

Ref.No. CGTMSE / 85

July 28, 2023

Shri. Mahesh Thakker
Director General
Finance Industry Development Council
101/103, Sunflower, 1st Floor,
Rajawadi Road No.2, Ghatkopar (East),
Mumbai – 400 077

Dear Sir,

NBFC Scheme Modification - Extending the benefit of enhanced interest rate cap under CGS-II scheme to credit guarantee scheme for co-lending (CGSCL)

Please refer the meeting you had with CEO, CGTMSE and the letter dated July 19, 2023 handed over to him by you during meeting on the captioned subject. In this connection, we would like to inform that the purpose of issuance of guarantee cover under Co-Lending Model" (CLM), is to make available funds to the ultimate MSE beneficiary at an affordable cost.

Since co-lending scheme was formulated by RBI considering the lower cost of funds of banks and greater reach of NBFCs so that the blended rate to be charged to the ultimate beneficiary is not high. Accordingly, interest rate cap has been kept at 18% which is lower than the interest rate cap of 25% under CGS II. We are unable to accede to your request at this juncture. However, if any modification is proposed subsequently, your suggestion/ request will be taken into consideration. Further, as discussed, we forward herewith the circular issued by RBI dated September 07,2022 on the subject, "Review of Prudential Norms- Risk Weights for Exposure guaranteed by Credit Guarantee Scheme (CGS)". You may like to circulate this among your members to make them aware on this aspect.

Yours faithfully,



(Dhiraj Kumar)

Deputy General Manager

Encl: As Above

