

**Reserve Bank of India
Department of Non-Banking Supervision
Central Office, Centre No 1
World Trade Centre
Mumbai 400 005**

RBI/2004/126

Notification No. DNBS.4/ED (SG)/-2004 dated March 29, 2004

**The Securitisation Companies and Reconstruction
Companies (Reserve Bank) Guidelines and Directions, 2003**

The Reserve Bank of India, having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Reserve Bank to regulate the financial system to the advantage of the country and to prevent the affairs of Securitisation Company or Reconstruction Company from being conducted in a manner detrimental to the interest of investors or in any manner prejudicial to the interest of such Securitisation Company or Reconstruction Company, hereby in exercise of the powers conferred under clause (b) of sub-section (1) of Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, directs that 'The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003' shall stand amended, as follows, namely:-

Short title and commencement

1. (1) These guidelines and directions shall be known as the Securitisation Companies and Reconstruction Companies (Reserve Bank) (Amendment) Guidelines and Directions, 2004.
- (2) They shall come into force with immediate effect.

Amendment of the Directions

2. In the Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003, in paragraph 5, the following provisos shall be added, namely : -

"Provided that every Securitisation company or reconstruction company seeking the Bank's registration under Section 3, or carrying on business on commencement of the Securitisation Companies and Reconstruction Companies (Reserve Bank) (Amendment) Guidelines and Directions, 2004, shall have a minimum Owned Fund not less than fifteen percent of the total financial assets acquired or to be acquired by the Securitisation Company or Reconstruction Company on an aggregate basis, or Rs. 100 crore, whichever is less;

Provided further that –

- (i) the minimum Owned Fund for any Securitisation Company or Reconstruction Company shall in no case be less than Rs two crore;
- (ii) a Securitisation Company or Reconstruction Company carrying on business on the commencement of the Securitisation Companies and Reconstruction Companies (Reserve Bank) (Amendment) Guidelines and Directions, 2004 shall reach the level of minimum Owned Fund specified in the first proviso within three months from such commencement;

proviso, no account shall be taken whether the assets are transferred to a trust set up for the purpose of Securitisation or not;

- (iv) the amount shall be continued to be held by the Securitisation Company or Reconstruction Company until realisation of assets and redemption of security receipts issued against such assets;
- (v) the Securitisation Company or Reconstruction Company may invest the amount of Owned Fund, in addition to the modes specified in clause (ii) of Paragraph 10, in the security receipts issued by the trust set up for the purpose of securitization.”

Sd/-

(Shyamala Gopinath)
Executive Director

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DNBS. PD. CC.2 / SCRC/ 10.30/ 2003-2004

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Companies (Reserve Bank) Guidelines and Directions, 2003**

The Reserve Bank had issued final guidelines and directions to Securitisation Companies and Reconstruction Companies on April 23, 2003 relating to registration, owned fund, permissible business, operational structure for giving effect to the business of securitization and asset reconstruction, deployment of surplus funds, internal control system, prudential norms, disclosure requirements, etc. In order to ensure that the size of capital should have some relationship to the value of assets acquired by the Securitisation Company or Reconstruction Company and securitized, it has been decided that for commencing the business of securitisation or asset reconstruction the minimum owned fund shall be an amount not less than 15% of the total financial assets acquired or to be acquired by the Securitisation Company or Reconstruction Company on an aggregate basis or Rs.100 crore whichever is lower irrespective of whether the assets are transferred to a trust set up for the purpose of securitization or not. Further the Securitisation Company or Reconstruction Company should continue to hold this owned fund level until the realization of the assets and redemption of security receipts issued against such assets. The Securitization Company or Reconstruction Company can utilize this amount towards the Security Receipts issued by the trust under each scheme. This will ensure the stake of the Securitisation Company or Reconstruction Company in the assets acquired.

However the provisions of paragraph 9 of the above guidelines and directions relating to maintaining on an ongoing basis, a capital adequacy ratio, which shall not be less than fifteen percent of the total risk weighted assets of the Securitisation Company or Reconstruction Company, shall continue to be applicable.

A copy of the Notification No.DNBS.4/CGM (OPA)-2004 dated March 29, 2004 is enclosed.

Sd/-

(O.P.Aggarwal)
Chief General Manager-in-Charge

Encl: as above