



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2014-2015/476

DNBR(PD)CC.No. 01/SCRC/26.03.001/2014-2015

February 24, 2015

The Chairman / Managing Director /
Chief Executive Officer
All Registered Securitisation Companies /
Reconstruction Companies

Dear Sir,

Bank's prior approval for change in shareholding

In terms of Section 3(6) of the SARFAESI Act, 2002, every Securitisation Company / Reconstruction Company (SC / RC) is required to obtain prior approval of the Reserve Bank for any substantial change in its management. For the purpose of this section, the expression "substantial change in management" means the change in the management by way of transfer of shares or amalgamation or transfer of the business of the company. Hence, one of the terms and conditions stipulated to the SC/RCs, while granting them the Certificate of Registration, states that prior approval of Reserve Bank will have to be taken by the SC/RCs for any change in their shareholding pattern.

2. In order to smoothen the functioning of SC/RC companies, it has been decided that, henceforth only the following changes in the share holding pattern of the SC/RC will require Reserve Bank's prior approval:

- i. any transfer of shares by which the transferee becomes a sponsor.
- ii. any transfer of shares by which the transferor ceases to be a sponsor.
- iii. an aggregate transfer of ten percent or more of the total paid up share capital of the SC/RC by a sponsor during the period of five years commencing from the date of certificate of registration.

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हिंदी आसान है, इसका प्रयोग बढ़ाइए



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3. All other terms and conditions as stipulated to the SC/RC, while granting them the Certificate of Registration, will continue to apply.
4. SCs/RCs may note the above instructions for meticulous compliance.
5. A notification DNBR(PD-SC/RC).No.01/CGM(CDS)/2014-2015 dated February 24, 2015, amending 'The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003' is enclosed.

Yours sincerely,

(C D Srinivasan)
Chief General Manager

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**Reserve Bank of India
Department of Non-Banking Regulation
Central Office
World Trade Centre
Mumbai 400 005**

Notification DNBR(PD-SC/RC) No. 01/CGM (CDS)/ 2014-2015 dated February 24, 2015

The Reserve Bank of India, having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Reserve Bank to regulate the financial system to the advantage of the country and to prevent the affairs of any Securitisation Company or Reconstruction Company from being conducted in a manner detrimental to the interest of investors or in any manner prejudicial to the interest of such Securitisation Company or Reconstruction Company, in exercise of the powers conferred under Section 3, 9, 12 and 13 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, hereby directs that 'The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003' contained in [Notification No.DNBS.2/CGM\(CSM\)-2003 dated April 23, 2003](#) (hereinafter called directions) shall stand amended with immediate effect, as follows :-

2. Insertion of new paragraph 24

After paragraph 23, the following paragraph 24 shall be inserted

“24. Bank’s prior approval for any substantial change in management by way of transfer of shares”

Notwithstanding anything to the contrary contained in the terms and conditions stipulated in the certificate of registration issued under section 3 of the Act, SC/RCS shall obtain prior approval of Reserve Bank for transfers that result in substantial change in management in the following cases only-

- i. any transfer of shares by which the transferee becomes a sponsor.
- ii. any transfer of shares by which the transferor ceases to be a sponsor.
- iii. an aggregate transfer of ten percent or more of the total paid up share capital of the SC/RC by a sponsor during the period of five years commencing from the date of certificate of registration.

Explanation:- For the purposes of this clause, a transfer shall be deemed to be a transfer of more than ten percent of the total paid up share capital of the SC/RC if the aggregate of all the transfer of shares made by the sponsor prior to that transfer, and including that transfer, is 10% or more of the total paid up share capital of the SC/RC.

(C D Srinivasan)
Chief General Manager