



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Reserve Bank of India Constitutes Committee on the Development of Housing Finance Securitisation Market

As part of the [Statement on Developmental and Regulatory Policies issued along with the First Bimonthly Monetary Policy for the year 2019-20 on April 4, 2019](#), it was announced that the Reserve Bank will constitute a Committee on Development of Housing Finance Securitisation Market.

The mortgage securitisation market in India is primarily dominated by direct assignments among a limited set of market participants on account of various structural factors impacting both the demand and the supply side, as well as certain prudential, legal, tax and accounting issues. For a vibrant securitisation market to develop, it is imperative that the market moves to a broader issuance model with suitable structuring of the instruments for diverse investor classes. At the same time, as the international experience shows, it is critical to address the issues of misaligned incentives and agency problems resulting from information asymmetry problems between the originators and investors in the market, which can exacerbate systemic risk. Thus, a careful design of a robust and transparent securitisation framework assumes paramount significance.

With a view to review the existing state of mortgage securitisation in India and various issues constraining market development, and to develop the market further, the Reserve Bank of India has constituted a Committee on the Development of Housing Finance Securitisation Market. The composition of the Committee is as under:

1	Dr. Harsh Vardhan, Senior Advisor, Bain & Co.	Chairperson
2	Shri Chandan Sinha, Addl. Director (Learning & Admin), CAFRAL	Member
3	Shri Sanjaya Gupta Managing Director, PNB Housing Finance Limited	Member
4	Shri Naresh Thakkar Managing Director & Group CEO, ICRA	Member
5	Ms. Pranjul Bhandari Chief India Economist, HSBC	Member
6	Ms. Bindu Ananth Chair & Trustee, Dvara Trust	Member

The Terms of Reference of the Committee are given below:

- (i) To review the existing state of mortgage backed securitisation in India, including the regulations currently in place, and to make specific recommendations on suitably aligning the same with international norms;
- (ii) To analyse the prevalent structures for mortgage backed securitisation transactions in India, including legal, tax, valuation and accounting related issues, and suggest necessary modifications to address the requirements of both originators as well as investors;
- (iii) To identify the critical steps required for standardisation of mortgage backed securitisation practices such as, conforming mortgages, mortgage documentation standards, digital registry for ease of due diligence and verification by investors;
- (iv) To assess the role of various counterparties, including the servicers, trustees, rating agencies, etc. in the securitisation process and suggest measures required, if any to address the key risks, viz., structural, fiduciary and servicer risks;
- (v) To recommend specific measures for facilitating secondary market trading in mortgage securitisation instruments, such as broadening investor base, and strengthening market infrastructure;
- (vi) To analyse the inter-linkages between securitisation and other related financial market segments/instruments and recommend necessary policy interventions to leverage these inter-linkages; and,
- (vii) To identify any other issue germane to the subject matter and make recommendations thereon.

The Committee shall submit its report by the end of August 2019.

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Yogesh Dayal
Chief General Manager