



CGTMSE Ref.No.6458 / 44

February 28, 2018

All Member Lending Institutions of CGTMSE

Circular No.142 / 2017-18

Dear Sir / Madam,

Partial Collateral Security under Credit Guarantee Scheme

As you are aware that the objective of the Credit Guarantee Scheme is to strengthen the credit delivery system and facilitate flow of credit to the MSE entrepreneurs without the hassles of collateral security and / or third party guarantee by enhancing the comfort level of the MLIs. One of the main roles of guarantee scheme is to compensate for the lack of collateral which is hindering the access of MSEs to formal finance. In this direction, we are glad to inform that CGTMSE has now introduced a new "Hybrid Security" product allowing guarantee cover for the portion of credit facility not covered by collateral security. In the partial collateral security model, the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, up to a maximum of ₹200 lakh, can be covered under Credit Guarantee Scheme of CGTMSE. CGTMSE will, however, have pari-passu charge on the primary security as well as on the collateral security provided by the borrower for the credit facility.

Guarantee fee will be charged on the guaranteed amount for the first year and on the proportionate outstanding amount subsequently resulting in lower guarantee fee charged to MSEs. The above change of allowing partial collateral security under the ambit of Credit Guarantee Scheme of CGTMSE shall be applicable to fresh credit facilities sanctioned by MLIs on or after **April 01, 2018**.

All other covenants of the current CGS would apply mutatis mutandis to such credit proposals with regard to other operational modalities, etc. as modified from time to time.

Please feel free to contact us in case you need any further clarification. The contents of the circular may please be brought to the notice of your all offices.

Yours faithfully,

Sd/-
[Promod Bakshi]
Dy.General Manager

सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट (भारत सरकार एवं सिदबी द्वारा स्थापित)

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Credit Guarantee Fund Trust for Micro and Small Enterprises (Set up by Government of India & SIDBI)

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