

Guidelines on sale of financial assets to Securitisation Company (SC)/ Reconstruction Company (RC) (created under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) and related issues

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April 23, 2003

All scheduled commercial banks and
All India Financial Institutions
(excluding RRBs & LABs)

Dear Sir,

Guidelines on sale of financial assets to Securitisation Company (SC)/ Reconstruction Company (RC) (created under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) and related issues

As you are aware, the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, provides, among others, sale of financial assets by banks/FIs to Securitisation Company/ Reconstruction Company. Since the above Act has been enacted with a special emphasis on asset reconstruction activity, which mainly centers around impaired assets, the whole process of asset reconstruction and matters related thereto has to be initiated with due diligence and care warranting the existence of a set of clear instructions which shall be complied with by all banks/ FIs so that the process of asset reconstruction proceeds on smooth and sound lines. The need for some healthy and uniform guidelines has been further necessitated by the fact that there is no prior experience in this area. Accordingly, a set of guidelines to be followed by banks/ FIs has been formulated and furnished in the Annexure. The guidelines may be placed before the bank's/ FI's Board at the next meeting and appropriate steps may be taken for their implementation.

2. Please acknowledge receipt.

Yours faithfully,

(B Mahapatra)
Chief General Manager

Encls: As above