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- SEBI Notifies SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008
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BACKGROUND

The Securities Contracts (Regulation) Act, 1956 was amended in 2007 (by virtue of inserting Section 17A) enabling SEBI to provide for disclosure based regulation for public issue of or listing of securitized debt instruments on the recognized stock exchanges. Accordingly, SEBI has notified SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008, □Regulations□, on May 26, 2008 taking into account the market needs, cost of the transactions, competition policy, the professional expertise of credit rating agencies, disclosures and obligations of the parties involved in the transaction and the interest of investors in such instruments.

Following are the salient features of the Regulation:

- The special purpose distinct entity (the issuer) will be a trust and the trustees thereof will require registration from SEBI. The instrument issued by the issuer to the investor shall acknowledge the beneficial interest of such investor in underlying debt or receivables assigned to the issuer. The issuer can undertake only the activities permitted by the regulations.
- If a debenture trustee registered with SEBI or a securitization company or a asset reconstruction company registered with Reserve Bank of India or National Housing Bank or the NABARD is the trustee of the issuer no registration from SEBI to act as such shall be required.
- The Regulations permit securitisation of both existing as well as future receivables.
- The Regulations provide flexibility in terms of pay through / pass through structures.
- In case of public issuances listing will be mandatory. The instruments issued on private placement basis may also be listed subject to the compliance of simplified provisions of the Regulations. The securitized debt instruments issued to the public or listed on a recognized stock exchange in accordance with these regulations shall be freely transferable.
- The issuer may offer securitised debt instruments to public for subscription through an offer document containing disclosures of all relevant material facts including financials of the issuer, originator, quality of the asset pool, disclosure of various kinds of risks, credit ratings including unaccepted ratings, arrangements made for credit enhancement, liquidity facilities availed, underwriting of the issue etc. apart from the routine disclosures relating to issue, offer period, application, etc.
- Regulations require strict segregation of assets of each scheme.
- Rating from at least two credit rating agencies is mandatory and all ratings including unaccepted ratings shall be disclosed in the offer documents. The rating rationale should include reference to the quality of the said pool and strengthen of cash flows, originator profile, payment structure, risks and concerns for investors, etc.
- The instrument shall be in dematerialized form.
- The draft offer document shall be filed with SEBI at least 15 days before opening of the

issue.

In case of any clarification please contact our Capital Market Team

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