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RESERVE BANK OF INDIA
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To

All Core Investment Companies,

Dear Sir/Madam,

Master Circular– Regulatory Framework for Core Investment Companies (CICs)

As you are aware, in order to have all current instructions on the subject at one place, the Reserve Bank of India issues updated circulars / notifications. The instructions related to the captioned subject contained in various circulars issued by RBI updated as on June 30, 2015 are reproduced below. The updated circular has also been placed on the RBI web-site (<https://www.rbi.org.in>).

Yours faithfully,

(C.D.Srinivasan)
Chief General Manager

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Regulatory Framework for Core Investment Companies (CICs)

1. Background

The Bank had announced in the Annual Policy 2010-2011 that companies which have their assets predominantly as investments in shares for holding stake in group companies but not for trading, and also do not carry on any other financial activity, i.e., CICs, justifiably deserve a differential treatment in the regulatory prescription applicable to Non-Banking Financial Companies which are non-deposit taking and systemically important to this extent. Draft guidelines had been placed on the RBI website on April 21, 2010. The feedback received from the market participants were considered and the following regulatory framework for CICs was framed.

2. CICs were not considered as carrying on the business of acquisition of shares and securities in the following circumstances, namely,

- (i) not less than 90% of their assets were in investments in shares for the purpose of holding stake in the investee companies;
- (ii) they were not trading in these shares except for block sale (to dilute or divest holding);
- (iii) they were not carrying on any other financial activities; and
- (iv) they were not holding / accepting public deposits.

As such, companies fulfilling the above criteria were not required to obtain Certificate of Registration (COR) from RBI under Section 45 IA of the RBI Act 1934. It has been found in practice that it is very difficult to determine whether a company has invested in the shares of another company for the purpose of holding stake or for the purpose of trade. Even where initially investments had been made in some cases for holding stake in the investee company, for various reasons these shares were sold or additional shares were purchased. Such absence of clarity is not in the interest of the system. It was therefore decided that investing in shares of other companies, even for the purpose of holding stake should also be regarded as carrying on the business of acquisition of shares in terms of Section 45I(c) (ii) of RBI Act.

3. Systemically Important NBFCs

In 2006, in view of the systemic risk arising from access to public funds such as bank borrowings, CPs, etc. by NBFCs, and their interconnectedness with the financial

system, the focus of regulatory concern widened to include non-deposit taking NBFCs also. Accordingly, non-deposit taking NBFCs with an asset size of Rs. 100 crore and more as per the last audited balance sheet were defined as systemically important (NBFCs-ND-SI),(Revised to Rs. 500 Crore and above vide [DNBR \(PD\) CC.No.002/03.10.001/2014-15 dated November 10, 2014](#)) and a regulatory framework was put in place for them vide Circular No 86 dated Dec 12, 2006.

4. Systemic Importance of CICs

For the reasons stated above, investing in shares of other companies, even for the purpose of holding stake should be regarded as carrying on the business of NBFIs. In view of the systemic implications of access to public funds such as funds raised through CP, debentures, inter-corporate deposits and other borrowings by CICs having asset size of Rs.100 crore or above, such systemically important CIC will be required to obtain CoR under Section 45-IA of the RBI Act and be governed by the provisions of the RBI Act, 1934 and the directions issued by the RBI from time to time.

5. Constraints faced by CICs

In view of the specificities of the business model of CICs, viz. holding stake in group companies and funding group concerns, CICs find it difficult to comply with the extant NOF requirements and exposure norms for NBFCs specified by the RBI. These issues have been considered while formulating the regulatory framework for CICs.

6. Transition Period

(i) All CICs-ND-SI, irrespective of whether they were specifically exempted in the past from registration with the RBI or not, were required to apply to the RBI for obtaining the CoR within a period of six months from the date of the Notification dated Jan 05, 2011.

(ii) It was further clarified that the companies which fail to apply within the stipulated period of six months would be regarded as contravening the provisions of Section

45IA of the RBI Act, 1934 if they are regarded as carrying on the business of CICs-ND-SI as described above.

(iii) Companies which presently have an asset size of less than Rupees 100 crore would be required to apply to RBI for COR within three months of the date of achieving a balance sheet size of Rs. 100 crore.

7. Action plan to comply with Conditions

(i) CICs-ND-SI applying for COR which do not meet the conditions stipulated in the CICs (Reserve Bank) Directions, 2011, were advised to approach the Regional Office of the RBI in whose jurisdiction they are registered, with an action plan for compliance with these conditions, in order to avail the exemptions stated in para 6(v) of the [DNBS \(PD\) CC.No.197/03.10.001/2010-11 dated Aug 12, 2010](#).

(ii) RBI may examine the action plan of such CICs-ND-SI as have applied for COR and impose such conditions and restrictions as it deems fit.

¹The CICs (Reserve Bank) Directions, 2011

8. Extent of the directions

These directions shall apply to every CIC, that is to say, a non-banking financial company carrying on the business of acquisition of shares and securities and which satisfies the following conditions as on the date of the last audited balance sheet:-

- (i) it holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;
- (ii) its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitutes not less than 60% of its net assets as mentioned in clause (i) above;
- (iii) it does not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;

¹[Notification No.DNBS.\(PD\) 219/CGM\(US\)-2011 dated January 5, 2011](#)

- (iv) it does not carry on any other financial activity referred to in Section 45I(c) and 45I (f) of the Reserve Bank of India Act, 1934 except investment in
- (a) bank deposits,
 - (b) money market instruments, including money market mutual funds
 - (c) government securities, and
 - (d) bonds or debentures issued by group companies, granting of loans to group companies and issuing guarantees on behalf of group companies.

9. Definitions

- (a) For the purpose of these directions, unless the context otherwise requires, -

“adjusted net worth” means –

(i) the aggregate, as appearing in the last audited balance sheet as at the end of the financial year, of Owned Funds as defined in Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 and Non-Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015;

(ii) as increased by:-

(A) 50% of the unrealized appreciation in the book value of quoted investments as at the date of the last audited balance sheet as at the end of the financial year (such appreciation being calculated, as the excess of the aggregate market value of such investments over the book value of such investments); and

(B) the increase, if any, in the equity share capital since the date of the last audited balance sheet.

(iii) as reduced by:-

(A) the amount of diminution in the aggregate book value of quoted investments (such diminution being calculated as the excess of the book value of such investments over the aggregate market value of such investments) and

(B) the reduction, if any, in the equity share capital since the date of the last audited balance sheet.

- (b) “Companies in the Group” means an arrangement involving two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27),

Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18) Common brand name, and investment in equity shares of 20% and above).

(c) “investment” means investment in shares, stock, bonds, debentures or securities issued by the Government or local authority or other marketable securities of a like nature.

(d) “market value of quoted investments” means the average of the weekly highs and lows of the closing price of the investments, on a recognized stock exchange where the investment is most actively traded, during the period of 26 weeks immediately preceding the end of the financial year at which date the last audited balance sheet is available.

(e) “net assets” means total assets excluding –

- (i) cash and bank balances;
- (ii) investment in money market instruments and money market mutual funds
- (iii) advance payments of taxes; and
- (iv) deferred tax payment.

(f) “outside liabilities” means total liabilities as appearing on the liabilities side of the balance sheet excluding 'paid up capital' and 'reserves and surplus', instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue but including all forms of debt and obligations having the characteristics of debt, whether created by issue of hybrid instruments or otherwise, and value of guarantees issued, whether appearing on the balance sheet or not.

(g) “Public funds” includes funds raised either directly or indirectly through public deposits, Commercial Papers, debentures, inter-corporate deposits and bank finance but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue.

(h) “systemically important CIC” means a CIC having total assets of not less than Rs.100 crore either individually or in aggregate along with other CICs in the Group and which raises or holds public funds.

(i) “total assets” means the total of all assets appearing on the assets side of the balance sheet.

10. Registration

(a) Every Systemically Important CIC (CIC-ND-SI) shall apply to the RBI for grant of Certificate of Registration, irrespective of any advice in the past, issued by the RBI, to the contrary.

(b) Every CIC shall apply to the RBI for grant of Certificate of Registration within a period of three months from the date of becoming a CIC-ND-SI.

²(c) Every CIC exempted from registration requirement with RBI shall pass a Board Resolution that it will not, in the future, access public funds. However CICs may be required to issue guarantees or take on other contingent liabilities on behalf of their group entities. Before doing so, all CICs must ensure that they can meet the obligation there under, as and when they arise. In particular, CICs which are exempt from registration requirement must be in a position to do so without recourse to public funds in the event the liability devolves, else they shall approach RBI for registration before accessing public funds. If unregistered CICs with asset size above Rs. 100 crore access public funds without obtaining a Certificate of Registration (CoR) from RBI, they will be seen as violating CICs (Reserve Bank) Directions, 2011 dated January 05, 2011.

11. Capital Requirements

Adjusted Net Worth of a CIC-ND-SI shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year.

Explanations

On balance sheet assets

(1) In these Directions, degrees of credit risk expressed as percentage weightages have been assigned to balance sheet assets. Hence, the value of each asset / item requires to be multiplied by the relevant risk weights to arrive at risk adjusted value

²Inserted vide [Notification No. DNBS \(PD\).245/CGM\(US\)-2012 dated May 11, 2012](#)

of assets. The aggregate shall be taken into account for reckoning the minimum capital ratio. The risk weighted asset shall be calculated as the weighted aggregate of funded items as detailed hereunder:

Weighted risk assets - On-Balance Sheet items	Percentage weight
(i) Cash and bank balances including fixed deposits and certificates of deposits with banks	0
(ii) Investments	
(a) Approved securities	0
[Except at (c) below]	
(b) Bonds of public sector banks	20
(c) Fixed deposits/certificates of deposits/bonds of public financial institutions	100
(d) Shares of all companies and debentures / bonds/commercial papers of all companies and units of all mutual funds	100
(iii) Current assets	
(a) Stock on hire (net book value)	100
(b) Intercorporate loans/deposits	100
(c) Loans and advances fully secured against deposits held	0
(d) Loans to staff	0
(e) Other secured loans and advances considered good	100
(f) Bills purchased/discounted	100

(g) Others (To be specified)	100
(iv) Fixed Assets (net of depreciation)	
(a) Assets leased out (net book value)	100
(b) Premises	100
(c) Furniture & Fixtures	100
(v) Other assets	
(a) Income tax deducted at source (net of provision)	0
(b) Advance tax paid (net of provision)	0
(c) Interest due on Government securities	0
(d) Others (to be specified)	100

Notes:

(i) Netting may be done only in respect of assets where provisions for depreciation or for bad and doubtful debts have been made.

(ii) Assets which have been deducted from owned fund to arrive at net owned fund shall have a weightage of 'zero'.

(iii) While calculating the aggregate of funded exposure of a borrower for the purpose of assignment of risk weight, such non-banking financial companies may net off the amount of cash margin/caution money/security deposits (against which right to set-off is available) held as collateral against the advances out of the total outstanding exposure of the borrower.

(iv) The counterparty credit risk, arising out of exposure of CICs-ND-SI to CCIL on account of securities financing transactions (CBLOs) will carry a risk weight of zero, as it is presumed that the CCP's exposures to their counterparties are fully

collateralised on a daily basis, thereby providing protection for the CCP's credit risk exposures. The deposits / collaterals kept by CICs-ND-SI with CCIL will attract a risk weight of 20%.

Off-balance sheet items

(2) In these Directions, degrees of credit risk exposure attached to off-balance sheet items have been expressed as percentage of credit conversion factor. Hence, the face value of each item requires to be first multiplied by the relevant conversion factor to arrive at risk adjusted value of off-balance sheet item. The aggregate shall be taken into account for reckoning the minimum capital ratio. This shall have to be again multiplied by the risk weight of 100. The risk adjusted value of the off-balance sheet items shall be calculated as per the credit conversion factors of non-funded items as detailed hereunder: -

Nature of item	Credit conversion factor Percentage
i) Financial & other guarantees	100
ii) Share/debenture underwriting obligations	50
iii) Partly-paid shares/debentures	100
iv) Bills discounted/rediscounted	100
v) Lease contracts entered into but yet to be executed	100

12. Leverage Ratio

The outside liabilities of a CIC-ND-SI shall at no point of time exceed 2.5 times its Adjusted Net Worth as on the date of the last audited balance sheet as at the end of the financial year.

13. Exemptions

(i) ³The provisions of section 45-IA (1)(b) of the Act shall not apply to a non-banking financial company being a Systemically Important CIC as defined in the CICs (Reserve Bank) Directions, 2011, subject to the condition that it meets with the capital requirements and leverage ratio as specified in the said directions.

(ii) The provisions of paragraphs 15, 16 and 17 of Non-Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 and the provisions of paragraphs 15, 16 and 24 of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 shall not apply to a Systemically Important Core Investment Company as defined in the CIC Directions, subject to the condition that it submits the Annual Auditors Certificate and meets with the capital requirements and leverage ratio, as specified in the CIC Directions.

14. Submission of Annual Statutory Auditors Certificate

Every CIC-ND-SI shall submit an annual certificate from its statutory auditors regarding compliance with the requirements of these directions within a period of one month from the date of finalisation of the balance-sheet.

MISCELLANEOUS

15. Exemptions

The RBI may, if it considers it necessary for avoiding any hardship for any other just and sufficient reason, grant extension of time to comply with or exempt any CIC-ND-SI from all or any of the provisions of these Directions either generally or for any specified period, subject to such conditions as the RBI may impose.

³[Notification No.DNBS.\(PD\) 220/CGM\(US\)-2011 dated January 5, 2011](#)

16. Interpretations

For the purpose of giving effect to the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding on all the parties concerned.

⁴[17. Core Investment Companies (CICs)-Overseas Investment (Reserve Bank) Directions, 2012]

17.1 Background

Non-Banking Financial Companies (Opening of Branch / Subsidiary / Joint Venture/Representative Office or Undertaking Investment Abroad by NBFCs) Directions, 2011 dated June 14, 2011 have specified general and specific conditions for overseas investment by NBFCs. The applicability of the Directions for CICs was examined and in view of their unique nature of business (investment only for holding purpose), certain modifications have been found were made in the Directions. These directions are in addition to those prescribed by Foreign Exchange Department for overseas investment.

CICs invest primarily in group companies, in different sectors of the economy. Being holding companies they need to invest in both financial and non-financial activities. It was therefore decided to issue a separate set of Directions to CICs with regard to their overseas investments.

All CICs investing in joint ventures / subsidiaries / representative offices overseas in financial sector will require prior approval from the Bank. The approval will be subject to the CIC fulfilling the conditions enumerated in the enclosed Directions issued by RBI in exercise of powers under Sections 45JA, 45K and 45L of the RBI Act, 1934 vide [Notification No. DNBS \(PD\) 252/CGM \(US\)/2012 dated December 6, 2012](#).

⁴Inserted vide [DNBS.PD.CC.No.311/03.10.01/2012-13 dated December 06, 2012](#)

Thus, should CICs currently exempted from registration, desire to make overseas investments in financial sector, they would require a CoR from RBI and shall have to comply with all the regulations applicable to registered CICs. However exempted CICs do not require to be registered with RBI for making investments in non-financial sector.

17.2 Prior Approval of RBI in cases of overseas investment by CICs

i. These Directions are applicable to all CICs⁵ (whether registered with RBI or exempted from registration) that intend to invest overseas.

ii. ⁶Investment in financial sector overseas

CICs desirous of making overseas investment in financial sector shall hold a Certificate of Registration (CoR) from Reserve Bank of India (the Bank) and shall comply with all the regulations applicable to registered CICs. Hence, CICs that are presently exempted from the regulatory framework of the Bank (exempted CICs), would be required to be registered with the Bank and would be regulated like CICs-ND-SI, for the purpose of overseas investment in financial sector.

iii. Investment in non-financial sector

Exempted CICs making overseas investment in non-financial sector will not require registration from the RBI and hence, these Directions are not applicable to them. Further, a registered CIC need not obtain prior approval from Department of Non-Banking Supervision (DNBS), RBI, for overseas investment in non-financial sector. However it should report to the Regional Office of DNBS where it is registered within 30 days of such investment in the stipulated format of quarterly return and also continue to submit the return quarterly.

iv. The eligibility criteria for investments abroad and other conditions prescribed for CICs are given in the following paragraphs.

⁵CICs as defined in para 2(b) of the [circular DNBS \(PD\) CC.No.206/03.10.001/2010-11 January 5, 2011](#) titled Regulatory Framework for Core Investment Companies

⁶ Financial sector for this purpose would mean a sector/ service regulated by a Financial Sector Regulator.

17.3 Eligibility Criteria

- i. The Adjusted Net Worth (ANW) of the CIC shall not be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year. The CIC shall continue to meet the requirement of minimum ANW, post overseas investment. For this purpose, the risk weights are as laid down in the Notification No.219 dated January 05, 2011.
- ii. The level of Net Non-Performing Assets of the CIC should not be more than 1% of the net advances as on the date of the last audited balance sheet.
- iii. The CIC should generally be earning profit continuously for the last three years and its performance should be satisfactory during the period of its existence.

17.4 General Conditions

- i. Direct investment in activities prohibited under FEMA will not be permitted.
- ii. The total overseas investment should not exceed 400% of the owned funds of the CIC.
- iii. The total overseas investment in financial sector should not exceed 200% of its owned funds.
- iv. Investment in financial sector shall be only in regulated entities abroad.
- v. ⁷Entities set up abroad or acquired abroad shall be treated as wholly owned subsidiaries (WOS) /joint ventures (JV) abroad.
- vi. ⁸Overseas investments by a CIC in financial /non-financial sector would be restricted to its financial commitment. However with regard to issuing guarantees/Letter of Comfort in this regard the following may be noted:
 - (a) The CIC can issue guarantees / letter of comfort to the overseas subsidiary engaged in non-financial activity;
 - (b) CICs must ensure that investments made overseas do not result in creation of complex structures. In case the structure overseas requires a

⁷ Under FEMA, "Joint Venture" means a foreign entity formed, registered or incorporated in accordance with the laws and regulations of the host country in which the Indian party makes a direct investment. "WOS" means a foreign entity formed, registered or incorporated in accordance with the laws and regulations of the host country, whose entire capital is held by the Indian party.

⁸"Financial commitment" means the amount of direct investment by way of contribution to equity and loan and fifty percent of the amount of guarantees issued by an Indian party to or on behalf of its overseas JV/WOS.

Non-Operating Holding Company, there should not be more than two tiers in the structure. CICs having more than one non-operating holding company in existence, in their investment structure, shall report the same to the RBI for a review.

(c) CICs shall comply with the regulations issued under FEMA, 1999 from time to time;

(d) An annual certificate from statutory auditors shall be submitted by the CIC to the Regional Office of DNBS where it is registered, certifying that it has fully complied with all the conditions stipulated under these Guidelines for overseas investment. The certificate as on end March every year shall be submitted by April 30 each year;

(e) A quarterly return in the enclosed format as given in Annex shall be submitted by the CIC to the Regional Office of DNBS and also Department of Statistics and Information Management (DSIM), RBI within 15 days of the close of the quarter.

(f) If any serious adverse features come to the notice of the Bank, the permission granted shall be withdrawn. All approvals for investment abroad shall be subject to this condition.

17.5 Specific Conditions

(i) Opening of Branches

As CICs are non-operating entities, they will not, in the normal course, be allowed to open branches overseas. CICs which had already set up branch(es) abroad for undertaking investment business were advised to approach RBI within 3 months from the date of these Directions for a review.

(ii) Opening of WOS/JV Abroad by CICs

In the case of opening of a WOS/JV abroad by a CIC, all the conditions as stipulated above shall be applicable. The NoC to be issued by the Bank is independent of the overseas regulators' approval process. In addition, the following conditions shall apply to all CICs:

- (a) The WOS/JV being established abroad should not be a shell company i.e "a company that is incorporated, but has no significant assets or operations." However companies undertaking activities such as financial consultancy and advisory services shall not be considered as shell companies;
- (b) The WOS/JV being established abroad by the CIC should not be used as a vehicle for raising resources for creating assets in India for the Indian operations;
- (c) In order to ensure compliance of the provisions, the parent CIC shall obtain periodical reports/audit reports at least quarterly about the business undertaken by the WOS/JV abroad and shall make them available to the inspecting officials of the Bank;
- (d) If the WOS/JV has not undertaken any activity or such reports are not forthcoming, the approvals given for setting up the WOS/JV abroad shall be reviewed;
- (e) The WOS/JV shall make disclosure in its Balance Sheet the amount of liability of the parent entity towards it and also whether it is limited to equity / loan or if guarantees are given, the nature of such guarantees and the amount involved;
- (f) All the operations of the WOS/JV abroad shall be subject to regulatory prescriptions of the host country.

(iii) Opening of Representative Offices Abroad by CICs

CICs will need prior approval from the DNBS, RBI for opening representative offices abroad. The representative offices can be set up abroad for the purpose of liaison work, undertaking market study and research but not for undertaking any activity which involves outlay of funds. The representative offices shall also comply with regulations, if any, in this regard stipulated by a regulator in the host country. As it is not envisaged that such offices would be carrying on any activity other than liaison work, no line of credit should be extended.

The parent CICs shall obtain periodical reports about the business undertaken by the representative offices abroad. If the representative offices have not undertaken any activity or such reports are not forthcoming, the Bank may advise the CIC to wind up the establishment.

Violation of these directions shall invite penal action under the provisions of Reserve Bank of India Act, 1934.

18. Core Investment Companies -Guidelines on Investment in Insurance

18.1⁹In view of the unique business model of CICs, it has been decided to issue a separate set of guidelines was issued for their entry into insurance business.

While the eligibility criteria, in general, are similar to that for other NBFCs, no ceiling is being stipulated for CICs in their investment in an insurance joint venture. Further it is clarified that CICs cannot undertake insurance agency business.

CICs exempted from registration with RBI do not require prior approval provided they fulfil all the necessary conditions of exemption as provided under/ in CC No.206 dated January 05, 2011. Their investment in insurance joint venture would be guided by IRDA norms.

18.2 Any CIC registered with RBI which satisfies the eligibility criteria given below will be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution such a CIC can hold in the joint venture company will be as per IRDA approval.

18.3 The eligibility criteria for joint venture participant will be as under, as per the latest available audited balance sheet.

- (i) The owned funds of the CIC shall not be less than Rs. 500 crore;
- (ii) The level of net non-performing assets shall be not more than 1% of the total advances;
- (iii) The CIC should have registered net profit continuously for three consecutive years;
- (iv) The track record of the performance of the subsidiaries, if any, of the concerned CIC should be satisfactory;
- (v) The CIC shall comply with all applicable regulations including Core Investment Companies Directions, 2011. Thus CICs-ND-SI are required to maintain adjusted net worth which shall be not less than 30% of aggregate

⁹ Inserted vide [DNBS \(PD\) CC.No.322/03.10.001/2012-13, dated April 1, 2013](#)

risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items.

18.4 No CIC would be allowed to conduct such business departmentally. Further, an NBFC (in its group / outside the group) would normally not be allowed to join an insurance company on risk participation basis and hence should not provide direct or indirect financial support to the insurance venture.

18.5 Within the group, CICs may be permitted to invest up to 100% of the equity of the insurance company either on a solo basis or in joint venture with other non-financial entities in the group. This would ensure that only the CIC either on a solo basis or in a joint venture with the group company is exposed to insurance risk and the NBFC within the group is ring-fenced from such risk.

18.6 In case where a foreign partner contributes 26 per cent of the equity with the approval of insurance Regulatory and Development Authority/Foreign Investment Promotion Board, more than one CIC may be allowed to participate in the equity of the insurance joint venture. As such participants will also assume insurance risk, only those CICs which satisfy the criteria given in paragraph 2 above, would be eligible.

18.7 CICs cannot enter into insurance business as agents. CICs that wish to participate in insurance business as investors or on risk participation basis will be required to obtain prior approval of the RBI. The RBI will give permission on case to case basis keeping in view all relevant factors. It should be ensured that risks involved in insurance business do not get transferred to the CIC.

Notes:

- (1) Holding of equity by a promoter CIC in an insurance company or investment in insurance business will be subject to compliance with any rules and regulations laid down by the IRDA/Central Government. This will include compliance with Section 6AA of the Insurance Act as amended by the IRDA Act, 1999, for divestment of equity in excess of 26 per cent of the paid up capital within a prescribed period of time.

(2) CICs exempted from registration with RBI in terms of the Core Investment Companies (Reserve Bank) Directions, 2011 do not require prior approval provided they fulfil all the necessary conditions of exemption.

Footnote: The Reference to Companies Act, 1956 in the Master Circular will be changed as and when change is effected in the original circular/notifications.

Appendix

List of Circulars

Sr. No.	Circular No	Date
1.	DNBS (PD) CC.No.206/03.10.001/2010-11	January 5, 2011
2.	DNBS.PD.CC.No.274/03.02.089/2011-12	May 11, 2012
3	DNBS.PD.CC.No.311/03.10.01/2012-13	December 06, 2012
4	DNBS.PD.CC.No.322/03.10.01/2012-13	April 1, 2013