



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

RBI/2009-2010/13

DNBS (PD) CC. No.16 / SCRC / 26.03.001/ 2009-2010

July 1, 2009

**Master Circular on directions/instructions issued to the Securitisation Companies/ Reconstruction Companies**

As you are aware, in order to have all current instructions on the subject at one place, the Reserve Bank of India had issued a Master Circular on the captioned subject, which is now updated up to 30th June 2009. It may be noted that the Master Circular consolidates and updates all the instructions contained in the circulars listed in the Annex, in so far they relate to **Securitisation Company/Reconstruction Company**. The Master Circular has also been placed on the RBI web-site (<http://www.rbi.org.in>).

2. It is advised that the updated directions/instructions relating to the Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003, have been covered in a separate Master Circular, vide [DNBS \(PD\) CC. No. 15 / SCRC/26.03.001/ 2009-2010 dated July 1, 2009](#).

Yours sincerely,

(P. Krishnamurthy)  
Chief General Manager-in-Charge

**(1) Submission of application for a Certificate of Registration to commence/carry on the business of a Securitisation Company or Reconstruction Company**

<sup>1</sup> The Securitisation Companies or Reconstruction Companies seeking registration from the Reserve Bank of India shall submit their application in the format (Annexed to Notification No. DNBS. 1/CGM (CSM)-2003 dated March 7, 2003) specified by the Bank, duly filled in with all the relevant annexures/supporting documents to the Chief General Manager-in-Charge, Department of Non-Banking Supervision, Central Office, Reserve Bank of India, Centre 1, World Trade Centre, Cuffe Parade, Colaba, Mumbai 400 005.

**(2) Maintenance of minimum owned fund for carrying out the business of securitisation or asset reconstruction**

<sup>2</sup>The Bank had issued the guidelines vide Notification No. [DNBS.4/CGM \(OPA\)-2004 dated March 29, 2004](#) 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.

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<sup>1</sup> DNBS.PD.CC 1/SCRC/10.30/2002-2003 dated April 23,2003

<sup>2</sup>DNBS. PD. CC. 2 / SCRC/ 10.30/ 2003-2004 dated March 29 , 2004

### **(3) Commencement of business by Securitisation Companies/Reconstruction Companies**

<sup>3</sup>The Bank had issued the guidelines vide [Notification No.DNBS.6/CGM \(PK\)-2006](#) dated October 19, 2006 that the Securitisation Company or Reconstruction Company should commence business within six months from the date of grant of Certificate of Registration. The Bank may on application made by SC/RC grant extension of time beyond six months but in no case such extension of time shall extend 12 months from the date of grant of Certificate of Registration.

### **(4) Submission of quarterly statements by Securitisation Companies/Reconstruction Companies**

<sup>4</sup>Quarterly Statement in the format viz. SCRC1 & SCRC2 on assets acquired, securitized and reconstructed to be submitted by Securitisation Companies/Reconstruction Companies registered with the Reserve Bank of India under Section 3(4) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 within 15 days of close of quarter to which it pertains. The first such statement was to be with reference to quarter ending March 31, 2007.

### **(5) Regulation of SCs/RCs-submission of returns and audited balance sheet by SCs/RCs**

<sup>5</sup>All the SCs/RCs registered with the Bank were advised to furnish the position of Owned Fund in Quarterly Statement SCRC1 as item no.1 and also furnish a copy of audited balance sheet along with the Directors Report/Auditors Report every year within one month from the date of Annual General Body Meeting, in which the audited results are adopted, starting with the balance sheet as on March 31, 2008.

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<sup>3</sup> DNBS.PD.CC.4/SCRC/10.30.000/2006-2007 dated October 19, 2006

<sup>4</sup> DNBS. (PD) C.C. No. 5/ SCRC/10.30.000/ 2006-2007 dated April 25, 2007

<sup>5</sup> DNBS (PD) CC. No. 8 / SCRC / 10.30.000/ 2007-2008 March 5, 2008

**(6) Investment in Security Receipts issued by the trusts floated by Securitisation Companies/Reconstruction Companies**

<sup>6</sup>The Bank had issued the guidelines vide [Notification No.DNBS.5/CGM \(PK\)-2006](#) dated September 20, 2006 that the Securitisation Company or Reconstruction Company shall invest in the Security Receipts issued by the trust set up for the purpose of securitisation, an amount not less than 5% under each scheme with immediate effect. In case of those SC/RCs which have already issued the SRs, such SC/RCs shall achieve the minimum subscription limit under each scheme with in a period of 6 months from the date of issue of guidelines in the matter.

**(7) Guidelines on Declaration of Net Asset Value of Security Receipts issued by Securitisation Company/Reconstruction Company**

<sup>7</sup>In order to enable the Qualified Institutional Buyers to know the value of their investments in the Security Receipts issued by the Securitisation Company/Reconstruction Company, the Securitisation Companies/Reconstruction Companies registered with the Bank under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, were advised to declare Net Asset Value of the Security Receipts issued by them at periodical intervals.

**(8) Regulation of SCs/RCs-disclosure while issuing Security Receipts (SRs)**

<sup>8</sup>Further to para 7 of circular [DNBS \(PD\) CC. No. 6/SCRC/10.30.049/2006-07](#) dated May 28, 2007 SC/RCs were advised that in order to enable the investors to make informed investment decision in the SRs, the disclosure in respect of underlying basket of assets required to be made by SCs/RCs in the offer documents which include disclosure in respect of the date of acquisition of the assets, valuation of the assets and the interest of SCs/RCs in such assets at the time of issue of SRs.

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<sup>6</sup> DNBS. PD. CC.3/SCRC/ 10.30.000/ 2006-2007 dated September 20 2006

<sup>7</sup> DNBS (PD) CC. No. 6 / SCRC / 10.30.049/ 2006-2007 dated May 28, 2007

<sup>8</sup> DNBS (PD) CC. No. 9 / SCRC / 10.30.000/ 2007-2008 April 22, 2008

## **9. Quarterly Statement to be submitted by Securitisation Companies/Reconstruction Companies registered with the Reserve Bank of India under Section 3(4) of the SARFAESI Act**

<sup>9</sup>Based upon the experience gained, the Bank has revised the formats of quarterly statements SCRC 1 and SCRC 2 to be submitted by Securitisation Companies/Reconstruction Companies registered with the Bank. As earlier, the statements should be submitted within 15 days of the close of the quarter to which it pertains, to the Department of Non-Banking Supervision, Central Office, Reserve Bank of India, 2<sup>nd</sup> floor, "B" Wing, World Trade Centre, Centre I, Cuffe Parade, Colaba, Mumbai 400005. The first such statement in revised format should be forwarded for the quarter ending December 31, 2008.

## **10 Acquisition of financial assets by Securitisation Companies/Reconstruction Companies (SC/RCs) - Clarifications**

<sup>10</sup> A Securitisation Company/Reconstruction Company is neither a 'bank' in terms of provisions of Section 2(1)(c) of SARFAESI Act, 2002 nor a 'financial institution' in terms of provisions of Section 2(1)(m) of the said Act. Therefore, acquisition of financial assets by one SC/RC from another SC/RC will not be in conformity with the provisions of SARFAESI Act, 2002.

'Restructuring of loans by SC/RC' is one of the measures allowed to be undertaken by SC/RCs for realisation of their dues. As such, there is no bar on SC/RCs deploying their funds for undertaking restructuring of acquired loan account with the sole purpose of realizing their dues.

## **11 Resolution of acquired assets - Extension in time frame for redemption of security receipts (SRs) issued**

<sup>11</sup>In terms of paragraph 7(6)(ii) of "The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003" dated April 23, 2003 (herein after called guidelines) it has been prescribed that

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<sup>9</sup> DNBS (PD) CC. No. 12 / SCRC / 10.30.000/ 2008-2009 September 26, 2008

<sup>10</sup> DNBS /PD (SC/RC) CC. No. 13 /26.03.001/2008-09 April 22, 2009

<sup>11</sup> DNBS (PD) CC. No. 14 / SCRC / 26.01.001/ 2008-2009 April 24, 2009

the plan of realisation of assets shall not exceed five years from the date of acquisition of asset. Certain Securitisation Companies/Reconstruction Companies (SC/RCs) which had not been able to realize the financial asset acquired within the given time frame, represented to the Bank seeking extension in time frame for resolution of financial assets, Taking into account the representations received, as an interim measure, the Bank has accorded permission to give an extension of two more years for realisation of the assets in respect of the security receipts (SRs) issued by SCs/RCs which have completed five years.

The provisions of extant guidelines as per paragraph 7(6)(ii) of the guidelines would apply to all other SRs issued by the SC/RCs.

#### **List of circulars issued to Securitisation Companies/Reconstruction Companies**

1. [DNBS.PD.CC 1/SCRC/10.30/2002-03 dated April 23, 2003](#)
2. [DNBS. PD. CC. 2 / SCRC/ 10.30/ 2003-04 dated March 29 , 2004](#)
3. [DNBS. PD. CC.3/SCRC/ 10.30.000/ 2006-07 dated September 20 2006](#)
4. [DNBS.PD.CC.4/SCRC/10.30.000/2006-07 dated October 19, 2006](#)
5. [DNBS. \(PD\) C.C. No. 5/ SCRC/10.30.000/ 2006-07 dated April 25, 2007](#)
6. [DNBS \(PD\) CC. No. 6 / SCRC / 10.30.049/ 2006-07 dated May 28, 2007](#)
7. [DNBS \(PD\) CC. No.8 / SCRC / 10.30.000/ 2007-08 dated March 5, 2008](#)
8. [DNBS \(PD\) CC. No. 9 / SCRC / 10.30.000/ 2007-08 dated April 22, 2008](#)
9. [DNBS \(PD\) CC. No. 12 / SCRC / 10.30.000/ 2008-09 September 26, 2008](#)
10. [DNBS /PD \(SC/RC\) CC. No. 13 /26.03.001/2008-09 April 22, 2009](#)
11. [DNBS \(PD\) CC. No. 14 / SCRC / 26.01.001/ 2008-09 April 24, 2009](#)