

## The Reserve Bank of India (RBI)

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## Review of Regulatory Framework for Infrastructure Debt Fund-Non-Banking Finance Companies (IDF-NBFCs)

[RBI/2023-24/54 dated 18<sup>th</sup> August 2023](#)

In order to enable IDF-NBFCs to play a greater role in the financing of the infrastructure sector and to harmonise the regulations governing financing of infrastructure sector by the NBFCs, the RBI has undertaken a review of the guidelines applicable to IDF-NBFCs, in consultation with the Government of India.

Key features of the revised regulatory framework for IDF-NBFCs are given below:

### ▪ Definition

An IDF-NBFC means a non-deposit taking NBFC which is permitted to – (i) refinance post commencement operations date (COD) infrastructure projects that have completed at least 1 year of satisfactory commercial operations; and (ii) finance toll operate transfer (TOT) projects as the direct lender.

### ▪ Net owned funds (NOF) and regulatory capital

An IDF-NBFC will be required to have an NOF of at least Rs.300 crore and capital-to-risk weighted assets ratio (CRAR) of minimum 15% (with minimum Tier 1 capital of 10%).

### ▪ Raising of funds

IDF-NBFCs should raise funds through issue of either rupee or dollar denominated bonds of minimum 5-year maturity. They can raise funds through shorter tenor bonds and commercial papers (CPs) from the domestic market to the extent of up to 10% of their total outstanding borrowings. They can also raise funds through external commercial borrowings (ECBs) with a minimum tenor of 5 years, subject to specific conditions.

### ▪ Guidelines governing sponsorship of IDF-MFs by NBFCs

All NBFCs will be eligible to sponsor (sponsorship as defined by SEBI Regulations for Mutual Funds)

IDF-Mutual Funds (IDF-MFs) with prior approval of the RBI subject to the prescribed conditions (based on the audited financial statements), in addition to those prescribed by SEBI. *Inter alia*, the requirements include the following:

- ▲ the NBFC should have a minimum NOF of Rs.300 crore and CRAR of 15%;
- ▲ its net Non-Performing Assets (NPAs) should be less than 3% of the net advances;
- ▲ it should have been in existence for at least 5 years.

These guidelines have **come into effect from 18<sup>th</sup> August 2023**.

## Reserve Bank of India Act, 1934 - Section 42(1A) - Requirement for maintaining additional CRR

[RBI/2023-24/59 dated 8<sup>th</sup> September 2023](#)

As announced in the [RBI Press Release dated 8<sup>th</sup> September 2023](#), on a review, the RBI has decided to discontinue the incremental Cash Reserve Ratio (**I-CRR**). (Refer [RBI/2023-24/52 dated 10<sup>th</sup> August 2023](#)) in a phased manner. The RBI has decided that the amounts impounded under the I-CRR would be released in stages. The release of funds would be as follows:

Date	Amount to be released
9 <sup>th</sup> September 2023	25% of the I-CRR maintained
23 <sup>rd</sup> September 2023	25% of the I-CRR maintained
7 <sup>th</sup> October 2023	50% of the I-CRR maintained

## Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023

[RBI/DOR/2023-24/104 dated 12<sup>th</sup> September 2023](#)

The revised framework as detailed in the aforementioned Directions will be **applicable from accounting period commencing on or after 1<sup>st</sup> April 2024** to all Commercial Banks excluding

Regional Rural Banks. *Inter alia*, key features of these Directions include the following:

■ **Investments**

Banks should classify their entire investment portfolio (except investments in their own subsidiaries, joint ventures and associates) under 3 categories, i.e., Held to Maturity (**HTM**), Available for Sale (**AFS**) and Fair Value through Profit and Loss (**FVTPL**). Held for Trading (HFT) should be a separate investment sub-category within FVTPL.

All investments in subsidiaries, associates and joint ventures should be held in a distinct category which is separate from the other investment categories (i.e., HTM, AFS and FVTPL).

■ **Audit**

Banks should ensure that there are adequate internal control and audit procedures in place in regard to the conduct of the investment portfolio. Banks should adhere to the specified instructions in regard to audit, review and reporting of investment transactions.

■ **Income recognition**

▲ Banks should recognise income on accrual basis for the following investments:

- a) Government Securities, bonds and debentures of corporate bodies, where interest rates on these securities are predetermined and provided interest is serviced regularly and is not in arrears.
  - b) Shares of corporate bodies provided dividend has been declared by the corporate body in its Annual General Meeting and the owner's right to receive payment is established.
- ▲ Subject to the above, dividend income on equity investments held under AFS should be recognised in the Profit and Loss Account.
- ▲ Income from units of mutual funds, alternative investment funds and other such pooled/collective investment funds should be recognised on cash basis.

■ **Accounting for Broken Period Interest**

Banks should not capitalise the broken period interest paid to the seller as part of cost and should

treat it as an item of expenditure under the Profit & Loss Account in respect of investments in securities.

■ **Transition and Repeal Provisions**

- ▲ At the time of transition to these Directions (i.e., on 1<sup>st</sup> April 2024), banks should re-classify their investment portfolio as on 31<sup>st</sup> March 2024, as specified in these Directions.
- ▲ The balance in provision for depreciation, as on 31<sup>st</sup> March 2024, should be reversed into the Revenue/ General Reserve.
- ▲ The balances in Investment Reserve Account (**IRA**) as on 31<sup>st</sup> March 2024, should be transferred to the Revenue/ General Reserve if the bank meets the minimum regulatory requirements of Investment Fluctuation Reserve (**IFR**). If the bank does not meet the minimum IFR requirements, the balances in IRA should be transferred to IFR.
- ▲ Banks should make suitable disclosures of the transitional adjustment made in their notes to the financial statements for the financial year ending 31<sup>st</sup> March 2025.

**Display of information - Secured assets possessed under the SARFAESI Act, 2002**

[RBI/2023-24/63 dated 25<sup>th</sup> September 2023](#)

For greater transparency, the RBI has decided that the Regulated Entities (**REs**) of the RBI which are secured creditors as per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (**SARFAESI**) Act, 2002, should display information in respect of the borrowers whose secured assets have been taken into possession by the REs under the Act.

REs should upload this information on their website in the prescribed format. The first such list should be displayed on the website of REs within 6 months from the date of this circular, and the list should be updated on monthly basis.





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