GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO. 2778
TO BE ANSWERED ON THE 28TH DECEMBER 2018/ PAUSHA 7,1940(SAKA)
Relaxing the Securitisation Norms

2778. SHRI RAMCHARITRA NISHAD:

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has relaxed the securitisation norms by reducing the minimum holding period;

(b) if so, the details thereof;

(c) whether the move follows a demand from the Government for a special window for non-banking financial companies to provide them liquidity support; and

(d) if so, the details thereof?

ANSWER
Minister of State in the Ministry of Finance
(SHRI SHIV PRATAP SHUKLA)

(a) and (b): With regard to relaxation of securitisation norms by Reserve Bank of India (RBI), RBI has apprised that to encourage Non-Banking Financial Companies (NBFCs) to securitise /assign their eligible assets, in respect of loans of original maturity above five years, RBI has relaxed till May 2019 the Minimum Holding Period requirement for originating NBFCs to receipt of repayment of six monthly instalments or two quarterly instalments, subject to Minimum Retention Requirement for such securitisation/assignment transactions being 20% of the book value of the loans being securitised or 20% of the cash flows from the assets assigned.

(c) and (d): With regard to special window for NBFCs to provide them liquidity support, RBI has apprised that the following measures have been taken to improve liquidity in the market and to improve liquidity of NBFCs:

(1) Open market operations were conducted in addition to regular Liquidity Adjustment Facility (LAF) auctions to inject liquidity in the financial markets.

(2) Banks were permitted to reckon Government securities held by them up to an amount equal to their incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs), over and above the amount of credit to NBFCs and HFCs outstanding on their books as on 19.10.2018, as Level 1 High Quality Liquid Asset (HQLA) under the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory Statutory Liquidity Ratio (SLR) requirement. This is in addition to the existing FALLCR of 13 percent of Net Demand and Time Liabilities (NDTL), and limited to 0.5 percent of the bank's NDTL. The above additional FALLCR will be available up to 31.12.2018.

(3) The single borrower exposure limit for NBFCs that do not finance infrastructure stands increased from 10 percent to 15 percent of capital funds, up to 31.12.2018.

(4) Banks were permitted on 2.11.2018, to provide Partial Credit Enhancement (PCE) within the aggregate PCE exposure limit of 20% for bonds of minimum tenor of three years issued by NBFC-ND-SIs registered with the RBI and HFCs registered with the National Housing Bank, within one percent of capital funds and with regard to extant single/group borrower exposure limits for refinancing the existing debt.

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