

NDA Update – Withdrawal of exemption granted by RBI to Housing Finance Institutions

Housing Finance Institutions (HFI) as defined under Clause (d) of Section 2 of the National Housing Bank Act, 1987 were currently exempt from the provisions of Chapter IIIB of Reserve Bank of India Act, 1934.

Vide a notification dated 11-11-2019, RBI has withdrawn such exemption from applicability of Chapter IIIB of Reserve Bank of India Act, 1934 to HFI except Section 45-IA.

Thus, HFI shall not be required to obtain certificate of registration from RBI and shall also not be required to comply with requirements of net owned fund as per Section 45-IA.

However, HFI shall be required to comply with other provisions of Chapter IIIB such as Maintenance of percentage of assets (Sec 45-IB), Creation of Reserve Fund (Sec 45-IC), furnishing of statements under Sec 45M etc.

RBI shall be empowered to prohibit issue of prospectus or advertisement soliciting deposits of money (Sec 45J), to collect information from non-banking institutions as to deposits and to give directions (Sec 45K), to call for information from financial institutions and to give directions (Sec 45L) etc.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI982517579395D748DCB063F8336CB3BD96.PDF>