

Guidelines for appointment of statutory auditors of Commercial Banks, Urban Co-operative Banks (UCBs), Non-Banking Financial Corporations (NBFCs) including Housing Finance Companies (“Entities”)

RBI has issued a circular containing new guidelines in respect of appointment/reappointment of statutory auditors of the aforementioned Entities from FY 2021-22 onwards. However, Non- deposit taking NBFCs with asset size below INR 1,000 crore have the option to continue with existing guidelines.

NBFCs and UCBs shall have the flexibility to adopt these guidelines from second half of FY 2021-22. These new guidelines shall supersede all previous guidelines issued on the subject.

The new guidelines contain detailed instructions covering various procedural requirements in relation to appointment/reappointment and removal of statutory auditors. Key highlights in respect of NBFCs (which will include NHB as well as Core Investment Companies) are as under:

1. NBFCs are not required to seek prior approval from the RBI but are required to intimate the RBI in respect of appointment /reappointment and removal of statutory auditors within one month of such appointment or removal.
2. Eligibility criteria for auditors (including number of NBFC for which they can be appointed, ineligibility if auditors of the group entities) has been prescribed.
3. The time gap between audit work and non-audit work provided by the auditors should be of one year.
4. The auditors will have to be appointed for a continuous period of three years. They can be re-appointed after a cooling off period of six years.
5. Banks and NBFC having asset size above 15000 crore to appoint Joint auditors.

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