भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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To

Non-Banking Financial Companies (NBFCs)
(including Housing Finance Companies) and
Asset Reconstruction Companies

Madam / Dear Sir,

Investment in NBFCs from FATF non-compliant jurisdictions

The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML/CFT) in its following publications: i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring. A jurisdiction, whose name does not appear in the two aforementioned lists, shall be referred to as a FATF compliant jurisdiction. Investments in NBFCs from FATF non-compliant jurisdictions shall not be treated at par with that from the compliant jurisdictions.

2. Investors in existing NBFCs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.

3. New investors from or through non-compliant FATF jurisdictions, whether in existing NBFCs or in companies seeking Certification of Registration (COR), should not be allowed to directly or indirectly acquire 'significant influence' in the investee, as defined in the applicable accounting standards. In other words, fresh investors (directly or indirectly) from such jurisdictions in aggregate should

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be less than the threshold of 20 per cent of the voting power (including potential[1] voting power) of the NBFC.

4. These instructions are applicable with immediate effect.

Yours faithfully,

- sd -

(Prakash Baliarsingh)
Chief General Manager

[1] Potential voting power could arise from instruments that are convertible into equity, other instruments with contingent voting rights, contractual arrangements, etc. that grant investors voting rights (including contingent voting rights) in the future. In such cases, it should be ensured that new investments from FATF non-compliant jurisdictions are less than both (i) 20 per cent of the existing voting powers and (ii) 20 per cent of existing and potential voting powers assuming those potential voting rights have materialised.