

**RBI/2006-07/196**

**DNBS (PD) CC No. 83 / 03.10.27 / 2006-07**

**December 04, 2006**

To,

All Non-Banking Financial Companies (NBFCs)  
Including Residuary Non- Banking Companies (RNBCs)

Dear Sirs,

**Issue of Co-branded Credit Cards**

Please refer to paragraph No. 153 of the Mid-Term Review of Annual Policy Statement for the year 2006-07 (copy enclosed) announced by the Governor on October 31, 2006.

2. In order to strengthen the NBFC sector by allowing diversification of their area of business, it has been decided to allow NBFCs, selectively, registered with the Reserve Bank of India 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 following minimum requirements are eligible to apply:

- (i) Minimum net owned fund of Rs.100 crore;
- (ii) The company should have made net profit as per last two years audited balance sheet;
- (iii) The percentage of net NPAs to net advances of the NBFC as per the last audited balance sheet should not be more than 3%;
- (iv) The non-deposit-taking NBFCs (NBFCs-ND) should have CRAR of 10% and deposit-taking NBFCs (NBFCs-D) should have CRAR of 12% or 15%, as applicable to the company.

3. In addition, the NBFCs would be required to adhere to the following stipulations:

i) Operational Aspects

- a) The role of the NBFC under the tie-up arrangement should be limited only to marketing and distribution of the co-branded credit cards. The co-branded credit

card issuing bank would be subject to all the instructions / guidelines issued by its concerned regulatory authority.

- b) The co-branded credit card issuing bank would be solely responsible for fulfillment of KYC requirements in respect of all co-branded cards issued under the tie-up arrangement.
- c) The risks, if any, involved in co-branded credit cards business should not get transferred to the business of the NBFC;
- d) The co-branded credit card account should be maintained by the customer with the bank and all the payments by the co-branded card holders should be in the name of the bank; account if any maintained by the user with the NBFC should not be debited for settlement of dues arising out of co-branded credit card;
- e) The NBFC entering into tie-up should be guided by the need to ensure confidentiality of the customer's accounts. The co-branding NBFC should not reveal any information relating to customers obtained at the time of opening the account and the co-branded credit card issuing bank should not be permitted to access any details of customers' accounts that may violate NBFCs' secrecy obligations.
- f) The bank issuing the card should put in place suitable mechanism for the redressal of customer grievances. Customer complaints arising out of deficiency in the credit card service shall be the responsibility of the bank.
- g) Legal risk, if any, arising out of court cases, damages, etc shall be borne by the issuing bank.

ii) Other Aspects

- a) The NBFC should have put in place guidelines on fair practices code as required in terms of circular DNBS.PD. CC 80/10.03.042/2006-07 dated September 28, 2006;
- b) The NBFC should be adhering to Know Your Customer Guidelines and provisions of prevention of Money Laundering Act;
- c) The NBFC should be complying with Non-Banking Financial Companies Acceptance of Public Deposits ( Reserve Bank) Directions, 1998 and/or Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions,

1998, any other instructions and provisions of RBI Act, 1934 to the extent applicable to the NBFC concerned;

- d) The NBFC should comply with other terms and conditions as the Bank may specify in this behalf from time to time.

4. The permission is liable to be withdrawn with a notice period of 3 months in the event of any undesirable / unhealthy operations coming to the notice of the Bank.

5. Please acknowledge receipt to the Regional Office of the Department of Non-Banking Supervision, Reserve Bank of India under whose jurisdiction the Registered Office of your company is situated.

Yours faithfully,

(P. Krishnamurthy)

Chief General Manager-in-Charge

Withdrawn

**Extract of paragraph No. 153 of the Mid-Term Review of Annual Policy Statement for the year 2006-07**

Non-banking financial companies (NBFCs) play a critical role as an instrument of credit delivery, particularly in the small scale and retail sectors. The Reserve Bank has been continuously emphasising on developing NBFCs into financially strong entities with skill levels necessary to cater to the needs of the common people. In order to strengthen the NBFC sector by diversifying their area of business, it is proposed to allow NBFCs:

- to issue co-branded credit cards with banks without risk sharing; and
- to market and distribute mutual fund products as agents of mutual funds.

Withdrawn