

KEY REGULATIONS AND POLICIES IN INDIA

Given below is a summary of certain sector specific laws and regulations in India, which are applicable to us. The information detailed in this chapter has been obtained from various statutes, regulations and/or local legislations and the bye laws of relevant authorities that are available in the public domain. This description may not be exhaustive and is only intended to provide general information to investors, and is neither designed, nor intended as a substitute for professional legal advice. For details see, “Government and other Approvals” beginning on page 372.

The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Introduction - Registration as a Housing Finance Company and generally applicable regulations

Our Company, being an HFC registered with the NHB, is primarily engaged in the business of providing loans and advances for housing activities. For details in relation to our registrations obtained from the NHB, see “Government and other Approvals” beginning on page 372.

The NHB was set up pursuant to the NHB Act as the principal agency to promote housing finance institutions and to provide financial and other support to such institutions. In terms of the NHB Act, the primary objectives of the NHB, *inter alia*, include (i) promotion and establishment, or aiding the promotion and establishment of housing finance institutions; (ii) making of loans and advances or rendering any other form of financial assistance for housing activities to housing finance institutions, scheduled banks, State cooperative agricultural and rural development banks or any other institution or class of institutions as may be notified by the Central Government; (iii) dealing in bills of exchange, promissory notes and other instruments; and (iv) formulating schemes for the mobilisation of resources and extension of credit for housing.

Pursuant to the Finance (No. 2) Act, 2019, the NHB Act was amended to transfer the regulating authority for the housing finance sector from NHB to RBI. Accordingly, amongst others, (i) HFCs are now required to apply to the RBI for registration under the NHB Act, in place of the NHB; and (ii) the RBI has now been conferred the power to (a) determine the percentage of assets to be maintained in terms of its investments and purpose for appropriation of reserve fund; and (b) regulate, by specifying conditions or prohibit the issue by any HFC of any prospectus or advertisement soliciting deposits of money from the public. However, the NHB Act Amendments retain certain powers with the NHB, in addition to conferring such powers on the RBI, such as power to conduct inspections and request for documents from the HFCs.

In terms of the NHB Act, the NHB has the power to direct HFCs to furnish to the NHB and the RBI such statements, information or particulars as may be specified by the NHB. The NHB may, or on being directed to do so by the RBI shall, cause an inspection to be made of any deposit accepting HFC for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the NHB or for the purpose of obtaining any information or particulars which the HFC has failed to furnish on being called upon to do so.

Further, pursuant to the amendments to the Master Direction – Exemptions from the RBI Act, 1934 dated November 24, 2020, sections 45-IA, 45-IB and 45-IC of the RBI Act, which deal with requirement of registration and net owned fund, maintenance of percentage assets, and the setting up and maintenance of a reserve fund, respectively, are not applicable to HFCs.

Accordingly, activities of HFCs, are primarily regulated by the RBI and the NHB, including various aspects of our business such as definition of housing finance and housing finance company, net owned fund requirement, capital adequacy, sourcing of funds, on-boarding of customers, credit approval and risk management and asset classification and provisioning. Certain other generally applicable legislations as set out below also regulate other aspects of our business such as recovery of debt and taxation.

Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (“RBI Master Directions - HFC”)

Definition of housing finance and housing finance company

The RBI Master Directions – HFC define the term ‘housing finance’ as financing purchase/construction/reconstruction/renovation/repairs of residential dwelling units, which includes *inter alia* loans to individuals or group of individuals including co-operative societies for construction or purchase of new dwelling units, loans to individuals or group of individuals for purchase of old dwelling units and loans to individuals or group of individuals for purchasing old or new dwelling units by mortgaging existing dwelling unit. Further, a ‘housing finance company’ is defined as a company incorporated under the Companies Act that fulfils the following conditions:

- (i) It is an NBFC (the company will be treated as an NBFC if its financial assets are more than 50 per cent of its total assets (netted off by intangible assets) and income from financial assets should be more than 50 per cent of the gross income)