

**RESERVE BANK OF INDIA
DEPARTMENT OF REGULATION
CENTRAL OFFICE
MUMBAI 400 001**

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Registration of Factors (Reserve Bank) Regulations, 2022

In exercise of the powers conferred by section 3 read with Section 31A of the Factoring Regulation Act, 2011 (12 of 2012), the Reserve Bank of India, hereby makes the following regulations pertaining to the manner of granting Certificate of Registration to companies which propose to do factoring business.

1. Short title and commencement

- (1) These regulations may be called the Registration of Factors (Reserve Bank) Regulations, 2022.
- (2) These regulations shall come into force on the date of their publication in the Official Gazette.

2. Definitions

For the purpose of these regulations, unless the context otherwise requires:

- (1) “Act” means the Factoring Regulation Act, 2011 (12 of 2012);
- (2) “Reserve Bank” means the Reserve Bank of India constituted under Section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);
- (3) “Company” means a company as defined in clause (20) of section 3 of Companies Act, 2013 (18 of 2013);
- (4) “Non-Banking Financial Company – Factor (NBFC-Factor)” means a non - banking financial company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934, which has its principal business as per Regulation 4 of these regulations and has been granted a Certificate of Registration (CoR) under section 3 of the Act;
- (5) “Non-Banking Financial Company – Investment and Credit Company (NBFC-ICC)” means any company which is a financial institution carrying on as its principal business – asset finance, the providing of finance whether by making loans or advances or otherwise for any activity other than its own and the acquisition of securities, and granted a CoR under Section 45IA of the Reserve Bank of India Act, 1934 (2 of 1934); and is not any other category of NBFCs as defined by the Reserve Bank in any of its Master Directions.

3. Net Owned Fund (NOF)

Every company seeking registration as NBFC-Factor shall have a minimum Net Owned Fund (NOF) of ₹5 crore, or as specified by the Reserve Bank from time to time.

4. Principal Business Criteria (PBC)

An NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least fifty per cent of its total assets and its income derived from factoring business is not less than fifty per cent of its gross income.

5. Registration and matters incidental thereto

- (1) Every company intending to undertake factoring business shall make an application to the Reserve Bank for grant of certificate of registration (CoR) as NBFC-Factor under the Act and shall ensure compliance with PBC as stipulated in regulation 4 of these regulations.
- (2) Any existing NBFC-ICC, intending to undertake factoring business, shall make an application to the Reserve Bank for grant of CoR under the Act if it satisfies the following eligibility criteria:
 - (a) not accepting or holding public deposits;
 - (b) total assets of ₹1,000 crore and above, as per the last audited balance sheet;
 - (c) meeting the NOF requirement as prescribed in regulation 3 of these regulations;
 - (d) regulatory compliance.
- (3) Any existing NBFC-ICC, which does not satisfy the above conditions but intends to undertake factoring business, shall approach the Reserve Bank for conversion from NBFC-ICC to NBFC-Factor. Such NBFC-ICCs shall comply with the PBC as specified in regulation 4 of these regulations.

- (4) Application for such conversion shall be submitted with all supporting documents meant for new registration as NBFC-Factor, together with surrender of original CoR issued by the Reserve Bank to the NBFC-ICC under Section 45IA of the Reserve Bank of India Act, 1934.
- (5) An entity not registered with the Reserve Bank under the Act, may conduct the business of factoring, if it is an entity mentioned in Section 5 of the Factoring Regulation Act, 2011 i.e. a bank or a body corporate established under an Act of Parliament or State Legislature, or a Government Company.
- (6) NBFC-Factor or eligible NBFC-ICC which has been granted CoR by the Reserve Bank under these regulations, shall commence factoring business within six months from the date of grant of CoR.

6. Conduct of business and prudential regulations

NBFC-Factors or eligible NBFC-ICCs which have been granted CoR under the Act shall conduct the factoring business in accordance with the Act and rules and regulations framed under the Act or the directions and guidelines issued by the Reserve Bank from time to time.

(J. P. Sharma)
Chief General Manager

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