

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOKSABHA**

STARRED QUESTION NO. 8

**TO BE ANSWERED ON MONDAY, NOVEMBER 18, 2019 / KARTIKA 27/1941
(SAKA)**

SECONDARY MARKET FOR CORPORATE LOANS

***8: Shri. Raja Amareshwara Naik: Shri. Bhola Singh:**

Will the Minister of FINANCE be pleased to state:

a) whether the task force on the development of a secondary market for corporate loans has recommended to allow Foreign Portfolio Investors (FPIs) to directly buy stressed loans from Indian banks within certain annual prudential limits;

b) if so the details thereof along with the reaction of the Government thereto;

c) whether the Government is planning to introduce a scheme similar to that of the Voluntary Retention Route for FPI investments in debt markets to address the issue of possible volatility that may emerge by allowing foreign players and if so, the details thereof;

d) whether the Government has approved the setting up of an online sales portal for secondary sale of corporate loans as well as permitting single-loan securitization and participation by mutual, pension, alternative investment funds, FPI's etc. and if so the details thereof; and

e) the other steps being taken by the Government in this regard?

ANSWER

**MINISTER OF FINANCE
(SHRIMATI NIRMALA SITHARAMAN)**

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. *8 RAISED BY SHRI. RAJA AMARESHWARA NAIK AND SHRI. BHOLA SINGH HON'BLE MEMBERS OF PARLIAMENT TO BE ANSWERED ON 18.11.2019 REGARDING "SECONDARY MARKET FOR CORPORATE LOANS".

(a) and (b): The Task Force on the Development of Secondary Market for Corporate Loans that was constituted by the Reserve Bank on May 29, 2019 had in its Report submitted to the Reserve Bank on August 30, 2019 recommended that FPI Investors may be allowed to directly purchase distressed loans from banks within an annual prudential limits defined by RBI in consultation with Government of India. This is currently being examined by the Reserve Bank.

(c) and (d): There are currently no such proposals under consideration of the Government. However the abovementioned Task Force in its Report submitted to the Reserve Bank had recommended that a scheme similar to that of Voluntary Retention Route (VRR) recently introduced to enable FPIs to invest in debt markets in India may be envisaged. The Task Force has also recommended that an online loan sales portal to conduct auctions and sale process may be designed and also that RBI may consider permitting single loan securitization and allow Mutual Funds (MF's), Pension Funds (PFs), Alternative Investment Funds (AIF's), Foreign Portfolio Investors (FPIs) and Insurance Companies to participate in these securities. These recommendations are currently being examined by the Reserve Bank.

(e): RBI has taken a number of measures to promote sale of corporate loans, which are as under:

- (i) Permitting transfer of borrowal accounts from one bank to another
- (ii) Issuance of inter-bank participation certificates
- (iii) Transfer of assets through securitization
- (iv) Issuance of guidelines on sale of stressed assets by banks
- (v) Permitting banks to sell certain loans to eligible External Commercial Borrowing (ECB) lenders
