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RBI releases the Report of the Committee on the Development of Housing Finance Securitisation Market

The Reserve Bank of India had constituted a Committee on the Development of Housing Finance Securitisation Market, on May 29, 2019, with Dr. Harsh Vardhan, Senior Advisor, Bain & Co. as the Chairperson. The Committee was set up in recognition of the role of well-functioning securitisation markets for better management of credit and liquidity risks in the balance-sheets of banks as well as non-bank mortgage originators. The terms of reference of the Committee were to review the existing state of mortgage securitisation market in India and make recommendations to address various issues relating to originators/investors as well as market microstructure.

The Committee has since submitted its report to the Governor. The key recommendations of the Committee, guided by the broad perspective of enhancing efficiency and transparency of securitisation transactions, are as follows:

- setting up of a government sponsored intermediary, through the National Housing Bank, to enable market making and standard setting;
- developing standards for loan origination, loan servicing, loan documentation, and loans to be eligible for securitisation, including standardised formats for data collection and aggregation;
- separation of regulatory guidelines for direct assignment transactions and transactions involving pass through certificates as well as for mortgage backed securities (MBS) and asset backed securities (ABS);
- relaxation of regulatory norms for minimum holding period (MHP) and minimum retention requirement (MRR) for MBS;
- amendments and/or clarifications for registration and stamp duty requirements and tax guidelines to reduce the transaction costs for securitisation as also to encourage investments in pass-through-securities;
- treating the assets underlying a securitisation transaction as well as any exposures in the form of credit enhancement as bankruptcy remote under the insolvency laws for financial firms; and,
- changes to regulations issued by financial sector regulators to incentivise participation of their respective regulated entities as investors.

The report is placed at <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR65116F50063966C42C2A4FA03FC1EA64E0E.PDF> for comments of stakeholders and members of the public. Comments on the report may be sent by September 30, 2019 at ice@rbi.org.in