

under the Companies Act and has received a certificate of registration from the RBI to commence the business of an Asset Reconstruction Company. The NARCL will majorly be owned by the Public Sector Banks. Canara Bank is the sponsor with shareholding of upto 12%. The NARCL would be capitalized through a combination of equity and debt from various banks and will have a finite life of 5 years.

The India Debt Resolution Company Ltd.

(IDRCL): It has been set up as an Asset Management Company (AMC) to deal with the NPAs. It will have a minimum of 51% ownership of the Private Sector Banks and the balance will be held by the Public Sector Banks.

Difference between the ARC and the AMC: The ARC buys the bad loans from the banks and then transfers them to the AMC.

The AMC would then carry out restructuring to recover the bad loans. The AMC would be manned by the professionals who have necessary expertise in recovering the bad loans

Relationship between the NARCL and the IDRCL: The NARCL and the IDRCL's relationship will be defined through a debt management agreement, wherein the NARCL will aggregate and acquire the stressed assets and the IDRCL, in turn, will provide stressed assets management and resolution services to the NARCL on an exclusive basis. The term of the IDRCL shall be co-terminus with that of the NARCL.

52. Answer: (d)

Explanation:

The regulatory structure for the NBFCs shall comprise of 4 layers, based on their size, activity and perceived riskiness. The NBFCs in the lowest layer shall be known as the NBFC - Base Layer (NBFC-BL). The NBFCs in the middle layer and the upper layer shall be known as the NBFC - Middle Layer (NBFC-ML) and the NBFC - Upper Layer (NBFC-UL), respectively. The top layer is ideally expected to be empty and will be known as the NBFC - Top Layer (NBFC-TL).

