Dear Sirs,

The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003 – Amendments.

Please refer to paragraph 113 and 114 of the Monetary Policy Statement for the year 2010-11 dated April 20, 2010 (Extract enclosed).

2. In terms of paragraph 5(v) of the Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003 (hereinafter referred to as Directions), Securitisation Companies/ Reconstruction Companies(SC/RCs) registered with the Bank are required to invest in the Security Receipts (SRs) issued by the trust set up for the purpose of securitisation, an amount not less than 5% under each scheme. It was further advised that Securitisation Companies/ Reconstruction Companies which have already issued the SRs shall achieve minimum subscription of not less than 5% under each scheme within a period of six months from the date of notification.

3. It has been observed that the SC/RCs generally make investment in senior class of SRs and have redeemed their investment in SRs on priority basis even though SRs subscribed to by other Qualified Institutional Buyers are yet to be redeemed. In order to ensure the minimum stake of the SC/RCs in the outstanding SRs on an ongoing basis, it is advised that all the SC/RCs registered with the Bank should henceforth invest in and continue to hold minimum 5% stake of the outstanding amount of the SRs issued by the
SC/RC under each scheme and each class till the redemption of all the SRs issued under particular scheme.


Yours faithfully,

(A. S. Rao)
Chief General Manager-in-Charge

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

The Reserve Bank of India, having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Reserve Bank to regulate the financial system to the advantage of the country and to prevent the affairs of any Securitisation Company or Reconstruction Company from being conducted in a manner detrimental to the interest of investors or in any manner prejudicial to the interest of such Securitisation Company or Reconstruction Company, it is necessary to amend "The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003", in exercise of the powers conferred under Sections 3, 9, 10 and 12 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) and of all the powers enabling it in this behalf, hereby directs that the directions contained in Notification No. DNBS 2/CGM(CSM) - 2003 dated April 23, 2003, hereinafter referred to as the Directions, shall stand amended with immediate effect as follows, namely -

1. In Paragraph 5 of the Directions, after subparagraph (v), the following subparagraph (vi) shall be inserted.

"(vi) 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"

(A.S Rao)
Chief General Manager In-Charge
Securitisation Companies/Reconstruction Companies set up under the SARFAESI Act, 2002: Changes in Regulations

113. The guidelines and instructions issued to the Securitisation Companies/Reconstruction Companies (SCs/RCs) have been reviewed by the Reserve Bank in consultation with these companies. Accordingly, it is proposed to make the following modifications to the guidelines:

- It will be mandatory for SCs/RCs to invest an amount not less than 5 per cent of each class of SRs issued under a particular scheme and continue to hold the investments till the time all the SRs issued under that class are redeemed completely.

114. Detailed guidelines will be issued by April 30, 2010.

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