Framework for addressing the liquidity constraints of NBFCs

The Government of India has announced an arrangement for providing liquidity support to meet the temporary liquidity mismatches for eligible Non-Banking Financial Companies-Non-Deposit Taking-Systemically Important (NBFC-ND-SI) through a Special Purpose Vehicle (SPV). The scheme has been finalised and Industrial Development Bank of India Stressed Asset Stabilisation Fund (IDBI SASF) Trust has been notified as Special Purpose Vehicle for undertaking this operation.

The Reserve Bank of India will purchase securities issued by the SPV guaranteed by the Government of India for aggregated amount of Rs.20,000 crore. The SPV will purchase the short term paper from the issuing NBFCs directly. The short term instruments will be Commercial Papers and Non-convertible Debentures, with residual maturity not more than 90 days and rated as investment grade. The facility would not be available for any paper issued after March 31, 2009. Eligible NBFCs-ND-SI may approach the SPV- IDBI SASF Trust for considering their request for purchase of short term paper.

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