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 Reserve Bank of India towards registration of CICs including the practice of multiple CICs being allowed within a group.
    - To suggest measures to strengthen corporate governance 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

debt issuances of group companies or guarantees issued on behalf of **group companies.**
- It accepts public funds.

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.