For an NBFC Registration, various documents are required at the time of incorporation and after incorporation of the Company.

| S.No. | Company | Director | Shareholder |
|-------|---|---|---|
| 1. | Certified COI, MOA, and AOA. | Id and Address Proof of Director. | Id and Address Proof of the Subscriber. |
| 2. | PAN Card of the Company. | Highest Qualification Certificate. | Banker's Report. |
| 3. | Latest 3 years Financial Statements <i>if applicable.</i> | Experience Certificate in the Financial Services Sector. (including Banking Sector) | Net worth Certificate. |
| 4. | Shareholding details. | Net Worth Certificate. | CIBIL Report. |
| 5. | Details of Banker(s) and Auditor. | Details of Directorship in other companies, if any. | - |
| 6. | Proposed Business Plan. | Business Profiles. | - |
| 7. | Board Resolution w.r.t 1. Fair Practice Code. 2. Company has not carried any NBFC activity before registration. 3. Company not accepting Deposits. | Banker's report. | - |
| 8. | - | CIBIL Report | - |

4. NBFC Business commencement process:

Before a newly licensed NBFC starts its operations, it shall mandatorily seek registrations from all of the below:

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| 1. | Credit Rating agencies such as CIBIL, ICRA, Equifax and Experian; |
| 2. | Central-KYC; |
| 3. | FIU-ND; |
| 4. | CERSAI Registration; |
| 5. | Registration under Anti-Money Laundering Act; |
| 6. | Adoption of fair practice code. |

How Chronicle Advisors can help you-

We, at Chronicle Advisors help you Incorporate NBFCs and further engage with the Regional Departments of RBI for getting registration certificate of the same. Chronicle Advisors can assist you with hassle free NBFC registration in India. Our professional team helps our client on "turnkey" methodology which takes care of approvals, legal compliances, registrations with authorities etc.
