

## **D.5. Central Loan Contract Registry/Repository (CLCR)**

1. Benefits envisaged in a CLCR: Currently there is no centralized/ public credit registry. Also, the current norm is for individual lenders to auction loan assets using their individual websites / public notices / invitations for EOIs etc. There is no centralized platform for auction and sale of loan assets. A centralized registry would, in effect, facilitate standardization with respect to information sharing, due diligence process and verification, and book-keeping. A centralized platform would facilitate interested purchasers to identify at one place all assets which are currently available. Improved access would likely result in increased participation by potential buyers and therefore enable better price discovery. A centralized platform could also lead to consistency in pricing thereby ensuring similar recoveries for all lenders. The platform will also help lenders justify the sale price should transaction commercials be questioned in the future.

2. Setting up of a CLCR: Accordingly, the Task Force recommends the setting-up of a Central Loan Contract Registry (CLCR). The CLCR may be set up by an agency accredited by the proposed SRB or RBI to enable participants transact in a transparent manner. This will help in building liquidity in the secondary market through a smooth, reliable and timely process and wider participation. The registry may serve as a 'one stop shop' for all the information about the loans which are proposed to be sold such as loan structure, loan servicing history, asset classification status, financial information about the borrower, key details about the project documents, status of the project, information about the borrower's group, etc. Additionally, information related to typical bid offer spreads on traded loans, which will help anchor price discovery for market participants, may also be published. The platform can maintain the entire data in a digitized form including indicative pricing, past trade data, etc.

3. Segregation of Ownership: Registration of charges at various registrar offices is an essential feature of Indian charge registration process. However, the registration of charge by the beneficial owners at various registrar offices where the property is situated poses a challenge which needs to be addressed. In order to enable seamless transfer of the loan portfolio amongst the participants, and ensure ease of doing the transactions in the secondary market, it is imperative to segregate the ownership of the security interest as 'Registered Owner' (RO) and 'Beneficial Owner' (BO). While

the security trustee shall be deemed to be the RO for the security interest connected to the underlying loan asset transacted in the secondary market, the lenders/participants will be treated as BOs of the said security interest. Accordingly, while the BO changes with every transaction in a given loan asset, the RO will remain the same. Such segregation of the registration versus eventual beneficial interest helps in avoiding additional documentation/process/costs on transfer of the asset from one lender to another lender as the RO remains the same.

4. IUs as CLCR: It is understood that the information stored with the Information Utilities (IUs, as constituted under the Insolvency and Bankruptcy Code (IBC) and allied regulations) is required to be authenticated by all parties to a debt/loan, even where the financial information including the loan details and security structure are submitted with the concerned IU by any other financial creditor. Such all-party authentication of information about an existing debt including the security structure helps achieve transparency, confidence as well as efficiency in the credit decisions of lenders. Hence, instead of adopting any new mechanism for independent verification of the above loan information, it is suggested that the database of IUs may be allowed to be used for secondary loan market transactions. As such, an IU may be better placed to establish the Central Loan Contract Registry/Repository considering the above synergies. In case, it is perceived that more than one agency needs to be recognised for performing such role, it may be acted upon accordingly.

5. Digital Documentation Execution (DDE): The CLCR shall also serve as a repository for all digitally executed contracts. Till the time the physical documents are transitioned to a digital format, the Security Trustee may continue to hold the physical documents and the Registry/Repository (CLCR) may have electronic links with Trustee for verification. This will help the CLCR serve as single point for verified information required during secondary market transactions. Incidentally, it is understood that Digital Document Execution integrated with digital stamp duty payment and receipt (from SHCIL) is being launched by National E-Governance Services Limited (NeSL), an IU towards dematerialization of financial contracts.

6. Legal Sanctity: The information with the IUs relating to the assets and liabilities of a person is currently considered as a valid legal evidence for the purposes of the insolvency resolution process under the IBC.