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RBI releases Discussion Paper on Securitisation of Stressed Assets Framework (SSAF) inviting comments and suggestions on the securitisation of non-performing assets



The RBI has released the discussion paper on the Securitization of Stressed Asset Framework for comments from the stakeholders. The discussion was introduced in the continuation of the proposal of a framework for securitization of stressed assets, in addition to the Asset Reconstruction Company (ARC) route from the Statement of Developmental and Regulatory Policies on September 30, 2022.

The paper has been divided into nine relevant areas: asset universe, asset eligibility, minimum risk retention, regulatory framework for special

purpose entity and resolution manager, access to finance for resolution manager, capital treatment, due diligence, credit enhancement, and valuation.

The discussion paper has been adopted from several frameworks which are present in other jurisdictions along with the basic framework of the securitization of standard assets. The discussion paper states that the stressed assets shall be securitized through pooling of loans and selling them to a special purpose entity which then shall be issued as securities backed by the loan pool. Currently, only standard assets can be regularized.



RBI restricts SBM Bank from the Liberalised Remittance Scheme

The Reserve Bank of India has restricted the SBM Bank from the Liberalized Remittance Scheme until further notice. The restriction was taken into notice after certain material supervisory concerns observed in the bank. The decision was made in exercise of its powers under sections 35A (Power of the Reserve Bank to give directions) and 36(1)(a) (caution or prohibit banking companies or any banking company in particular against entering into any particular transaction or class of transactions, and generally give advice to any banking company) of the Banking Regulation Act, 1949.

The SBM Bank is a subsidiary of Mauritius-based SBM Holdings. It offers products and services including deposits, lending, trade finance and cards among others, according to its website. SBM Bank (India) commenced operations on December 1 2018 after receiving a banking license from the RBI through the Wholly Owned Subsidiary (WOS) route.

India conducts the first auction of sovereign green bonds, notified amount ₹16,000 crores



For the first time, India has conducted an auction of sovereign green bonds, which are bonds which are released by any entity for the purpose of which the proceeds of the bonds are utilized for projects classified as environmentally sustainable. The Department of Economic Affairs, Ministry of Finance had notified the framework of these bonds on 9 November 2022 and the auction shall commence from January 25, 2023 to January 27, 2023.

The RBI shall be conducting the auction of these 2 securities

worth each ₹8,000 crore rupees using the uniform price method and the bonds will be issued for a minimum amount of ₹10,000 and in the multiples of the mentioned number.

Based on the number of the bids received, the RBI shall decide on the minimum price/maximum yield up to which tenders for purchase of Government Stock will be accepted at the auctions. The IRDA has classified the Investment mechanism for green bonds to be Investment in Infrastructure" and shall be classified as "Central Government Securities".

This is the first time that India has issued sovereign green bonds issued by the RBI to raise finance for several green projects such as renewable energy, clean transportation, energy efficiency, climate change adaptation, sustainable water and waste management, pollution and prevention control and green buildings.



RBI releases Guidelines and Master Direction on Acquisition and Holding of Shares or Voting Rights in Banking Companies



The RBI released a Master Direction and Guideline on the Acquisition and Holding of Shares or Voting Rights in Banking Companies for diversifying the ultimate ownership and control of banking companies and the major shareholders of banking companies are 'fit and proper' on a continuing basis. The Master Direction was introduced in addition to the newly released guidelines on the Acquisition and Holding of Shares or Voting Rights in Banking Companies' issued by the RBI.

The Master Direction introduces Prior Approval for Acquisition and the Continuous Monitoring Arrangements for any acquisition of shares in any major bank.

The prior approval and monitoring shall include the due diligence to assess the 'fit and proper' status of the applicant and other shareholders by the RBI and the acquired bank. The RBI may accord, deny or accord permission for acquisition of a lower quantum of aggregate holding than that has been applied for, shall be binding on the applicant and the concerned banking company based on the analysis of the applicant.

The Guidelines for the Act introduces lock-in periods for the acquiring shareholders for the first five years from the date of completion of acquisition. The Guideline also specifies the limits on shareholding to 10 percent to natural persons, Non-Financial Institutions and Financial Institutions related to Large Industrial Houses, 15 percent to Financial Institutions which are not excluded as previously mentioned and 26 percent for Promoters after the completion of 15 years from the commencement of operations. The ceiling on the voting rights for these new shareholders was decided to not be in excess of 26 per cent of total voting rights.

