

Private Placement of Non-Convertible Debentures (NCDs) with maturity period of more than one year by HFCs)

January 29, 2025

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Brief on the Circular

- The RBI has introduced a major regulatory update on the private placement of Non-Convertible Debentures (NCDs) by Housing Finance Companies (HFCs).
- This revision aligns HFCs with Non-Banking Financial Companies (NBFCs) under the Scale Based Regulation (SBR) framework.
- **Effective January 29, 2025**, the new guidelines replace Chapter XI of the Master Direction – NBFC-HFC (2021) with rules aligned with **Paragraph 58 of the NBFC Scale Based Regulation, 2023**.
- The RBI mandates that private placement guidelines applicable to NBFCs will now apply to HFCs without modifications (mutatis mutandis).
- Chapter XI of the 2021 Master Direction for HFCs, which previously governed private placement of NCDs, has been repealed.
- All new issuances of NCDs (with a maturity of more than one year) by HFCs must now comply with the revised guidelines.
- The RBI has deleted **Paragraphs 57 to 68A from the 2021 Master Direction**
- RBI has added a new regulatory framework under Paragraph 56A.

Impact of the Circular

The RBI's decision to bring HFCs under NBFC private placement guidelines is a crucial step toward regulatory consistency in India's financial sector. While it enhances investor protection and market transparency, it also presents challenges for smaller HFCs with weaker credit ratings. Going forward, HFCs must quickly adapt to stricter compliance norms to ensure smooth fundraising and operational efficiency.



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