

# SLMA LAUNCHED TO HELP SECONDARY LOAN MARKET

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

**MUMBAI** : Ten major banks including state bank of india and icici bank on Wednesday came together to set up a secondary loan market association for promoting growth of secondary market for loans in india, and also unveil an online platform.

SLMA is a self-regulatory body and has been formed as per the recommendation of the Reserve Bank of India's Task Force on the Development of secondary market for corporate loans.

The other members of SLMA are canra bank, Standard Chartered Bank, Kotak Mahindra Bank, Deutsche Bank, Bank of Baroda, Punjab National Bank, Axis Bank and HDFC Bank.

According to SLMA's memorandum of association, it will facilitate, promote and set up an online system for the standardisation and simplification of primary loan documentation, and standardisation of documentation for the purchase and sale/assignment documentation and other trading mechanisms for the secondary loan market and its documentation.

The company's website and logo were digitally launched on Wednesday by Saurav Sinha, Executive Director, Reserve Bank of India.

Speaking at the event, Sinha said an active secondary market for loans in India will offer benefits to various stakeholders by way of capital optimisation, [liquidity](#) management, risk management, exposure re-balancing and efficient price discovery mechanism.

He observed that since smaller banks are generally constrained for various reasons from participating in large and creditworthy lending exposures at the time of origination, the secondary market can enable them to participate in such exposures at a later stage and the constraints faced under the Large Exposure Framework will be a thing of the past.

Sinha also emphasized on the essential pre-requisites for a vibrant secondary market — an ecosystem of market intermediaries like facility agents, security trustee, arrangers, valuation agencies, etc.

Ashwini Bhatia, Managing Director, SBI, noted that the conceptualisation and operationalisation of SLMA in a time-bound manner is an appropriate response to the long-felt need for wider participation in the loan market aided by appropriate risk mitigation. It will provide the banks and other participants a window for managing their loan assets portfolio, he added.

Bhatia underscored that presently, the primary and secondary markets are restricted to banks and non-banking finance companies and domestic and foreign investors participate only in distressed debt through Asset Reconstruction Companies.

"As such, there is a felt need to expand the spectrum of investors in the secondary market and Alternative Investment Funds/Mutual funds to invest in the secondary loan market,"he said.

Sanjay Srivastava, Chairman, SLMA, said the secondary market for loans in India will evolve on the strength of a systematic digital loan trading platform, standardisation of documents, active participation by stakeholders and effective price discovery mechanism.

Sunil Mehta, Chief Executive, Indian Banks' Association (IBA), said currently the IBA is actively working on development of syndicated loan market in India and one of the key success factors for such market will be the parallel development of secondary market for sale of loan.

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