

RBI issues guidelines for Rs 30,000-crore NBFC liquidity facility

By: FE Bureau

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The Reserve Bank of India (RBI) on Wednesday issued operational guidelines for the Rs 30,000-crore special liquidity facility for non-banking finance companies (NBFCs) announced in May. The guidelines include eligibility criteria for institutions availing of the facility, and said SBI Capital Markets

(SBICaps) has set up a special purpose vehicle (SPV), called SLS Trust, to administer the scheme.

The SPV will purchase short-term papers from eligible NBFCs and housing finance companies (HFCs), who shall utilise the proceeds under this scheme solely for the purpose of extinguishing existing liabilities. The instruments will be commercial papers (CPs) and non-convertible debentures (NCDs) with a residual maturity of not more than three months and rated as investment grade.

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“The facility will not be available for any paper issued after September 30, 2020 and the SPV would cease to make fresh purchases after September 30, 2020 and would recover all dues by December 31, 2020; or as may be modified subsequently under the scheme,” the notification said.

To be eligible under the scheme, NBFCs and HFCs must have an investment-grade rating. Their capital adequacy ratio should not be below the regulatory minimum of 15% for NBFCs and 12% for HFCs as on March 31, 2019.

Their net non-performing assets (NPA) ratio should not be more than 6% as on March 31, 2019. They should have made a profit in at least one of the last two preceding financial years. They should not have been reported under the special mention account (SMA)-1 or SMA-2 category by any bank for their borrowings during the last one year prior to August 1, 2018.

They should also comply with the requirement of the SPV for an appropriate level of collateral from the entity which, however, would be optional and will be decided by the SPV.



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