

# Update

## RBI's Revised Securitisation Guidelines now applicable to NBFCs as well

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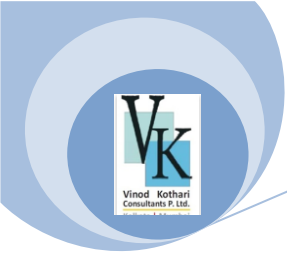
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## *Update*

The recently issued revised securitisation guidelines for banks<sup>1</sup> have been extended to NBFCs (Final Guidelines) vide RBI's notification<sup>2</sup> dated 21<sup>st</sup> August, 2012. The Final Guidelines are the same as made applicable to banks.

Having started sometime in 1996 or thereabouts, securitisation volumes were scaling new peaks every year. In early 2006, the RBI came out with guidelines on regulatory capital treatment for securitisation – these dealt a severe blow to the securitisation market. Subsequent to the 2006 guidelines, the market had turned almost entirely into bilateral assignments mode, since the 2006 Guidelines, as they were drafted, were not applicable to bilateral sales.

The Final Guidelines removes the distinction that the market enjoyed between bilateral assignments and securitisations, and has laid down separate standards for securitisation and direct assignments. While the Final Guidelines have opened doors to development of structured form of securitisation to be tried by the market, it would not be inappropriate to say that the market shall now discover securitisation again in its true nature and spirit. On the other hand, bilateral assignments will continue to happen for capital relief purposes; also the ease of executing bilateral assignments shall ensures that the market players continue to explore ways and means of undertaking such transactions. The likely impact of the Final Guidelines on the market is to be witnessed hereon to adjudge the impact of the Final Guidelines on securitisation markets in India.

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<sup>1</sup> Revisions to the Guidelines on Securitisation Transactions as applicable to Banks, issued on 7<sup>th</sup> May, 2012, <http://rbi.org.in/scripts/NotificationUser.aspx?Id=7184&Mode=0>

<sup>2</sup> Revisions to the Guidelines on Securitisation Transactions as applicable to NBFCs issued on 21<sup>st</sup> August, 2012 <http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7517&Mode=0>