

NHB(ND)/DRS/REG/MC-06/2018
July 2, 2018

All Housing Finance Companies

Dear Sir/Madam,

Master Circular- Housing Finance Companies – Approval of Acquisition or Transfer of Control (NHB) Directions, 2016

In order to have all current instructions on the subject at one place, the National Housing Bank has updated the circulars / notifications. The instructions related to the captioned subject contained in various circulars/notifications issued by NHB have been updated as on June 30, 2018 and are reproduced below. The updated circular has also been placed on the NHB web-site (<https://nhb.org.in>).

Yours faithfully,

(V. Vaideswaran)
General Manager

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NATIONAL HOUSING BANK
New Delhi the 9th February, 2017

**¹Housing Finance Companies – Approval of Acquisition or Transfer of Control
(NHB) Directions, 2016**

Notification No. NHB.HFC.ATC-DIR.1/MD&CEO/2016

The National Housing Bank having considered it necessary in the public interest and being satisfied that for the purpose of enabling it to regulate the housing finance system of the country to its advantage, it is necessary to give the directions as set out below, in exercise of the powers conferred, by Sections 30A and 31 of the National Housing Bank Act, 1987 (53 of 1987) and of all the powers enabling it in this behalf, gives Directions hereinafter specified.

1. Short title, commencement and applicability of the Directions

- (i) These Directions shall be known as the **“Housing Finance Companies – Approval of Acquisition or Transfer of Control (National Housing Bank) Directions, 2016”**.
- (ii) Unless otherwise directed by the National Housing Bank (NHB), these Directions shall be applicable to every Housing Finance Company (HFC) register under Section 29A of the National Housing Bank Act, 1987 (53 of 1987).
- (iii) These Directions shall come into force with immediate effect., the same will apply on any takeover or acquisition or control, any change in the shareholding or any change in the management occurring after the date of this notification.

2. Definitions

For the purpose of these Directions, unless the context otherwise requires,-

"control" shall have the same meaning as is assigned to it under clause (e) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

3. Requirement to obtain prior approval of National Housing Bank for acquisition or transfer of control of HFCs

- (i) The prior written permission of the National Housing Bank shall be required for-

¹ Issued Directions vide Notification No. NHB.HFC.ATC-DIR.1/MD&CEO/2016 dated February 9, 2017

- a) any takeover or acquisition of control of an HFC, which may or may not result in change of management;
- b) any change in the shareholding of an HFC, including progressive increases over time, which would result in acquisition / transfer of shareholding of 26 per cent or more of the paid up equity capital of the HFC.

Provided that, prior approval would not be required in case of any shareholding going beyond 26% due to buyback of shares / reduction in capital where it has approval of a competent Court. However, the same is to be reported to the National Housing Bank not later than one month from the date of its occurrence;

- c) any change in the management of the HFC which would result in change in more than 30 per cent of the directors, excluding independent directors.

Provided that, prior approval would not be required in case of directors who get re-elected on retirement by rotation

- (ii) Notwithstanding clause (i), HFCs shall continue to inform the National Housing Bank regarding any change in their directors / management as required in Housing Finance Companies (NHB) Directions, 2010.

4. Application for prior approval

- (i) HFCs shall submit an application, in the company's letter head, for obtaining prior approval of the National Housing Bank under paragraph 3, along with the following documents:
 - a) Information about the proposed directors / shareholders as per **Annex-I**;
 - b) Sources of funds of the proposed shareholders acquiring the shares in the HFC;
 - c) Declaration by the proposed directors / shareholders that they are not associated with any unincorporated body that is accepting public deposits;
 - d) Declaration by the proposed directors / shareholders that they are not associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the National Housing Bank;
 - e) Declaration by the proposed directors / shareholders that there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against them; and
 - f) Bankers' Report on the proposed directors/ shareholders.

- (ii) Applications in this regard shall be submitted to the General Manager, Department of Regulation & Supervision, National Housing Bank, New Delhi.

5. Requirement of Prior Public Notice about change in control / management

- (I) A public notice of at least 30 days shall be given before effecting the sale of, or transfer of the ownership by sale of shares, or transfer of control, whether with or without sale of shares. Such public notice shall be given by the HFCs and also by the other party or jointly by the parties concerned, after obtaining the prior permission of the National Housing Bank.
- (II) The public notice shall indicate the intention to sell or transfer ownership/ control, the particulars of transferee and the reasons for such sale or transfer of ownership/ control. The notice shall be published in at least one leading national and in one leading local (covering the place of registered office) vernacular newspaper.

6. Application of other laws not barred

The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

7. Permission to accept public deposits in cases of acquisition or transfer of control of HFCs holding CoR valid for accepting public deposits

It may be clarified that in cases of acquisition or transfer of control of HFCs holding CoR valid for accepting public deposits, the National Housing Bank reserve the right to review the grant of permission to accept public deposits.

8. Repeal and saving

The provisions contained under Paragraph 19 of the Housing Finance Companies (NHB) Directions, 2010 shall stand repealed by these Directions.

Notwithstanding such repeal,

- a) any action taken, purported to have been taken or initiated under the Directions hereby repealed shall, continue to be governed by the provisions of said Directions.
- b) any reference in other Notifications issued by the National Housing Bank containing reference to the said repealed Directions, shall mean reference to these Directions, namely, the Housing Finance Companies - Approval of Acquisition or Transfer of Control (National Housing Bank) Directions, 2016, after the date of repeal.

9. Exemptions

The National Housing Bank may, if it considers it necessary for avoiding any hardship or for any other just and sufficient reason, grant extensions of time to comply with or exempt any housing finance company or class of housing finance companies, from all or any of the provisions of these Directions either generally or for any specified period subject to such conditions as the National Housing Bank may impose.

10. Interpretations

For the purpose of giving effect to the provisions of these directions, the National Housing Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these directions given by the National Housing Bank shall be final and binding on all the parties concerned.



Annex-I (1)

**INFORMATION ABOUT THE PROPOSED PROMOTERS / DIRECTORS /
SHAREHOLDERS OF THE COMPANY**

Sr. No.	Particulars Required	Response
1	Name	
2	Designation	Chairman / Managing Director / Director / Chief Executive Officer
3	Nationality	
4	Age (to be substantiated with date of birth)	
5	Business Address	
6	Residential Address	
7	E-mail address / Telephone number	
8	PAN under Income Tax Act	
9	Director Identification Number (DIN)	
10	Social security number/Passport No.*	
11	Educational/professional qualifications	
12	Professional Achievement relevant to the job	
13	Line of business or vocation	
14	Any other information relevant to the Company	
15	Name/s of other companies in which the person has held the post of Chairman/ Managing Director / Director / Chief Executive Officer	
16	Name/s of the regulators (RBI, SEBI, IRDA, PFRDA, NHB or any other foreign regulator) of the entities mentioned in which the persons hold directorships	
17	Name/s of the HFCs, if any, with which the person is associated as Promoter, Managing Director, Chairman or Director which has been prohibited from accepting deposits / prosecuted by NHB ?	
18	Detail of prosecution, if any, pending or commenced or resulting in conviction in the past against the person and/or against any of the entities he is associated with for violation of economic laws and regulations	
19	Cases, if any, where the person or relatives of the person or the companies in which the person is associated with, are in default or have been in default in the last 5 years in respect of credit facilities obtained from any entity or bank	

20	If a person is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry of any professional occupation at any time	
21	Whether the person attracts any of the disqualification envisaged under Section 164 of the Companies Act, 2013	
22	Has the person or any of the companies, he/she is associated with, been subject to any investigation at the instance of the Government Department or Agency	
23	Has the person at any time been found guilty of violations of rules/ regulations/ legislative requirements by Customs/ Excise/ Income Tax/ Foreign Exchange/ Other Revenue Authorities, if so, give particulars	
24	Experience in the business of HFC (number of years)	
25	Equity shareholding in the company	
	(i) No. of shares	
	(ii) Face value	₹.....
	(iii) Percentage to total paid up equity share capital of the company	
26	Name/s of the companies, firms and proprietary concerns in which the person holds substantial interest	
27	Names of the principal bankers to the concerns at 26 above	
28	Names of the overseas bankers*	
29	Whether number of directorships held by the person exceeds the limits prescribed under Section 165 of the Companies Act, 2013	
		Signature :
	Date :	Name :
	Place:	Designation :
		Company Seal :
* For foreign promoters / directors / shareholders Note: (i) Separate form shall be submitted in respect of each of the proposed promoters/ directors/ shareholders		

Annex-I (2)

INFORMATION ABOUT CORPORATE PROMOTER		
Sr. No.	Particulars Required	Response
1	Name	

2	Business Address	
3	E-mail address/ Telephone number	
4	PAN under Income Tax Act	
5	Name and contact details of compliance officer	
6	Line of business	
7	The details of their major shareholders (more than 10%) and line of activity, if corporates	
8	Names of the principal bankers/ overseas bankers *	
9	Name/s of the regulators (RBI, SEBI, IRDA, PFRDA, NHB or any other foreign regulator)	
10	Name/s of Company/ies in the Group as defined in the Prudential Norms Directions	
11	Name/s of the company/ies in the Group that are HFCs	
12	Specify the names of companies in the group which have been prohibited from accepting deposits/prosecuted by NHB?	
13	Detail of prosecution, if any, pending or commenced or resulting in conviction in the past against the corporate for violation of economic laws and regulations	
14	Cases, if any, where the corporate, is in default or have been in default in the last 5 years in respect of credit facilities obtained from any entity or bank	
15	Whether the corporate has been subject to any investigation at the instance of the Government Department or Agency	
16	Has the Corporate at any time been found guilty of violations of rules/ regulations/ legislative requirements by Customs/ Excise/ Income Tax/Foreign Exchange/ Other Revenue Authorities, if so, give particulars	
17	Has the promoter corporate/ majority shareholder of the promoter corporate, if a corporate, ever applied to NHB for CoR which has been rejected	
		Signature :
	Date :	Name :
	Place:	Designation :
		Company Seal :
* For foreign corporate		