



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2011-2012/ 16

DNBS (PD) CC. No. 27 / SCRC / 26.03.001/ 2011-2012

July 1, 2011

**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 issues updated circulars/notifications. A gist of circulars issued by the Bank to Securitisation Companies/Reconstruction Companies updated as on June 30, 2011 is reproduced below. The detailed circulars have also been placed on the RBI web-site (<http://www.rbi.org.in>).

Yours faithfully,

(Uma Subramaniam)  
Chief General Manager-in-Charge

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

**(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 exceed 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 accounts are adopted, starting with the balance sheet as on March 31, 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

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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

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

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 within 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.

**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 on 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

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<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

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

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 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.

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<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

## **12 Guidelines on Change in or Take Over of the Management of the Business of the Borrower by Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines, 2010**

<sup>12</sup>The Reserve Bank of India had issued for the first time circular/guidelines on the captioned subject enabling the SC/RCS registered with the Bank to take recourse to measure outlined in Section 9 (a) of the SARFAESI Act,2002 dealing with the issue.

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

<sup>13</sup>The Bank had issued Notification No. 2 dated April 23, 2003 providing the framework for regulation of Securitisation Companies/ Reconstruction Companies (SC/RCS). In the light of experience gained over the years and to ameliorate the difficulties faced by such companies in complying with the guidelines following changes were made applicable with effect from the date of Notification.

- a. It is clarified to SC/RCS that they can acquire the assets either in their own books or directly in the books of the trusts set up by them.
- b. The period for realisation of assets acquired by SC/RCS can be extended from 5 years to 8 years by the Board of Directors of the SC/RC subject to certain conditions.
- c. Additional avenues for deployment of surplus funds with NABARD and SIDBI are being provided to SC/RCS. An upper limit of 10% of the owned funds has been stipulated for the investment of SC/RCS in land and Buildings for their own use.
- d. It is being stipulated that any asset / Security Receipts which remain unresolved/ not redeemed as at the end of five years or eight years will now be treated as loss asset.
- e. With a view to bringing transparency and market discipline in the functioning of SC/RCS, additional disclosures related to assets realised during the year, value of financial assets unresolved as at the end of the year, value of security receipts pending for redemption etc. are prescribed.

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<sup>12</sup> Circular No. DNBS. (PD).CC.No. 17 /SCRC/26.03.001/2009 - 2010 dated April 21, 2010.

<sup>13</sup> Circular No. DNBS. (PD).CC.No. 18 /SCRC/26.03.001/2009 - 2010 dated April 21, 2010.

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

<sup>14</sup>In partial modification to Notification No. 5 dated September 20, 2006, it is made mandatory that the Securitisation Company or Reconstruction Company shall continue to hold a minimum of 5% of the Security Receipts of each class issued by the SC/RC under each scheme on an ongoing basis till the redemption of all the Security Receipts issued under such scheme.

#### **15. Submission of information to Credit Information Companies**

<sup>15</sup>In terms of Section 2(f) (ii) of the Credit Information Companies (Regulation) Act, 2005, Securitisation companies/reconstruction companies (SC/RCs) are also covered under the definition of "credit institution". Further, the Credit Information Companies (Regulation) Act provides that every credit institution in existence shall become a member of at least one credit information company. Thus all SC/RCs being 'credit institutions' are required to become a member of at least one credit information company as per the statute.

#### **16. Setting up of Central Electronic Registry under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002**

<sup>16</sup>Pursuant to the announcement made by the Finance Minister in the budget speech for 2011-12, Government of India, Ministry of Finance notified the establishment of the Central Registry vide notification F. No. 56/05/2007-BO-II dated March 31, 2011. The objective of setting up of Central Registry is to prevent frauds in loan cases involving multiple lending from different banks on the same immovable property.

The Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), a Government Company licensed under section 25 of the Companies Act 1956 has been incorporated for the purpose of operating and maintaining the Central Registry under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).

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<sup>14</sup> Circular No. DNBS. (PD).CC.No. 19 /SCRC/26.03.001/2009 - 2010 dated April 21, 2010.

<sup>15</sup> Circular No. DNBS. (PD).CC.No. 23 /SCRC/26.03.001/2010 - 2011 dated November 25, 2010

<sup>16</sup> Circular No. DNBS. (PD).CC.No. 24 /SCRC/26.03.001/2010 - 2011 dated May 25, 2011

**List of circulars issued to Securutisation 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](#)
12. Circular No. DNBS. (PD).CC.No. 17 /SCRC/26.03.001/2009 - 2010 dated April 21, 2010
13. [Circular No. DNBS. \(PD\).CC.No. 18 /SCRC/26.03.001/2009 - 2010 dated April 21, 2010](#)
14. [Circular No. DNBS. \(PD\).CC.No. 19 /SCRC/26.03.001/2009 - 2010 dated April 21, 2010](#)
15. [Circular No. DNBS. \(PD\).CC.No. 23 /SCRC/26.03.001/2010 - 2011 dated November 25, 2010](#)
16. [Circular No. DNBS. \(PD\).CC.No. 24 /SCRC/26.03.001/2010 - 2011 dated May 25, 2011](#)

(Circular Nos 7, 10,11,15,16,20,21,22, 25 and 26 were issued as master circulars in respective years)