The Chairman/Chief Executive Officer/Managing Director
All registered Securitisation Companies/Reconstruction Companies

Dear Sir

Acquisition of Financial Assets by Securitisation Companies/Reconstruction Companies (SC/RCs) - Clarifications

References have been received by the Bank seeking clarifications whether acquisition of financial assets by one SC/RC from another SC/RC will be in conformity with the provisions of SARFAESI Act/ guidelines issued by the Bank in the matter. Further, certain SC/RCs have desired to know if the SC/RCs can deploy their funds for the purpose of restructuring of acquired loans to enable them to realise their dues.

2. The issues were examined and our response is as under:

(i) 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.

(ii) ‘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.

Yours Sincerely

(P. Krishnamurthy)
Chief General Manager In-Charge