

**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**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**(PUBLIC OFFER AND LISTING OF SECURITISED DEBT INSTRUMENTS)**

**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 Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) 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;  
(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;  
(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) “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;
- (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;
- (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) “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 from the public or purchase of any securitised debt instruments of a scheme formulated under these regulations;
- (m) “originator” means the assignor of debt or receivables to a special purpose distinct entity for the purpose of securitisation;
- (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;
- (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;
- (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 any person who establishes or promotes a special purpose distinct entity;
  - (w) “trustee” means a trustee of a special purpose distinct entity;
  - (x) “working days” means working days of the Board.

(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.

**Applicability.**

3. These regulations shall apply to-
- (a) public offers of securitised debt instruments; or
  - (b) to listing of securitised debt instruments issued to public or any person(s), on a recognised stock exchange.

**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.

(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  
consideration**

**for 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  
granting  
registration, etc.**

**for 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 sub-section (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**      **of 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.

**CHAPTER IV**  
**SCHEMES OF SPECIAL PURPOSE DISTINCT ENTITIES**

- Launching of schemes.**      **of 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.**      **to 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  
originator.**

**of 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  
schemes.**

**up of 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 1<sup>st</sup> 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 mis-statements 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 over-subscription 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 sub-regulation (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.
- 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.
- (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 listing.**

- for 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.

**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.
- (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.
- (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).

**Continuous listing conditions 37.**

- (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 determine.

**Trading  
securitised  
instruments**

**of debt  
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.

**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 41.  
inspection.**

- (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 42.  
special purpose  
distinct entities on  
inspection.**

- (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 43.  
auditor or valuer.**

- (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 44. report to the Board.**

- (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 45. suspension of registration.**

- (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.

### **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**  
**Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) 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.

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**  
**Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) 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	Rs. 50,000/- (fifty thousand rupees)
C. Annual fees	Rs.10, 000 (ten 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 ten thousand rupees and a maximum of twenty five thousand rupees.

2. The fees mentioned in paragraph 1 shall be paid by means of a demand draft drawn in favour of the 'Securities and Exchange Board of India' payable at Mumbai.

**SCHEDULE - III**  
**Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008**  
[See regulation 7(g)]

**CODE OF CONDUCT**

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.

**SCHEDULE IV**  
**Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) 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
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**  
**Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) 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.

**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.

#### **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 sub-section (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 sub-section (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.

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

[ADVT.III/IV/69ZB/2008/Exty.]