

**Securitisation and Reconstruction of Financial Assets and Enforcement of Security
Interest Act, 2002 - Issue of final guidelines and directions**

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Issue of final guidelines and directions**

The Reserve Bank had issued draft guidelines to Securitisation Companies and Reconstruction Companies on December 18, 2002, soliciting views of the Banks, Financial Institutions and others. The Bank has since finalised the guidelines taking into account the feedback received. The guidelines and directions provide for different aspects of asset reconstruction and securitisation relating to registration, owned fund, permissible business, operational structure for giving effect to the business of securitisation and asset reconstruction, deployment of surplus funds, internal control system, prudential norms, disclosure requirements, etc. so as to facilitate the smooth formation and functioning of Securitisation Companies and Reconstruction Companies. It is clarified that the security receipts, referred to in paragraph 7(2) of the Act, have to be issued by the trust/s set up by the Securitisation Company and Reconstruction Company. In addition to the guidelines and directions, which are mandatory, the Bank has also issued guidance notes of recommendatory nature covering aspects relating to acquisition of assets, issue of security receipts etc.

2. The Bank is in the process of framing a set of standard guidelines in the matter of takeover of the management, sale or lease of whole or part of the business of the borrower. Securitisation Companies and Reconstruction Companies are, therefore, advised to refrain from exercising the measures of take over of management, sale or lease of the borrowers' business as provided for in Section 9 of the Act, until guidelines in this regard are notified by the Reserve

Bank of India. As regards enforcement of security interest, Securitisation Companies and Reconstruction Companies may follow the Security Interest (Enforcement) Rules, 2002 notified by the Government of India as also the relevant provisions in the Act.

3. The Bank has already issued the format of the application form for issue of a Certificate of Registration earlier vide its Notification No.DNBS.1/CGM(CSM)-2003 dated March 7, 2003, as the last date for making application to the Bank for existing companies was March 20, 2003. Companies desirous of commencing the business of securitisation and reconstruction have to apply in the prescribed format (annexed to Notification No.DNBS.1/CGM (CSM)-2003 dated March 7, 2003), which can be downloaded from the Reserve Bank of India's website www.rbi.org.in.

4. A copy each of the Notification No.DNBS.1/CGM (CSM)-2003 dated March 7, 2003, Notification No.DNBS.2/CGM(CSM)-2003, dated April 23, 2003 and Guidance notes is enclosed.

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