

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART –III – SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, MAY 26, 2008
SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
MUMBAI, the 26th MAY, 2008**

**¹[SECURITIES AND EXCHANGE BOARD OF INDIA
(ISSUE AND LISTING OF SECURITISED DEBT INSTRUMENTS AND SECURITY
RECEIPTS) REGULATIONS, 2008]**

No. LAD-NRO/GN/2008/12/126567 - In exercise of the powers conferred by section 31 read with section 17A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and section 30 read with sections 11 and 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities and Exchange Board of India hereby makes the following Regulations, namely:-

**CHAPTER I
PRELIMINARY**

Short title and commencement.

1. (1) These Regulations shall be called the ²[Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008].
(2) They shall come into force on the date of their publication in the Official Gazette.

Definitions.

2. (1) In these Regulations, unless the context otherwise requires:-

- (a) “Act” means the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
(b) “asset pool”, in relation to a scheme of a special purpose distinct entity, means the total debt or receivables, assigned to such entity and in which investors of such scheme have beneficial interest;
³[(ba) “asset reconstruction company” shall have the meaning assigned to it under clause (ba) of sub-section (1) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;]
(c) “Board” means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act (15 of 1992);
(d) “certificate” means a certificate of registration granted to a trustee under these regulations;
(e) “clean-up call option” means an option retained and exercisable by the originator to purchase the debt or receivables assigned to a special purpose distinct entity, if the residual value of such debt or receivables falls below a specified percentage of the price at which it was assigned;

¹ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its substitution, the regulation read as under :
“Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.”

² Ibid

³ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018

- (f) “credit enhancement” means any arrangement intended to decrease the likelihood of default on the securitised debt instruments, including subordination, insurance, letter of credit, over-collateralisation, undertakings and guarantees;
- (g) “debt” or “receivables” means any right that generates or results into a cash flow and includes-
- (i) mortgage debt ;
 - (ii) such receivables arising out of securities as may be specified by the Board;
 - (iii) any financial asset within the meaning of clause (l) of sub-section (1) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);
- (h) ⁴[“investor” –
- (i) with respect to “securities debt instrument” means any person holding any securitised debt instrument which acknowledges the interest of such person in the debt or receivables assigned to the special purpose distinct entity; and
 - (ii) with respect to “security receipts” means a qualified buyer holding security receipts which acknowledges the interest in the financial asset assigned to the issuer;”]
- (i) ⁵[“issue” means an –
- (i) offer of securitised debt instruments by a special purpose distinct entity or under any scheme of such entity to the public or to any person(s), which is proposed to be listed on a recognised stock exchange; or
 - (ii) offer of security receipts by a trust set up by an asset reconstruction company or under any scheme of such trust to the qualified buyers, which are proposed to be listed on a recognised stock exchange;]
- [(ia) “issuer” in context of security receipts, shall be a trust set up by the asset reconstruction company in terms of guidelines/regulations as provided by the Reserve Bank of India, and have issued or proposes to issue security receipts;]⁶
- (j) “liquidity provider” means a person who agrees to provide funds to the special purpose distinct entity for settlement of payments due to investors in accordance with the schedule of payments contained in the terms of issue of the securitised debt instruments issued to them, in the event of any short term cash flow shortfalls of the special purpose distinct entity;
- (k) “obligor” means a person who is liable, whether under a contract or otherwise, to pay a debt or receivables or to discharge any obligation in respect of a debt or receivables;
- (l) ⁷[“offer document” means any –

⁴ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its substitution, the regulation read as under :

“(h) “investor” means a person holding any securitised debt instrument which acknowledges the interest of such person in the debt or receivables assigned to the special purpose distinct entity;”

⁵ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its substitution, the regulation read as under :

“(i) “issue” means an offer of securitised debt instruments by a special purpose distinct entity or under any scheme of such entity to the public or to any person(s), which is proposed to be listed on a recognised stock exchange;”

⁶ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

⁷ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its substitution, the regulation read as under :

“offer document” means any document including an electronic document described or issued as an offer document or prospectus and includes any notice, circular, advertisement or other document inviting subscription

- (i) document including an electronic document described or issued as an offer document or prospectus and includes any notice, circular, advertisement or other document inviting subscription from the public or purchase of any securitised debt instruments of a scheme formulated under these regulations; or
- (ii) a document including an electronic document, inviting subscription for the security receipts from the qualified buyers on private placement basis;]
- ⁸[(la) “offer for sale” in context of security receipt, shall mean an offer of security receipts by the existing holders of security receipts to other qualified buyers;”]
- (m) “originator” means the assignor of debt or receivables to a special purpose distinct entity for the purpose of securitisation;
- ⁹[(ma) “private placement offer” in context of security receipts, shall mean an offer of security receipts by a trust setup by an asset reconstruction company to a qualified buyer(s) for subscription and includes an offer for sale of security receipts by an existing investor(s) of such security receipts to other qualified buyers;]
- ¹⁰[(mb) “qualified buyer” shall have the same meaning assigned to it in clause (u) of sub-section (1) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;]
- (n) “recognised stock exchange” means any stock exchange which is recognised under section 4 of the Act;
- (o) “regulated activity”, in relation to a special purpose distinct entity, means any of its activities which are regulated by the Board under the Act and these regulations and includes making a public offer of securitised debt instruments, making disclosures in connection with such issue, the performance of obligations relating to public offer or listing and redemption of such instruments, management and administration of the schemes under which such instruments are issued, valuation and maintenance of accounts which have a bearing on value of such instruments, and any other related activity as may be specified by the Board;
- (p) [“scheme” means a scheme for issue of securitised debt instruments in accordance with these regulations or for issue of security receipts under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and/or regulations/guidelines as provided by the Reserve Bank of India and are proposed to be listed on a recognised stock exchange under these regulations;]¹¹
- (q) “Schedule” means a Schedule appended to these regulations;
- (r) “securitisation” means acquisition of debt or receivables by any special purpose distinct entity from any originator or originators for the purpose of issuance of securitised debt instruments to investors based on such debt or receivables and such issuance;
- (s) “securitised debt instrument” means any certificate or instrument, by whatever name called, of the nature referred to in sub-clause (ie) of clause (h) of section 2 of the Act issued by a special purpose distinct entity;

from the public or purchase of any securitised debt instruments of a scheme formulated under these regulations;”

⁸ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

⁹ Ibid

¹⁰ Ibid

¹¹ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its substitution, the regulation read as under :

“(p) “scheme” means a scheme for issue of securitised debt instruments in accordance with these regulations;”

- ¹²[(sa) “security receipt” shall have the same meaning assigned to it in clause (zg) of sub-section (1) of section 2 of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;]
- (t) “servicer” means any person appointed by the special purpose distinct entity and who is responsible for the management or collection of the asset pool or making allocations or distributions to holders of the securitised debt instrument in accordance with these regulations but does not include a trustee for the issuer if the trustee receives such allocations or distributions;
- (u) “special purpose distinct entity” means a trust which acquires debt or receivables out of funds mobilized by it by issuance of securitised debt instruments through one or more schemes, and includes any trust set up by the National Housing Bank under the National Housing Bank Act, 1987 (53 of 1987) or by the National Bank for Agriculture and Rural Development under the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981);
- (v) [“sponsor” means –
- (i) any person who establishes or promotes a special purpose distinct entity for the purposes of issuance of Securitised debt instrument; or
 - (ii) an asset reconstruction company who has established/promoted a trust which has issued security receipts;]¹³
- (w) “trustee” means a trustee of a special purpose distinct entity;
- ¹⁴[(wa) “valuer” means any person who is a "registered valuer" under section 247 of the Companies Act, 2013;]
- (x) “working days” means working days of the Board.

¹⁵[(2) Words and expressions not defined in these Regulations, but defined in or under the Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992) or the regulations made thereunder or the Companies Act, 2013 (18 of 2013) or the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) or any applicable rules or regulations made by the Reserve Bank of India from time to time, or any statutory modification or re-enactment thereof, shall have the same meaning as have been assigned to them by or under those enactments, unless the context requires otherwise.]

Applicability.

3. These regulations shall apply to-

¹² Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

¹³ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its substitution, the regulation read as under :

“(v) “sponsor” means any person who establishes or promotes a special purpose distinct entity;”

¹⁴ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

¹⁵ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its substitution, the regulation read as under :

“(2) Words and expressions not defined in these Regulations, but defined in or under the Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992) or the regulations made thereunder or the Companies Act, 1956 (1 of 1956) or the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) or any statutory modification or re-enactment thereof, shall have the same meaning as have been assigned to them by or under those enactments, unless the context requires otherwise

- (a) public offers of securitised debt instruments; []¹⁶
- (b) to listing of securitised debt instruments issued to public or any person(s), on a recognised stock exchange; [or]¹⁷
- [(c) to listing of security receipts issued to qualified buyer(s) on a recognized stock exchange in terms of Chapter VIIA, Chapter VIII and Chapter X.]¹⁸

CHAPTER II REGISTRATION OF TRUSTEES

Eligibility criteria for trustees.

4. (1) On and from the commencement of these regulations, no person shall make a public offer of securitised debt instruments or seek listing for such securitised debt instruments unless –

- (a) it is constituted as a special purpose distinct entity;
- (b) all its trustees are registered with the Board under these regulations; and
- (c) it complies with all applicable provisions of these regulations and the Act.

(2) The requirement of obtaining registration shall not apply to the following persons, who may act as trustees of special purpose distinct entities, namely:-

- (a) any person registered as a debenture trustee with the Board;
- (b) any person registered as a securitisation company or a reconstruction company with the Reserve Bank of India under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);
- (c) the National Housing Bank established by the National Housing Bank Act, 1987 (53 of 1987);
- (d) the National Bank for Agriculture and Rural Development established by the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981);

Provided that the aforesaid persons and special purpose distinct entities in respect of which they are trustees shall comply with all other provisions of these regulations:

Provided further that the provisions of these regulations shall not apply to the National Housing Bank and the National Bank for Agriculture and Rural Development to the extent of inconsistency with the provisions of their respective Acts.

- ¹⁹[(e) any scheduled commercial bank other than a regional rural bank;
- (f) any public financial Institution as defined under clause (72) of section 2 of the Companies Act, 2013; and
- (g) any other person as may be specified by Board]

²⁰[(2A) An applicant seeking registration to act as a trustee shall,-

¹⁶ Omitted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018. Prior to its omission, it read as “or”.

¹⁷ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

¹⁸ Ibid.

¹⁹ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2015 w.e.f. April 9, 2015.

²⁰ Ibid.

(a) have a networth of not less than two crore rupees.

Explanation.— For the purposes of this regulation, "networth" means the aggregate value of paid up share capital plus free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off;

(b) have in its employment a minimum of two persons who, between them, have atleast five years experience in activities related to securitisation and atleast one among them shall have a professional qualification in law from any university or institution recognised by the Central Government or any State Government or a foreign university:

Provided that the above-said requirements are not applicable on the National Housing Bank established by the National Housing Bank Act, 1987 and National Bank for Agriculture and Rural Development established by the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981).]

(3) An application for registration shall be made by the trustee to the Board in Form A of Schedule I along with non-refundable application fees as specified in Schedule II.

(4) Any application which is not complete in all respects and does not conform to the instructions specified in Form A of Schedule I or which is incorrect, false or misleading in nature shall be liable to be rejected:

Provided that before rejecting any such application, the Board shall give an opportunity to the applicant to remove the objections pointed out by the Board within the time specified by the Board.

(5) The Board may require the applicant to furnish such further information or explanation as is necessary in the opinion of the Board to take a decision on the application.

Factors for consideration

5. While considering an application made under regulation 4, the Board may have regard to all relevant factors, including the following, namely:-

(a) the applicant's track record, professional competence and general reputation and, where applicable those of its promoters and directors;

(b) where the applicant is a body corporate, its objects as per the memorandum of association or other constitutional document, composition of its board of directors and other relevant matters;

(c) whether the applicant has adequate infrastructure to ensure proper servicing of the securitisation transaction; adherence to the terms of the transaction documents by the originator, underwriter, credit enhancement provider, liquidity provider, and other parties to the securitisation transaction, and ensure compliance with the provisions of the Act and these regulations;

(d) whether the applicant and the special purpose distinct entity have complied with or in a position to comply with the requirements of these regulations;

(e) whether any previous application for grant of certificate made by any person directly or indirectly connected with the applicant was rejected by the Board;

(f) whether the applicant, its promoters and directors are fit and proper persons in terms of the criteria specified in respect of the intermediaries registered under the Securities and Exchange Board of India Act, 1992 (15 of 1992).

Procedure for granting registration, etc.

6. (1) Except as otherwise provided in these regulations, the provisions relating to procedure of consideration of application, grant of registration, powers of the Board including the power to seek further information, verify the information furnished by the applicant, conditions of registration, effect of refusal of grant of certificate, etc.; as applicable to any intermediary shall apply to an applicant under these regulations.

(2) The Board shall, if it decides to grant registration to the applicant, send intimation to the applicant for payment of the registration fees specified in Schedule II.

(3) Upon payment of registration fees, the Board shall grant a certificate to the applicant in Form B of Schedule I.

(4) Subject to the provisions of the Act, these regulations, conditions of certificate and the obligations of payments of fees the registration granted by the Board to a trustee shall be permanent unless suspended or cancelled by the Board.

Conditions of registration.

7. Any certificate granted under regulation 6 shall be subject to the following conditions being complied with by the trustee, namely:-

(a) where it proposes to change its management or, control, it shall obtain prior approval of the Board for continuing to act as such after the change;

(b) it shall pay the registration fees and annual fees in the manner provided in Schedule II; (c) it shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received;

(d) it shall abide by the provisions of the Act and these regulations in respect of the regulated activities carried on by the special purpose distinct entity;

(e) it shall forthwith inform the Board, if any information or particulars previously submitted to the Board is found to be misleading in any material respect or false;

(f) it shall forthwith inform the Board, of any material change in the information or particulars furnished, which may have a bearing on the certificate granted to it;

(g) it shall abide by the Code of Conduct specified in Schedule III.

Procedure where application is rejected.

8. (1) Where an application for grant of a certificate does not conform to the eligibility criteria and other requirements as set out in these regulations, the Board may reject the application and communicate the decision with reasons in writing:

Provided that before rejecting the application, the applicant shall be given an opportunity to remove within a reasonable time specified by the Board, such objections as may be indicated by the Board to the applicant in writing.

(2) Where an application is rejected for the reason that it contains false or misleading information, no such opportunity shall be given and the applicant shall not make any application for grant of certificate of registration under these regulations or any other regulations for a period of one year from the date of such rejection.

CHAPTER III

CONSTITUTION AND MANAGEMENT OF SPECIAL PURPOSE DISTINCT ENTITIES AND INCIDENTAL MATTERS

Permissible structures for special purpose distinct entity.

9. (1) The special purpose distinct entity shall be constituted in the form of a trust the constitutional document whereof entitles the trustees to issue securitised debt instruments: Provided that originator or any of its associates shall not exercise control over the special purpose distinct entity and its trustees.

(2) The instrument of trust, whether trust deed or any other constitutional document, shall be executed by the sponsor in favour of the trustees named in such instrument.

(3) The instrument of trust shall contain such clauses as are mentioned in Schedule IV and such other clauses which are necessary to protect the interests of investors in the securitised debt instruments.

(4) No instrument of trust shall contain a clause which has the effect of –

(i) limiting or extinguishing the obligations and liabilities of the trustees or the special purpose distinct entity in relation to any scheme or the rights or interests of investors; (ii) limiting or restricting or waiving the provisions of the Act, these regulations and circulars or guidelines issued by the Board;

(iii) indemnifying the trustees or the special purpose distinct entity for loss or damage caused to the investors by their act of negligence or commission or omission.

(5) The special purpose distinct entity and the trustee shall adopt internal procedures designed to avoid conflict of interest.

(6) A special purpose distinct entity shall not raise any moneys in the form of debt or issue any debt securities other than through issue of securitised debt instruments:

Provided that the restriction contained in this sub-regulation shall not apply to issue of security receipts.

(7) A special purpose distinct entity shall be entitled, in terms of the trust deed or other constitutional document, to segregate the debt or receivables out of the asset pool for the purpose of servicing of any securitised debt instrument in accordance with the scheme.

(8) The special purpose distinct entity shall not be dissolved until the securitised debt instruments issued under all its schemes are fully redeemed or written off in accordance with their terms of issue.

(9) Trustees who are nominees of the sponsor or the originator or who are associated in any manner with the sponsor or the originator or with a company in the same management as the sponsor or originator shall not constitute more than one half of the Board of Trustees of the special purpose distinct entity, as the case may be.

(10) Where the special purpose distinct entity proposes to launch multiple schemes, - (a) it shall be capable in terms of the trust deed or other constitutional document, of segregating multiple securitisation schemes; and

(b) the terms of issue of securitised debt instruments proposed to be issued under each scheme or each series of such instruments shall restrict the rights of investors therein to the relevant asset pool alone.

(11) The special purpose distinct entity shall not carry on any activity other than regulated activities and those incidental thereto and it shall not engage in:

(a) business of lending or investment except making passive financial investments required in accordance with the scheme;

(b) activities of an asset management company or portfolio manager or a mutual fund:

Provided that the restriction provided in clause (a) shall not apply to –

- (i) any trust or other body promoted by the National Housing Bank, in respect of activities undertaken by it in terms of the National Housing Bank Act, 1987 (53 of 1987); (ii) any trust or other body promoted by the National Bank for Agriculture and Rural Development, in respect of activities undertaken by it in terms of the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981);
- (iii) any trust set up by a securitisation company or reconstruction company in respect of activities undertaken by it in terms of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);
- (iv) any securitisation undertaken by a special purpose distinct entity, which involves private placement of any instruments representing securitised debt which are not proposed to be listed on any recognised stock exchange.

Assignment of debt or receivables.

10. (1) The originator and the trustee shall ensure in respect of the debt or receivables assigned to the special purpose distinct entity that the following conditions are fulfilled:

- (a) the debt or receivables generates or is reasonably expected to generate identifiable cash flows for the purpose of servicing the securitised debt instruments in accordance with the scheme;
- (b) the originator has a valid enforceable interest in the assets and in the cash flow of the assets prior to the securitisation;
- (c) the debt or receivables is free from any encumbrances or impediments to their free transfer or the transfer of the rights attaching thereto and their transfer does not constitute an event of default or acceleration trigger under any agreement;
- (d) the necessary regulatory or contractual permissions or consents have been obtained in order to effect the transfer of such debt or receivables from the originator to the special purpose distinct entity;
- (e) the originator has not done or omitted to do anything which enables any of his debtors to exercise the right of set-off in relation to such assets;
- (f) the debt or receivables is transferred at a price arrived at through an arms' length transaction and solely on commercial considerations; and
- (g) any representations and warranties made by the originator regarding the debt or receivables are duly adhered to.

(2) The special purpose distinct entity and the originator shall take all necessary steps to ensure that the debt or receivables acquired by the special purpose distinct entity are duly assigned in its name and are legally realizable by it.

(3) No special purpose distinct entity shall acquire any debt or receivables from any originator which is part of the same group or which is under the same management as the trustee.

Explanation: For the purposes of sub-regulation (3), -

- (a) two persons shall be deemed to be “part of the same group” if they belong to the same group within the meaning of clause (ef) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) or if they own “inter-connected undertakings” within the meaning of clause (g) of section 2 of that Act;
- (b) the expression “under the same management” shall have the meaning derived from subsection (1B) of section 370 of the Companies Act, 1956 (1 of 1956).

(4) The securitisation transaction shall be structured in such a manner so as to minimise the risk of the asset pool being consolidated with the assets of the originator or the sponsor, in the event of insolvency or winding up of either of them.

(5) The special purpose distinct entity and its trustees shall ensure that the debt and receivables assigned to it are through a genuine transaction amounting to a true sale and are legally realizable by it and the special purpose distinct entity shall be remote from the risk of bankruptcy, insolvency and winding up of the originator, sponsor and any other entity.

Obligations of trustees

11. (1) A trustee shall carry out his duties and perform his functions under these regulations, the trust deed or other document, with due care and diligence.

(2) The trustees shall ensure that the covenants in the trust deed and any other transaction document are complied with by the concerned parties.

²¹[(3) A trustee shall,-

(a) supervise the implementation of the covenants regarding creation of security for the securitised debt instruments;

(b) do such acts as are necessary in the event the security becomes enforceable and supervise the enforcement of the security in the interest of the investors;

(c) carry out such acts as are necessary for resolving the grievances of the investors and for the protection of interest of the investors; ensure on a continuous basis that the trust property of a particular scheme/tranche is available at all times to pay the securitised debt instruments holders of that particular scheme/tranche; (e) exercise due diligence to ensure compliance by the originators, with the listing agreements (if applicable), the trust deed or any other transaction document and if the originator is a banking company or non-banking financial company as defined in the Reserve Bank of India Act, 1934, trustee shall ensure that it has complied with the guidelines prescribed for securitisation by Reserve Bank of India;

(f) take appropriate measures for protecting the interest of the investors including informing the board about any action, legal proceeding, etc., initiated against it in respect of any material breach or noncompliance by it, of any law, rules, regulations, directions of the Board or of any other regulatory body; (g) ensure that the securitised debt instruments have been repaid or redeemed in accordance with the provisions and conditions under which they were offered to the investors;

(h) call for periodic reports from the originator regarding the performance of the underlying asset pool, atleast on quarterly basis;

(i) communicate to the investors regarding the compliance by the servicer with its obligations and the actions taken thereof, atleast on quarterly basis;

(j) obtain a certificate from the auditor(s) of originator regarding the disclosures of underlying asset pool assigned to the securitization trust, as made by the originator, on quarterly basis;

(k) share such reports and auditors certificate as received from the originator or the auditor(s) of originator, with the credit rating agency which is rating the securitised debt instrument; (l) call a meeting of all the investors on a requisition, in writing signed by at least one-tenth of investors in value for the time being outstanding or at the occurrence of an event, which constitutes a servicer default or which in the opinion of the trustees affects the interest of the investors;

²¹Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2015 w.e.f. April 9, 2015.

- (m) maintain the net worth as per the requirements specified in these regulations on a continuous basis and inform the Board immediately in respect of any shortfall in the net worth and take necessary corrective action to restore the net worth within a period of six months;
- (n) ensure that any change in registration status or any administrative, civil or penal action taken by Board or any material change in financial position which may adversely affect the interests of investors is promptly informed to the investors;
- (o) not relinquish responsibility as trustee in respect of the issue, unless and until another trustee is appointed in its place;
- (p) have necessary infrastructure to discharge its duties including the following:
 - (i) collecting information and reports from servicers/originator;
 - (ii) generating cash flow reports, payment reports and meet all reporting requirements required under the Board's or Reserve Bank of India's guidelines/circulars; (iii) recording investor information;
 - (iv) entering and maintaining data for the special purpose distinct entity, including cash flows, audited financials, taxation aspects etc.;
 - (v) issuing cheques/demand drafts or generating RTGS/NEFT requests etc., for interest and principal payments;
 - (vi) sufficient access controls to ensure confidentiality of data; (vii) sufficient systems for backup and disaster recovery.
- (q) appoint a compliance officer for performing duties including:
 - (i) monitoring the compliance of the acts, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board, Central Government and State Government(s); (ii) redressal of investors grievances.]

CHAPTER IV

SCHEMES OF SPECIAL PURPOSE DISTINCT ENTITIES

Launching of schemes.

- 12. (1)** A special purpose distinct entity may raise funds by making an offer of securitised debt instruments through formulating schemes in accordance with these regulations.
- (2)** Where there are multiple schemes, the special purpose distinct entity shall maintain separate and distinct accounts in respect of each such scheme and shall not commingle asset pools or realisations of a scheme with those of other schemes.
- (3)** A special purpose distinct entity and trustees thereof shall ensure that realisations of debts and receivables are held and correctly applied towards redemption of securitised debt instruments issued under the respective schemes or towards payment of returns on such instruments or towards other permissible expenditure of the scheme.
- (4)** The terms of issue of the securitised debt instruments may provide for exercise of a clean -up call option by the special purpose distinct entity, subject to adequate disclosures.
- (5)** No expenses shall be charged to the scheme in excess of the allowable expenses as may be specified in the scheme and any such expenditure, if incurred, shall be borne by the trustees.

Obligation to redeem securitised debt instruments.

- 13. (1)** The trustee and the special purpose distinct entity shall ensure timely payment of interest and redemption amounts to the investors in terms of the offer document or other

terms of issue of the securitised debt instruments out of the realisations from the asset pool, credit enhancer or liquidity provider.

(2) The trustee shall ensure that the servicer adopts such prudent measures as may be expected under the origination documents to recover the dues from the obligors in the event of any default in any portion thereof.

(3) The expected period of maturity of each scheme and the possibility of extension or shortening of such period shall be disclosed in the offer document together with the likely circumstances in which such extension or shortening may take place.

Credit enhancement and liquidity facilities.

14. (1) A special purpose distinct entity may opt for credit enhancement of the asset pool, subject to making full disclosures of the arrangements in the offer document or the particulars submitted to the recognised stock exchange.

(2) A special purpose distinct entity may avail the services of a liquidity provider, subject to making full disclosures of the arrangements in the offer document or the particulars submitted to the recognised stock exchange.

Servicers.

15. (1) A special purpose distinct entity may appoint either the originator or any other person as servicer in respect of any of its schemes, subject to the following, namely:- (a) the trustees shall ensure that the servicer keeps proper accounts in respect of the activities delegated to him;

(b) the trustees shall ensure that the servicer has adequate operational systems and resources to administer the asset pool in relation to a securitisation transaction.

(2) Servicer may be appointed by the special purpose distinct entity to do all or any of the following, namely:-

(i) to coordinate with the obligors, manage the asset pool and collections therefrom;

(ii) administer the cash flows of such asset pool, distributions to investors; and reinvestment, if any, in accordance with the scheme; and (iii) manage incidental matters.

(3) Where a special purpose distinct entity appoints the originator as servicer, it shall adopt internal procedures designed to avoid conflict of interest.

Accounts.

16. (1) Without prejudice to provisions of the Companies Act, 1956 (1 of 1956), or any other applicable law, a special purpose distinct entity shall maintain or cause to be maintained proper accounts and records to enable a true and fair view to be formed of its assets, liabilities, income and expenditure and those of all its schemes and to comply with the disclosure requirements of these regulations and other applicable laws.

(2) The accounts of a scheme shall be maintained in such a manner so as to disclose as on the most recent pay out date, the financial position of the scheme and shall in particular give a true and fair view of the state of affairs of the scheme.

(3) The accounts of the special purpose distinct entity and all its schemes shall be maintained in accordance with generally accepted accounting principles and having regard to the guidance issued by the Institute of Chartered Accountants of India or as may be specified by the Board in respect of accounting for schemes.

Audit.

17. (1) The accounts of the schemes formulated by a special purpose distinct entity shall be audited by a chartered accountant in practice within the meaning of the Chartered Accountants Act, 1949 (38 of 1949) at such frequency as may be specified in the listing agreement or conditions.

(2) Such audit shall be conducted in accordance with generally accepted auditing standards.

(3) The scope of such audit may be specified by the Board.

Maintenance of records.

18. (1) A special purpose distinct entity shall maintain or cause to be maintained other records and documents, including a register of holders of securitised debt instruments, for each scheme so as to explain its transactions and its accounts:

Provided that the register of beneficial owners maintained by a depository in respect of securitised debt instruments held in dematerialised form with it shall be deemed to be a register of holders of securitised debt instruments for the purposes of these regulations.

(2) A special purpose distinct entity shall intimate to the Board the places where the records and documents maintained under sub-regulation (1) and the accounts maintained under regulation 16 are kept.

(3) The special purpose distinct entity shall maintain its books of account, records and other documents in respect of its schemes for a minimum period of eight years from the redemption of all instruments issued under the scheme.

Holding of originator.

19. (1) No originator shall at any time subscribe to or hold securitised debt instruments in excess of twenty per cent of the total securitised debt instruments issued by the special purpose distinct entity in a particular scheme.

(2) Nothing contained in sub-regulation (1) shall apply to the holdings of an originator acquired on account of underwriting of a public issue of securitised debt instruments or in pursuance of an arrangement for credit enhancement:

Provided that the possibilities of such holdings are disclosed in the offer document or in the listing particulars.

(3) For the removal of doubts, it is clarified that sub-regulation (1) applies only to the classes of securitised debt instruments which are offered to the public or listed.

Winding up of schemes.

20. A scheme may be wound up in the event of the following:

(a) when the securitised debt instruments have been fully redeemed as per the scheme; (b) upon legal maturity as stated in the terms of issue of the securitised debt instrument: Provided that if any debt or receivable is outstanding on legal maturity, the trustees shall dispose off the same in accordance with the scheme and distribute the proceeds; (c) by vote of investors by a special resolution as provided in regulation 34.

CHAPTER V

PUBLIC OFFER OF SECURITISED DEBT INSTRUMENTS

Offer to the public.

21. (1) This Chapter shall be applicable to offer of securitised debt instruments to the public.

(2) Any reference in these regulations to offering securitised debt instruments to the public shall be construed as including a reference to offering them to any section of the public.

(3) No offer shall be treated as made to the public by virtue of sub-regulation (1), if the offer can properly be regarded, in all the circumstances –

(a) as not being likely to result, directly or indirectly, in the securitised debt instruments becoming available for subscription or purchase by persons other than those receiving the offer;

(b) otherwise as being the domestic concern of the persons making and receiving the offer.

(4) Notwithstanding sub-regulation (2), any offer of securitised debt instruments made to fifty or more persons in a financial year shall always be deemed to have been made to the public: Provided that sub-regulation (3) applies only in respect of securitised debt instruments which belong to the same tranche and which are *pari passu* in all respects.

Explanation: For the purposes of sub-regulation (4), the term “financial year” shall mean the period of twelve months commencing from the 1st day of April in any year.

Submission of draft offer document and filing of final offer document.

22. (1) No special purpose distinct entity or trustee thereof shall make an offer of securitised debt instruments to the public unless it files a draft offer document with the Board at least fifteen working days before the proposed opening of the issue.

(2) Such offer document shall be filed along with the minimum filing fee as mentioned in Schedule II:

Provided that the balance filing fee provided in Schedule II shall be paid to the Board within seven days of closure of the public offer.

(3) If the Board specifies any changes to be made in the offer document within the said period of fifteen working days, the special purpose distinct entity and trustee thereof shall carry out such changes in the draft offer document prior to filing it with the designated stock exchange under regulation 35 or issuing it.

(4) The final offer document shall be filed with the Board and with every recognised stock exchange to which an application for listing of the securitised debt instruments is proposed to be made prior to its issuance to public.

Arrangements for dematerialisation.

23. (1) Prior to submitting the draft offer document with the Board under regulation 22, the special purpose distinct entity shall enter into an arrangement with a registered depository for dematerialisation of the securitised debt instruments that are proposed to be issued to the public.

(2) The special purpose distinct entity shall give an option to the investors to receive the securitised debt instruments either in the physical form or in dematerialised form.

(3) The holders of dematerialised instruments shall have the same rights and liabilities as holders of physical instruments.

Mandatory listing.

24. A special purpose distinct entity desirous of making an offer of securitised debt instruments to the public shall make an application for listing to one or more recognized stock exchanges in terms of sub-section (2) of section 17A of the Act.

Credit rating.

25. (1) No special purpose distinct entity shall offer securitised debt instruments to the public unless credit rating is obtained from not less than two registered credit rating agencies.

(2) All credit ratings obtained by a special purpose distinct entity on the securitised debt instruments shall be disclosed in the offer document, including unaccepted credit ratings.

(3) A credit rating agency rating the securitised debt instruments issued by a special purpose distinct entity shall include reference to the following in the rating rationale: (a) quality of the asset pool and the strength of cash flows;

(b) payment structure;

(c) adequacy of credit enhancements;

(d) originator profile;

(e) risks and concerns for investors and mitigating factors;

(f) quality and experience of the servicer;

(g) terms of the servicer contract;

(h) provision for appointment of back-up servicer, if any; (i) any other relevant information.

Contents of offer document.

26. (1) An offer document issued by a special purpose distinct entity or trustee thereof shall contain all material information which is true, fair and adequate for an investor to make informed investment decision and shall also disclose the matters specified in Schedule V.

(2) An offer document shall not include a statement purporting to be made by an expert unless –

(a) he has given his written consent to the offer document being issued with the statement included in the form and context in which it is included;

(b) such consent is not revoked by him prior to its filing with the Board; and

(c) a statement that he has given and has not withdrawn his consent as aforesaid appears in the offer document.

Explanation: For the purpose of this regulation “expert” shall have the same meaning as in sub-section (2) of section 59 of the Companies Act, 1956 (1 of 1956).

Prohibition of misstatements in the offer document.

27. (1) An offer document or any report or memorandum issued by a special purpose distinct entity in connection with an offer of securitised debt instruments shall not contain any false or misleading statement.

(2) An offer document shall not omit disclosure of any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading.

Underwriting of the issue.

28. A public offer made by a special purpose distinct entity may be underwritten by an underwriter registered with the Board.

Offer period.

29. No public offer of securitised debt instruments shall remain open for more than thirty days.

Minimum subscription.

30. (1) The offer document shall disclose the minimum subscription it seeks to raise under the scheme.

(2) No securitised debt instruments shall be allotted under the public offer unless subscriptions have been received in respect of the minimum number of securitised debt instruments which will constitute minimum subscription.

(3) In the event of non receipt of minimum subscription or refusal of listing by any recognised stock exchange, all application moneys received in the public offer shall be refunded forthwith to the applicants.

Explanation: For the purposes of this regulation and Schedule V, “minimum subscription” refers to the amount which, in the opinion of the directors of the originator and trustees of the special purpose distinct entity, must be raised by issue of securitised debt instruments.

Allotment and other obligations.

31. (1) The securitised debt instruments shall be allotted to the investors within the following time periods:-

(a) in case of dematerialized securitised debt instruments –
within five days of closure of the offer;

(b) in case of securitised debt instruments in the physical form – the certificates shall be dispatched within eight days of closure of the offer.

(2) No special purpose distinct entity shall retain any oversubscription received in any public offer.

(3) In the event of over-subscription, the allotment shall be made as per the basis of allotment finalized in consultation with the recognized stock exchanges to which an application for listing was made.

(4) The special purpose distinct entity shall dispatch refund orders to unsuccessful or partially successful applicants within eight days of closure of the offer.

(5) In a case where the issue proceeds become liable to be refunded in accordance with the disclosures made in the offer document, the special purpose distinct entity shall dispatch refund orders to the applicants within eight days of closure of the offer.

(6) Where the allotment is not made within the time period mentioned in clause (a) of subregulation (1) or where the certificates are not dispatched within the time mentioned in clause (b) of sub-regulation (1), the special purpose distinct entity and every trustee thereof, and where any such trustee is a body corporate, every director thereof, who is in default shall, on and from the expiry of such period, be jointly and severally liable to pay interest at the rate of fifteen per cent. per annum to the concerned applicants.

(7) Where the refund orders are not dispatched within the time mentioned in sub-regulations (4) or (5), the special purpose distinct entity and every trustee thereof, and where any such trustee is a body corporate, every director thereof, who is in default shall, on and from the expiry of the eighth day, be jointly and severally liable to repay that money with interest at the rate of fifteen per cent per annum.

(8) Sub-regulations (6) and (7) shall have effect without prejudice to any other provisions of these regulations or any other law.

²²[(9) Credit to demat accounts of the allottees shall be made by the issuer within two working days from the date of allotment.]

Post issue obligations.

32. The special purpose distinct entity shall file such reports and furnish such information to the Board or to the investors, as directed by the Board from time to time.

CHAPTER VI RIGHTS OF INVESTORS

Transferability of securitised debt instruments.

33. Subject to the provisions of regulation 38, the securitised debt instruments issued to the public or listed on a recognized stock exchange in accordance with these regulations shall be freely transferable.

Rights of investors in securities issued by special purpose distinct entity.

34. (1) The trust deed or other instrument comprising the terms of issue of the securitised debt instruments issued by a special purpose distinct entity shall provide that investors holding such securitised debt instruments have such beneficial interest in the underlying debt or receivables as may have been conferred by the scheme.

(2) In the event of failure of the special purpose distinct entity to redeem any securitised debt instruments offered through an offer document or listed, within the time and in accordance with the conditions stated in the offer document or other terms of issue, the investors holding not less than ten per cent in nominal value of such securitised debt instruments shall be entitled to call a meeting of all such investors.

(3) In such meeting, the investors may move a motion to—

(a) call upon the trustee and the special purpose distinct entity to wind up the scheme and distribute the realisations;

(b) remove the trustee;

(c) appoint a new trustee in place of the one removed under clause (b):

Provided that any such decision shall be taken by means of a special resolution of the investors of the scheme and sections 179 and 189 of the Companies Act, 1956 (1 of 1956) shall *mutatis mutandis* apply to such special resolution:

Provided further that the new trustee appointed under clause (c) is registered with the Board under these regulations or is exempted from such registration.

(4) The trustee and the special purpose distinct entity shall take all reasonable steps to carry out the resolutions passed by the investors under sub-regulation (3).

(5) Any reasonable expenses incurred in calling and holding a meeting under sub-regulation (3) and any reasonable expenses incurred by the trustee or the new trustee, as the case may be, in winding up the scheme and incidental activities shall be met from or reimbursed out of realisations from the asset pool.

²² Inserted by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, w.e.f. 1-12-2015.

- (6) The terms of issue of securitised debt instruments shall not be adversely varied without the consent of the investors.
- (7) For purposes of sub-regulation (6), investors shall be deemed to have given their consent to variation if and only if twenty one days notice is given to them of the proposed variation and it is approved by a special resolution passed by them through postal ballot.
- (8) Sections 189 and 192A of the Companies Act, 1956 (1 of 1956) and the rules framed thereunder shall *mutatis mutandis* apply to the special resolution referred to in sub-regulation (7).

CHAPTER VII

LISTING OF SECURITISED DEBT INSTRUMENTS

Application for listing.

35. (1) A special purpose distinct entity required by sub-section (2) of section 17A of the Act to get the securitised debt instruments issued by it listed on a recognised stock exchange or otherwise desirous of getting the securitised debt instruments issued by it so listed shall make an application to the stock exchange in the form specified by it along with the following documents and particulars:

- (a) trust deed or other constitutional document, as the case may be;
- (b) copies of all offer documents and advertisements in connection with offer of securitised debt instruments by the special purpose distinct entity or its trustee at any time;
- (c) certified copy of every material document or proposed document which is referred to in any such offer document;
- (d) certified copies of agreements or memoranda of understanding relating to acquisition or proposed acquisition of debt or receivables from a financial institution or other person; (e) certified copy of certificate of registration granted by the Board to the trustee under these regulations;
- (f) specimen of any other securitised debt instrument issued by the special purpose distinct entity which are listed or proposed to be listed;
- (g) any other document or particular as may be required by the stock exchange.

(2) As a condition for listing, the securitised debt instruments issued by a special purpose distinct entity shall have the following characteristics:

- (a) free transferability;
- (b) being in the nature of such undivided beneficial interest of the investors in the asset pool as is specified in the scheme, and not constituting debt of the special purpose distinct entity or originator;
- (c) maintenance of a record of the holders thereof, whether holding the same in physical form or dematerialized form.

(3) The special purpose distinct entity shall enter into a listing agreement with the recognised stock exchanges where the securitised debt instruments are proposed to be listed.

(4) In exercise of the powers conferred by sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, the Board hereby waives the strict enforcement of sub-rules (1) to (3) of the said rule in relation to listing of securitised debt instruments issued in terms of these regulations, subject to compliance with these regulations.

²³**[Listing Agreement.**

35A. (1) Every special purpose distinct entity desirous of listing securitised debt instruments on a recognised stock exchange, shall execute an agreement with such stock exchange.

(2) Every special purpose distinct entity which has previously entered into agreements with a recognised stock exchange to list securitised debt instruments shall execute a fresh listing agreement with such stock exchange within six months of the date of notification of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

²⁴[.]]

Minimum public offering for listing

36. (1) In respect of public offers of securitised debt instruments, the special purpose distinct entity or trustee thereof shall satisfy the recognised stock exchange to which a listing application is made that each scheme of securitised debt instruments was offered to the public for subscription through advertisements in newspapers for a period of not less than two days and that applications received in pursuance of the offer were allotted in accordance with these regulations and the disclosures made in the offer document.

(2) In case of a private placement of securitised debt instruments, the special purpose distinct entity shall ensure that it has obtained credit rating from a registered credit rating agency in respect of its securitised debt instruments.

²⁵[(3) In case of a private placement of securitised debt instruments, the special purpose distinct entity shall file listing particulars with the recognised stock exchange, along with the application made under sub-regulation (1) of regulation 35, containing such information as may be necessary for any investor in the secondary market to make an informed investment decision in respect of its securitised debt instruments and the special purpose distinct entity shall promptly disseminate such information, as prescribed, in such manner as the recognised stock exchange(s) may determine from time to time.]

(4) All credit ratings obtained pursuant to sub-regulation (2), including unaccepted ratings, if any, shall be disclosed in the listing particulars filed with the recognised stock exchange under sub-regulation (3).

²³ Inserted by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, w.e.f. 1-12-2015.

²⁴ Inserted by the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts)(Second Amendment) Regulations, 2018, w.e.f. 09-10-2018. Prior to this amendment, the regulation read as:

“Security Deposit.

35B. (1) The issuer shall deposit, before the opening of subscription list, and keep deposited with the stock exchange(s) an amount calculated at the rate of one per cent of the amount of securities offered for subscription to the public.

(2) The amount stipulated in sub-regulation (1) shall be deposited in the manner specified by Board and/or stock exchange(s).

(3) The amount stipulated in sub-regulation (1) shall be refundable or forfeitable in the manner specified by the Board.”

²⁵ Substituted by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, w.e.f. 1-12-2015. Prior to its substitution, said sub-regulation read as under :

"(3) In case of a private placement of securitised debt instruments, the special purpose distinct entity shall file listing particulars with the recognised stock exchange along with the application made under sub-regulation (1) of regulation 35, containing such information as may be necessary for any investor in the secondary market to make an informed investment decision in respect of its securitised debt instruments."

²⁶[Continuous listing conditions.

37. The special purpose distinct entity or trustee thereof shall submit such information, including financial information relating to the schemes, to the stock exchanges and investors and comply with such other continuing obligations as may be stipulated in the listing agreement.]

Trading of securitised debt instruments

38. The securitised debt instruments issued to the public or on a private placement basis, which are listed in recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised stock exchanges subject to conditions specified by the Board.

²⁷[CHAPTER VII A ISSUANCE AND LISTING OF SECURITY RECEIPTS ELIGIBILITY

38A. An issuer proposing to issue and list security receipts or only list its already issued security receipts shall comply with the provisions of this chapter.

38B. Security receipts proposed to be listed in terms of this chapter shall;

- i. be issued in compliance with the applicable rules and guidelines, as framed by the Reserve Bank of India, from time to time;
- ii. be issued on a private placement basis;
- iii. comply with the provisions pertaining to issue of security receipts,;

Sale of security receipts by the existing holders

38C. (1) Any existing holder of security receipts, who proposes to sell, whole or part of, its holding of security receipts to the qualified buyers on private placement basis, where such security receipts are proposed to be listed, may do so, in accordance with the provisions of this Chapter.

Provided that such sale by any holder of security receipts shall be permitted only if the holding is not less than fifty percent of the outstanding security receipts.

²⁶ Substituted by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, w.e.f. 1-12-2015. Prior to its substitution, said sub-regulation read as under :

"37. Continuous listing conditions. — (1) The special purpose distinct entity or trustee thereof shall submit such information, including financial information relating to the schemes, to the stock exchanges and investors and comply with such other continuing obligations as may be stipulated in the listing agreement.

(2) Every rating obtained by a special purpose distinct entity under sub-regulation (1) of regulation 25 or under sub-regulation (2) of regulation 36 shall be periodically (not later than one year) reviewed by the registered credit rating agency and any revision in the rating shall be promptly disclosed by the special purpose distinct entity to the recognised stock exchanges where the securitised debt instruments are listed.

(3) The information filed with a recognised stock exchange under sub-regulation (3) of regulation 36 and sub-regulations (1) and (2) of this regulation shall be promptly disseminated to investors and prospective investors in such manner as the recognised stock exchange may be determined."

²⁷ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

(2) A sale of security receipts by any existing holder of such security receipts under these regulations, shall be subject to the issuer compulsorily listing the security receipts before complying with the provisions of this chapter.

Conditions for Listing of Security Receipts

38D. (1) An issuer may list its security receipts on a recognized stock exchange subject to the following conditions:

- (a) the security receipts have been issued on a private placement basis;
- (b) the issuer has issued such security receipts in compliance with the applicable laws;
- (c) the offer or invitation to subscribe to security receipts shall be made to such number of persons not exceeding two hundred or such other number, in a financial year, as may be prescribed from time to time.
- (d) the security receipts proposed to be listed are in dematerialized form;
- (e) the disclosures as provided in regulation 38E have been made in the offer document;
- (f) the minimum allotment made to the qualified buyers is Rs. 10 lakhs;
- (g) such security receipts have been valued prior to listing;

Provided that such valuation shall not be more than three months old from the date of listing and shall be done by an independent valuer;

- (h) the security receipts have been rated by a credit rating agency registered with the Board.

Provided that such rating shall not be more than three months old from the date of listing.

(2) The issuer shall comply with the conditions of listing of such security receipts as specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Offer Document

38E. (1) An issuer seeking listing of security receipts on a recognized stock exchange shall make such disclosures in the offer document as specified by the Reserve Bank of India from time to time, and as specified in Schedule VA of these regulations.

Provided that the offer document shall not contain any false or misleading statement and shall disclose all material facts.

(2) The offer document as provided in sub-regulation (1) shall be made available for download on the web sites of stock exchanges where such securities are listed.

38F. In exercise of the powers conferred by sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, the Board shall waive the strict enforcement of sub-rules (1) to (3) of the said rule in relation to listing of security receipts issued in terms of these regulations, subject to compliance with these regulations.

Valuation, rating and NAV disclosure

38G. (1) An issuer whose security receipts are listed on a recognized stock exchange shall ensure that:

- a) the listed security receipts are valued at the end of each quarter i.e. as on March 31, June 30, September 30 and December 31 of every year,

- b) valuation is conducted by an independent valuer; and
- c) the net asset value is calculated on the basis of such independent valuation and the same is declared by the asset reconstruction company within fifteen days of the end of the quarter.

(2) The issuer shall also comply with the extant Reserve Bank of India requirement of obtaining credit rating of security receipts at half yearly interval and declaration of the net asset value thereafter and/or any other requirement as prescribed by the Reserve Bank of India from time to time.

Provided that in those two quarters in a year, where both external valuation and credit rating are required, issuer shall disclose lower of the two calculated NAVs.

Trading of security receipts

38H. (1) The security receipts issued on a private placement basis, which are listed on recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised stock exchanges subject to conditions specified by the Board.

(2) The trading lot of the security receipts shall not be less than Rs 10 lakh.

(3) The trades of security receipts which have been made over the counter, shall be reported on a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specified by the Board.

(4) The Board may specify conditions for reporting of trades on the recognized stock exchange or other platform referred to in sub-regulation (3).]

CHAPTER VIII INSPECTION AND DISCIPLINARY PROCEEDINGS

Power to call for information

39. The Board may call for information from the originator, special purpose distinct entity, trustee (whether registered with the Board or not), sponsor, servicers, underwriters, credit enhancers, liquidity providers or any other person associated with securitisation or any regulated activity.

Right of inspection by the Board.

40. (1) Without prejudice to provisions of sections 11 and 11C of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board may appoint one or more persons to undertake the inspection of the books of account, records and documents of the special purpose distinct entity or any of its schemes or its trustee (whether registered with the Board or not) or servicer or any other agent for any of the purposes specified in sub-regulation (2).

(2) The purposes referred to in sub-regulation (1) may be as follows, namely:-

- (a) to verify whether the books of account are being maintained and valuations are being done in a proper manner;

- (b) to verify whether the provisions of the Act, the Securities and Exchange Board of India Act, 1992 (15 of 1992), the rules and regulations made thereunder are being complied with; (c) to inquire into the complaints received from investors, other market participants or any other persons on any matter having a bearing on the regulated activities of the special purpose distinct entity;
- (d) to inquire into affairs of the special purpose distinct entity suo-moto in the interest of investor protection or the integrity of the market in so far as it relates to its regulated activities;
- (e) to inquire whether securitisation or regulated activity is being carried on as per provisions of the Act and these regulations; (f) to inquire whether the Code of Conduct has been observed.

Notice before inspection.

- 41.** (1) Before undertaking an inspection under regulation 40, the Board shall give a reasonable notice to the special purpose distinct entity or other person.
- (2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may by an order in writing direct that the inspection of the affairs of the special purpose distinct entity or other person be taken up without such notice.
- (3) During the course of inspection the special purpose distinct entity and other persons shall be bound to discharge its obligations as provided under regulation 42.

Obligations of special purpose distinct entities on inspection.

- 42.** (1) It shall be the duty of every director, trustee, officer, employee, servicer or any other agent of the special purpose distinct entity who is being inspected to produce to the inspecting authority such books of accounts and other documents in his custody or control and furnish him with such statements and information relating to regulated activities of the special purpose distinct entity as he may require within the specified time.
- (2) The persons mentioned in sub-regulation (1) shall allow the inspecting authority to have a reasonable access to the premises occupied by such special purpose distinct entity or by any other person, on its behalf and also extend reasonable facility for examining any books, records, documents, computer systems and computer data in the possession of the special purpose distinct entity or any such other person and also provide copies of documents or other material which in the opinion of the inspecting authority are relevant for the purposes of the inspection.
- (3) The inspecting authority shall in the course of inspection, be entitled to examine or record statements of any principal officer, director, partner, proprietor and employee of the special purpose distinct entity or the other person whose records or other documents are being inspected.
- (4) It shall be the duty of every director, proprietor, partner, officer, employee, servicer or other agent of the special purpose distinct entity or the other person whose records or other documents are being inspected to give to the inspecting authority all assistance in connection with the inspection which the special purpose distinct entity may reasonably be expected to give.

Appointment of auditor or valuer.

43. (1) The Board may appoint a qualified auditor to inspect the books of account or inquire into the affairs of the special purpose distinct entity, servicer or other agent of the special purpose distinct entity in so far as it concerns its regulated activities:

Provided that the auditor so appointed shall have the same powers of the inspecting authority as are mentioned in regulation 40 and the obligation of the special purpose distinct entity and its employees in regulation 42 shall be applicable to the investigation under this regulation. Explanation: For the purposes of this sub-regulation, the expression "qualified auditor" shall have the meaning derived from section 226 of the Companies Act, 1956 (1 of 1956).

(2) The Board may appoint a valuer or direct a valuer to be appointed, if so required in the interest of investors in a scheme for the purpose of proper valuation of asset pools acquired or held by a special purpose distinct entity.

(3) The expenses of such audit under sub-regulation (1) or valuation under sub-regulation (2) shall be borne by the originator, trustee, or other person if so specified by the Board.

Submission of report to the Board.

44. (1) The inspecting authority shall, as soon as may be possible, submit an inspection report to the Board.

(2) On submission of the inspection report, the Board may take such action thereon as it may deem fit and appropriate.

CHAPTER IX PROCEDURE FOR ACTION IN CASE OF DEFAULT

Cancellation or suspension of registration.

45. (1) The registration granted under regulation 6 to a trustee who -

(a) fails to comply with any conditions subject to which certificate has been granted;

(b) contravenes any of the provisions of the Act, the Securities and Exchange Board of India Act, 1992 (15 of 1992) or the regulations made thereunder – may be cancelled or suspended by the Board:

Provided that no such registration shall be cancelled or suspended unless the trustee has been given an opportunity of being heard in the manner as applicable in respect of cancellation or suspension of registration granted to any intermediary under the Securities and Exchange Board of India Act, 1992.

(2) While passing an order of suspension or cancellation of registration of a trustee, the Board may also direct winding up of schemes of the special purpose distinct entity within such period and in such manner as may be directed.

Explanation: For the purpose of this sub-regulation, “winding up of schemes” shall mean liquidation of the asset pool and repayment of the proceeds thereof to the investors in the scheme.

(3) Notwithstanding the cancellation of certificate, the trustee shall, subject to such directions as the Board may deem appropriate, ensure compliance of the Act, these regulations, any circular issued thereunder and the listing agreement, until another registered trustee is appointed in his place or the special purpose distinct entity winds up its schemes and repays to the investors, whichever is earlier.

(4) Nothing contained in this regulation shall be deemed to prejudice the operation of sections 12A, 21A, 23, 23A, 23C, 23E, 23H and 23M of the Act, sections 11, 11B, 11D and

24 and Chapter VIA of the Securities and Exchange Board of India Act, 1992 (15 of 1992) and rule 19 of the Securities Contracts (Regulation) Rules, 1957.

Directions

46. Without prejudice to actions under the Act, the Securities and Exchange Board of India Act, 1992 (15 of 1992) and regulation 45, the Board may in the interest of the securities market, in the interest of the investors or for the purpose of securing the proper management of any special purpose distinct entity or trustee (whether registered with the Board or not), pass, any or all of the following directions:

- (a) directing the originator or any other persons associated with securitisation or regulated activity to refund any money collected under an issue to the investors with or without requisite interest, as the case may be;
- (b) directing the persons associated with securitisation or regulated activity concerned not to access the capital market or not to deal in securities or securitised debt instruments for a particular period or not to engage in securitisation or regulated activities;
- (c) directing the recognised stock exchange concerned not to permit trading in the securitised debt instruments;
- (d) directing the recognised stock exchange concerned to suspend trading in securitised debt instruments;
- (e) any other direction which the Board may deem fit and proper in the circumstances of the case:

Provided that before issuing any directions the Board may give a reasonable opportunity of being heard to the person concerned:

Provided further that if any interim direction is required to be passed, the Board may give post decisional hearing to such person.

Appeal

47. A person aggrieved by an order of the Board or Adjudicating Officer under the Act, the Securities and Exchange Board of India Act, 1992 (15 of 1992) or these regulations or refusal of listing by a recognised stock exchange may prefer an appeal to the Securities Appellate Tribunal in accordance with section 23L of the Act read with the Securities Contracts (Regulation) (Appeal to Securities Appellate Tribunal) Rules, 2000, or section 15T of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with the Securities Appellate Tribunal (Procedure) Rules, 2000.

²⁸**[CHAPTER IX-A**

POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS

Exemption from enforcement of the regulations in special cases.

47A. (1) The Board may, exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation ²⁹[***] relating to testing new products, processes,

²⁸ Inserted by the SEBI (Regulatory Sandbox) (Amendment) Regulations, 2020, w.e.f. 17-04-2020.

²⁹ The words “in technological aspects” omitted by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2021, w.e.f. 03-08-2021.

services, business models, etc. in live environment of regulatory sandbox in the securities markets.

(2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

Explanation. — For the purposes of these regulations, "regulatory sandbox" means a live testing environment where new products, processes, services, business models, etc. may be deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board.]

CHAPTER X MISCELLANEOUS

Power of the Board to issue clarifications.

48. In order to remove any difficulties in the application or interpretation of these regulations, the Board may issue clarifications and guidelines in the form of circulars.

Delegation of powers

49. The powers exercisable by the Board under these regulations shall also be exercisable by any officer of the Board to whom such powers are delegated by the Board by means of an order made under section 19 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

Applicability of other Laws

50. The provisions of these regulations are without prejudice to the duties of the trustees or special purpose distinct entity or other parties to the securitisation under the Indian Trusts Act, 1882 (2 of 1882) or any other law for the time being in force.

SCHEDULE I

³⁰[Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008]

[See regulations 4(3) and 6(2)]

FORMS

FORM A

APPLICATION FORM FOR SEEKING REGISTRATION

Name of applicant.....
Contact person.
Name of the Compliance officer.....
Telephone No. :Fax No. e-mail.
Website:

Instruction for filling up form:—

1. Applicants must submit a completed application form together with appropriate supporting documents to the Board.
2. It is important that this application form should be filled in accordance with the regulations.
3. Information which needs to be supplied in more details may be given on separate sheets which should be attached to the application form.
4. The application must be signed by the competent person having authority to do so and all signatures must be in original.

DETAILS OF SPONSOR

1. Name of the sponsor-

2. Address of the registered office/correspondence address-

Telephone Nos. Telex Nos. Fax Nos. E-mail address

Website address

3. Name of the contact person-

4. Date and place of incorporation of the sponsor (Enclose a copy of certificate of incorporation) 5. Objects of the sponsor.

(Enclose copy of the Memorandum and Articles of Association)

Main objects- Ancillary

objects-

6. Capital structure and shareholding pattern.

7. Present line of business activities-

Number of years in that line

8. Condensed financial information.

(Enclose balance sheets and profit and loss account for five years) 9.

Accounting policies.

(Furnish description of significant accounting policies)

10. Systems and procedures

(Furnish description of systems and procedures in the company and essential internal controls in order to carry on the business of the company)

11. Names of the associate organisations/group companies/subsidiaries, etc.

³⁰ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

12. Management of the sponsor Board of the company with names, experience, qualification, and profession of the Directors.

Names of key personnel-

Organisational structure-

Board of Directors of associate organisations, companies and subsidiaries.

13. Names and addresses of the bankers of the sponsor.

14. Names and addresses of the auditors of the sponsor.

15. Court cases/litigations in which the sponsor may have been involved in the last three years.

CONDENSED FINANCIAL INFORMATION

(A) Income statement

Years (Rs.) 1

2 3 4 5

Income:

Dividend

Trading

Management Fee

Other income

Total _____ *Expenses:*

Director's remuneration

Trusteeship fees

Custodian fees

Registrar's fees

Other expenses

Total _____

Gross Profit

Depreciation

Net profit before tax

Tax

Profit after tax

Dividends Retained

earnings

(B) Assets and liabilities

Years (Rs.) 1

2 3 4 5

Assets:

Fixed Assets Gross

Depreciation

Net value

Current assets _____

Investments*

Others (please specify) Cash

and bank balances *Less:*

Current liabilities and

Provisions

Net worth _____ *Represented*

by:

Issued and paid up capital

Free reserves
(excluding revaluation reserves)
Total _____ *Provide
full particulars of investments.

..... **FORM B**

Format of letter of registration

In exercise of the powers conferred by section 17A of the Securities Contracts (Regulation) Act, 1956 read with regulation 6 of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 made thereunder, the Board hereby grants registration to..... as a trustee entitled to act as a trustee to a special purpose distinct entity offering securitised debt instruments to the public and / or seeking listing for such instruments on a recognised stock exchange.

Date.....

By order

Sd/-

For and on behalf of the
Securities and Exchange Board of India

SCHEDULE II

³¹[Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008]

[See regulations 4(3), 6(1), 7(b) and 22(2)]

FEES

1. The fees payable under these regulations by an applicant or trustee or special purpose distinct entity shall be as follows:

A. Application fees Rs. 25,000/- (twenty five thousand rupees)

B. Registration fees ³²[Rs.1,00,000/- (one lakh rupees)]

C. Annual fees ³³[Rs.25,000/- (twenty five thousand rupees)]

D. Filing fees for offer documents 0.03 per cent of the amount raised in the public offer, subject to a minimum of ³⁴[one lakh rupees and a maximum of five lakh rupees].

2. The fees mentioned in paragraph 1 shall be paid ³⁵[by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or] by means of a demand draft drawn in favour of the 'Securities and Exchange Board of India' payable at Mumbai.

SCHEDULE - III

³⁶[Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008]

[See regulation 7(g)]

CODE OF CONDUCT

³¹ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

³² Inserted by the SEBI (Payment of Fees)(Amendment) Regulations, 2014 w.e.f May 23, 2014.

³³ Ibid.

³⁴ Ibid.

³⁵ Inserted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017, w.e.f. 6-3-2017.

³⁶ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

1. Schemes of a special purpose distinct entity shall not be organised, operated, managed in the interest of the originator or sponsor or a special class of investors. Interests of all classes of investors of the scheme shall be taken into account in such organisation, operation and management.
2. A special purpose distinct entity and its trustee shall ensure the dissemination to all investors of adequate, accurate, explicit and timely information fairly presented in a simple language about the asset pools, transactions & arrangements with originator, credit enhancer, underwriter, liquidity provider, securitised debt instruments, financial position, credit ratings and general affairs of the scheme or any other party to the securitisation or regulated activity.
3. A special purpose distinct entity and its trustee shall avoid conflicts of interest in managing the affairs of the schemes and other regulated activities and shall keep the interest of all investors paramount in all matters.
4. A special purpose distinct entity and its trustee shall ensure scheme-wise segregation of bank accounts, asset pools and securitised debt instruments holders' accounts or folios.
5. A special purpose distinct entity and its trustee shall carry out the business in accordance with objectives stated in the offer documents and take decision solely in the interest of investors.
6. A special purpose distinct entity and its trustee shall not use any unfair or unethical means, directly or indirectly, to sell or market the securitised debt instruments or induce any investor to buy such instruments.
7. A special purpose distinct entity and its trustee shall not employ any unfair or unethical means in valuation and conversion of asset pools or in the course of securitisation or any other regulated activity.
8. A special purpose distinct entity and its trustee shall maintain high standards of integrity and fairness in all their dealings and in the conduct of their business.
9. A special purpose distinct entity and its trustee shall render at all times high standards of service, exercise due diligence and independent professional judgment and take reasonable care and skill in performing its functions.
10. A special purpose distinct entity and its trustee shall not make any exaggerated statement, whether oral or written, either about their qualifications or capability to render services or their achievements or in respect of asset pools.
11. A special purpose distinct entity and its trustee shall always ensure that the debt and receivables acquired by it are through a genuine transaction amounting to a true sale and legally realizable by it.
- ³⁷[12. A special purpose distinct entity and its trustee shall fulfill its obligations in a prompt, ethical and professional manner.
13. A special purpose distinct entity and its trustee shall not divulge to anybody either orally or in writing, directly or indirectly, any confidential information about its investors which has come to its knowledge, without taking prior permission of its investors, except where such disclosures are required to be made in compliance with any law for the time being in force.
14. A special purpose distinct entity and its trustee or any of its directors, partners or managers, shall not either through its account or through associates or family members, relatives or friends indulge in any insider trading.

³⁷Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2015 w.e.f. April 9, 2015.

15. A special purpose distinct entity and its trustee shall have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its investors and other registered entities from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.
16. A special purpose distinct entity and its trustee shall ensure that good corporate policies and corporate governance is in place and shall develop internal code of conduct for governing its internal operations and laying down standards of appropriate conduct for its employees for carrying out their duties.
17. A special purpose distinct entity and its trustee shall not be party to—
 - i. creation of false market;
 - ii. price rigging or manipulation.]

SCHEDULE IV

³⁸[Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts)] Regulations, 2008]
(See regulation 9)

Contents of Instrument of Trust

The Trust Deed or other constitutional document shall contain the following, namely:—

1. That the trustees shall take into their custody, or under their control the debts or receivables of the schemes of the special purpose distinct entity and hold it in trust for the benefit of investors.
2. That the investors in the securitised debt instruments have such beneficial interest in the underlying debt or receivables as may have been conferred by the scheme.
3. That the trustees themselves do not have any beneficial interest in the underlying debts or receivables.
4. The duties and obligations of the trustees shall be clearly specified.
5. The particulars of interest or association of the trustees which they may have with the originator or the sponsor. The trustees shall also furnish to the board of trustees or trustee company particulars of interest or association which they may have in originator or sponsor.
6. The originator or any of its associates does not exercise control over the trustee.
7. The trustees shall act in the interest of the investors and they shall provide or cause to provide information and disclosures to investors and Board as may be specified by the Board.
8. The trustees shall take reasonable and due care to ensure that the funds raised under the schemes launched by the special purpose distinct entity are in accordance with the provisions of the Act and these regulations.
9. The details of the Trust Property.
10. The trustee shall issue certificate or instrument (by whatever name called) evidencing the beneficial interest of the investors in the debt or receivables assigned to the special purpose distinct entity.
11. Declaration that the trustees and the special purpose distinct entity shall not make or guarantee loans or take up any activity which is not a regulated activity in terms of these regulations.
12. Broad policies regarding allocation of payments

³⁸ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

13. The trustee shall furnish annual report about the pool performance and the investor servicing to the investors.
14. Trusteeship fee, if any, payable to trustees
15. No amendment to the Trust Deed which prejudicially affects the interest of investors shall be carried out.
16. The removal of the trustee in all cases would require the prior approval of the Board.
17. The Trust Deed shall lay down the procedure for seeking approval of the investors under such circumstances as are specified in the Regulations.

SCHEDULE V

³⁹[Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008]

(See regulation 26)

DISCLOSURES TO BE MADE IN THE OFFER DOCUMENT

The offer letter shall contain all material information which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue.

1.0 Cover Page Requirement

1.1 The front and back inside and outside of the cover pages of the offer document shall be white and no patterns or pictures shall be printed on these pages.

1.2. The front outside cover page of the offer document shall contain the following details:

- a) The name of the issuer, the address of the issuer including its registered office, if any ;
- b) Name of the trustee, address of registered office, along with its telephone number, fax number, contact person, website address and e-mail address;
- c) The name of the Originator, the address of its registered office along with its telephone number, fax number, contact person, website address and e mail address;
- d) The title of the securitised debt instruments , expected maturity, coupons, their ratings;
- e) The number, nature, price , amount and issue size of securitised debt instruments offered through the offer document;
- f) Asset type being securitised along with the nature of transaction ;
- g) Issue Schedule:
 - (a) Date of opening of the issue
 - (b) Date of the closing of the issue
- h) Name/s of the stock exchanges where listing of the securitised debt instruments is proposed;
- i) The following disclaimer shall be made prominently in the first page of the offer document: “The submission of draft offer document to the Board should not in any way be deemed or construed that the same has been approved by SEBI. SEBI does not take responsibility for the financial soundness of the scheme launched by the issuer.

Neither SEBI nor the stock exchanges are responsible for the correctness of any statements, opinions or other disclosures contained in this offer document. The registration granted by SEBI to the trustee should not be taken as an indication of the merits of the issuer, the originator or the securitised debt instruments.”

2.0 Table of Contents, definitions and abbreviations.

2.1 Table of Contents shall appear immediately after the front inside cover page **2.2**

The definitions and abbreviations, if any, shall appear after the Table of Contents.

³⁹ Substituted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

3.0 Objects of the Offer.

A brief description about the objects of the offer and proposed end use of funds shall be given in the offer document.

4.0 Summary information

4.1 The following information may be provided in succinct form to enable the investor to get a quick idea of the transaction, followed by elaborate details in the offer document:

- (a) Description of the securitised debt instruments;
- (b) Brief description of the asset pool, including transaction type – cash, synthetic, balance sheet/ repackaging, etc.
- (c) Names of principal parties to the transaction – originator, issuer, trustee, credit enhancement provider, liquidity facility provider, any swap counterparty, servicer, depository, principal underwriter, collection and payment account bank, etc.
- (d) Nominal amount of each class/ tranche of the securitised debt instruments and the issue and redemption prices and nominal interest rate, interest type – fixed or floating;
- (e) Any class tranche not being offered to the public through offer document
- (f) Ratings of each class/tranche
- (g) Credit enhancements for each class of securitised debt instruments
- (h) Expected interest and principal payment dates;
- (i) Expected maturity date of each class of securitised debt instruments
- (j) Legal final maturity of the scheme;
- (k) Optional redemptions, if any;
- (l) Description of underlying asset pool;
- (m) If there is a possibility of extension or shortening of such period, then it shall be disclosed;
- (n) Declaration about the possibility of premature winding up of the scheme in case of prepayments;
- (o) Liquidity support, if any
- (p) Terms of payment and cash flow, distinguishing, where appropriate, allocation of revenue receipts and principal receipts;

4.2 One standard financial unit shall be used in the offer document.

⁴⁰[4.3 Summary term sheet including at least following information (wherever relevant) pertaining to the securitised debt instrument:-

Originators	_____, _____ (each referred to as an “ Originator ” and collectively referred to as the “ Originators ”)
Trustee	[name of trustee]
Issuer	[name of special purpose distinct entity(SPDE)]

⁴⁰ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2015 w.e.f. April 9, 2015.

Trust Property	
Initial Contribution to the SPDE	INR []
Transaction Size	INR []
Pool Principal on Settlement Date	INR []
Pool Cut Off Date	[date] [Specify future cut offs (if revolving in nature) or purchase of future receivables]
Settlement Date	[date]
Payout Dates	[date]
Transaction Structure	Each Originator proposes to sell the following assets to the Issuer on the Settlement Date: [nature of assets] [description of assets] [amount] The aggregate of the assets shall be referred to as the “Total Pool”.

	[specify if par / premium / discount deal] The Issuer intends to issue [] securitised debt instruments representing an undivided beneficial interest in the Issuer's property including the Pool. [specify if there are future sales]
--	---

Receivables	[detailed description of the receivables] [Aggregate of all the receivables]
Disclosure on key pool features composition and	LTV-based, tenure-based, ticket size based distribution etc
Collection Period	_____
Servicer	_____, _____ (individually referred to as a “Servicer” and collectively referred to as the “Servicers”) • Obligations of the Servicer(s) (including reporting obligations) • Events of default of the Servicer(s) • Right to change the Servicer(s)
Servicer Fee and Incentives	[]
Legal Counsel	_____ [specify whom the Counsel represents]
Credit Enhancement for the Transaction	• Internal credit enhancement available for each class of securitised debt instruments, expressed in absolute amounts and as a proportion of the Pool Principal • External credit enhancement available for each class of securitised debt instruments, expressed in absolute amounts and as a proportion of the Pool Principal

	• Annexure that indicates how the above credit enhancement has been calculated, along with assumptions • Provider of credit enhancement
--	--

Utilisation process and conditions for utilization of Credit Enhancement	[]		
Name of Designated bank (with which Cash Collateral and / or Collection and payment Account is maintained)			
Swap	Nature of the swap Swap counterparty, rating of the swap counterparty		
Refund / top up of Credit Enhancement	[]		
Clean-Up Call Option	[]		
Details of Listing	- Timing for listing - Conditions for remaining listed - Consequence of de-listing		
Rating Agency(ies)	[]		
Series of securitised debt instruments	[specify seniority and subordination]		
Day count convention	[]		
	Series A1 Securitised Debt Instruments	Series A2 Securitised Debt Instruments	Series A3 Securitised Debt Instruments

Seniority			
Face Value			
Initial rating			
Final Maturity Date			
Expected Maturity Date			
Expected Yield			
Payment Schedule			
Expected payment schedule			
Promised payment schedule			
First Payout Date			
Portfolio Audit			
Eligibility Criteria for the Receivables	Regulatory requirements Investor requirements (concentration etc.)		
Minimum Holding Period, if any	Minimum Holding Period, if any, during which the receivables are held by the Originator		
Minimum Retention Requirement, if any	Continuing stake, if any, of Originator, if any, on the receivables		
Details of Transaction Documents			

Applicable Law and Jurisdiction	
Waterfall Mechanism	Rules for cash flow to each investor and swap counterparty, and treatment of excess interest / residual cash flows and treatment , in case of prepayment of underlying loans or change in interest rate on loan

]

5.0 Risks involved

- a) Description of the Assets and Debtors.
- b) Default Risk / Credit Risk related to the assets.
- c) Delinquency Risk.
- d) Dilution Risk, that is to say, any possible changes in the credit quality of the pool, excess spread or other factors over time.
- e) Correlation Risk.
- f) Servicing risk, including risks and costs involved in any transition of the servicer
- g) Prepayment Risk..
- h) Liquidity Risk.
- i) Currency, Interest and Other Risks.
- j) Potential loss on securities due to limited assets of special purpose distinct entity.
- k) Risks arising out of geographic concentration of receivables, if any.
- l) Any other risk specific to the transaction and asset class.

5.1. The issuer's perception about such risk factors shall be disclosed together with detailed descriptions of the measures if any that have been taken or that are proposed to be taken by the issuer to mitigate such risks.

5.2. In addition to the risk factors specific to investment in securitised debt instruments as above, disclosure shall also be made of the normal risks associated with investing in securities as mentioned in the Guidelines or Regulations of the Board relating to issue of capital, to the extent applicable.

6.0 Disclaimers

The following disclaimers shall also be made in bold font in the offer document:

- (a) that the securitised debt instruments do not represent deposits, liabilities of the originator, servicer or special purpose distinct entity and that they are not insured;
- (b) that the special purpose distinct entity, originator or servicer does not guarantee the capital value of the securitised debt instruments or the collectibility of the asset pool.

7.0 Details about public offer

7.1 The following details about the public offer shall be disclosed in the offer document

- a) Minimum application.
- b) Minimum subscription – disclosure of method of calculation and disclosure of the sources of funds if the whole or any part of the expenditure mentioned in regulation 31 are to be met otherwise than out of issue proceeds.
- c) Interest rate on application money.
- d) Period of offer - opening and closing dates.

- e) Manner of making application for certificates and instruments and the addresses of the places where the applications would be accepted.
- f) Manner of declaration of results of the public offer.
- g) Methods and time limits for delivery of securitised debt instruments to successful applicants and of refunds of application moneys to unsuccessful applicants.
- h) Option of the applicants to choose between allotment in the physical and dematerialised form.
- i) Brief description of the basis of allotment and procedure which will be followed in case of over-subscription.
- j) Amount of minimum subscription and the steps that would be taken if minimum subscription is not received.
- k) Listing details and transferability.

8.0 The disclosures regarding Securitised debt instruments

8.1 The following disclosures shall be made regarding the securitised debt instruments offered:

- (a) An indication as to, where potential material liquidity shortfalls may occur, the availability and details of any liquidity support and plans to cover potential shortfalls. (b) Information regarding possible accumulation of surpluses in the issuer and an indication of the investment criteria for the investment of any liquidity surpluses.
- (c) Details of any other arrangements upon which payments of interest and principal to investors are dependent.

8.2 The tax treatment of the various transactions at the hands of the investor, special purpose distinct entity and originator shall be disclosed.

9.0 Disclosures about the Issuer

- a) A brief description of the issuer along with its history ;
- b) A statement whether the issuer has been established as a special purpose vehicle or entity.
- c) Details of the settlor, initial corpus, place of registration, if any, along with any identification number.
- d) To the extent known to the issuer, state the name of the person(s) who directly or indirectly controls the issuer, along with the nature of such control and the measures in place to ensure that such control is not abused.
- e) The person(s) holding residual beneficial interest in the trust.
- f) Financial Information concerning the Issuer's assets and liabilities, financial position, and profits and losses, if any.
- g) Names, address, nationality, professional experience, other directorships and academic qualifications of the trustees.
- h) Management of the issuer.

10.0 Disclosures about the Trustees

1. Name of the trustee, organizational form, management.
2. Experience.
3. Duties & responsibilities of the trustee under the trust deed.
4. Principal powers of the trustees.
5. Procedure for appointment, removal and replacement of trustees
6. Other material terms of the trust deed.

11.0 Disclosures about the Originator

1. Name, description, principal business activities and brief history of operation of the originator.
2. Principal business segments in which the originator operates.

3. Description of the originator's business, market presence, market share, if any, experience etc. in relation to the asset class proposed to be securitized.
4. Financial Information concerning the originator's assets and liabilities, financial position, and profits and losses, for the purpose of which the originator shall provide a complete audited financial statements for past 3 years and, if necessary, unaudited financial statements prepared within 120 days from the date of the application for registration of the asset backed securities is made effective.
5. Overview of the process of origination of the asset being securitised. 6. Major underwriting practices concerning the asset being securitised.

12.0 Disclosures about the Servicer

1. Name of the Servicer, organizational form and its principal activities.
2. Experience.
3. Financial Information: The servicer should possess the financial resources necessary to perform under the servicing agreement and/or trust agreement.
4. Disclosure about defaults if any.
5. Material terms of the servicing agreement and the servicer's duties, with the servicing agreement filed as an exhibit.
6. Servicing fees.
7. Events of default of the servicer and consequences thereof. 8. Replacement of the servicer, particulars about whether any backup servicer exists.

13.0 Disclosures about the Transaction Structure & Cash Flow

1. Description of the structure of the transaction, including, if necessary, a structure diagram.
2. Description of the entities participating in the issue and description of the functions, risks associated to be performed by them.
3. Excess spread and the treatment thereof.
4. Credit enhancement and liquidity support.
5. Credit collateral, over-collateralisation, guarantees or any other support from the originator or any third party, particulars of such credit enhancer, fees, if any, payable to such enhancer and particulars of any provision requiring the replacement of such enhancer in any contingency.
6. Important structural triggers in the transaction such early amortisation, redirection of the cash flows to a particular class(es) of the securities, trapping of the excess spread, etc.
7. Cash reserve, if any, including the reinvestment of the same and eligible securities/modes of investment where the same may be invested.
8. Reinvestment of cash flows, if any, and the modes where the same may be reinvested.
9. Any material contracts with the originator or third parties such as swaps, put or call options including any such options in respect of the securitised debt instruments.
10. Clean up call option, if any.
11. Priority of distributions and allocation of funds. An illustrative schedule of priority is given below:
 - Servicing Fee, Trustee Fee etc.
 - Class A Securities Interest
 - First allocation of principal
 - Class B interest
 - Second allocation of principal
 - Reinstatement of reserve account, if any • Early amortisation events, trigger clauses etc.
 - Events of default and events entailing change in priority of distributions

12. Description of the method and date of the sale, transfer or assignment of the assets or of any rights and/or obligations in the assets to the issuer or, where applicable, the manner and time period in which the proceeds from the issue will be fully invested by the issuer.
13. Material features of the asset pool such as default rate, loss rate, recovery rate, delinquency rate (by buckets such as 30 dpd; 60 dpd; 90 dpd, etc), prepayment rate, etc.
14. Sensitivity of the cash flows and yields on different classes to the changes in the above assumptions, including expected maturity.
15. Major representations and warranties contained in the document whereby the debt or receivables have been assigned.
16. Any other particulars as are necessary to understand the transaction structure.

14.0 The Underlying Assets

In any such information as below, where an average information is being given, the minimum, maximum and the standard deviation must also be disclosed:

- (a) the legal jurisdiction(s) where the assets are located;
- (b) the nature of and title of the assets;
- (c) the expiry or maturity date(s) of the assets;
- (d) the rate of return from the assets;
- (e) the criteria for the selection of the assets;
- (f) the number and value of the assets in the pool;
- (g) the method of origination or creation of the assets;
- (h) rights of recourse against the originator to the extent allowed in law, including a list of material representations and warranties given to the issuer relating to the assets;
- (i) rights to substitute the assets and the qualifying criteria;
- (j) any prepayment right including prepayment penalties available to the obligors;
- (k) level of concentration of the obligors in the asset pool, identifying obligors that account for ten per cent or more of the asset value;
- (l) where there is no concentration of obligors above ten per cent, the general characteristics and descriptions of the obligors;
- (m) the outstanding principal balance/anticipated collections over a definite period from the eligible assets;
- (n) the outstanding principal balance/anticipated collections over a definite period from the eligible assets as a percentage of the total amount of asset-backed securities being offered;
- (o) the cash generated by the eligible assets in the last financial year as a percentage of the total amount of securitised debt instruments being offered;
- (p) the amount of eligible assets in default;
- (q) the amount of eligible assets in default as a percentage of the total amount of securitised debt instruments being offered and the amount of eligible assets in default as a percentage of the credit enhancement;
- (r) explanatory notes where there is expected material difference between actual and projected cash flows and any actions being taken to correct the situation;
- (s) a description of what constitutes a default;
- (t) a chartered accountant's report on the cash flow projections arising from the eligible assets which are the basis of the securitisation together with the basis of the projection.

15.0 Static Pool Information

The following information shall be provided for static pools of similar assets of all past securitisation transactions done with reference to the same originator:

1. Information regarding delinquencies, cumulative losses and prepayments information for the past 5 years of the originator's portfolio, including the build up of such delinquencies, losses and prepayments over time.

2. It should include the factors relevant to the transaction such as asset term, asset type, yield, payment rates, the erosion of credit enhancements, any allocation of losses to any class of investors, etc.

16.0 Outstanding litigations and material developments.

17.0 Other regulatory and Statutory Disclosures.

18.0 Fees & expenses Any fees paid to trustee, servicer etc. and the tax paid should be disclosed.

19.0 Declarations.

(1) The offer document shall contain the following declaration by trustees of the special purpose distinct entity at the end:-

"We being the trustees of the issuer namely: accept responsibility for the information contained in this offer document. To the best of our knowledge and belief and we have taken all reasonable care to ensure that the information contained in this document is in accordance with facts which are true, fair and adequate and does not omit anything likely to affect the import of such information.

In our opinion, the issuer does not have any debts, liabilities or other claims which may increase the likelihood of the issuer being subjected to dissolution, voluntary or compulsory winding up or insolvency proceedings.

In our opinion, the expected cash flow from the asset pool is sufficient to meet the obligations on the securitised debt instruments."

(2) The offer document shall also contain a declaration made by the directors of the originator in the following terms:-

"We being the directors of the originator namely: accept responsibility for the information contained in this offer document. To the best of our knowledge and belief and we have taken all reasonable care to ensure that the information contained in this document is in accordance with facts which are true, fair and adequate and does not omit anything likely to affect the import of such information.

In our opinion, the originator is a going concern.

In our opinion, the expected cash flow from the asset pool is sufficient to meet the obligations on the securitised debt instruments."

20.0 Undertakings.

(1) The following undertakings shall be made by all trustees of the special purpose distinct entity, -

(a) that in the event minimum subscription is not received, the special purpose distinct entity shall forthwith refund the application moneys collected under the offer and in the event of delay beyond eight days from closure of the offer in making such refund, the special purpose distinct entity and its directors or trustees shall be liable jointly and severally to repay the application moneys together with interest at fifteen per cent per annum;

(b) that in the event of over-subscription, the excess application moneys shall be refunded forthwith to unsuccessful and partially successful applicants and in the event of delay beyond eight days from finalisation of the basis of allotment in making such refund, the special purpose distinct entity and its directors or trustees shall be liable jointly and severally to repay the application moneys together with interest at fifteen per cent per annum;

(c) that in the event any stock exchange to which an application for listing is made under subsection (2) of section 17A of the Act rejects listing permission, the issuer and, if necessary, its directors or trustees, shall refund application moneys forthwith in terms of subsection (3) thereof.

21.0 Material documents.

(1) The following documents and any other document referred to in the offer document as a 'material document' shall be made available for inspection to prospective investors during the offer period at the registered office of the issuer or at office of the merchant banker:-

- (a) the constitutional documents of the issuer;
- (b) copies of agreement between the issuer and the servicer, credit enhancer, and liquidity provider where relevant;
- (c) copies of agreement with credit enhancer;
- (d) documents of assignment of the assets under the securitisation transaction;
- (e) copies of agreements with underwriters,
- (f) the originator's board resolutions, shareholders resolution, if applicable, and approval by existing debt holders, where applicable;
- (g) all reports, letters and other documents, valuations and statements by any expert any part of which is included or referred to in the offer document;
- (h) the audited accounts of the originator or, where it has subsidiaries, the consolidated audited accounts of the originator and its subsidiaries for each of the five financial years preceding the publication of the offer document, including, all notes, reports or information required by the Companies Act, 1956 (1 of 1956) to be annexed or attached thereto.

(2) Detailed disclosures shall be given as to the manner in which the above documents may be inspected.

(3) Where any of the above documents are not in English, translations into English must also be available for inspection.

⁴¹[SCHEDULE VA

Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008

(See regulation 38E)

DISCLOSURES TO BE MADE IN THE OFFER DOCUMENT

The offer document shall contain all material information which shall be true and adequate so as to enable the investors to make informed decision on the investment in the issue.

The disclosures shall be part of the objects of the issue in the offer document and shall include:

- A. Details of non-performing loans acquired by the issuer/ asset reconstruction company from various banks. Such details shall, inter-alia, include the following:
 - (i) date of NPA classification;
 - (ii) details of assets;
 - (iii) facility-wise limits sanctioned;

⁴¹ Inserted by the SEBI (Public Offer and Listing of Securitised Debt Instruments) (Amendment) Regulations, 2018 w.e.f. June 26, 2018.

- (iv) nature of charge on the underlying assets i.e. 1st charge, 2nd charge, exclusive charge etc.;
- (v) share in total debt;
- (vi) details of guarantor(s), if any;
- (vii) details of custody of original title deeds;
- (viii) litigation, if any;
- (ix) willful defaulters, if any;
- (x) any valuation of collateral providing full details thereof;
- (xi) inspection report of collateral, if any;
- (xii) material findings in the due diligence report of Asset Reconstruction Company;
- (xiii) resolution plan formulated by Asset Reconstruction Company, if any;

B. Details of percentage holding of non-performing loans across other banks.”]

C.B.BHAVE
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA