

RBI/2004/216

RPCD. Plan. BC. No. 86 /04.09.01/2003-04

May 18, 2004

The Chairman/Managing Director
All Scheduled Commercial Banks
(including RRBs) and Local Area Banks

Dear Sir,

Flow of Credit to Agriculture - Investment by Banks in Securitised Assets

Please refer to paragraph No. 82 of the Governor's annual policy Statement for the year 2004-05 dated May 18, 2004 (copy of the paragraph enclosed). In view of the increasing emphasis on securitisation of agricultural loans, it has been decided that if the securitised loans represent direct advances to agriculture, investment by the banks in such securitised assets may be treated as their direct lending to agriculture under the priority sector. Similarly, if the securitised assets represent indirect finance to agriculture, the investment by the banks in such assets may be treated as indirect finance to agriculture. However, for this purpose, the loans should have been securitised by the originator banks and financial institutions on 'without recourse' basis and taken off their balance sheets.

2. We shall be glad if you please issue necessary instructions to your controlling offices/branches for appropriate action.
3. Please acknowledge receipt.

Yours faithfully,

(C S Murthy)
Chief General Manager-in-Charge

Investment by Banks in Securitised Assets

82. With increasing emphasis on securitisation of agricultural loans, it is proposed that:

- Investment by banks in securitised assets representing direct (indirect) lending to agriculture would be treated as their direct (indirect) lending to agriculture under priority sector, provided the securitised loans are originated by banks and financial institutions.

Withdrawn w.e.f May 13, 2022