



NHB(ND)/DRS/REG/MC-07/2017
July 1, 2017

All Housing Finance Companies

Dear Sir/Madam,

Master Circular- Housing Finance Companies – Corporate Governance (NHB) Directions, 2016

In order to have all current instructions on the subject at one place, the National Housing Bank has updated the circulars / notifications. The instructions related to the captioned subject contained in various circulars/notifications issued by NHB have been updated as on June 30, 2017 and are reproduced below. The updated circular has also been placed on the NHB web-site (<http://nhb.org.in>).

Yours faithfully,

(A. P Saxena)
General Manager

भारतीय रिज़र्व बैंक के संपूर्ण स्वामित्व में
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“ बैंक हिंदी में पत्राचार का स्वागत करता है ”

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NATIONAL HOUSING BANK
New Delhi the 9th February, 2017

¹ Housing Finance Companies – Corporate Governance (NHB) Directions, 2016

Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016

The National Housing Bank having considered it necessary in the public interest and being satisfied that for the purpose of enabling it to regulate the housing finance system of the country to its advantage, it is necessary to give the directions as set out below, in exercise of the powers conferred, by Sections 30A and 31 of the National Housing Bank Act, 1987 (53 of 1987) and of all the powers enabling it in this behalf, gives Directions hereinafter specified.

1. Short title, commencement of the Directions

- (i) These Directions shall be known as the “**Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016**”.
- (ii) These Directions shall come into force with immediate effect.

2. Extent of the Directions

These Directions shall apply to every non-public deposit accepting Housing Finance Company (HFC) with assets size of ₹50 crore and above, as per the last audited balance sheet, and all public deposit accepting / holding Housing Finance Companies (HFCs), henceforth called Applicable HFCs.

3. Constitution of Committees of the Board

I. Audit Committee

- (i) All Applicable HFCs shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors.

Explanation I: The Audit Committee constituted by a Housing Finance Company as required under Section 177 of the Companies Act, 2013 shall be the Audit Committee for the purposes of this paragraph.

Explanation II: The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

¹ Issued Directions vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017

- (ii) The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the HFCs.

² **Note:** *It is clarified that the HFCs are necessarily required to carry out an Information System Audit separately through a Certified Information System Auditor (CISA), in compliance with the provisions of the Directions.¹*

II. Nomination Committee

All Applicable HFCs shall form a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors.

Explanation I: The Nomination Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

III. Risk Management Committee

To manage the integrated risk, all Applicable HFCs shall form a Risk Management Committee, besides the Asset Liability Management Committee.

4. Fit and Proper Criteria

All applicable HFCs shall

- I. ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the Guidelines contained in [Annex-1](#);
- II. obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in [Annex-2](#);
- III. obtain a Deed of Covenant signed by the directors, which shall be in the format as given in [Annex-3](#).
- IV. furnish to the National Housing Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the HFC that fit and proper criteria in selection of the directors has been followed. The statement must reach National Housing Bank, New Delhi within 15 days of the close of the respective quarter. The statement submitted by HFCs for the quarter ending March 31, should be certified by the auditors.

³ **Note:** *It is clarified that the quarterly statements, can be certified by the*

² Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

³ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

Managing Director, except that the statement pertaining to the quarter ended March 31 needs to be necessarily certified by the auditors. Further, in case of no change in the directors during a quarter, a 'Nil' statement should be submitted.¹

Provided that the National Housing Bank, if it deems fit and in public interest, reserves the right to examine the fit and proper criteria of directors of any HFC irrespective of the asset size of such HFCs.

5. Disclosure and transparency

- I. All Applicable HFCs shall put up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:
 - (i) the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the HFC;
 - (ii) conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
- II. All Applicable HFCs shall also disclose the following in their Annual Financial Statements, with effect from March 31, 2017:
 - (i) registration / licence / authorisation, by whatever name called, obtained from other financial sector regulators;
 - (ii) ratings assigned by credit rating agencies and migration of ratings during the year;
 - (iii) penalties, if any, levied by any regulator;
 - (iv) information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
 - (v) Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, exposure to real estate, exposure to capital market, disclosure of complaints as also securitization / assignment transactions and other disclosures, as given in [Annex-4](#).

6. Application of other laws not barred

The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

7. Rotation of partners of the Statutory Auditors Audit Firm

All Applicable HFCs shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the HFC after an interval of three years, if the HFC, so decides. HFCs shall

incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

8. Framing of Internal Guidelines

All applicable HFCs shall frame their internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the above guidelines and it shall be published on the company's web-site, if any, for the information of various stakeholders.

9. Exemptions

The National Housing Bank may, if it considers it necessary for avoiding any hardship or for any other just and sufficient reason, grant extensions of time to comply with or exempt any housing finance company or class of housing finance companies, from all or any of the provisions of these Directions either generally or for any specified period subject to such conditions as the National Housing Bank may impose.

10. Interpretations

For the purpose of giving effect to the provisions of these directions, the National Housing Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these directions given by the National Housing Bank shall be final and binding on all the parties concerned.



‘Fit and Proper’ Criteria for Directors of Housing Finance Companies’

The importance of due diligence of Directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. It is proposed to follow the same guidelines mutatis mutandis in case of Housing Finance Companies also. While the National Housing Bank carries out due diligence on Directors before issuing Certificate of Registration to HFC, it is necessary that HFCs put in place an internal supervisory process on a continuing basis. Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing Directors, HFCs are advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

- a) HFCs should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria. HFCs should obtain necessary information and declaration from the proposed / existing Directors for the purpose in the format given at [Annex-2](#).
- b) The process of due diligence should be undertaken by the HFCs at the time of appointment / renewal of appointment.
- c) The Boards of the HFCs should constitute Nomination Committees to scrutinize the declarations.
- d) Based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance or otherwise of the Directors, where considered necessary.
- e) HFCs should obtain annually as on 31st March a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- f) The Board of HFCs must ensure in public interest that the nominated/ elected Directors execute the deeds of covenants in the format given in [Annex-3](#).

Name of HFC: _____

Declaration and Undertaking by Director (with enclosures as appropriate as on _____)

I. Personal details of Director

- a. Full Name
- b. Date of Birth
- c. Education Qualifications
- d. Relevant Background and Experience
- e. Permanent Address
- f. Present Address
- g. E-mail Address / Telephone Number
- h. Director Identification Number
- i. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle
- j. Relevant knowledge and experience
- k. Any other information relevant to Directorship of the HFC

II. Relevant Relationship of Director

- a. List of Relatives if any who are connected with the HFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)
- b. List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)
- c. List of entities in which he/she is considered as holding substantial interest within the meaning of HFC (NHB) Directions, 2010
- d. Name of HFC in which he/she is or has been a member of the board (giving details of period during which such office was held)
- e. Fund and non-fund facilities, if any, presently availed of by him/her and/or

by entities listed in II (b) and (c) above from the HFC

- f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the HFC or any other HFC / bank.

III. Records of professional achievements

- a. Relevant professional achievements

IV. Proceedings, if any, against the Director

- a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.
- b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations.
- c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director
- d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?
- e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?
- f. Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars
- g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA, RBI, etc.

(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal / setting aside is on technical reasons like limitation or lack of jurisdiction, etc. and not on merit, If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same also should be mentioned.)

- V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the HFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all Directors of the HFC.

Place :

Signature

Date :

- VI. Remarks of Chairman of Nomination Committee / Board of Directors of HFC

Place :

Signature

Date :

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this day of Two Thousand.....**BETWEEN** having its registered office at (hereinafter called the "HFC") of the one part and Mr/Ms of (hereinafter called the "Director") of the other part.

WHEREAS

- A. The director has been appointed as a director on the Board of Directors of the HFC (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the HFC.
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

- 1. The director acknowledges that his / her appointment as director on the Board of the HFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the HFC and the provisions of this Deed of Covenants.
- 2. The director covenants with the HFC that:
 - (i) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the HFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
 - (ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

- (iii) The director shall provide to the HFC a list of his / her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies' corporate, firms and other entities.
- (iv) The director shall in carrying on his / her duties as director of the HFC:
 - a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
 - b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the HFC;
 - c) shall keep himself / herself informed about the business, activities and financial status of the HFC to the extent disclosed to him / her;
 - d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the HFC;
 - e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the HFC;
 - f) shall bring independent judgment to bear on all matters affecting the HFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
 - g) shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
 - h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;
- (v) The director shall have:
 - a) fiduciary duty to act in good faith and in the interests of the HFC and not for any collateral purpose;
 - b) duty to act only within the powers as laid down by the HFC's Memorandum and Articles of Association and by applicable laws and regulations; and
 - c) duty to acquire proper understanding of the business of the HFC.
- (vi) The director shall:
 - a) not evade responsibility in regard to matters entrusted to him / her by the Board;

- b) not interfere in the performance of their duties by the whole-time Directors and other officers of the HFC and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
- c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the HFC in his / her capacity as director of the HFC only for the purposes of performance of his / her duties as a director and not for any other purpose.
- d) make declaration to the effect that:
 - (i) he/she has not been associated with any unincorporated body that is accepting deposits;
 - (ii) he/she has not been associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the National Housing Bank;
 - (iii) there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him/her.

3. The HFC covenants with the director that:

- (i) the HFC shall apprise the director about:
 - a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - b) control systems and procedures;
 - c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
 - d) qualification requirements and provide copies of Memorandum and Articles of Association;
 - e) corporate policies and procedures;
 - f) insider dealing restrictions;
 - g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - h) appointments of Senior Executives and their authority;
 - i) remuneration policy;
 - j) deliberations of committees of the Board, and
 - k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the HFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- (ii) the HFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their

functions and duties as a director of the HFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

- (iii) the disclosures to be made by the HFC to the Directors shall include but not be limited to the following:
 - a) all relevant information for taking informed decisions in respect of matters brought before the Board;
 - b) HFC's strategic and business plans and forecasts;
 - c) organisational structure of the HFC and delegation of authority;
 - d) corporate and management controls and systems including procedures;
 - e) economic features and marketing environment;
 - f) information and updates as appropriate on HFC's products;
 - g) information and updates on major expenditure;
 - h) periodic reviews of performance of the HFC; and
 - i) report periodically about implementation of strategic initiatives and plans.
- (iv) the HFC shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
 - ⁴ [Note: It is clarified that circulation of minutes within two business days is not mandatory and provisions in the Companies Act, 2013 in this regard shall apply.]***
- (v) advise the director about the levels of authority delegated in matters placed before the Board.

- 4. The HFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
- 5. The HFC shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of National Housing Bank and other concerned statutory and governmental authorities.
- 6. The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the HFC to any third party

⁴ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the HFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the HFC.
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the HFC

Director

.....

Name:

Name:

Title:

In the presence of:

1.....

2.

Indicative List of Balance Sheet Disclosure for HFCs with Asset Size ₹50 crore and above and Public Deposit Taking / Holding HFCs

1. Minimum Disclosures

At a minimum, the items listed in this Annex should be disclosed in the Notes to Accounts (NTA) by all applicable HFCs. The disclosures listed are intended only to supplement, and not to replace, other disclosure requirements as applicable.

⁵ **Note:** *HFCs should note that all the disclosures as specified under this annexure shall be necessarily and suitably made by the HFCs and none of them should be omitted based on the ground of its being not applicable in a particular case.¹*

2. Summary of Significant Accounting Policies

HFCs should disclose the accounting policies regarding key areas of operations at one place along with NTA in their financial statements. A suggestive list includes – Basis of Accounting, Transactions involving Foreign Exchange, Investments - Classification, Valuation, etc. Advances and Provisions thereon, Fixed Assets and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc.

3. Disclosures:

3.1. Capital

[₹ in Crore]		
Particulars	Current Year	Previous Year
(i) CRAR (%)		
(ii) CRAR – Tier I Capital (%)		
(iii) CRAR – Tier II Capital (%)		
(iv) Amount of subordinated debt raised as Tier- II Capital		
(v) Amount raised by issue of Perpetual Debt Instruments		

3.2. Reserve Fund u/s 29C of NHB Act, 1987

[₹ in Crore]		
Particulars	Current Year	Previous Year
Balance at the beginning of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		

⁵ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987		
c) Total		
Addition / Appropriation / Withdrawal during the year		
Add:		
a) Amount transferred u/s 29C of the NHB Act, 1987		
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987		
Less:		
a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987		
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987		
Balance at the end of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987		
c) Total		

3.3. Investments

[₹ in Crore]

Particulars	Current Year	Previous Year
3.5.1. Value of Investments		
(i) Gross value of Investments		
(a) In India		
(b) Outside India		
(ii) Provisions for Depreciation		
(a) In India		
(b) Outside India		
(iii) Net value of Investments		

(a) In India		
(b) Outside India		
3.5.2. Movement of provisions held towards depreciation on investments		
(i) Opening balance		
(ii) Add: Provisions made during the year		
(iii) Less: Write-off / Written-bank of excess provisions during the year		
(iv) Closing balance		

3.4. Derivatives

⁶**Note:** It is clarified that disclosure requirement for FY-2016-17 under the said paragraph with respect to previous year figures has been dispense off in the light of the Guidance Note issued by Institute of Chartered Accountants of India (ICAI) on accounting for derivatives contracts, is effective from April 1, 2016 i.e. applicable from financial year 2016-17.¹

3.4.1. Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)

Particulars	[₹ in Crore]	
	Current Year	Previous Year
(i) The notional principal of swap agreements		
(ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements		
(iii) Collateral required by the HFC upon entering into swaps		
(iv) Concentration of credit risk arising from the swaps \$		
(v) The fair value of the swap book @		
Note: Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should also be disclosed.		
\$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies.		
@ If the swaps are linked to specific assets, liabilities, or commitments, the fair value would be the estimated amount that the HFC would receive or pay to terminate the swap agreements as on the balance sheet date.		

⁶ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

3.4.2. Exchange Traded Interest Rate (IR) Derivative

[₹ in Crore]

Particulars	Amount
(i) Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	
(a)	
(b)	
(c)	
(ii) Notional principal amount of exchange traded IR derivatives outstanding as on 31st March (instrument-wise)	
(a)	
(b)	
(c)	
(iii) Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
(a)	
(b)	
(c)	
(iv) Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
(a)	
(b)	
(c)	

3.4.3. Disclosures on Risk Exposure in Derivatives

A. Qualitative Disclosure

HFCs shall describe their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include:

- a) the structure and organization for management of risk in derivatives trading,
- b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,
- c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
- d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

B. Quantitative Disclosure

[₹ in Crore]

Particulars	Currency Derivatives	Interest Rate Derivatives
(i) Derivatives (Notional Principal Amount)		
(ii) Marked to Market Positions [1]		
(a) Assets (+)		
(b) Liability (-)		
(iii) Credit Exposure [2]		
(iv) Unhedged Exposures		

3.5. Securitisation

3.5.1. The NTA of the originating HFCs should indicate the outstanding amount of securitised assets as per books of the SPVs sponsored by the HFC and total amount of exposures retained by the HFC as on the date of balance sheet towards the Minimum Retention Requirements (MRR). These figures should be based on the information duly certified by the SPV's auditors obtained by the originating HFC from the SPV. These disclosures should be made in the format given below.

⁷ **Note:** It is clarified that disclosure relating to all the securitisation transactions entered into by the HFC and outstanding as of March 31 should be made by HFCs.¹

[₹ in Crore]

	Particulars	No. / Amount
1.	No of SPVs sponsored by the HFC for securitisation transactions*	
2.	Total amount of securitised assets as per books of the SPVs sponsored	
3.	Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet	
(I)	Off-balance sheet exposures towards Credit Enhancements	
	a)	
	b)	
(II)	On-balance sheet exposures towards Credit Enhancements	
	a)	
	b)	
	Amount of exposures to securitisation transactions	

⁷ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

4.	other than MRR		
(I)	Off-balance sheet exposures towards Credit Enhancements		
a)	Exposure to own securitizations		
i.)			
ii.)			
b)	Exposure to third party securitisations		
i.)			
ii.)			
(II)	On-balance sheet exposures towards Credit Enhancements		
a)	Exposure to own securitisations		
i.)			
ii.)			
b)	Exposure to third party securitisations		
i.)			
ii.)			
*Only the SPVs relating to outstanding securitisation transactions may be reported here			

3.5.2. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

Particulars	[₹ in Crore]	
	Current Year	Previous Year
(i) No. of accounts		
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC		
(iii) Aggregate consideration		
(iv) Additional consideration realized in respect of accounts transferred in earlier years		
(v) Aggregate gain / loss over net book value		

3.5.3. Details of Assignment transactions undertaken by HFCs

Particulars	[₹ in Crore]	
	Current Year	Previous Year
(i) No. of accounts		
(ii) Aggregate value (net of provisions) of accounts assigned		
(iii) Aggregate consideration		
(iv) Additional consideration realized in respect of accounts transferred in		

earlier years		
(v) Aggregate gain / loss over net book value		

3.5.4. Details of non-performing financial assets purchased / sold

HFCs which purchase non-performing financial assets from other HFCs shall be required to make the following disclosures in the NTA to their Balance sheets:

A. Details of non-performing financial assets purchased:

[₹ in Crore]

Particulars		Current Year	Previous Year
	(a) No. of accounts purchased during the year		
	(b) Aggregate outstanding		
	(a) Of these, number of accounts restructured during the year		
	(b) Aggregate outstanding		

B. Details of Non-performing Financial Assets sold:

[₹ in Crore]

Particulars	Current Year	Previous Year
1. No. of accounts sold		
2. Aggregate outstanding		
3. Aggregate consideration received		

3.6. Assets Liability Management (Maturity pattern of certain items of Assets and Liabilities)

[₹ in Crore]

Particulars	Up to 30/31 days (one month)	Over 1 month & up to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years & up to 7 years	Over 7 years & up to 10 years	Over 10 Years	Total
Liabilities											
Deposits											
Borrowings from Bank											
Market Borrowing											
Foreign Currency Liabilities											
Assets											
Advances											
Investments											
Foreign Currency Assets											

3.7. Exposure

3.7.1. Exposure to Real Estate Sector

		[₹ in Crore]	
Category		Current Year	Previous Year
a)	Direct Exposure		
	(i) Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹15 lakh may be shown separately)		
	(ii) Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -			
	a) Residential		
	b) Commercial Real Estate		
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		

3.7.2. Exposure to Capital Market

		[₹ in Crore]	
Particulars	Current Year	Previous Year	
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;			

(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;		
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;		
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;		
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		
(vii) bridge loans to companies against expected equity flows / issues;		
(viii) All exposures to Venture Capital Funds (both registered and unregistered)		
Total Exposure to Capital Market		

⁸**Note:** *It is clarified that the computation of exposure to the capital markets should be done by HFCs in accordance with the provisions of paragraph 31(2)(d) of the HFCs (NHB) Directions, 2010.¹*

3.7.3. Details of financing of parent company products

3.7.4. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC

⁸ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

The HFC should make appropriate disclosure in the NTA to the annual financial statements in respect of the exposures where the HFC had exceeded the prudential exposure limits during the year. The sanctioned limit or entire outstanding, whichever is high, shall be reckoned for exposure limit.

3.7.5. Unsecured Advances

- a) For determining the amount of unsecured advances the rights, licenses, authorisations, etc., charged to the HFCs as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured.
- b) HFCs should also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure may be made under a separate head in NTA. This would differentiate such loans from other entirely unsecured loans.

4. Miscellaneous

4.1. Registration obtained from other financial sector regulators

4.2. Disclosure of Penalties imposed by NHB and other regulators

Consistent with the international best practices in disclosure of penalties imposed by the regulators, placing the details of the levy of penalty on the HFC in public domain will be in the interests of the investors and depositors. Further, strictures or directions on the basis of inspection reports or other adverse findings should also be placed in the public domain. The penalties should also be disclosed in the NTA.

4.3. Related party Transactions

- a) Details of all material transactions with related parties shall be disclosed in the annual report
- b) The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

⁹ **Note:** *It is clarified that the said policy shall also be disclosed by the HFCs in their Annual Report besides being made available on the website of the Company.¹*

4.4. Rating assigned by Credit Rating Agencies and migration of rating during the year

⁹ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017

4.5. Remuneration of Directors

All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company shall be disclosed in the Annual Report.

4.6. Management

As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the company's competitive position:

- a) Industry structure and developments.
- b) Opportunities and Threats.
- c) Segment-wise or product-wise performance.
- d) Outlook
- e) Risks and concerns.
- f) Internal control systems and their adequacy.
- g) Discussion on financial performance with respect to operational performance.
- h) Material developments in Human Resources / Industrial Relations front, including number of people employed.

4.7. Net Profit or Loss for the period, prior period items and changes in accounting policies

Since the format of the profit and loss account of HFCs does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, may be made in the NTA.

4.8. Revenue Recognition

An enterprise should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

4.9. Accounting Standard 21 – Consolidated Financial Statements (CFS)

HFCs may be guided by general clarifications issued by ICAI from time to time. A parent company, presenting the CFS, should consolidate the financial statements of all subsidiaries - domestic as well as foreign. The reasons for not consolidating a subsidiary should be disclosed in the CFS. The responsibility of determining whether a particular entity should be included or not for consolidation would be that of the Management of the

parent entity. In case, its Statutory Auditors are of the opinion that an entity, which ought to have been consolidated, has been omitted, they should incorporate their comments in this regard in the "Auditors Report".

5. Additional Disclosures

5.1. Provisions and Contingencies

To facilitate easy reading of the financial statements and to make the information on all Provisions and Contingencies available at one place, HFCs are required to disclose in the NTA the following information:

[₹ in Crore]

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Current Year	Previous Year
1. Provisions for depreciation on Investment		
2. Provision made towards Income tax		
3. Provision towards NPA		
4. Provision for Standard Assets (with details like teaser loan, CRE, CRE-RH etc.)		
5. Other Provision and Contingencies (with details)		

[₹ in Crore]

Break up of Loan & Advances and Provisions thereon	Housing		Non-Housing	
	Current Year	Previous Year	Current Year	Previous Year
Standard Assets				
a) Total Outstanding Amount				
b) Provisions made				
Sub-Standard Assets				
a) Total Outstanding Amount				
b) Provisions made				
Doubtful Assets – Category-I				
a) Total Outstanding Amount				
b) Provisions made				
Doubtful Assets – Category-II				
a) Total Outstanding Amount				
b) Provisions made				
Doubtful Assets – Category-III				
a) Total Outstanding Amount				
b) Provisions made				
Loss Assets				
a) Total Outstanding Amount				
b) Provisions made				

TOTAL												
a) Total Outstanding Amount												
b) Provisions made												
Note:												
1. The total outstanding amount mean principal + accrued interest + other charges pertaining to loans without netting off.												
2. The Category of Doubtful Assets will be as under:												
<table border="1"> <thead> <tr> <th>Period for which the assets has been considered as doubtful</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>Up to one year</td> <td>Category-I</td> </tr> <tr> <td>One to three years</td> <td>Category-II</td> </tr> <tr> <td>More than three years</td> <td>Category-III</td> </tr> </tbody> </table>					Period for which the assets has been considered as doubtful	Category	Up to one year	Category-I	One to three years	Category-II	More than three years	Category-III
Period for which the assets has been considered as doubtful	Category											
Up to one year	Category-I											
One to three years	Category-II											
More than three years	Category-III											

5.2. Draw Down from Reserves

Suitable disclosures are to be made regarding any draw down of reserves in the NTA.

5.3. Concentration of Public Deposits, Advances, Exposures and NPAs

5.3.1. Concentration of Public Deposits (for Public Deposit taking/holding HFCs)

[₹ in Crore]

Particulars	Current Year	Previous Year
Total Deposits of twenty largest depositors		
Percentage of Deposits of twenty largest depositors to Total Deposits of the HFC		

5.3.2. Concentration of Loans & Advances

[₹ in Crore]

Particulars	Current Year	Previous Year
Total Loans & Advances to twenty largest borrowers		
Percentage of Loans & Advances to twenty largest borrowers to Total Advances of the HFC		

5.3.3. Concentration of all Exposure (including off-balance sheet exposure)

[₹ in Crore]

Particulars	Current Year	Previous Year
Total Exposure to twenty largest borrowers / customers		

Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the HFC on borrowers / customers		
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5.3.4. Concentration of NPAs

[₹ in Crore]

Particulars	Current Year	Previous Year
Total Exposure to top ten NPA accounts		

5.3.5. Sector-wise NPAs

[₹ in Crore]

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector
A.	Housing Loans:	
1.	Individuals	
2.	Builders/Project Loans	
3.	Corporates	
4.	Others (specify)	
B.	Non-Housing Loans:	
1.	Individuals	
2.	Builders/Project Loans	
3.	Corporates	
4.	Others (specify)	

5.4. Movement of NPAs

[₹ in Crore]

Particulars	Current Year	Previous Year
(I) Net NPAs to Net Advances (%)		
(II) Movement of NPAs (Gross)		
a) Opening balance		
b) Additions during the year		
c) Reductions during the year		
d) Closing balance		
(III) Movement of Net NPAs		
a) Opening balance		
b) Additions during the year		
c) Reductions during the year		
d) Closing balance		
(IV) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance		
b) Provisions made during the year		

c) Write-off/write-back of excess provisions		
d) Closing balance		

5.5. Overseas Assets

[₹ in Crore]

Particulars	Current Year	Previous Year

5.6. Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting Norms)

Name of the SPV sponsored	
Domestic	Overseas

6. Disclosure of Complaints

6.1. Customers Complaints

Particulars	Current Year	Previous Year
a) No. of complaints pending at the beginning of the year		
b) No. of complaints received during the year		
c) No. of complaints redressed during the year		
d) No. of complaints pending at the end of the year		

¹⁰ [Note: It is clarified that the HFCs may be guided by the definition of 'customer' as given in the Guidelines on "Know Your Customer & Anti Money Laundering Measures for HFCs" issued by the NHB.]

¹⁰ Clarified vide Policy Circular No. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017