



All Registered Housing Finance Companies

Dear Sir/Madam,

**Housing Finance Companies – Corporate Governance (National Housing Bank)
Directions, 2016 - Clarification**

Please refer to the Notification No. [NHB.HFC.CG-DIR.1/MD&CEO/2016](#) dated [February 09, 2017](#), whereby the National Housing Bank had issued the “Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 (*Directions*)”. In this regard, the following clarifications in the matter may be noted keeping in view the feedback received from industry participants.

2. (i) In terms of paragraph 3 I (ii) of the *Directions*, the Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the HFCs.
(ii) It is clarified that the HFCs are necessarily required to carry out an Information System Audit separately through a Certified Information System Auditor (CISA), in compliance with the provisions of the *Directions*.
3. (i) In terms of paragraph 4 IV of the *Directions*, HFCs shall furnish to the National Housing Bank a quarterly statement on change of directors and a certificate from the Managing Director that fit and proper criteria in selection of the directors have been followed.
(ii) It is clarified that the quarterly statements, can be certified by the Managing Director, except that the statement pertaining to the quarter ended March 31 needs to be necessarily certified by the auditors. Further, in case of no change in the directors during a quarter, a ‘Nil’ statement should be submitted.

4. (i) In terms of paragraph 3(iv) of Annex 3 of the *Directions*, HFCs shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting.
 - (ii) It is clarified that circulation of minutes within two business days is not mandatory and provisions in the Companies Act, 2013 in this regard shall apply.
5. (i) In terms of paragraph 3.4. of Annex 4 of the *Directions*, HFCs are required to make certain disclosures regarding Derivatives transactions.
 - (ii) It is clarified that disclosure requirement for FY-2016-17 under the said paragraph with respect to previous year figures has been dispense off in the light of the Guidance Note issued by Institute of Chartered Accountants of India (ICAI) on accounting for derivatives contracts is effective from April 1, 2016 i.e. applicable from financial year 2016-17.
6. (i) In terms of paragraph 3.5.1 of Annex 4 of the *Directions*, HFCs are required to make certain disclosures regarding assets securitised by them.
 - (ii) It is clarified that disclosure relating to all the outstanding securitisation transactions entered into by the HFC and outstanding as of March 31 should be made by HFCs.
7. (i) In terms of paragraph 3.7.2 (vi) of Annex 4 of the *Directions*, HFCs are required to make disclosure regarding loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.
 - (ii) It is clarified that the computation of exposure to the capital markets should be done by HFCs in accordance with the provisions of paragraph 31(2)(d) of the HFCs (NHB) Directions, 2010.
8. (i) In terms of paragraph 4.3 of Annex 4 of the *Directions*, HFCs are required to disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.
 - (ii) It is clarified that the said policy shall also be disclosed by the HFCs in their Annual Report besides being made available on the website of the Company.

9. (i) In terms of paragraph 6 of Annex 4 of the *Directions*, HFCs are required to make disclosure of complaints.
 - (ii) It is clarified that the HFCs may be guided by the definition of 'customer' as given in the Guidelines on "Know Your Customer & Anti Money Laundering Measures for HFCs" issued by the NHB.

10. HFCs should note that all the disclosures as specified under Annex-4 of the *Directions* shall be necessarily and suitably made by the HFCs and none of them should be omitted based on the ground of its being not applicable in a particular case.

Yours faithfully,

(A. P. Saxena)
General Manager