



Core Investment Companies

Why in News

A working group formed by the [Reserve Bank of India \(RBI\)](#) has recommended measures to strengthen Core Investment Companies (CIC). The group is headed by the former Corporate Affairs Secretary - **Tapan Ray**.

Core Investment Companies

- Core Investment Companies (CICs) are a **specialized [Non-Banking Financial Companies \(NBFCs\)](#)**.
- A Core Investment Company registered with the RBI has an **asset size of above Rs 100 crore**.
- Their **main business is acquisition of shares and securities** with certain conditions.
 - For e.g. these **should not hold 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**.
 - **Group companies** are an arrangement involving two or more entities related to each other through any of the following relationships, viz., subsidiary, joint venture, associate, promoter-promotee for listed companies, a related party, common brand name, and investment in equity shares of 20% and above.

Key Recommendations

- **Registration:** The current threshold of Rs 100 crore asset size and access to public funds for registration as CIC should be retained.
- **Related to Group Companies:**
 - Every group having a CIC should have a **Group Risk Management Committee**.
 - The **number of layers** of CICs in a group should be restricted to two. As such, any CIC within a group shall not make investments through more than a total of two layers of CICs, including itself.
 - The word “layer”, means subsidiary or subsidiaries of the holding company.
- **For Better Governance:**
 - CICs need to induct independent directors, conduct internal audits and prepare consolidated financial statements.
 - There is a need for ring fencing boards of CICs by excluding employees/executive directors of group firms from its board.
 - CICs should constitute board-level committees — Audit Committee, Nomination and Remuneration Committee and Group Risk Management Committee.
- **For Step - down CICs:**

- A Step-down CIC means the subsidiary company of a company which is a subsidiary of another company.
- Step-down CICs may not be permitted to invest in any other CIC, while allowing them to invest freely in other group companies.
- Capital contribution by a CIC in a step-down CIC, over and above 10% of its owned funds, should be deducted from its adjusted net worth, as applicable to other NBFCs.

Source: IE

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