

RBI must allow deposit-taking NBFCs to apply for forex dealership licence: FIDC

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Finance Industry Development Council (FIDC) wants the Reserve Bank of India to allow deposit-taking NBFCs with an asset size of more than ₹500 crore to be eligible for grant of Category II Forex licence.

“We welcome the RBI initiative, but there is no reason to keep away the deposit-taking NBFCs from this activity of forex dealership. This (forex) is only a fee-based activity, and why should deposit-taking NBFCs be denied this benefit,” Raman Aggarwal, Chairman, FIDC, told *BusinessLine*. It may be recalled that the RBI had, on Thursday, announced that certain non-banking finance companies would be able to get a licence as authorised foreign exchange dealer.

The central bank said that non-deposit-taking systemically-important NBFCs in the category of investment and credit companies will be made eligible to apply for grant of authorised dealer category II licence.

By excluding large deposit-taking NBFCs from the eligibility criteria, leading NBFCs such as Mahindra Finance, Sundaram Finance and Shriram Transport Finance, will not be eligible. “This is not a prudent decision,” said Aggarwal. FIDC is a self-regulatory body for asset financing NBFCs.

The RBI is expected to issue detailed guidelines on this proposal (forex dealerships) by the end of this month. Currently, under FEMA, foreign exchange transactions are handled only by authorised bodies such as banks. FIDC also wants the proposed RBI committee on securitisation to cover all securitisation transactions and not restrict it to only housing mortgages. On Thursday, the RBI said that it would soon set up a committee to assess the state of the housing finance securitisation market in the country.

This panel is expected to propose measures to further develop these markets and identify critical steps required, such as definition of conforming mortgages, mortgage documentation standards, digital registry, and avenues for trading in securitised assets.

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