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Current Affairs

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FATF keeps Pak in 'Grey' list:

Why in news?

The Paris-based Financial Action Task Force (FATF) retained Pakistan on its "grey list", saying Islamabad had made only "limited progress" in curbing terror financing and failed to grasp the risks posed by groups such as the Lashkar-e-Taiba, and Jaish-e-Mohammed (JeM), which has claimed responsibility of the Pulwama terror attack.

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote **effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system**. The FATF is therefore a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. The FATF has developed a series of Recommendations that are recognised as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for a co-ordinated response to these threats to the integrity of the financial system and help ensure a level playing field. First issued in 1990, the FATF Recommendations were revised in 1996, 2001, 2003 and most recently in 2012 to ensure that they remain up to date and relevant, and they are intended to be of universal application. The **FATF monitors the progress of its members in implementing necessary measures**, reviews money laundering and terrorist financing techniques and counter-measures, and

promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse. **The FATF's decision making body, the FATF Plenary, meets three times per year.**

Recent Action:

- The action by the **global terror financing watchdog**, which is a relief to India, came a day after the UN Security Council, in a statement, condemned the 14 February suicide attack in Pulwama that killed about 40 Central Reserve Police Force (CRPF) personnel.
- The FATF, which condemned the Pulwama attack, said it would continue to work with Pakistan, which had been hoping to get off the "grey list" of countries that have inadequate control over ensuring that money doesn't reach terrorist groups.
- The FATF urged Pakistan to address its deficiencies adequately, including the "demonstration of the effective implementation of targeted financial sanctions" against UN-designated terrorists. "Given the limited progress on action plan items, the FATF urges Pakistan to swiftly complete its action plan," it said.
- Pakistan's continued inclusion on the "grey list" makes it harder for Islamabad to access international markets for investments and loans at a time when its economy is in dire straits. India has been looking for a strong push from the FATF to choke the flow of funds to terrorist groups in Pakistan.

UNSC Condemnation:

- The UNSC also named the Pakistan-based JeM in the statement.
- Tensions between India and Pakistan have been running high since the Pulwama terror attack, with the Pakistani army warning it will respond to any Indian reprisal with "full force".
- The UNSC condemnation came despite attempts by China to stall its statement for the reference to JeM, two people familiar with the development said. China's attempt is a sign that despite efforts by India and China to stabilize ties and establish a working relationship following a 73-day Doklam standoff in 2017, Beijing's position on the UN proscribing anti-India terrorists remains tilted in favour of Pakistan.
- The UN Security Council, a 15-member body with the US, UK, Russia, France and China as its permanent veto wielding members, "condemned

in the strongest terms the heinous and cowardly suicide bombing in Jammu and Kashmir, which resulted in over 40 Indian paramilitary forces dead and dozens wounded on February 14, 2019, for which Jaish-e-Mohammed has claimed responsibility".

- It also "underlined the need to hold perpetrators, organizers, financiers and sponsors of these reprehensible acts of terrorism accountable and bring them to justice".
- Significantly, the UNSC said that "all states must, in accordance with their obligations under international law and relevant Security Council resolutions, cooperate actively with the Government of India and all other relevant authorities in this regard". It also reiterated "that any acts of terrorism are criminal and unjustifiable, regardless of their motivation, wherever, whenever and by whomsoever committed".

Chinese Opposition:

- China did not want a reference to JeM in the statement and had also objected to the reference to Jammu and Kashmir, wanting it to be changed to Indian-administered Kashmir a term used to imply dispute between India and Pakistan over Kashmir. However, China finally went with the statement, which was then adopted unanimously.
- The UNSC reference to the JeM did not "represent a judgement on the (Pulwama) attack" and was only a general reference, China's foreign ministry spokesperson Geng Shuang said.
- China is seen as an **"all weather" ally of Pakistan** and has been repeatedly using its veto power to scuttle moves by India at the UN to put JeM's founder Masood Azhar on a global terror list. It has previously shot down a proposal by the US, the UK and France to ban him.
- China had expressed "deep sympathies" to the families of the 40 CRPF men killed in the Pulwama attack. In his condolence message "resolutely opposes and strongly condemns all forms of terrorism", but the statement did not make any reference to Pakistan or the JeM.
- Indian foreign secretary met the Chinese ambassador to India, after the Pulwama attack to seek support on a UN ban on Masood Azhar.
- Swaraj is also likely to take up the matter with Wang when she travels next week to Wuzhen in northern China, where she is to meet him on the sidelines of the 16th Russia-India-China foreign ministerial meeting being held on 27 February.

India, Russia agreement on AK-103 assault rifles:

Why in news?

India and Russia are close to concluding an Inter-Governmental Agreement (IGA) for a multi-billion deal to locally bulk manufacture AK-103 assault rifles in the next few months.

Defence Deals:



- India has signed several multi-billion dollar defence deals with Russia in the last couple of years and more are in the pipeline.
- It is in the final stage of negotiations. A Government-to-Government agreement is being prepared and will be signed in the nearest future. Upon signing that, there will be direct business negotiations between Kalashnikov from Russia and India's Ordnance Factory Board (OFB).
- The Army has recently signed a contract for 72,400 assault rifles from Sig Sauer of the U.S. and another tender for 93,895 **Close Quarter Battle (CQB) carbines** is in advanced stage of conclusion. These rifles are for frontline troops deployed in forward areas.
- However, the Army is looking to replace the indigenous **INSAS (Indian National Small Arms System) rifles** in use with a modern rifle. The AK-103 will be bulk produced by the OFB with technology transfer.
- Initially different companies were proposed from the Indian side for the tie-up. However, the Indian government realised it would be "wrong to pick up a start-Up company" and arrange for production of such sophisticated equipment,
- However, Russians brushed aside concerns of U.S. sanctions on the defence deals, flagging money transfers as the issue.

MUDRA job report:

Why in news?

The Labour Bureau has completed its survey on employment generated by

the MUDRA loan scheme, giving the Centre a potential data tool to combat other reports showing a dismal scenario on jobs.

About the survey:



- LB has completed the survey and submitted the report to the Labour Ministry. It is awaiting the Minister's approval now and it is likely to be released in the first week of March.
- The Pradhan Mantri Mudra Yojana was introduced in April 2015 as an effort to **extend affordable credit to micro and small enterprises**.
- **Loans up to Rs. 10 lakh** are extended to these non-corporate, non-farm enterprises by the Micro Units Development and Refinance Agency (MUDRA) through last-mile financial institutions. So far, 15.56 crore loans worth a total of Rs. 7.23 lakh crore have been disbursed.
- Before stepping down as vice chairman of Niti Aayog in August 2017, Arvind Panagariya, had submitted a report on the recommendations of a task force he had chaired on improving jobs data.
- One recommendation was to analyse the extent of employment and self-employment generated by MUDRA loans.
- In December 2017, faced with mounting criticism on the failure to create job opportunities, the Labour Ministry had asked the Labour Bureau to initiate the survey on jobs created through the MUDRA scheme.

NSSO survey

- The Labour Bureau's completed report on MUDRA loans has now been submitted to the Centre at a time when it is taking flak for not releasing the results of the National Sample Survey Organisation's periodic labour force survey.
- According to reports, a leaked copy of the NSSO's findings showed that unemployment hit a **45-year high of 6.1% in 2017-18**.
- Central government ministers and officials have already attempted to use the MUDRA scheme's performance to combat criticism based on the leaked NSSO job survey report.
- Some economists, however, have advised caution in the interpretation of MUDRA data, especially as it relates to jobs.
- It is improbable that these loans are being given to those who were formerly unemployed. They are more likely being given to people who are moving to self-employment from other jobs resulting in no new net job creation.

- \Given that the average size of the loan disbursed under MUDRA is quite small, it is unlikely that the loan seekers are providing a job to anyone other than themselves.
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Flying bulldog:

Why in news?

The world's largest bee a giant insect roughly the size of a human thumb has been rediscovered in a remote part of Indonesia in its first sighting in nearly 40 years.

About Flying Bulldog:

- Despite its conspicuous size, no one had observed Wallace's giant bee discovered in the 19th century by British naturalist Alfred Russel Wallace and nicknamed the "flying bulldog" in the wild since 1981, the Global Wildlife Conservation said.
- The bee (Megachile pluto), which lives in the **Indonesian island region of North Moluccas**, makes its nest in termite mounds, using its large fang-like mandibles to collect sticky resin to protect its home from the termites.

Difficult to spot

- The **IUCN Red List of Threatened Species lists the bee as "vulnerable"**, meaning that while its numbers are relatively solid, the remoteness of its population makes it hard to study.
 - Several previous expeditions to the region where the bee lives failed to spot it.
 - Indonesia is home to an abundant variety of flora and fauna but there are fears for some animal and insect communities as forests being cut down for agriculture threaten many species' natural habitat.
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Jayadeva's Geet Govinda:

Why in news?

Victoria Memorial Hall in Kolkata has put on display one of its oldest manuscripts, a handwritten 18th-century copy of Gita Govinda, to mark the International Mother Language Day.

Jayadeva

- Jayadeva (1170 CE) was a Sanskrit poet during the 12th century. He is most known for his epic poem Gita Govinda which concentrates on Krishna's love with the cowherdess, Radha in a rite of spring.
- This poem, which presents the view that Radha is greater than Krishna, is considered an important text in the Bhakti movement of Hinduism.
- Little is known of his life, except that he was a loner poet and a Hindu mendicant celebrated for his poetic genius in eastern India.
- **Jayadeva is the earliest dated author of hymns that are included the Guru Granth Sahib, the primary scripture of Sikhism - a religion founded in the Indian subcontinent centuries after his death.**

About Geet Govinda:

- The manuscripts, composed by poet Jayadeva, is being exhibited as object of the month at the Prince Hall.
- Emphasising on the relevance and topicality of the manuscripts, though the **language of the text is Sanskrit, the script is in Bengali**, marking a departure from Devanagari.
- Like many medieval texts, Gita Govinda was translated for centuries. These manuscripts were copied by hand in beautiful handwriting much before the advent of the printing press. This is the earliest Bengali manuscript in our collection.
- The work, comprising of two folios, depicts two situations. In one manuscript, the image shows Lord Krishna with another Gopi as a heart-broken Radha sits on the sidelines. In another folio, Radha can be seen having a tiff with Lord Krishna.
- **The poem, an important text of the Bhakti Movement, depicts the relationship between Lord Krishna and his consort Radha.**
- The manuscripts and illustrations go together in many tests of the Bhakti period. This feature is also seen in some Arabic texts, which are among the museum's collection.
- The form of imagery in the illustrated texts is very similar to the Bengal

Pat Paintings and the Bengal School of Art, which evolved a century after the manuscripts were written.

Modi receives Seoul Peace Prize for 2018:

Why in news?

Prime Minister Narendra Modi received the prestigious Seoul Peace Prize for 2018 for his contribution to international cooperation and fostering global economic growth.

About the award:

- The award was presented to him by the **Seoul Peace Prize Foundation** at a grand ceremony in Seoul. A short film on the life and achievements of Mr. Modi was screened at the event.
- While conferring the award on Mr. Modi, the award committee recognised his **contribution to the growth of Indian and global economies**, crediting 'Modinomics' for **reducing social and economic disparity between the rich and the poor**.
- The committee also pointed to his contribution to **regional and global peace through a proactive policy** with countries around the world.
- Mr. Modi is the **14th recipient** of the award and the past laureates include former UN Secretary General Kofi Annan, German Chancellor Angela Merkel and renowned international relief organizations like Doctors Without Borders and Oxfam.
- The Prize was established in **1990 to commemorate the success of the 24th Olympic Games held in Seoul**. The award was established to crystallise Korean people's yearning for peace on the Korean peninsula and in the rest of the world.

Domain Name System (DNS)

Why in News?

The government will soon roll out a public Domain Name Server, or DNS, for India aimed at providing a faster and more secure browsing experience

for Internet users in the country, while ensuring that citizens' data is stored locally.

About

The Domain Name System (DNS) is a distributed directory that resolves human-readable hostnames, such as www.dyn.com, into machine-readable IP addresses like 50.16.85.103. DNS is also a directory of crucial information about domain names, such as email servers etc

Why is DNS important?

A DNS is like a directory for the Internet. It helps to convert domain names that are easy for people to remember into IP addresses, which are used by computers/machines to communicate. If the DNS is either slow or fails to work, users will not be able to locate web addresses.

Implementing Organisation

- The roll-out, which will be executed by the **National Informatics Centre** - the technology arm of the government - will be completed in the next four to six months, the official said. NIC is already using the public DNS within the government network.
- The ministry, as part of its ongoing awareness campaign for safer Internet, also plans to reach out to end-users to educate them on DNS and how they could shift to an Indian public DNS if they desired.

Food and Agriculture Organisation (FAO)

Why in News?

The Food and Agriculture Organization (FAO) on Friday warned about the threat to the future of the world's food production from a lack of biodiversity in the environment. In the report, the UN agency said there was "mounting evidence that the biodiversity that underpins our food systems, at all levels, is declining around the world."

About

- It is a UN body established in 1945 which leads international efforts to

defeat hunger having HQ in Rome, Italy of which India is a member

- It acts as a neutral forum where all nations meet as equals to negotiate agreements and debate policy
- FAO is also a source of knowledge and information, and helps developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices, ensuring good nutrition and food security for all.

Why is this new report important?

The report, called the **State of the World's Biodiversity for Food and Agriculture**, highlights two key messages.

- The first is that the world is relying on an ever-smaller number of foodstuffs to feed a growing population that's expected to rise to around 10 billion people by 2050.
- Of the 6,000-plant species cultivated for food, just nine account for 66% of total crop production. The world's livestock production is based on around 40 species with only a handful providing the vast majority of meat, milk and eggs.

Independent debt management office:

Why in news?

Niti Aayog Vice Chairman Rajiv Kumar made a strong case for setting up an independent debt management office, and also pitched for segregating different aspects of Reserve Bank's responsibilities.

NITI Aayog's Observations:

- The time for an independent debt management office may have come. Mr. Kumar said, very often, there have been conversations on whether the central bank should not only have a role as monetary policymaker or supervisor, but also as a government debt manager.
- In 2014, the finance minister had announced setting up of independent debt management office, but it has not happened.
- In his **February 2015 budget speech**, finance minister had proposed

to set up a Public Debt Management Agency (PDMA) within the finance ministry.

- The idea behind setting up of PDMA was to **resolve issues relating to conflict of interest as the RBI decides on the key interest rates as well as undertakes buying and selling of government bonds**.
- Mr. Kumar also noted that there was a need to deliberate on how to segregate different aspects of the Reserve Bank of India's responsibilities. In this context, he said the government has been very courageous in giving the Reserve Bank the statutory authority of inflation targeting.

What is PDMA:

- Public Debt Management Agency (PDMA) is a specialized independent agency that manages the **internal and external liabilities of the Central Government** in a holistic manner and advises on such matters in return for a fee.
- In other words, PDMA is the Investment Banker or Merchant Banker to the Government. PDMA **manages the issue, reissue and trading of Government securities**, manages and advises the Central Government on its contingent liabilities and undertakes cash management for the central government including issuing and redeeming of short term securities and advising on its cash management.
- PDMA was proposed to be established in India through the Finance Bill, 2015. As a corollary of the decision to create a PDMA, the **RBI was given the task of inflation targeting under a monetary policy framework agreement**.
- However, the creation of PDMA was put on hold due to the difference of opinion on the matter and the relevant clauses were dropped from the Finance Bill, 2015 while the latter was passed.
- PDMA is considered to be set up with the **objective** of "minimising the cost of raising and servicing public debt over the long-term within an acceptable level of risk at all times, under the general superintendence of the central government".
- This will guide all of its key functions, which include managing the public debt, cash and contingent liabilities of Central Government, and related activities.

Need for PDMA

- Fragmented jurisdiction in public debt management: Before the creation

of PDMA, the central Bank or RBI used to manage the market borrowing programmes of Central and State Governments. On the other hand, external debt was managed directly by the Central Government. Establishing a debt management office would consolidate all debt management functions in a single agency and bring in holistic management of the internal and external liabilities.

- Some functions that are crucial to managing public debt were not carried out. For instance, no agency used to undertake cash and investment management and information relating to contingent and other liabilities were not consolidated. Hence, there was no comprehensive picture of the liabilities of the Central Government, which impeded informed decision making regarding both domestic and foreign borrowing.
- An autonomous PDMA can be the catalyst for wider institutional reform, including building a government securities market, and bring in transparency about public debt.
- It is considered as an internationally accepted best practice that debt management should be disaggregated from monetary policy, and taken out of the realm of the central bank. Most advanced economies have dedicated debt management offices. Several emerging economies, including Brazil, Argentina, Colombia, and South Africa, have restructured debt management in recent years and created an independent agency for the same.

Conflict of Interest in RBI:

- There is a severe conflict of interest between setting the short-term interest rate (i.e. the task of monetary policy) and selling bonds for the government. If the Central Bank tries to be an effective debt manager, it would lean towards selling bonds at high prices, i.e. keeping interest rates low. This leads to an inflationary bias in monetary policy.
- Where the Central Bank also regulates banks, as in India, there is a further conflict of interest. If the Central Bank tries to do a good job of discharging its responsibility of selling bonds, it has an incentive to mandate that banks hold a large amount of government paper.
- This bias leads to flawed banking regulation and supervision, so as to induce banks to buy government bonds, particularly long-dated government bonds. Having a pool of captive buyers undermines the growth of a deep, liquid market in government securities, with vibrant trading and speculative price discovery. This, in turn, hampers the development of the corporate bond market - the absence of a benchmark

sovereign yield curve makes it difficult to price corporate bonds.

- If the Central Bank administers the operating systems for the government securities markets, as the RBI currently does, this creates another conflict, where the owner/ administrator of these systems is also a participant in the market.
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India's plan to stop flow of water:

Why in news?

Pakistan is not concerned over India's plan to stop the flow of its share of water to Pakistan from the Ravi, Sutlej and Beas rivers under the Indus Waters Treaty, Pakistan top official said.

Response to India's action:

- The response came hours after Union Minister Nitin Gadkari said in New Delhi that India has decided to "stop" the flow of its share of water to Pakistan from rivers under the Indus Waters Treaty (IWT) after the Pulwama terror attack in which 40 CRPF personnel were killed.
- Talking to Dawn, secretary of Pakistan's Ministry of Water Resources Khawaja Shumail said: "We have neither concern nor objection if India diverts water of eastern rivers and supplies it to its people or uses it for other purposes, as the IWT allows it to do so."
- Actually, India wants to construct **Shahpurkandi dam at the Ravi basin**. This project is abandoned since 1995. Now India want to construct this in a bid to use its own share of water that goes unutilised and finally flows to Pakistan.
- But we will definitely express our concerns and raise objections strongly if they use or divert waters of western rivers (Chenab, Indus, Jhelum) on which our right to use prevails," Mr. Shumail said.

Various Projects:

- The planned Shahpurkandi dam was actually **the stage-2 of the Ranjit Sagar dam**. Though this project will also generate power, it will be used for irrigation purposes.
- Various hydropower projects 1,000MW Pakal Dul, 48MW Lower Kalnai, 850MW Ratlay and 900MW Baglihar dam at Chenab Basin in India.
- Besides, India, a couple of days before the Pulwama attack, also shared the design data of its three planned run-of-the-river hydropower

schemes with Pakistan under the IWT.

- These included **Balti Kalan, Kalaroos and Tamasha** hydropower projects which are planned to be constructed at Balti Kalan Nullah and Kalaroos Nullah at the Jhelum basin and Tamasha, a sub-tributary of the Indus river, respectively.
 - The reiteration to stop the flow of Indus water to Pakistan comes amid mounting Indo-Pak tension over the Pulwama terror strike that has triggered demands for action against the neighbouring country.
 - India has already decided to revoke the Most Favoured Nation status to Pakistan and mounted a diplomatic offensive to isolate it in the international community.
 - There were demands to stop flow of India's share of Indus water to Pakistan after the Uri terror attack in 2016.
 - Under the Indus Water Treaty signed in 1960, the waters of the western rivers — the Indus, Jhelum, and Chenab — was given to Pakistan and those of the eastern rivers — the Ravi, Beas, and Sutlej — to India.
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Arunachal drops issue of PRC for non-tribals:

Why in news?

The Arunachal Pradesh government buckled under pressure from violent protests and dropped the issue of granting **permanent resident certificate (PRC) to six non-tribal communities** from discussion in the 60-member Assembly.

About

The State Government of Arunachal Pradesh issues the domicile certificate otherwise called as **Permanent Residence Certificate (PRC)** to the residents of the state who stayed therein over a period.

Purpose of the Certificate

Permanent Residence Certificate is a legal document that serves as an evidence of residence and thus must be submitted wherever a residence proof is required. Some of the purposes are mentioned below.

1. Permanent Residence Certificate should be produced in many situations such as admission in educational organisations, job reservation under

specific quotas especially for government jobs, etc. to get local preferences.

2. To apply for ration card permanent residence certificate is a vital and mandate document.
3. To avail the provisions of various schemes of the state or to claim scholarships of the State, permanent residence certificate is essential.

Protests:

- A conglomeration of 18 student and civil society organisations had imposed a 48-hour shutdown to protest against the government's move for granting PRC to the six communities, some of whom are Scheduled Tribes in Assam.
- While the shutdown on Thursday was more or less incident-free, protesters went on the rampage from Friday evening in State capital Itanagar. As their number swelled, the protesters resorted to arson and stone-pelting and virtually laid siege to the Assembly building.
- They set fire to more than a dozen vehicles and damaged a few more. The protesters also damaged private and government property and vandalised the office of the All Arunachal Pradesh Students' Union, which they alleged had compromised with the government on the PRC issue.
- The situation forced the police and paramilitary forces to fire tear-gas shells to disperse the mob. Bullets, fired in the air allegedly injured one person.
- Keeping in view the present situation, the government has decided not to take up the PRC matter in the current Assembly session.

RBI to merge NBFCs to create new category:

Why in news?

The Reserve Bank of India (RBI) on February 22 announced that it will merge three categories of Non-Banking Financial Companies (NBFCs) into a new one.

About the merger:

- According to a release, NBFCs categorized as Asset Finance Companies

(AFC), Loan Companies (LCs) and Investment Companies (ICs), will be merged into a new category **called NBFC - Investment and Credit Company (NBFC-ICC).**

- On a review, it has been decided that in order to **provide NBFCs with greater operational flexibility, harmonisation of different categories** of NBFCs into fewer ones shall be carried out based on the principle of regulation by activity rather than regulation by entity.
- The release also mentioned that a deposit taking NBFC-ICC shall invest in unquoted shares of another company which is not a subsidiary company or a company in the same group of the NBFC, not exceeding twenty percent of its owned fund.

What is a Non-Banking Financial Company (NBFC)?

- A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.
- A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in instalments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

Activities of NBFC:

- Financial activity as principal business is when a company's financial assets constitute more than 50 per cent of the total assets and income from financial assets constitute more than 50 per cent of the gross income.
- A company which fulfils both these criteria will be registered as NBFC by RBI. The term 'principal business' is not defined by the Reserve Bank of India Act.
- The Reserve Bank has defined it so as to ensure that only companies predominantly engaged in financial activity get registered with it and are regulated and supervised by it.

- Hence if there are companies engaged in agricultural operations, industrial activity, purchase and sale of goods, providing services or purchase, sale or construction of immovable property as their principal business and are doing some financial business in a small way, they will not be regulated by the Reserve Bank.

What is difference between Banks & NBFCs?

- NBFCs lend and make investments and hence their activities are akin to that of banks; however, there are a few differences as given below:
 - I. NBFC cannot accept demand deposits
 - II. NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself
 - III. deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

Registration with RBI:

- In terms of Section 45-IA of the RBI Act, 1934, no Non-banking Financial company can commence or carry on business of a non-banking financial institution without a) obtaining a certificate of registration from the Bank and without having a Net Owned Funds of ₹ 25 lakhs (₹ Two crore since April 1999).

Requirements for registration with RBI:

- A company incorporated under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45 I(a) of the RBI Act, 1934 should comply with the following:
 - i. it should be a company registered under Section 3 of the companies Act, 1956
 - ii. It should have a minimum net owned fund of ₹ 200 lakh. (The minimum net owned fund (NOF) required for specialized NBFCs like NBFC-MFIs, NBFC-Factors, CICs is indicated separately in the FAQs on specialized NBFCs)

Different types/categories of NBFCs registered with RBI?

- NBFCs are categorized
 - a. In terms of the type of liabilities into Deposit and Non-Deposit accepting

NBFCs

- b. Non-deposit taking NBFCs by their size into systemically important and other non-deposit holding companies (NBFC-NDSI and NBFC-ND)
 - c. By the kind of activity they conduct.
- Within this broad categorization the different types of NBFCs are as follows:
 - a. Asset Finance Company (AFC): An AFC is a company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipment, moving on own power and general purpose industrial machines. Principal business for this purpose is defined as aggregate of financing real/physical assets supporting economic activity and income arising therefrom is not less than 60% of its total assets and total income respectively.
 - b. Investment Company (IC): IC means any company which is a financial institution carrying on as its principal business the acquisition of securities,
 - c. Loan Company (LC): LC means any company which is a financial institution carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an Asset Finance Company.
 - d. Infrastructure Finance Company (IFC): IFC is a non-banking finance company a) which deploys at least 75 per cent of its total assets in infrastructure loans, b) has a minimum Net Owned Funds of ₹ 300 crore, c) has a minimum credit rating of 'A 'or equivalent d) and a CRAR of 15%.
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