

Stamp Duty and Latest RBI Guidelines

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Securitisation Magic

Transformation of Illiquid
Assets into Tradable
Notes

- Two basic criteria:
(a) Off-Balance Sheet
(b) No recourse



Road Blocks

- Stamp duties on MBS transactions
- Registration for MBS transactions
- No fool proof remedy in case for defaults
- New Trends: replacement for LIBOR



Ceiling on Stamp duties

Sr. No	State	Stamp duty Payable	Maximum ceiling limit (in Rs.)
1	Delhi	0.1% of the loan amount securitized or debt assigned with underlying securities subject to maximum limit.	1,00,000
2	Maharashtra	0.1% of the loan amount securitized or debt assigned with underlying securities subject to maximum limit.	1,00,000
3	Rajasthan	0.15% of the debt amount subject to maximum limit with or without security interest and in addition in case of registration a ceiling of 3 lacs	5,00,000
4	Gujarat	0.075% of the loan securitized or debt assigned with the underlying securities subject to the maximum limit.	1,00,000

Ceiling on Stamp duties

Sr. No	State	Stamp duty Payable	Maximum ceiling limit (in Rs.)
5	Andhra Pradesh	0.1% of the loan securitized or debt assigned with underlying securities subject to maximum limit.	1,00,000
6	Bihar	0.1% of the loan securitized or debt assigned with underlying securities subject to maximum limit.	1,00,000
7	Uttar Pradesh	Maximum amount (plus 1% extra duty in certain cases) (not clear)	1,00,000

Ceiling on Stamp duties

Sr. No	State	Stamp duty Payable	Maximum ceiling limit (in Rs.)
9	West Bengal	0.1% subject to maximum limit with or without security	1,00,000
10	Karnataka	0.1% of the securitised debt or assignment of receivables with underlying security subject to maximum limit.	1,00,000
11	Tamil Nadu	0.1% of the Market value of the property subject to maximum limit with or without security but applies only for housing loans	1,00,000
12	Chattisgarh	0.1% of the loan securitized or debt assigned with underlying securities subject to maximum	1,00,000
13	NOIDA	0.1% of the loan amount securitized or debt assigned with underlying securities subject to maximum limit.	1,00,000

States/union territories without ceiling

Madhya Pradesh	Jammu & Kashmir
Orissa	Jharkhand
Uttar Pradesh	Kerala
Arunachal Pradesh	Manipur
Assam	Meghalaya
Goa	Mizoram
Haryana	Nagaland
Himachal Pradesh	Punjab
Tripura	Sikkim
Pondichery	Telangana
Uttarkhand	Daman and Diu
Andaman and Nicobar Island ⁷	Dadra and Nagar Haveli

IS IT NECESSARY TO REGISTER?



New Trends

Data Science in Finance:

Trends and Practical
Applications Event
Recap – New York

- Use of Artificial Intelligence to predict default risks/customer profiles
- Substitution for LIBOR
- RBI Guidelines dated September 21, 2018 issued on priority sector loans.
- Scheduled commercial banks can engage NBFCs to originate the loans

New Trends and initiatives

- Business Transfer Agreements/demergers
- On Balance sheet structures
- NCDs/Bond structures
- Third Party enhancements
- RBI now allows Marginal Standing Facility to scheduled Primary Co-operative Banks
- RBI also allows access to Liquidity Adjustment Facility to state scheduled co-operative banks

Priority Sector Loans

- Agricultural Loans
- Loans to micro enterprises
- Social Infrastructure
- Education Sector
- Renewable Energy



Co-origination

- NBFC sources the PSL loans
- NBFC and Banks **do a joint lending**: NBFC shares 20% (minimum limit) of the Loan
- **Security is created in joint names** or as may be agreed between the NBFC and the Bank
- Bank can claim priority sector status on its part of the loan
- Monitoring and **recovery framework** to be agreed between the NBFC and the Bank

Blended Interest Rate

- Customers are offered a fixed interest rate through the life of the loan

Blended Interest rate Calculation	Bank	NBFC
Benchmark Interest Rate	8%	9%
Spread	2%	3%
Interest Rate to Customer	10%(A)	12%(B)
Loan Contribution Ratio	80%(C)	20%(D)

Blended Interest Rate $(A \times C) + (B \times D) = 10.40\%$

Floating Interest Rate

Change in Weighted Average Int. Rate	Bank	NBFC
Benchmark Interest Rate	8%(A)	9%(B)
Loan Contribution Ratio	80%(C)	20%(D)
Weighted Average Benchmark Rate ($X=A \times C+B \times D$)	8.20%	
Spread	2%(E)	3%(F)
Weighted Average Spread ($Y=E \times C+F \times D$)	2.20%	
Offered to Customer($X+Y$)	10.40%	
Change in Benchmark Rate	0%(F)	1%(G)
Revised Weighted Average Benchmark Interest $X'=[(A+F) \times C+(B+C) \times D]$	8.40	
New Weighted Interest Rate ($X'+Y$)	10.60%	

Thank You