

Virtual conference on Impact of RBI's moratorium on PTC transactions

Background:

The Reserve Bank of India, as a measure to combat the impact of pandemic COVID 19 on the economy, came out with a number of reforms on 27th March, 2020. One of the measures was extension of moratorium of 3 months on all term loans extended by financial institutions.

While it is clear that lenders have to extend the moratorium irrespective of whether the receivables are still with the originator or have been assigned to an assignee/trustee under a PTC transaction, it is also clear that a servicer does not have the ability to extend the moratorium himself, without the concurrence of the assignee. When lenders have approached assignees for the said sanction, there have been varied reactions.

In case of mutual funds, it is felt by some that there may be issues arising out of the SEBI's circular dated 24th September, 2019, where any extension of tenure of debt securities would be treated as a case of "default". Therefore, there is an apprehension that if the terms of the PTCs are extended pursuant to the moratorium granted on underlying loans, the same would be treated as a case of "default" and would have an adverse impact on the valuation of the PTCs.

Due to the aforementioned, the stakeholders are engaged in a discussion as to how to approach the extension of tenure. There have been discussions around change of the structure from an amortising structure to a bullet repaying structure. It needs to be seen whether this may lead to weakening of the entire structure.

In any case, it will be important to take a concerted call on arriving at an industry-wide solution to the issue.

In an attempt to address the ambiguities prevailing in the market, Indian Securitisation Foundation has proposed to organise a virtual conference on the issue, where several market experts are expected to join and present their perspective.

Outline:

1. Can the lenders extend moratorium without the consent of the investors?
2. Is there a need for a consequent change in the terms of the PTCs?
3. If the terms of the PTCs are changed, will it lead to restructuring for the Mutual Funds? Will it affect the valuation of the PTCs adversely?
4. Is there a need for a separate clarification in this regard from SEBI?

Date: 17th April, 2020, Friday

Time: 4 PM – 5 PM

Speakers:

1. Kailash Baheti – Group CFO, Magma Fincorp Limited*
2. Kalpesh Gada – Independent Structured Finance Professional
3. Nihas Basheer – Partner, Wadia Ghandy & Co.
4. Vinod Kothari – Director, Indian Securitisation Foundation

Who should attend?

1. Mutual Funds
2. Structured finance professionals
3. Law firms engaged in structured finance practices
4. Rating agencies

Fees:

This is an initiative by Indian Securitisation Foundation for the best interest of the securitisation industry, hence, there is no fee involved.

Number of participants:

The discussion will be conducted through Zoom, hence, the maximum number of participants who can attend the session will be 100 (including the speakers).

Joining-in details:

Topic: Virtual conference on Impact of RBI's moratorium on PTC transactions

Time: Apr 17, 2020 04:00 PM India

<https://us02web.zoom.us/j/81660800713?pwd=TDVqNThad3k1RFBtaHQzR1UyWHE3dz09>

Meeting ID: 816 6080 0713

Password: 030455

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