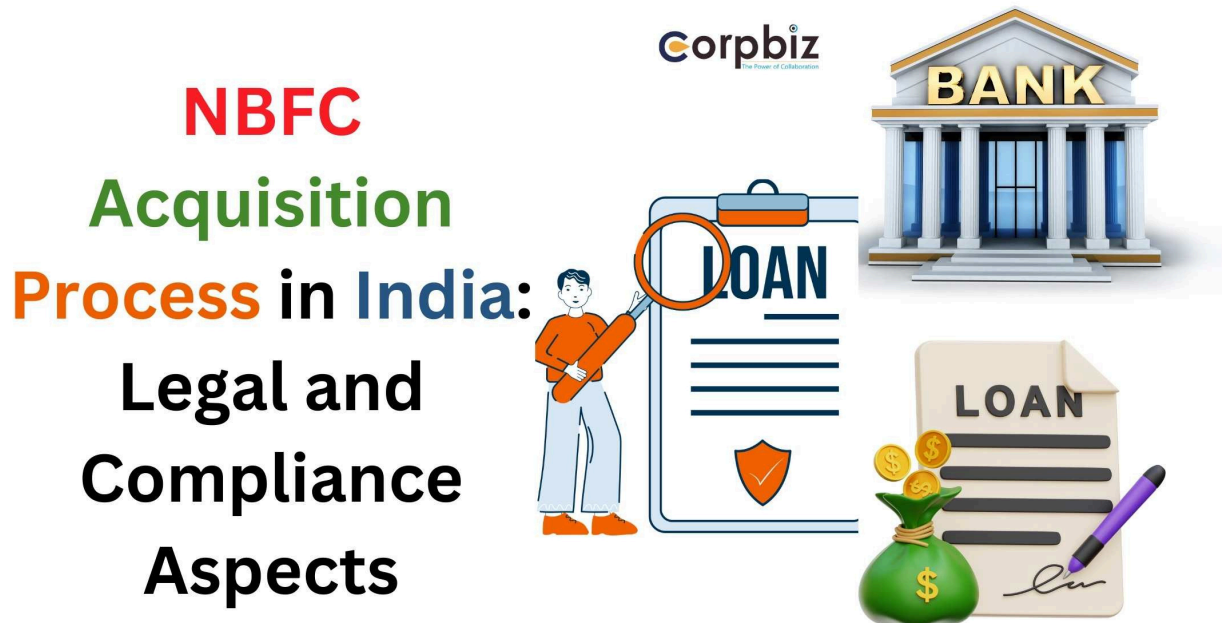


NBFC Acquisition Process in India: Legal and Compliance Aspects

Non-Banking Financial Companies (NBFCs) play a crucial role in India's financial system by providing loans, credit facilities, and other financial services.

If you are looking to buy an [NBFC registered with RBI](#), you must understand the legal and compliance aspects involved in the acquisition process. This guide will help you navigate the necessary steps, regulations, and considerations for a smooth NBFC takeover.



Why Acquire an NBFC?

[Buying an NBFC](#) can be a great way to enter India's financial sector without starting from scratch. Some key reasons for acquiring an NBFC include:

- **Quick Market Entry** – Avoid the lengthy process of fresh NBFC registration.
- **Established Business Model** – Leverage the existing customer base and operational structure.
- **Regulatory Benefits** – Compliance with RBI norms is already in place.
- **Expansion Opportunities** – Diversify into different financial services like NBFC Account Aggregator models.

Legal Framework for NBFC Acquisition

NBFC acquisitions in India are regulated by the Reserve Bank of India (RBI). Any takeover or substantial shareholding change requires prior approval from the RBI under the Non-Banking Financial Companies (Approval of Acquisition or Transfer of Control) Directions, 2015.

Key Legal Requirements:

1. **RBI Approval** – Any change in control of an NBFC must be approved by the RBI before the acquisition.
2. **Shareholding Restrictions** – If an investor or company is acquiring **26% or more shares** of the NBFC, it is considered a major change requiring RBI approval.
3. **Due Diligence** – The buyer must ensure the NBFC complies with all financial and legal regulations.
4. **[FFMC License Fees & Process](#)** – If the NBFC deals with foreign exchange, it might require an FFMC (Full-Fledged Money Changer) License, which has separate fees and regulatory requirements.
5. **Public Notice Requirement** – Both the transferor (seller) and transferee (buyer) must publish a public notice in newspapers at least **30 days before the transfer**.

Step-by-Step NBFC Acquisition Process

Step 1: Identify a Suitable NBFC

Find an NBFC that meets your business goals. Consider factors like its license type, financial health, and compliance history.

Step 2: Conduct Due Diligence

Before proceeding with the acquisition, conduct thorough due diligence, including:

- **Financial Records** – Check profit/loss statements, loan portfolios, and assets.
- **Regulatory Compliance** – Verify that the NBFC is properly registered with RBI.
- **Pending Liabilities** – Look for outstanding loans, lawsuits, or regulatory violations.
- **FFMC License Fees & Process** – If the NBFC deals in forex services, verify its FFMC license status and renewal fees.

Step 3: Apply for RBI Approval

Once due diligence is complete, the buyer must submit an application to RBI along with:

- Share purchase agreement details
- Identity proof and financial details of new promoters
- Business plan for the NBFC
- Board resolution approving the transfer

The RBI typically takes **90-120 days** to process the application.

Step 4: Sign Share Transfer Agreement

After obtaining RBI approval, the buyer and seller sign the final share transfer agreement. This agreement should clearly state:

- The number of shares transferred
- Payment terms and conditions
- Liabilities, if any
- Future obligations of both parties

Step 5: Publish Public Notice

A **public notice** must be issued in at least two newspapers (one English and one vernacular) announcing the NBFC transfer. This is required for transparency and to allow any objections.

Step 6: Update Regulatory Authorities

The final step involves updating the NBFC's details with:

- **Ministry of Corporate Affairs (MCA)**
- **RBI**
- **Income Tax Department**
- **SEBI** (if applicable)

Compliance Aspects After Acquisition

Post-acquisition, ensure the NBFC remains compliant with RBI norms:

1. **Maintain Minimum Net Owned Funds (NOF)** – The NBFC must meet RBI's NOF requirement (currently **₹2 crore** for most NBFCs).
2. **Follow RBI's Prudential Norms** – Including capital adequacy ratio, asset classification, and provisioning.
3. **Regular Reporting** – Submit financial statements and audit reports as required by RBI.
4. **Apply for New Licenses if Needed** – If you plan to convert the NBFC into an [NBFC Account Aggregator](#), apply for additional licenses.

Final Thoughts

Acquiring an NBFC registered with RBI can be a great business opportunity, but it requires careful planning, due diligence, and strict adherence to **RBI regulations**. Whether you want to buy an NBFC with RBI approval or expand its services with an FFMC license, understanding the legal and compliance framework is crucial for a successful acquisition.

If you're considering an NBFC takeover, consult legal and financial experts to ensure a smooth and hassle-free transaction.

Corpbiz simplifies complex regulatory processes for you! Contact us today to navigate your NBFC purchase seamlessly. #NBFC #RBIGuidelines #FinancialServices #Corpbiz