

## **Rbi Press Release**

### **RBI issues Draft Directions/Guidelines for Securitisation/Reconstruction Companies (December 18, 2002)**

The Reserve Bank of India today issued draft directions/guidelines for securitisation/reconstruction companies. The draft directions/guidelines along with the draft application forms for securitisation/ reconstruction companies have been placed on the RBI website ([www.rbi.org.in](http://www.rbi.org.in)) for public comments.

It may be recalled that the Government of India promulgated the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002. The Ordinance came into effect from June 21, 2002. The Ordinance has subsequently also been passed by both the houses of the Parliament and now awaits Presidential assent.

The Reserve Bank of India's role with regard to the Ordinance is to grant certificate of registration to existing as well as new securitisation/reconstruction companies for carrying on or commencing the business of securitisation or asset reconstruction and suggesting conditions and eligibility criteria. The Reserve Bank is also empowered to frame guidelines to enable such companies to take necessary measures for the purpose of asset reconstruction, *viz.*, management of the business of a borrower, sale / lease of a business of a borrower, rescheduling of debt repayment, enforcement of security, settlement of dues, taking possession of secured assets, etc. The Reserve Bank is also empowered to prescribe appropriate prudential norms relating to income recognition, accounting standards, provisioning, capital adequacy and deployment of funds for such companies. The Reserve Bank has also been empowered under the Ordinance to issue directions either generally or to a particular class of companies or to a company or companies regarding deployment of funds, acquisition of any type of financial assets, their valuation and aggregate value of financial assets that can be acquired.

The Reserve Bank had constituted two working groups to examine these issues. After detailed deliberation and study, the groups made several recommendations for effective working of securitisation companies/reconstruction companies. Based on the recommendations of the working groups, the Reserve Bank proposes to shortly issue directions and guidelines.

The Reserve Bank has placed the drafts under the following heads :

- Proposed format of the application for Certificate of Registration;
- The Securitisation Companies / Reconstruction Companies (the Reserve Bank) Directions, 2002; and
- The Securitisation Companies/Reconstruction Companies Prudential Norms (the Reserve Bank) Directions, 2002.
- General guidelines for securitisation companies / reconstruction companies

The Reserve Bank has invited the views and comments on the directions / guidelines from the general public, banks and financial institutions within 10 days. Views and comments may be sent to [dnbs@rbi.org.in](mailto:dnbs@rbi.org.in) or by post to :

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