

All Member Lending Institutions of CGTMSE

Circular No.154/2018-19

Madam / Dear Sir,

**Partial Collateral Security model under Credit Guarantee Scheme –
Modification on charge on securities**

Please refer to our Circular No.142/ 2017-18 dated February 28, 2018 and No.142B/ 2018-19 dated June 11, 2018 introducing a new “Hybrid Security” product under which Member Lending Institutions (MLIs) can 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 with CGTMSE. In terms of the above referred circulars, CGTMSE will have notional pari-passu charge on the primary security as well as on the collateral securities provided by the borrower for the credit facility.

In partial modification of the above guidelines, it has been decided to have a notional second charge on the collateral securities instead of pari-passu charge. Accordingly, pursuant to the invocation of guarantee, recoveries made through sale proceeds of the collateral security, may be retained by the MLI for appropriation of dues. CGTMSE’s guarantee would be limited to sanction / outstanding or peak outstanding (in respect of working capital accounts), less the value of collateral security accepted by the MLI in terms of its valuation policy guidelines. The recovery proceeds other than from collateral security would have to be remitted to CGTMSE as under existing scheme (CGS – I).

As hitherto, there would be no requirement for MLIs to create security / charge in favour of CGTMSE by way of any legal documentation.

The contents of the circular may please be brought to the notice of all your offices.

Yours faithfully,

Sd/-

(Y Venugopal Rao)
Dy. Chief Executive Officer

सूक्ष्मएवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट (भारत सरकार एवं सिडबी 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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