

Working Group on Core Investment Companies

The Reserve Bank of India (RBI) has constituted a working group to review the regulatory guidelines and supervisory framework applicable for Core Investment Companies (CIC).

Background

- In August 2010, the Reserve Bank had introduced a separate framework for the regulation of systemically important Core Investment Companies (CICs).
- This was done because of the differences in the business model of a holding company relative to other non-banking financial companies.
- Over the years, corporate group structures have become more complex involving multiple layering and leveraging, which has led to greater inter-connectedness with the financial system through their access to public funds.
- Further, in light of recent developments, there is a need to strengthen the corporate governance framework of CICs.

Terms of Reference

- The Terms of Reference of the Working Group are:
 - To examine the current regulatory framework for CICs in terms of adequacy, efficacy and effectiveness of every component thereof and suggest changes therein.
 - To assess the appropriateness of and suggest changes to the current approach of the <u>Reserve Bank of India</u> towards registration of CICs including the practice of multiple CICs being allowed within a group.
 - To suggest measures to strengthen <u>corporate governance</u> and disclosure requirements for CICs.
 - To assess the adequacy of supervisory returns submitted by CICs and suggest changes therein.
 - To suggest appropriate measures to enhance RBI's off-site surveillance and on-site supervision over CICs.
- The working group, headed by Tapan Ray, shall submit its report by October 31, 2019.

Core Investment Company

- Core Investment Companies (CICs) are a specialized Non-Banking Financial Companies (NBFCs).
- They have asset size of Rs 100 crore and above.
- Their main business is acquisition of shares and securities with certain conditions.
- 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.
- 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 (iii) above.
- 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.
- It does not carry on any other financial activity referred to in RBI Act, 1934 except investment in bank deposits, money market instruments, government securities, loans to and investments in

