



# World Microfinance Forum – Assessing the Regulatory Environment

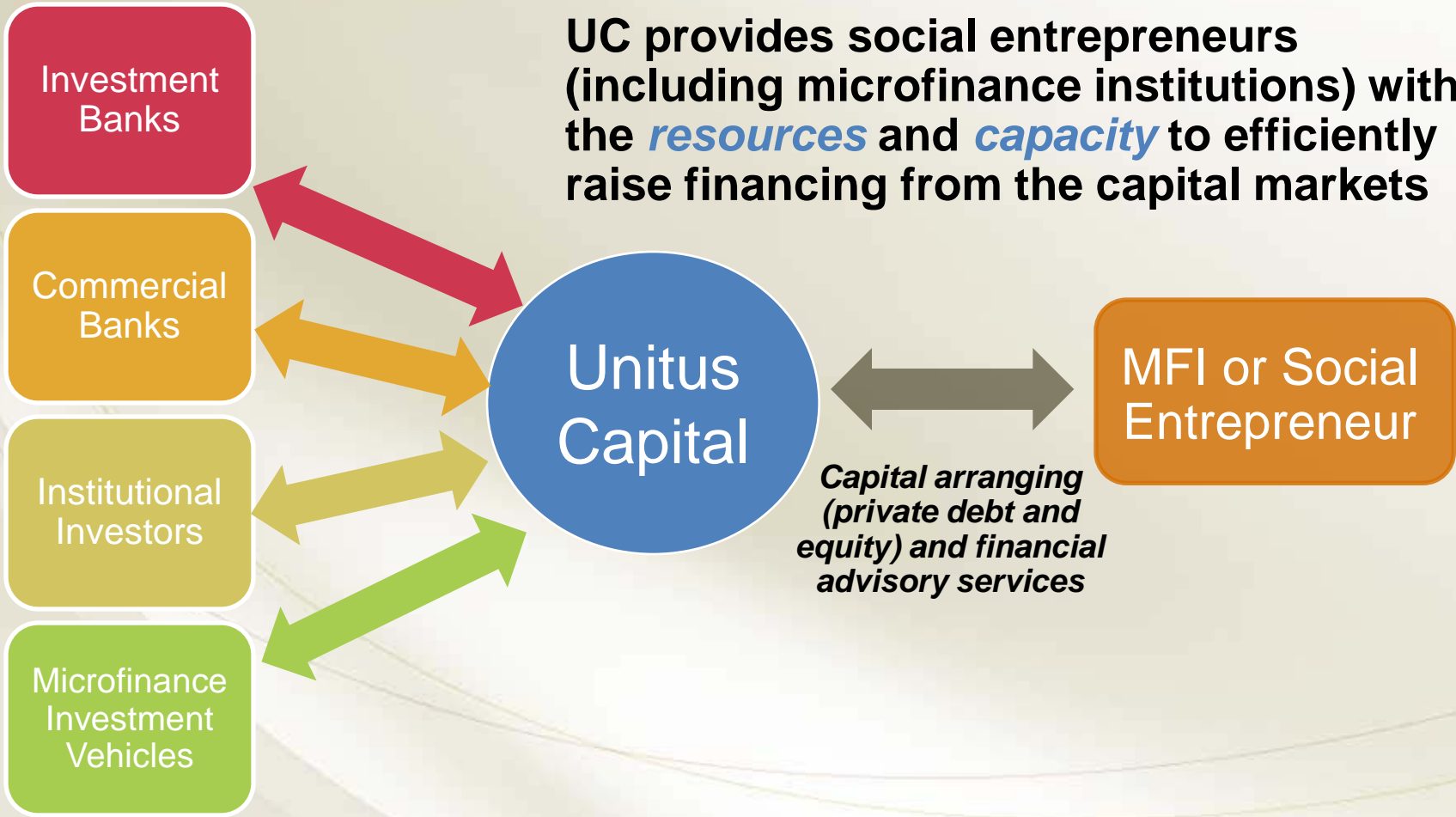
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**World Microfinance  
Forum Geneva**  
Promoting Inclusive Financial Markets

# Unitus Capital – Changing the Capital Markets



# Investors' General Regulatory Concerns

- ❑ Ease of:
  - ❑ Getting money in and out of the country
  - ❑ Foreign exchange hedging options
- ❑ Restrictions on:
  - ❑ Restrictions on foreign ownership and lending
  - ❑ Foreign board composition
- ❑ Taxation
  - ❑ Degree of taxation on capital gains
  - ❑ Levels of taxation and effective tax rate
  - ❑ Existence of double taxation treaties
  - ❑ Taxation requirements for SPVs and MIVs
  - ❑ Tax rebates on investments in social sector

# Investors' Specific MF Regulatory Concerns

- Which legal structures are regulated?
- Which legal structures are tax-exempt or have tax rebates?
- Degree of prudential regulation
  - Minimum capital adequacy requirements
  - Loan classification, provisioning and write-off
  - Unsecured loan limits
  - Monitoring and supervision
- Can MFIs mobilize deposits?
- Degree of regulatory reporting and compliance
- Restrictions on nationality/residence of management
- Legislation for transformation of non-profit to for-profit
- Financial crimes like money-laundering

# India Specific Regulatory Issues

- Foreign debt restrictions
- Interest rate ceilings and bureaucratic intervention
- Priority sector lending norms
- Multiple legal structures for MFIs
- Several regulators
- Lack of standardized reporting requirements
- Domestic VCs can not invest in MFIs
- Capital Adequacy – Too high/low?
- Foreign equity ownership restrictions
- Minimum capital requirements
- NGO-MFIs can not directly invest in NBFCs
- MFIs not allowed to take deposits