**Requirements for Prospective Non-Banking Finance Company (NBFC) / Private Fund Management Company (PFMC)**

**Formation of NBFC / PFMC**

* Application to the Commission for NOC to form an NBFC / PFMC along with the following docs:
  + **Form I** of the NBFC Rules, 2003 along with all relevant supporting documents as per Annexure to **Form-I** of NBFC Rules, 2003.
  + Receipt evidencing the payment of non-refundable Processing Fee of Rs. 250,000/- as per **Schedule II** of NBFC Regulations, 2008.
* Grant of NOC for formation of NBFC / PFMC by the Commission
* NOC is valid for six months (extendable for a further maximum period of 3 months).
* During the validity of the NOC, the promoters shall get the NBFC / PFMC incorporated and submit an application to the Commission for grant of license to undertake NBFC / PFMC.

**Incorporation of NBFC / PFMC**

* Promoters shall incorporate the company as a private or public company at the relevant Company Registration Office.
* Form of a company: (i) any form of company incorporated as NBFC as per rule 4 of NBFC Rules, 2003; (ii) an existing fund management NBFC.

**License to Carry-Out the Business as NBFC / PFMC**

* Promoters, after incorporation of the company shall apply to the Commission for grant of License to undertake the business as an NBFC / PFMC as per **Form-II** of NBFC Rules, 2003.
* The license granted shall be valid for three (3) years from the date of its issuance and shall be renewable upon expiry of the said period by making an application at least one month prior to the expiry as set out in **Form IV** of NBFC Rules, 2003.
* The detail of documents required and procedure for grant of license is tabulated below:

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| **S #** | **Requirement of Law** |
| 1 | Date of incorporation as a limited company (any form) |
| 2 | Authorized, subscribed and paid-up share capital of the company (sponsors' equity indicated separately);  Minimum Equity Requirements for Private Fund Management Company is Rs 10 million. |
| 3 | Minimum number of directors is 2 or as stipulated in Companies Act, 2017 |
| 4 | 1 or one third, whichever is higher, of the directors should be independent |
| 5 | 1 of the directors should have relevant experience of at least 5 year at a senior management level if the total number of directors including CEO is less than or equal to three. If the number of directors including CEO is greater than 3 then 2 of the directors should have relevant experience of at least 5 years at a senior management level. |
| 6 | Names and addresses of directors and number of shares held by each of them |
| 7 | Directors' interest, direct or indirect, in any other company with details of such interest; |
| 8 | Assessment of fitness & propriety of the following as per Fit and Proper Criteria provided in Schedule IX of NBFC Regulations, 2008 of (i) promoters and major shareholders, (ii) Director, (iii) Chief Executive, and (iv) Key Executives, on the following parameters:   * Integrity and track record of such person; * Financial soundness of such a person; * Competence and capability of the person; and * Conflict of interest of such person with the business of the NBFC and Investment |
| 9 | Details of persons or group controlling the company including major shareholders with number and value of shares held; |
| 10 | Names of holding, subsidiary and associated undertaking, if any; |
| 11 | Details of qualified staff engaged |
| 12 | Reasons for selecting the proposed place of business with statistical data |
| 13 | Additional facts in support of this application |
| 14 | Certified copies of the memorandum and articles of association and certificate of incorporation |
| 15 | An affidavit as to the correctness of the above information by the chief executive and two directors. |
| 16 | Auditor’s certificate indicating compliance with minimum equity requirement. |
| 17 | Copy of Annual accounts |

**Note:** Detailed process for approval to form NBFC and grant of license to undertake business as NBFC is provided at rule 4 and rule 5 of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 while the Fit & Proper Criteria is provided in Schedule IX of the Non-Banking Finance and Notified Entities Regulations, 2008.