



# Revised norms for securitisation likely to boost volume of loans

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Abhijit Lele | Mumbai September 27, 2021 Last Updated at 22:15 IST



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revised norms for securitisation are expected to boost the volumes of loans that lenders sell to investors as the Reserve Bank of India has reduced minimum holding period from 12 months to six months.

The securitisation process involves the conversion of an asset, mostly loans, into marketable securities, which are sold to investors to raise cash. Lenders use one of the two methods -- direct assignment and pass through certificate – to offload loans.

Banking regulator also reduced the minimum amount of loan to be retained on book from 10 per cent to five per cent for sale and laid down clear rules for risk weights for loans acquired through securitisation. These changes could lead to an increase in volumes in the second half of the current financial year (FY22), analysts said. The activity declined in the aftermath of Covid-19 pandemic in 2020 as well as in 2021.

Krishnan Sitaraman - Senior Director & Deputy Chief Ratings, CRISIL said new rules provide clarity and will support orderly development of securitisation. The reduction in minimum holding period (MHP) would increase stock of loans available for securitisation transactions.

Another rating agency CARE said these directions will enable securitization of certain loans which were earlier not permissible. Also, the directions on Short, Transparent and Comparable (STC Securitization) could signal a paradigm shift in the long run. It is likely to a deepen the Indian securitization market with greater transparency and robust disclosure practices, the agency added.

Meanwhile CRISIL in a separate statement said with curbs easing collections for securitised pool have sprung back to 98 per cent in August from 95 per cent in June for two wheeler loans. The improvement in collections was more significant in SME loans to 90 per cent in August from 78 per cent in June.

Gradual phasing out of social restrictions has improved the monthly collection ratios of securitised pools, CRISIL said.