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THE FEDERATION OF TELANGANA CHAMBERS OF COMMERCE AND INDUSTRY

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RBI/2022-23/34

DOR.CRE.REC.28/21.04.048/2022-23

April 21, 2022

All Scheduled Commercial Banks (Excluding Regional Rural Banks),
All India Financial Institutions,
Small Finance Banks, Local Area Banks,
Primary (Urban) Co-operative Banks, and
Non-Banking Financial Companies (including Housing Finance Companies)

Madam/Dear Sir,

Legal Entity Identifier (LEI) for Borrowers

Please refer to Para 3 of DBR.No.BP.BC.92/21.04.048/2017-18 dated November 2, 2017, on the captioned subject.

2. On a review, it has been decided that the guidelines on LEI stand extended to Primary (Urban) Co-operative Banks (UCBs) and Non-Banking Financial Companies (NBFCs). It is further advised that non-individual borrowers enjoying aggregate exposure of ₹5 crore and above from banks Annex. 1 and financial institutions (FIs)² shall be required to obtain LEI codes as per the timeline given in the

“Exposure” for this purpose shall include all fund based and non-fund based (credit as well as investment) exposure of banks/FIs to the borrower. Aggregate sanctioned limit or outstanding balance, whichever is higher, shall be reckoned for the purpose. Lenders may ascertain the position of aggregate exposure based on information available either with them, or CRILC database or declaration obtained from the borrower.

C) Borrowers who fail to obtain LEI codes from an authorized Local Operating Unit (LOU) shall not be sanctioned any new exposure nor shall they be granted renewal/enhancement of any existing exposure. However, Departments/Agencies³ of Central and State Governments (not Public Sector Undertakings registered under Companies Act or established as Corporation under the relevant statute) shall be exempted from this provision.

3. These directions are issued under sections 21, 35A and 56 of the Banking Regulation Act, 1949, sections 45JA and 45L of the Reserve Bank of India Act, 1934, section 30A of the National Housing Bank Act, 1987 and section 6 of the Factoring Regulation Act, 2011.

Yours faithfully,

Sd/-

(Manoranjan Mishra)

Chief General Manager

¹ “Banks” shall mean Scheduled Commercial Banks (excluding Regional Rural Banks), Local Area Banks, Small Finance Banks and Primary (Urban) Co-operative Banks

² “Financial Institutions” (FIs) shall mean All India Financial Institutions (Exim Bank, SIDBI, NHB, NABARD and NaBFID) and NBFCs (including HFCs)

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DOR.CRE.REC.No.25/03.10.001/2022-23

April 19, 2022

All Non-Banking Financial Companies

Madam/ Dear Sir,

Loans and Advances Regulatory Restrictions - NBFCs

In terms of para 3.2.2 (c) and para 3.2.3 (b) & (c) of the circular on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs issued on October 22, 2021, certain regulatory restrictions on lending were introduced in respect of NBFCs placed in different layers. Detailed guidelines in this regard are placed as Annex to this circular.

2. These guidelines shall be effective from October 01, 2022.

Yours faithfully,

Sd/-

(Manoranjan Mishra)

Chief General Manager

Annex

1. Definitions

For the purpose of this circular:

- i) The term "control" shall have the meaning assigned to it under Clause (27) of Section 2 of the Companies Act, 2013.
- ii) The term "relative" shall have the meaning assigned to it under Clause (77) of Section 2 of the Companies Act, 2013.
- iii) The term "major shareholder" shall mean a person holding 10% or more of the paid-up share capital or five crore rupees in paid-up shares, whichever is lower.
- iv) The term "Senior Officer" shall have the same meaning as assigned to "Senior Management" under Section 178 of the Companies Act, 2013.

A. Guidelines applicable to NBFC - Middle Layer (ML) and NBFC - Upper Layer (UL) - Regulatory Restrictions on Loans and Advances

2. **Loans and advances to Directors** - Unless sanctioned by the Board of Directors/ Committee of Directors, NBFCs shall not grant loans and advances aggregating Rupees five crores and above to -

- i) their directors (including the Chairman/ Managing Director) or relatives of directors.
- ii) any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor.
- iii) any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee or guarantor.

Provided that a director or her relatives shall be deemed to be interested in a company, being the subsidiary or holding company, if she is a major shareholder or is in control of the respective holding or subsidiary company.

Provided that the director who is directly or indirectly concerned or interested in any proposal should disclose the nature of her interest to the Board when any such proposal is discussed. She should recuse herself from the meeting unless her presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal.

The proposals for credit facilities of an amount less than Rupees five crore to these borrowers may be sanctioned by the appropriate authority in the NBFC under powers vested in such authority, but the matter should be reported to the Board.

3. Loans and advances to Senior Officers of the NBFC- NBFCs shall abide by the following when granting loans and advances to their senior officers:

Loans and advances sanctioned to senior officers of the NBFC shall be reported to the Board.

- ii) No senior officer or any Committee comprising, *inter alia*, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

4. Loans and advances to Real Estate Sector - While appraising loan proposals involving real estate, NBFCs shall ensure that the borrowers have obtained prior permission from government/ local government/ other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals may be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government / other statutory authorities.

5. In respect of grant of aforementioned loans mentioned at para 2 and 3 above

- i) NBFCs shall obtain a declaration from the borrower giving details of the relationship of the borrower to their directors/ senior officers for loans and advances aggregating Rupees five crore and above. NBFCs shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.
- ii) These guidelines shall be duly brought to the notice of all directors and placed before the NBFC's Board of Directors.
- iii) NBFCs shall disclose in their Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per template provided in the Appendix.

6. The above norms as mentioned at para 2, 3 & 5 relating to grant of loans and advances will equally apply to awarding of contracts.

Explanation: The term 'loans and advances' will not include loans or advances against -

- a) Government securities
- b) Life insurance policies
- c) Fixed deposits
- d) Stocks and shares
- e) Housing loans, car advances, etc. granted to an employee of the NBFC under any scheme applicable generally to employees.

Provided that NBFC's interest/lien is appropriately marked with legal enforceability.

B. Guidelines applicable to NBFC - Base Layer (BL) - Loans to Directors, Senior Officers and relatives of Directors

7. NBFCs shall have a Board approved policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding. The Board approved policy shall include a threshold beyond which loans to abovementioned persons shall be reported to the Board. Further, NBFCs shall disclose in their Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per template provided in the Appendix.

For complete details: <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOT12987E2C200D1474DE2B85DE2A74B9EC579.PDF>

We welcome Your Participation

FTCCI Review attempts to keep abreast its members with latest information on various developments taking place around the globe. If you have any news/information on the issues related to Government policies, programs and latest developments that you may like to share with the FTCCI members, please write to sujatha@ftcci.in



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The Federation of Telangana
Chambers of Commerce and Industry



Conference on Rooftop Solar and Wind Energy for C & I Consumers

Date : 6th May, 2022 at 3.00 PM at Federation House, FTCCI, Hyderabad

Renewable Energy and Solar Parks is one of the thrust sectors of Make in Telangana. The industry ranks second in the country in terms of Solar Power Capacity per unit area of land mass. This industry is receiving more focus due to the rapidly declining cost curves, the Solar system costs have come down by nearly 70% in the past five years owing to technological advancements resulting in lower manufacturing and processing costs. Recently roof top wind energy is also gaining prominence due to its advantage in needing less space and economical costs.

In order to ensure that the benefits of the policy reach wider sections of industry, and to create awareness of advantages of rooftop solar / wind/ hybrid models for industrial & commercial consumers, FTCCI is organizing a Conference on Rooftop Solar and Wind Energy for Commercial & Industrial Consumers on 6th May, 2022 at 3PM, at Surana Auditorium Federation House.

Sessions

- I) Highlights of Telangana State Solar Policy
- II) Economics of Rooftop Solar & Business Model for Industry and Commercial Establishments
- III) Financing for Solar Rooftop
- IV) Rooftop Solar Wind Turbines for C & I Consumers
- V) RERA Regulations for Building with reference to renewable energy

Eminent Speakers



Sri Sunil Sharma, IAS
Special Chief Secretary,
Dept. of Energy,
Government of Telangana



Sri G. Raghuma Reddy,
Chairman and
Managing Director,
TSSPDCL, Hyderabad



Sri N. Janaiah
Vice Chairman &
Managing Director,
TSREDCO, Hyderabad



Sri Ajay Misra, IAS
Retd Spl Chief Secretary,
Dept of Energy,
Government of Telangana

K. Bhasker Reddy
President

Anil Agarwal
Senior Vice President

Meela Jayadev
Vice President

Sushil Sancheti
Chair, Power & Renewable Energy
Committee

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