

# RBI ALLOWS ARCS TO BUY FINANCIAL ASSETS FROM PEERS

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The Reserve Bank of India (RBI) has allowed asset reconstruction companies (ARCs) to buy financial assets from other such entities. However, all such transactions have to be settled in cash, the banking regulator said.

“In view of amendment to the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002, it has been decided to permit ARCs to acquire financial assets from other ARCs,” the RBI said.

“Price discovery for such transaction shall not be prejudicial to the interest of security receipt holders,” the RBI further said, adding the selling ARC must utilise the proceeds so received for the redemption of underlying security receipts.

The date of redemption of underlying Security Receipts and total period of realisation should not extend beyond eight years from the date of acquisition of the financial asset by the first ARC, RBI said.

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