

F. No. 17/36/2019-IF-I  
Government of India  
Ministry of Finance  
Department of Financial Services

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3<sup>rd</sup> Floor, Jeevan Deep Building  
Parliament Street, New Delhi – 110 001  
Dated: 19<sup>th</sup> November, 2020

To,

1. Chairman, State Bank of India
2. MD & CEOs of Public Sector Banks
3. CMD, Small Industries Development Bank of India

**Subject: Modifications in the existing “Extended Partial Credit Guarantee Scheme (PCGS)” – reg.**

Sir,

I am directed to refer to the subject and to say that this Department vide letter of even number dated 20<sup>th</sup> May, 2020 had issued “Extended Partial Credit Guarantee Scheme” to be offered by Government of India to Public Sector Banks (PSBs) for (i) purchase of pooled assets having a rating of BBB+ or above from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs) and (ii) Portfolio Guarantee for purchase by PSBs of Bonds or Commercial Papers (CPs) with a rating of AA and below (including unrated paper with original/ initial maturity of up to one year) issued by NBFCs/ HFCs/ MFIs (in case of MFIs, Bonds/ CPs with MFR rating equivalent). The purchase by PSB of bonds or CPs was permitted up to 19<sup>th</sup> November 2020.

2. The timeline for purchase of bonds or CPs has now been further extended till 31.12.2020. Accordingly, para 2.4 (B) (iv) may be read as under:

**Para 2.4 (B) (iv):** Portfolio to be eligible under the scheme should be built up by **31.12.2020. The portfolio shall be crystallized by 31.12.2020** based on actual amount disbursed, for the Guarantee to come into effect. The PSB concerned will submit requisite details to the Small Industries Bank of India (SIDBI) for issuance of Guarantee. SIDBI will verify compliance of the request with the approved criteria of the Scheme and ensure that all proposals together are within the overall approved guarantee limit of Rs. 10,000 Crore. Formal letter of Guarantee will be issued by Department of Financial Services (DFS) upon confirmation by SIDBI.

There is no change in the timeline for purchase of pooled assets which remains at 31.03.2021 as informed earlier.

3. Further, a reference has been received in this Department from a Public Sector Bank with the request to clarify para 2.8 (iii) of the Scheme guidelines in view of the fact

that as per the existing clause, the entire recovery amount would appear to be first appropriated towards refund of Guarantee amount. In order to make clear the intent of "First Loss Guarantee Clause" of the Scheme, a clarificatory modification with regard to para 2.8 (iii) of the existing Scheme is being issued. Accordingly, para 2.8 (iii) of the Scheme may be read as under:

"Upon recovery of the accounts and Bond/ CP liabilities for which the purchasing bank had invoked the Gol guarantee and received the claim from Gol, if the recovery shortfall is greater than or equal to the guarantee claim received, the entire recovery proceeds would be retained by the bank. However, in case the recovery shortfall is less than the guarantee claim received, the difference (guarantee claim received minus recovery shortfall) would be refunded by the bank to the Gol within 5 working days from the date of receipt of recovery amount in their books".

Yours faithfully,



**(Soumyajit Ghosh)**

Under Secretary to the Govt. of India

Tel No.: 011-23748767

Copy for information to:

1. The Governor, Reserve Bank of India, Head Office, Mumbai – 400 001
2. Executive Director in charge, Department of Regulation, Reserve Bank of India, Mumbai
3. Executive Director in charge, Department of Non-Banking Regulation, Reserve Bank of India, Mumbai
4. Executive Director in charge, Department of Non-Banking Supervision, Reserve Bank of India, Mumbai
5. Managing Director, National Housing Bank, New Delhi – 110 001
6. Director [Ms. Sumitra Chowdhury], Department of Economic Affairs, Financial Stability Division, Ministry of Finance, North Block, New Delhi.