



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2015-16/14

DNBR (PD) CC.No.059/03.10.119/2015-16

July 01, 2015

To

All NBFCs,

Dear Sir/Madam,

Master Circular - Allied activities- Entry into insurance business, issue of credit card and marketing and distribution of certain products

As you are aware, in order to have all current instructions on the subject at one place, the Reserve Bank of India issues updated circulars / notifications. The instructions related to the captioned subject contained in various circulars issued by RBI updated as on June 30, 2015 are reproduced below. The updated circular has also been placed on the RBI web-site (<https://www.rbi.org.in>).

Yours faithfully,

(C.D.Srinivasan)

Chief General Manager

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

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Instructions on Allied Activities

I. ¹Entry into insurance business

(1) In the statement of Monetary and Credit Policy announced by our Governor on April 27, 2000, it was indicated, inter alia, that the guidelines for entry of NBFCs into insurance business would be announced. Accordingly, the Bank issued on June 9, 2000 the final guidelines after taking into account the views/suggestions/comments of the market participants as given below. The aspirant NBFCs are advised to make an application along with necessary particulars duly certified by their statutory auditors to the Regional Office of Department of Non-Banking Supervision under whose jurisdiction the registered office of the NBFCs is situated.

(a) NBFCs registered with Reserve Bank of India may take up insurance agency business on fee basis and without risk participation, without the approval of Reserve Bank of India subject to the certain conditions;

(b) NBFCs registered with RBI which satisfy the eligibility criteria will be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution such an NBFC can hold in the joint venture company will normally be 50 per cent of the paid-up capital of the insurance company. On a selective basis, the Reserve Bank of India may permit a higher equity contribution by a promoter NBFC, pending divestment of equity within the prescribed period. ²In case more than one company (irrespective of doing financial activity or not) in the same group of the NBFC wishes to take a stake in the insurance company, the contribution by all companies in the same group shall be counted for the limit of 50 percent prescribed for the NBFC in an insurance JV. ³In cases where IRDA issues calls for capital infusion into the Insurance JV company, the Bank may, on a case to case basis, consider need based relaxation of the 50% group limit specified in CC No 221 dated May 27, 2011. The relaxation, if permitted,

¹Details in [DNBS.\(PD\).CC.No.13/02.01/99-2000 dated June 30, 2000](#), [DNBS.\(PD\).CC.No.18/02.01/2001-02 dated January 1, 2002](#) read with [DNBS \(PD\) C.C. No. 35 / 10.24 / 2003-04 dated February 10, 2004](#)

²Inserted vide [DNBS.PD.CC.No.221/03.02.002/2010-11dated May 27, 2011](#)

³ Inserted vide [DNBS.PD.CC.No 361/03.02.002/2013-14 dated November 28, 2013](#)

will be subject to compliance by the NBFC with all regulatory conditions specified in [DNBS\(PD\) CC.No.35/10.24/2003-04 dated February 10, 2004](#) and such other conditions as may be necessary in the specific case. Application for such relaxation along with supporting documents are to be submitted by the NBFC to the Regional Office of the Reserve Bank under whose jurisdiction its registered office is situated;

(c) NBFCs registered with RBI which are not eligible as joint venture participants, as above can make investments up to 10 per cent of the owned fund of the NBFC or Rs.50 crore, whichever is lower, in the insurance company subject to eligibility criteria for such investment.

(2)(a) No NBFC would be allowed to conduct such business departmentally. A subsidiary or company in the same group of an NBFC or of another NBFC engaged in the business of a non-banking financial institution or banking business will not normally be allowed to join the insurance company on risk participation basis.

(b) All NBFCs registered with RBI entering into insurance business as investors or on risk participation basis will be required to obtain prior approval of the Reserve Bank. The Reserve Bank will give permission to NBFCs on case to case basis keeping in view all relevant factors. It should be ensured that risks involved in insurance business do not get transferred to the NBFC and that the NBFC business does not get contaminated by any risks which may arise from insurance business.

⁴Note: The term "Companies in the same 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% and above.

⁴[DNBS.PD.CC.No.221/03.02.002/2010-11dated May 27, 2011](#)

(3) ⁵In view of the unique business model of Core Investment Companies (CICs), separate set of guidelines have been issued for their entry into insurance business. While the eligibility criteria, in general, are similar to that for other NBFCs, no ceiling has been stipulated for CICs in their investment in an insurance joint venture. Further, it is clarified that CICs cannot undertake insurance agency business. CICs exempted from registration with RBI do not require prior approval provided they fulfil all the necessary conditions of exemption as provided in CC No.206 dated January 05, 2011. Their investment in insurance joint venture would be guided by IRDA norms.

II. ⁶Issue of Credit card

NBFCs registered with RBI are not allowed to undertake credit card business without prior approval of RBI. Any company including a non-deposit taking company intending to engage in this activity requires a ⁷Certificate of Registration, apart from specific permission to enter into this business, the pre-requisite for which is a minimum net owned fund of Rs.100 crore and subject to such terms and conditions as the Bank may specify in this behalf from time to time. NBFCs are not permitted to issue debit cards, smart cards, stored value cards, charge cards, etc. as advised explicitly in February 21, 2005. Further, NBFCs have to comply also with the instructions issued by Bank to commercial banks vide [DBOD.FSD.BC.49/24.01.011/2005-06 dated November 21, 2005](#).

III. ⁸Issue of Co-branded Credit Cards

NBFCs registered with the RBI are allowed selectively to issue co-branded credit cards with scheduled commercial banks, without risk sharing, with prior approval of the Reserve Bank, for an initial period of two years and a review thereafter. NBFCs fulfilling the minimum eligibility requirements and adhering to certain stipulations are eligible to apply.

⁵Details in [DNBS \(PD\) CC.No.322/03.10.001/2012-13 dated April 1, 2013](#)

⁶Details in [DNBS \(PD\) C.C. No.41/10.27/ 2004-05 dated July 7, 2004](#), [DBOD.FSD.BC. 49/24.01.011/ 2005-06 dated November 21, 2005](#)

⁷Foot Note: In terms of [Press Release2013-2014/1931 dated April 01, 2014](#), with effect from April 01, 2014, the issue of Certificate of Registration (COR) to the companies proposing to conduct business of NBFI in terms of Section 45IA of the RBI Act, 1934 has been kept in abeyance by RBI, for a period of one year.

⁸Details in [DNBS \(PD\) CC No. 83/03.10.27/2006-07 dated December 04, 2006](#)

IV. ⁹Distribution of Mutual Fund (MF) products by NBFCs

¹⁰NBFCs registered with RBI are allowed to distribute mutual funds subject to compliance with the SEBI guidelines / regulations, including its code of conduct, for distribution of mutual fund products.

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⁹ Details in [DNBS. \(PD\). CC.No.84/03.10.27/2006-07 dated December 04, 2006](#)

¹⁰ Details in [DNBR. \(PD\). CC.No.033/03.10.001/2014-15 dated April 30, 2015](#)

Appendix

List of Circulars

Sr. No.	Circular No.	Date
1.	DNBS.(PD).CC. No.13/02.01/99-2000	June 30, 2000
2.	DNBS(PD).CC.No.18/02.01/2001-02	January 1, 2002
3.	DNBS (PD) C.C. No.35/10.24/2003-04	February 10, 2004
4.	DNBS (PD) C.C. No.41/10.27/2004-05	July 7, 2004
5.	DNBS (PD) CC No. 83/03.10.27/2006-07	December 04, 2006
6.	DNBS (PD) CC No. 84/03.10.27/2006-07	December 4, 2006
7.	DNBS.PD.CC.No.221/03.02.002/2010-11	May 27, 2011
8.	DNBS.PD.CC.No 361/03.02.002/2013-14	November 28, 2013
9.	DNBR. (PD).CC.No. 033/03.10.001/2014-15	April 30,2015