



RBI/2016-17/295

DNBR. PD (ARC) CC. No. 03/26.03.001/2016-17

April 28, 2017

The Chairman / Managing Director / Chief Executive Officer
All registered Asset Reconstruction Companies.

Dear Sir,

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002- Section 3 (1) (b) - Requirement of Net Owned Fund (NOF) for Asset Reconstruction Companies.

A reference is invited to paragraph 9 of the Bank's Monetary Policy Statement on Developmental and Regulatory Policies dated April 06, 2017 (extract enclosed as annex).

2. Section 5 of the Enforcement of Security Interest and Recovery of Debts Laws & Misc. Provisions (Amendment) Act, 2016 (No.44 of 2016), substitutes clause (b) in sub-section (1) of Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter referred to as "the SARFAESI Act, 2002").

3. Consequent to the above amendment, no Asset Reconstruction Company (hereinafter referred to as "the ARC") shall commence or carry on the business of securitisation or asset reconstruction without having Net Owned Fund (hereinafter referred to as NOF) of not less than Rupees two crore or such other higher amount as the Reserve Bank may, by notification, specify.

4. Accordingly, and keeping in view the greater role envisaged for ARCs in resolving stressed assets as also the recent regulatory changes governing sale of stressed assets by banks to ARCs, it has been decided to fix the minimum NOF requirement for ARCs at ₹ 100 crore on an ongoing basis with effect from the date of the enclosed Notification.

5. NOF shall be arrived at by reducing from Owned Fund (OF), as defined in the [Notification DNBR \(PD\).CC.No.03/SCRC/26.03.001/2015-16 dated July 1, 2015](#), the amounts representing -

- i. investments of the ARC in shares of –
 - a. its subsidiaries;
 - b. companies in the same group;
 - c. all other ARCs; and
- ii. the book value of debentures, bonds, outstanding loans and advances made to, and deposits with, -
 - a. subsidiaries of the ARC; and
 - b. companies in the same group,

to the extent such amount exceeds 10% of the OF.

6. All the ARCs which are already registered with Reserve Bank of India as on the date of the Notification and not having the revised minimum NOF as on date shall achieve a minimum NOF of ₹ 100 crore latest by March 31, 2019. ARCs shall submit a certificate from their Statutory Auditors periodically as evidence of compliance thereof.

7. A copy of the Notification DNBR (PD-ARC) No. 05/ED(SS)-2017 dated April 28, 2017 is enclosed.

Yours faithfully,

(C. D. Srinivasan)
Chief General Manager

Encl : 1. Notification DNBR (PD-ARC) No. 05 /ED(SS)-2017 dated April 28, 2017;
2. Annex

**Reserve Bank of India
Department of Non-Banking Regulation
Central Office, Centre No 1
World Trade Centre
Mumbai 400 005.**

NOTIFICATION

Notification DNBR (PD-ARC) No. 05 /ED(SS)-2017 dated April 28, 2017

In exercise of the powers conferred by clause (b) of sub-section (1) of section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, Reserve Bank of India hereby specifies that the Net Owned Fund (NOF) for Asset Reconstruction Companies (ARCs) shall be minimum Rupees One Hundred Crore on an ongoing basis with effect from the date of this Notification.

2. All the ARCs which are already registered with Reserve Bank of India, having less than Rupees One Hundred Crore NOF shall achieve the prescribed minimum NOF level latest by March 31, 2019 and the same should be duly certified by the Statutory Auditors.

(Sudarshan Sen)
Executive Director

Statement on Developmental and Regulatory Policies - April 06, 2017
Reserve Bank of India

II. Banking Regulation and Supervision

9. Asset Reconstruction Companies(ARCs): Raising the Minimum Level of Net Owned Funds (NOF) - While the earlier provision in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 of a minimum of '₹ 2 crore of owned funds' was amended in 2016 as '₹ 2 crore of net owned funds (NOF)', the cap on owned fund of 15 per cent of financial assets was removed. In view of the enhanced role of ARCs and greater cash based transactions, it is proposed to stipulate a minimum NOF of ₹100 crore for ARCs. The necessary instructions will be issued by end-April, 2017.