



ALLIED LAWS

N. A. SHAH **BULLETIN**

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EXECUTIVE SUMMARY

- RBI has extended Risk-Based Internal Audit (RBIA) system to certain NBFCs and CICs.
- RBI has issued a circular for investments made in NBFCs from investors located in FATF non-compliant jurisdictions with certain conditions.

1. RBIA framework for NBFCs and CICs

For ensuring an independent and effective internal audit, RBI had mandated a Risk Based Internal Audit (RBIA) system for all scheduled commercial banks. RBI has now mandated RBIA framework for the following NBFCs and CICs:

- a. All deposit taking NBFCs, irrespective of their size; and
- b. All non-deposit taking NBFCs (including Core Investment Companies) with asset size of INR 5,000 crores and above

The above entities shall implement the RBIA framework by March 31, 2022 in accordance with prescribed guidelines. For this purpose, the concerned NBFCs may constitute a committee of senior executives with the responsibility of formulating a suitable action plan.

2. Investment in NBFCs from FATF non-compliant jurisdictions

RBI has issued a circular whereby it has specified that the investments in NBFCs from the Financial Action Task Force (FATF) non-compliant jurisdictions are not to be treated at par with that from the compliant jurisdictions.

Category of Investor	Permissible investment in NBFCs
Investors of existing NBFCs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant	Existing investments may continue and it is also permitted to bring in additional investments as per extant regulations
New investors from or through non-compliant FATF jurisdictions in existing NBFC or companies seeking Certificate of Registration (COR)	Aggregate investment directly or indirectly shall not result in 20% or more of voting rights or potential voting rights (arising out of convertible instruments)

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