

## Points to remember while investing savings

### General Investment Commandments

# Do's and Don'ts

24%

18%



Please visit 'Sachet' portal at [www.sachet.rbi.org.in](http://www.sachet.rbi.org.in) for lodging any complaint relating to unauthorised deposit collection.

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### Points to remember while investing savings

#### General Investment Commandments: Dos and Don'ts

1. Do establish clear and reasonable investment goals before you invest.
2. Do remember that there are risks in any investment. As potential profit increases, so does risk.
3. Do diversify your investment portfolio to decrease your overall risk.
4. Do select the appropriate asset mix of debt, equity, and cash equivalents.
5. Do recognize the limits of your knowledge. Avoid investments which you don't understand.
6. Do your homework. Be sure you know what you are investing in and what impact it will have on the risk, potential returns, and marketability of your portfolio.
7. Do keep in mind that income-tax is payable on returns on your investments while making investment decisions.
8. Do remember to make nomination for your investments and inform the same to the nominee.
9. Acceptance of money under Money Circulation/Multi-level Marketing/Pyramid structures is a cognizable offence under the Prize Chit and Money Circulation (Banning) Act, 1978. Members of public coming across such offers should immediately lodge a complaint with the State Police.
10. Don't get lured by unrealistically high assured returns.
11. Don't fall prey to the online and offline advertisements offering cheap loans and unrealistically high returns.
12. Don't deposit money in unregistered/unincorporated entities as they are not permitted to accept deposits from public.
13. Don't become part of any online survey/scheme which asks for deposit of money and promises/assures high returns.
14. Don't become member of any scheme that seeks initial deposit and offers return to bring more members as this can be a multi-level marketing or Pyramid Structured scheme. Such activities are banned under law.
15. Never fall prey to calls/offers/emails/fictitious offers made in the name of Regulators (RBI, SEBI, NHB, IRDAI, etc.)

offering bonus, credit/debit/pre-paid cards, loans, higher returns or profits, etc. Regulators neither declare bonus nor involve in sale of any kind of financial or investment products.

16. Don't invest on the basis of hot tips and rumours. They are seldom right.

17. Don't blindly follow investment advice that you do not understand.

18. Don't be afraid to say NO to the suggestions of your financial adviser if you are not convinced that the investments are right for you.

19. Don't take risks you can not afford or are not comfortable with. Understand your tolerance for risk.

20. Members of public may register their grievances/complaints related to acceptance of deposits and financial frauds on 'Sachet' portal which may be accessed through the link [www.sachet.rbi.org.in](http://www.sachet.rbi.org.in).

### Non-Banking Financial Companies

1. All NBFCs are not authorised to accept Public Deposits.

2. Presently, the maximum rate of interest a Non-Banking Financial Company (NBFC) authorized to accept deposits can offer is 12.5% p.a. The interest may be paid or compounded at rests not shorter than monthly rests. List of NBFCs entitled to accept deposits can be checked from the link [https://www.rbi.org.in/Scripts/BS\\_NBFCList.aspx](https://www.rbi.org.in/Scripts/BS_NBFCList.aspx).

3. RBI does not guarantee repayment of deposits to the customers of NBFCs.

4. Public deposits with NBFCs are not insured by Deposit Insurance and Credit Guarantee Corporation, unlike in case of banks.

5. In the case of brokers/agents, etc. collecting public deposits on behalf of NBFCs authorised to accept deposits, the depositors should satisfy themselves that the brokers/agents are duly authorised by the NBFC.

6. Fill in the application form yourself and do not sign blank applications.

7. Make sure to get a proper receipt for your deposits comprising date of deposit, name of depositor, rate of

interest payable and the maturity date and amount, in case of NBFCs permitted to accept public deposits.

8. The complaints or grievances against the NBFCs can be submitted to the nearest office of the Reserve Bank of India.

### Housing Finance Companies

1. Presently, the maximum rate of interest a Housing Finance Company (HFC) authorised to accept deposits can offer is 12.5% p.a. HFCs cannot offer more than 12.5 % interest p.a. on public deposits. HFC deposits are not insured.

2. List of HFCs entitled to accept deposits can be checked from the link:

<http://www.nhb.org.in/Regulation/RegisteredCompanies.php>

3. HFCs cannot pay brokerage/commission, etc. in excess of 2% of the deposit amount.

4. HFCs cannot offer gifts and incentives to brokers/depositors.

5. National Housing Bank (NHB) does not guarantee or undertake the repayment of deposit or interest. This is the responsibility of the HFCs.

6. Aggrieved customers may lodge their complaint against Registered HFC and may approach NHB by lodging the complaint online, using the link: <https://grids.nhbonline.org.in> They can also lodge a complaint in prescribed format available at the link: <http://nhb.org.in/Grievance-Redressal-System/Lodging-Complaint-Against-HFCs-NHB%E2%80%93Physical-Mode.pdf>

### Insurance Policies

1. Make sure you purchase insurance policies from registered insurance companies directly or through:

- i. Licensed insurance agents /corporate agents
- ii. Licensed Insurance Brokers and Common Service Centres (CSCs)
- iii. Licensed web aggregators
- iv. Insurance Marketing Firms

2. Verify genuineness of the person and the entity before making any payment and do not make payment in the name of any individual.

3. Choose the insurance product suitable to you based on the following:

- i. Life stage, financial position and financial requirements.
  - ii. Purpose of the policy to be purchased.
  - iii. Benefits offered in terms of adequacy of sum assured/sum insured.
4. Ensure the following while purchasing any insurance policy:
- i. Read the prospectus and proposal form carefully.
  - ii. Fill in the details completely with factual information before signing the proposal form and do not sign a blank proposal form.
5. Life insurance policy mainly provides risk coverage for life. But it can also serve as a tool for long term investment and involves long term commitment. Take care of the following after receiving the Life insurance policy:
- i. Read the policy document carefully.
  - ii. Check the mode of premium payment, term of the policy, maturity benefits offered, lock-in period, nominee details, surrender value, etc.
  - iii. Ensure that the terms and conditions as per policy document are the same as indicated in the prospectus at the time of sale process.
  - iv. If you disagree with the terms and conditions, return the policy to the insurer within 15 days from the date of receipt of policy giving reasons for objections. You are entitled for refund of the premium paid after deducting proportionate risk premium, the expenses incurred by insurer for medical examination and stamp charges.
  - v. Pay premium regularly and promptly; and do not allow the policy to lapse.
  - vi. Continue the policy without a break to ensure maximum benefit of the insurance policy as full insurance cover and other benefits will be available only on timely payment of premium.
  - vii. Inform the family members about the purchase of insurance policy and its benefits, especially to the nominee.
6. If any unlicensed intermediaries or unregistered insurers solicit insurance, file FIR with the Police and intimate IRDAI.

Any payment made to such unlicensed intermediaries or unregistered insurers is at your own risk.

### Company Fixed Deposits

1. Companies are required to give prescribed disclosures through advertisements before raising deposits.
2. Ascertain company's compliance with guidelines prescribed in the Companies Act and authorisation from the Registrar of Companies before investing in fixed deposits offered by companies.
3. The list of companies which have submitted copy of advertisement with Registrar of Companies (RoC) before inviting deposits from the public have been uploaded on website <http://www.mca.gov.in/>
4. Public deposits with companies are not insured by Deposit Insurance and Credit Guarantee Corporation unlike in case of banks.
5. The interest rate on these deposits cannot be more than as specified by Reserve Bank of India.
6. The period of deposit should not be less than 6 months or more than 36 months.
7. Check the credit rating assigned by the Credit Rating Agencies to the Fixed Deposits offered by companies before investing.
8. Carefully analyse the background, credibility of the company and its promoters before investing.
9. In case of any grievance, contact the Investor Grievance Management Cell, Ministry of Corporate Affairs, 5<sup>th</sup> Floor, A-Wing, Shastri Bhavan, New Delhi.
10. Aggrieved depositors can also complain to Company Law Board at Chennai/Delhi/Kolkata/Mumbai or to the Consumer Disputes Redressal Forum at District Level.



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