



DEBT MARKET

Securitisation and PTCs

How a pool of loans becomes a tradable security, and what a debt fund buys when it buys one

Rules as in force on 16 October 2026

For training and education only. Not investment advice.

Securitisation turns a pool of loans into tradable certificates.

A lender sells a bundle of its loans to a separate entity, which issues certificates. The money the borrowers repay is passed through to whoever holds the certificates.

Who does what

Four roles turn a pile of loans into a certificate an investor can hold.

1

The originator

The lender (a bank, NBFC or housing finance company) that made the loans and now sells a pool of them.

2

The special purpose entity

A separate trust that buys the pool and issues the certificates. Being separate keeps the pool apart from the originator's own troubles.

3

The pass-through certificate

What the investor holds. It is a share in the pool's cash flows; repayments are passed through to the holder.

4

The servicer

Usually the originator. It keeps collecting the EMIs and passes the money to the entity, which pays the certificate holders.

Source: RBI (Securitisation Transactions) Directions, 2025, dated 28 November 2025.

What a debt fund actually receives

THE SET-UP

A ₹100 crore pool of home loans is securitised.

Residential-mortgage retention is 5%. The minimum any one investor can put in is ₹1 crore.

- 1 The originator sells the ₹100 crore pool to a trust, which issues PTCs backed by the pool.
- 2 It must keep 5% as skin in the game: $₹100 \text{ crore} \times 5\% = ₹5 \text{ crore}$ retained.
- 3 A debt fund buys ₹10 crore of PTCs — a 10% share of the pool's cash flows.
- 4 On a month's ₹2 crore of collections, the fund's 10% share is ₹20 lakh, before any fees or credit-enhancement draws.

The fund earns from the borrowers' repayments, not from the originator's own promise.

Illustration with assumed, invented figures. Not a real transaction.

Two protections built in



Credit enhancement

A cushion that absorbs early losses so the certificates can earn a higher rating. It can be cash set aside, extra interest kept back, or a first-loss guarantee.



Minimum retention (MRR)

The originator must keep a slice of the pool, so it still loses if the loans go bad. 5% for loans up to 24 months and for home loans; 10% for longer loans.

Both reduce risk. Neither removes it: if enough borrowers stop paying, a PTC can still lose value.

Source: RBI (Securitisation Transactions) Directions, 2025.

The main RBI rules (2021 Directions)

Rule	What it says
Who may originate	Commercial banks (not regional rural banks), all-India financial institutions and NBFCs incl. HFCs. Only standard loans may be securitised.
Minimum holding period	The originator must hold a loan first: 3 months if tenor is up to 2 years, 6 months if longer. Counted by time held, not instalments paid.
Minimum retention (MRR)	5% of the pool for loans up to 24 months and for home loans; 10% for longer loans and bullet-repayment loans.
Minimum ticket size	₹1 crore for the certificates, measured as the investment by a single investor (clarified December 2022).
Not allowed	Synthetic securitisation, re-securitisation, and credit-card or other revolving receivables.

Source: RBI (Securitisation Transactions) Directions, 2025, dated 28 Nov 2025; carries forward the 2021 rules.

Where the rules stand

Regulatory limits in force on 16 October 2026, not market prices.

MINIMUM RETENTION

5-10%

Share of the pool the originator must keep: 5% (loans up to 24 months, home loans) or 10%.

MINIMUM TICKET

₹1 cr

Smallest investment one investor can make in the certificates.

ORIGINATOR CAP

20%

The most of one securitisation the originator itself may hold, including the retained slice.

Source: RBI (Securitisation Transactions) Directions, 2025.

How a debt fund holds PTCs



As a debt holding

A PTC sits in a debt scheme's portfolio alongside its bonds. Its cash flows come from the loan pool behind it.



Rated and valued

A scheme may hold asset- or mortgage-backed securitised debt. The PTC is valued for NAV each day.



Exposure limits

One issuer's debt and mortgage-backed securitised debt is capped at 10% of NAV, 12% with both boards' approval.



A different risk

The risk is the pool's borrowers, not a single company. Diversified pools spread it; a weak pool concentrates it.

Source: SEBI Master Circular for Mutual Funds, 20 Mar 2026, para 13.1 (MF Regulations, 2026).

If you learnt this from older material

What older decks say

- PTCs are issued by banks to offload risk.
- The rules are the 2006 RBI guidelines.
- The holding period is counted in instalments paid.
- There is no single minimum ticket size.

What holds now

- NBFCs and housing financiers issue them too, via a trust.
- RBI's 2025 Directions carry forward the 2021 rules.
- The holding period is counted by time held.
- The minimum is ₹1 crore per investor.

The structure is old; the rulebook was rewritten in 2021 after fifteen years and re-issued in 2025.

Source: RBI (Securitisation Transactions) Directions, 2025; 2021 Directions repealed the 2006 guidelines.

Four things people get wrong



'A PTC is backed by the bank.'

Once the pool is sold, the investor relies on the borrowers in the pool, not the originator's balance sheet.



'Credit enhancement makes it safe.'

It absorbs early losses only. If enough borrowers default, the cushion runs out and the PTC can lose value.



'Securitised debt equals a company bond.'

A bond is one borrower's promise. A PTC is a share in many borrowers' repayments, with its own risks.



'I can buy a PTC for a few thousand rupees.'

The minimum is ₹1 crore per investor. A retail saver gets exposure through a debt fund, not directly.

Check yourself

Q1 A ₹200 crore pool of home loans is securitised. What is the minimum the originator must retain, and why does the rule exist?

Q2 A client asks: 'My debt fund holds a PTC. Whose promise am I relying on?' How do you answer?

Q3 Name two things the RBI's 2021 Directions require in a securitisation.

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Securitisation structure (originator, special purpose entity, pass-through certificate, servicer, bankruptcy remoteness), credit enhancement: RBI Securitisation Directions, 28 Nov 2025.
- Minimum retention 5% (loans up to 24 months, residential mortgage-backed securities), 10% (longer, bullet-repayment loans): RBI Directions, 2025.
- Minimum ticket ₹1 crore, measured as a single investor's investment (clarified Dec 2022); originator exposure capped at 20%; loans with under 365 days left ineligible: RBI Directions, 2025.
- Minimum holding period measured by time held, not instalments paid; synthetic and re-securitisation prohibited: RBI Securitisation Directions, 2025.
- Single-issuer debt cap of 10% of NAV (12% with board approvals); mortgage-backed securitised debt rated not below investment grade: SEBI Master Circular, 20 Mar 2026, para 13.1.
- All amounts in the worked example are invented for illustration and are not a real transaction.

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