



VINOD KOTHARI CONSULTANTS  
Kolkata | Delhi | Mumbai

# Securitisation

## Legal Structure, Taxation & IFRS

11<sup>th</sup> January 2019 | Place: Mumbai | Venue: Waterstones Hotel

Organised by: Vinod Kothari Consultants P. Ltd.

Trainer: Mr. Vinod Kothari

Director, Vinod Kothari Consultants Pvt. Ltd.

Qualification: Chartered Accountant & Company Secretary





# About the trainer

- Vinod Kothari is internationally recognized as an author, trainer and consultant on specialized financial subjects, viz., housing finance, securitisation, credit derivatives, accounting for financial instruments, structured finance, banking regulations etc. As such, he lectures all over the world. The locations where he has lectured on these subjects include New York, Washington, London, Milan, Frankfurt, Singapore, Hong Kong, Sydney, Colombia (South America), South Africa, Malaysia, Jordan, Dubai, Kuwait, Egypt, Sri Lanka, Bangladesh, etc.
- Mr. Kothari with his efficient team has handled very diverse groups - from rating agency professionals in Malaysia, to group of investors in Sydney, to tax officers in South Africa, to group of lawyers in India, to executives of the World's largest securitisation agency in Washington, to a group of quants in New York.
- Vinod Kothari through his firm Vinod Kothari and Company is also engaged in practice of corporate laws for over 25 years. He is acclaimed for his deep understanding of the various facets of corporate laws and his expertise in areas of FEMA, leasing, NBFCs. He is renowned for offering services to a number of listed companies which not only include advisory or consultancy related services or conduct of due diligences, but also litigation related services.
- He also has a vast experience in working with the various regulators like SEBI, NHB and Government of India and multilateral organisations like IFC and ADB.



# Background

- What was one of the most-talked-about financial products till 2006 went into a tail-spin due to regulatory issues, tax worries and partly, impact of the global financial crisis. Securitization is out of the woes now, with tax issues finally resolved in June 2016, and recently, foreign portfolio investors permitted to invest in securitization transactions.
- In India, securitisation transactions have to be structured keeping in mind several parameters – the RBI guidelines of 2006 and 2012, the tax provisions of sec 115TCA of the Income-tax Act, the guidelines for foreign portfolio investors, and of course, the complicated provisions of relevant IndASes corresponding to IFRS 9, IFRS10 and IFRS 12.
- In fact, Indian financial reporting by banking and non-banking financial entities has been converged with IFRS, with an effective transition date of 1st April 2017 (for comparatives as on 1st April 2018). Therefore, transaction structures now have to be at par with global structuring skills.
- If structured finance is your existing or aspirational career, this is the right time for you to ramp up your skills to get an early mover advantage and make the most out of what seems to very strongly opportune financial product.



# Present scenario

- Presently, the non-banking financial companies (NBFC) sector in the country is experiencing substantial liquidity crunch, and as bankers and investors have realised the risks involved in lending to NBFCs, they are preferring to acquire the portfolios of NBFCs either by way of direct assignment or by way of securitisation. This has resulted into a new push for securitisation volumes in the country.
- Additionally, banks are moving into higher provisioning requirements due to transition to IFRS, and accordingly, their own capital ratios may be under strain. Therefore, securitisation as a device to lighten the balance sheet burden of the banks is worth considering.
- In light of these developments, it is very important to discuss securitisation at length.



# Full day Course Outline

## **Session 1: Introduction to securitisation, products and markets**

- a. Quick understanding of securitisation structure
- b. Key principles of structured finance
- c. The broad universe of securitisation and asset backed securities
- d. Motivators and demotivators to securitise
- e. Securitisation markets – the come-back of securitization
- f. Securitization asset classes – traditional and innovative
- g. Simple, transparent and comparable securitisations

## **Session 2: Structure of securitisation transactions**

- a. The key to securitization – understanding the volatility of the cashflows
- b. Credit enhancements
- c. Liquidity support
- d. Other risks and risk mitigations
- e. Demonstration of cashflow model of a securitization transaction



# Full day Course Outline

## **Session 3: RBI guidelines and the legal structure of securitisations**

- a. Legal structure of a true sale; bankruptcy remoteness
- b. Provisions of the Insolvency and Bankruptcy Code and Financial Resolution and Deposit Insurance Bill and securitisation transactions
- c. RBI guidelines of 2006, 2012 – structures possible and prohibited
- d. Holding period, risk retention rules
- e. Rules for credit enhancement, liquidity support
- f. Capital implications as per prudential guidelines for banks, NBFCs

## **Session 4: Tax issues on securitisation**

- a. Provisions of sec 115TCA and the reference to listed securitized debt instruments
- b. Requirements of listed securitized instruments as per SEBI (SDI) Regulations
- c. Tax deduction at source by the borrowers
- d. Tax deduction at source by the SPV for different categories of borrowers – domestic and foreign entities



# Full day Course Outline

## Session 5: IFRS and securitisation transactions

- a. Transitioning into IFRS – the transition schedule and the concept of transition date
- b. Provisions of IFRS 9/IndAS 109 on de-recognition
- c. Provisions of IndAS 110 on consolidation – does it apply to SPVs?
- d. Provisions of IndAS 112 on structured entities
- e. Will Indian securitisation structures qualify for off-balance sheet treatment?



VINOD KOTHARI CONSULTANTS  
Kolkata | Delhi | Mumbai

# Contact us

For further details contact –

Vallari Dubey – [vallari@vinodkothari.com](mailto:vallari@vinodkothari.com) 022 2261 4021

Simran Jalan – [simran@vinodkothari.com](mailto:simran@vinodkothari.com) 033 40010157/ 22817715

Anita Baid – [anita@vinodkothari.com](mailto:anita@vinodkothari.com) 033 40010157/ 22817715

Alternatively, you can contact at [fintrain@vinodkothari.com](mailto:fintrain@vinodkothari.com)

## *Kolkata*

**1006-1009, Krishna Building  
224 AJC Bose Road,  
Kolkata – 700017  
Ph – 033 40010157 / 22813742**

## *Mumbai*

**403-406, Shreyas Chambers  
175, DN Road, Fort  
Mumbai – 400001  
Ph – 022 22614021**

## *Delhi*

**A/11 Hauz Khas  
Opp. Vatika Medicare  
Delhi – 110016  
Ph – 011 41315340**