



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

## **CONSULTATION PAPER**

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DEPARTMENT OF DEBT AND HYBRID SECURITIES – POD-1

**Consultation paper on review of SEBI (Issue and Listing of  
Securitised Debt Instruments and Security Receipts)  
Regulations, 2008**

November 2024



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

## Timeline to Respond

Comments on the  
Consultation paper may be  
sent by November 16, 2024

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## 1. OBJECTIVE AND BACKGROUND:

1.1. Securitization is a process in which assets/ receivables are pooled together and then re-packaged into pass through instruments. The cash flow from these underlying assets/ receivables is passed on to the purchasers/ investors in the pass through instruments.

1.2. Securitization in India is regulated and governed by:

1.2.1. Securities and Exchange Board of India ('SEBI'), under the provisions of

- a) SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 ('SDI Regulations') and deals with issuance, listing and trading of securitized debt instruments ('SDIs') and of security receipts ('SRs')

1.2.2. Reserve Bank of India ('RBI'), under the provisions of

- a) Master Direction - RBI (Securitization of Standard Assets) Directions, 2021 – for standard assets; ('RBI SSA Directions')
- b) Securitization and Reconstruction of Financial Assets and Enforcement of security Interest Act, 2002 ('SARFAESI Act') – for stressed financial assets

1.3. RBI has issued revised directions in September 2021 on Securitization of Standard Assets, available at:

[https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=12165](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12165)

1.4. Given the passage of time when the SDI Regulations were formulated and the availability of revised directions issued by RBI that can serve as a benchmark, it was seen as an opportune time to refresh and restate the SDI Regulations.

1.5. Accordingly, a working group was set up, comprising of the following:

- Mr. Vinod Kothari, Vinod Kothari Consultants Private Limited (Chair of the Working Group)
- Mr. Nihlas Basheer, Deputy Managing Partner, Wadia Ghandy & Co;
- Mr. Aditya Bhargava, Partner, TriLegal;
- Mr. Manisha Shroff, Partner, Khaitan & Co;
- Mr. Amit Singh, Linklater; and
- Ms. Ruhi Patil, Counsel, Dentons, UKIME

RBI representatives were invitees to the meetings and discussions of the Working Group.

1.6. Recommendations of the Working Group, drawn from their report, is placed at [Annexure A](#).

2. Following the recommendations of the working group, review of RBI SSA Directions, meetings with various market participants and internal deliberations, the propositions outlined in the following chapter are placed for obtaining views from the public.

## PROPOSITIONS FOR PUBLIC CONSULTATION

Category-wise propositions for public consultation in respect of SDIs are as under:

### **A. Amendments relating to form and nature of SDIs, ticket size, meaning of debt etc.**

#### **Form of issuance & mode of transfer**

2.1. SDI issuance and its transfer shall be only in demat form.

#### **Ticket size**

2.2. The minimum ticket size i.e. size of investment by a single investor whether at the time of initial subscription or subsequent purchase of SDI shall be:

2.2.1. For Originators that are RBI regulated entities (i.e. scheduled commercial banks (excluding regional rural banks), small finance banks, NBFCs including HFCs and All-India Term Financial Institutions), the minimum ticket size shall be as specified by RBI from time to time (*currently specified as Rs 1 crore*).

2.2.2. For Originators that are not regulated by RBI and are undertaking securitisation, the minimum ticket size shall be Rs 1 crore.

2.2.3. For SDIs with underlying that are listed securities, the amount shall be atleast the face value specified for such listed securities<sup>1</sup>.

#### **Number of investors**

2.3. Number of persons to whom offer or invitation (including by way of a secondary transaction) can be made in case of issuance of SDI on a private

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<sup>1</sup> For example: listed debt securities that have been privately placed and have a merchant banker can have a face value of Rs 10,000/- - minimum ticket size for the SDI with such listed debt securities can be Rs 10,000/-. Listed debt securities that have been privately placed without merchant banker are required to have a face value of Rs 1 lac – the minimum ticket size for the SDI with such listed debt securities shall be accordingly Rs 1 lac. If the underlying are AT-1 capital instruments that have a face value of Rs 1 crore, the minimum ticket size for the SDI shall be accordingly Rs 1 crore.

placement basis and which are proposed to be listed can be revised to 200. An offer or invitation to investors in excess of such number will require being undertaken as a public issue of SDIs.

- 2.4. Offer or invitation made to qualified institutional buyers to be excluded while calculating the limit of 200 persons.

#### **Updating offer period for SDIs**

- 2.5. Minimum and maximum number of days of which the public offer can kept open shall be 3 days and 10 days respectively.
- 2.6. Advertisement requirements for SDIs shall be aligned with the requirements specified in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations').

### **B. Amendments relating to structural elements of the securitisation transaction**

#### **Minimum risk retention (MRR)**

- 2.7. MRR of 10% by the originator is proposed to be specified.
- 2.8. For transactions where receivables have a scheduled maturity up to 24 months, MRR of 5% by the originator is proposed to be specified.
- 2.9. Minimum holding period (MHP) by the originator of the receivables that would be the underlying for an SDI shall be specified from time to time.

#### **Clean-up call option**

- 2.10. Clean-up call option would be available to the originator and stipulated at a maximum of 10% of the original value of the underlying.
- 2.11. The exercise of the clean-up call option, if any, is not mandatory upon the originator.
- 2.12. Clean-up call options, if any, should not be structured to avoid allocating losses to credit enhancements or otherwise structured to provide credit enhancements and should be in accordance with the norms as specified from time to time.

### Liquidity facilities

2.13. Originators may directly provide liquidity facilities or appoint an independent third party to provide such liquidity facilities. Such liquidity facilities help smoothen the timing differences faced by a special purpose distinct entity ('SPDE') between the receipt of cash flows from the underlying assets and the payments to be made to the investors, and should be in accordance with the norms as specified from time to time.

### Definition of debt / receivables

2.14. Definition of debt/receivables shall be amended. Such definition shall specify: listed debt securities, trade receivables (arising from bills/invoices duly accepted by the obligors), rental receivables and equipment leasing receivables. Further, SEBI may notify other types of debt or receivables from time to time. No other debt or receivable (including unlisted debt securities) shall be permitted to be an underlying for an SDI.

2.15. The following conditions shall govern securitisation resulting in issuance of SDIs:

- *No obligor shall have more than 25% in asset pool (- accordingly single asset securitisation is not proposed to be allowed at this stage)*
- *Asset comprising the securitisation pool should be homogeneous (- accordingly securitisation pools of non-homogenous assets is not proposed to be allowed at this stage)*
- *SDIs must be fully paid up*
- *Originators must necessarily have a track record of operations of 3 financial years which resulted in the creation of the type of debt or receivable it is seeking to securitize*
- *Obligor must necessarily have a track record of operations of 3 financial years which resulted in the creation of the type of debt or receivable that the originator is seeking to securitize.*
- *Originator and Obligor must have a business relationship for atleast 3 years. In case of trade receivables, such business relationship should have spanned atleast two cycles of payments with no defaults, and the*

*receivables arising from such obligors proposed to be securitized should have the same payment cycle.*

## **C. Amendments relating to trustees**

### **Composition of Board of Trustees**

2.16. Trustees of an SPDE shall only be a SEBI registered Debenture Trustee. Accordingly, Board of Trustees, or other entities permitted to be trustees of an SPDE would not subsist.

### **Removal of Trustees**

2.17. Requirement of prior approval from SEBI for the removal or replacement of trustees shall be dispensed with.

2.18. Procedure of removal of trustee to be aligned with NCS Regulations and/or SEBI (Mutual Fund) Regulations, 1996 ('MF Regulations').

2.19. Procedure for calling of and holding of the meeting for trustee removal and replacement shall be specified.

### **Trustee obligations**

2.20. Amend 'Duties of trustees' under SDI regulation to provide clarity, increase accountability and transparency and relevant provisions of NCS Regulations and MF Regulations.

### **Trustees' code of conduct**

2.21. Aligning the code of conduct and duties of trustees to the code of conduct and duties of debenture trustees provided in Schedule III (read with regulation 16) and relevant provisions of NCS Regulations and MF Regulations.

## **D. Amendments relating to disclosure requirements**

### **Periodic Disclosure of Information on SDI**



- 2.22. Mandate disclosure of updated information regarding the SDIs on a semi-annual basis.
- 2.23. DT/ CRA to update any rating change to stock exchanges on a continuous basis.
- 2.24. Introduce the format of the disclosures to be made on a semi-annual basis.

## **E. Clarificatory changes**

### **Clause 12(4) of Schedule V (Disclosures about the Servicer)**

- 2.25. Specify that the defaults should cover defaults in connection with servicing obligations undertaken in the past for any SDI or securitisation notes or SRs.

### **Clause 16 of Schedule V (Outstanding litigations and material developments)**

- 2.26. Specify that the entity(ies) in respect of whom such disclosures should be made are: originator, servicer, or any other parties to the transaction.

### **Clause 19 of Schedule V (Declaration)**

- 2.27. Permit declaration to be made by any authorized person of the originator (as authorized by the board or governing board of the originator) where the issuance is done through private placement.

### **Regulation 35A (2) (Application for listing)**

- 2.28. Deletion of requirement of an application for listing of an SDI by an SPDE since LODR Regulations, 2015 is applicable for all listed entities.

## **F. Revisions to legislative references**

### **Meaning of “group” or “under the same management” - references to MRTP Act and Companies Act 1956 - regulation 10(3) (Assignment of debt or receivables)**

- 2.29. References to concepts and provisions from Monopolies and Restrictive Trade Practices Act, 1969 and Companies Act, 1956 under regulation 10(3)

of SDI regulations may be deleted since both these legislations have now been repealed.

2.30. SDI Regulations may re-define the term 'Group' suitably based on Competition Act 2002 and/or "under same control" as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('SAST') and/or associate company and/ or subsidiary.

2.31. SDI Regulations may re-define the term 'under same management' suitably based on the Competition Act 2002 and/or SAST and/or associate company and/or subsidiary.

### **Reference to Companies Act, 1956**

2.32. References to Companies Act, 1956 shall be replaced by Companies Act, 2013 and accordingly provisions referencing provisions of the Companies Act 1956 shall be updated with relevant provision of the Companies Act, 2013 in various provisions of the SDI Regulations.

### **Rights of Investors**

2.33. Rights of investors in an SDI shall not be varied without their consent. Accordingly, the word "adversely" in Regulation 34(6) of SDI Regulation is proposed to be deleted.

2.34. E-Voting may be permitted and accordingly Regulation 34(7) shall be amended.

## **G. Amendments to SEBI LODR**

### **Applicability of SEBI (LODR)**

2.35. SPDE/Trustee of an SPDE shall comply with the requirements as provided under Chapter III of the SEBI LODR Regulations.

### **SCORES**

2.36. In terms of LODR regulations, the entity issuing the listed SDIs is required to be registered on the SCORES Platform. Accordingly, SCOREs shall permit registration at the Trustee level for all the SPDEs that it is a trustee of.

## Public Comments

3. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposals. The comments/ suggestions should be submitted through the following mode latest by November 16, 2024 :-

### 3.1. Preferably through Online web-based form

3.1.1. The comments may be submitted through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

3.1.2. The instructions to submit comments on the consultation paper are as under:

1. *Before initiating the process, please read the instructions given on top left of the web form as “Instructions”.*
2. *Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.*
3. *All fields in the form are mandatory;*
4. *Email Id and phone number cannot be used more than once for providing comments on a particular consultation paper.*
5. *If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.*
6. *There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.*
7. *If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “**Do you want to comment on the proposal**” and use the text boxes provided for the same.*

8. *After recording your response to the proposal, click on "Submit" button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.*
9. *If you do not want to react on any proposal, please select that proposal from the dropdown and click on "Skip this proposal" and move to the next proposal.*
10. *After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on "Check your response before submitting" just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.*
11. *The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper*

3.1.3. In case of any technical issue in submitting your comment through web based public comments form, you may contact the following through email with a subject: *"Issue in submitting comments on Consultation Paper on Consultation paper on Review of SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 "*.

- a) Mr. Rohit Dubey, GM ([rohitd@sebi.gov.in](mailto:rohitd@sebi.gov.in))
- b) Mr. Appin Gothwal, AGM ([apping@sebi.gov.in](mailto:apping@sebi.gov.in))

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