



## Budget Widens RBI's Autonomy

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The **Union budget 2019-20** has expanded the **Reserve Bank of India's** powers by bringing **Housing Finance Companies** (HFCs) under its ambit and deepening its governance over Non-Banking Finance Companies (NBFCs).

**Wider Regulatory Powers:** The Union budget 2019-20 has proposed to amend the **RBI Act 1934**, in order to strengthen the central bank's autonomy and **regulatory powers** in following domains:

- It can supersede the **board of NBFCs** (other than those owned by the government) in the public interest or to prevent the affairs of NBFC being conducted in a manner detrimental to the interests of the depositor or creditor.
- It can **remove** and can further **appoint** the director of a board of NBFC.
- The proposed amendment to the RBI act will allow it to frame schemes for **amalgamating, splitting and reconstructing** an NBFC that will enable resolution of financially troubled NBFCs through a **merger** or by **splitting** them into viable and non-viable units called bridge institutions.
- RBI can also remove **auditors**, call for audit of any group company of an NBFC, and have control over the **compensation** of senior management.