

What's New

News Flash



July 2018

Category II and Category III AIFs notified as Qualified Buyers for SRs issued by ARC Trusts

The Reserve Bank of India issued a Notification¹ dated 16 May, 2018 (published in the Gazette of India on 05 July, 2018) to specify the following entities as “Qualified Buyer” under section 2(u) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act):

- a. Category II Alternative Investment Funds (AIFs') registered with the Securities and Exchange Board of India (SEBI); and
- b. Category III AIFs registered with the SEBI.

Investments by above AIFs in Security Receipts (SRs) issued by Asset Reconstruction Companies' (ARC) trusts would be subject to the following conditions:

- The AIF which has invested in ARC should not invest in the SRs issued by trusts set up by that ARC.
- The AIF should not invest in the SRs issued on the underlying loans of any of the AIF's associate or group Company.
- The AIF should not invest in the SRs backed by non-performing assets of banks which hold equity of more than 10% in that AIF.

PwC comments

- The above notification is a welcome step to widen the list of Qualified Buyers of SRs issued by the ARC trust.
- AIFs that are set up as body corporate had already been notified as “Qualified Buyer” *vide* the SEBI notification dated 03 August, 2012.
- The notification was gazetted on 05 July, 2018 but issued on 16 May, 2018.

¹ Notification DNBR (PD-ARC) No. 07/ ED(SS)-2018 dated 16 May, 2018

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With Best Regards
PwC TRS Team

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