



Ref. No. CGTMSE /258

February 28, 2025

All Member Lending Institutions (MLIs) – CGS -I (Banks)

Circular No.248/2024-25

Madam / Dear Sir,

Modification in the Credit Guarantee Scheme – I (for Banks)

Over the years CGTMSE has been carrying out need based modification in the Credit Guarantee Schemes, to reflect the requirement of MSEs as well as to meet the expectations of the Member Lending Institutions (MLIs). During a recent review exercise, it has been decided to rationalise the various provisions of the Credit Guarantee Scheme – I (for Banks) based on the operational experience and feedback received from MLIs. The existing, provision done with few modification and additional provisions of the Credit Guarantee Schemes are given at **Annexure**.

The modified and additional provisions shall be applicable from March 01, 2025. The contents of this circular may please be brought to the notice of all your offices.

Yours faithfully,

Sd/-

(Dhiraj Kumar)
Deputy General Manager



Annexure

Modification in the Credit Guarantee Scheme – I (for Banks)

S No	Clause No	Existing Provision	Modified / Additional Provision
1	Chapter II, Sr No. 4 "Credit facilities eligible under the Scheme"	Member Lending Institutions (MLIs) can apply for guarantee cover anytime during the tenure of Loan provided the credit facility was not restructured / remained in SMA2 status in last 1 year from the date of submission of application. The guideline is effective from October 08, 2021 to only fresh coverage / credit facility applying for the first time for coverage i.e the same credit facility should not have been covered previously under CGTMSE / coverage discontinued in between.	Member Lending Institutions (MLIs) can apply for guarantee cover anytime during the tenure of Loan provided the credit facility was not restructured / remained in SMA2 status in last 1 year from the date of submission of application.
2	To include under Chapter IV, Sr No. 10 "Invocation of Guarantee"	Not Available	The accounts classified by the Lending Institution as Fraud / Willful defaulter / Non-Co-operative borrower shall not be considered eligible for Claim Settlement.
3	To include under Chapter IV, Sr No. 10 "Invocation of Guarantee"	Not Available	The account slipping into NPA within 90 days from the material date shall not be considered eligible for Claim Settlement.
4	To include as vii) under Chapter II, Sr No. 4 "Credit facilities not eligible under the scheme"	Not Available	The following credit facilities shall not be eligible for being guaranteed under the Scheme: - viii) Credit facility sanctioned without obtaining/creation of any primary security unless specifically provided for.
5	To include under Chapter II Sr no.8. "Annual Guarantee Fee"	Presently – the Annual Guarantee Fee (AGF) shall be demanded in respect of all live covered accounts including accounts where claim has been lodged in the system.	The Annual Guarantee Fee shall be demanded in respect of all live covered accounts excluding the accounts where claim has been lodged in the system.
6	Chapter IV) point no.10 f, (iii) "Invocation of Guarantee" And "Settlement of second / final instalment"	The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings or till the decree gets time barred. As per CGTMSE Circular No 62 and 135, for loans sanctioned on or after 01/01/2013, the balance 25% of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution or after three years of obtention of decree of recovery, whichever is earlier. Settlement of second / final instalment	Settlement of second/ final instalment. Second / final instalment can be lodged after the completion of 3 years from the settlement of first claim or OTS (after the receipt of full and final OTS amount) whichever is earlier.



S No	Clause No	Existing Provision	Modified / Additional Provision
		The settlement of second / final instalment will be considered Recovery Certificate issued by the Tehsildar respectively.	
7	Chapter IV) Sr no.11, (ii) "Subrogation of rights and recoveries on account of claims paid"	In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.	In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, after the account turning into NPA, whether the account towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated on proportionate basis by the lending institution based on total outstanding amount as on the date of NPA/recovery, to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or manner in which such payments are actually appropriated. The same will be applicable even for OTS settlement of such accounts.
8	Chapter IV) Sr no.11, (iii) "Subrogation of rights and recoveries on account of claims paid"	Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate which is 4% above Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.	Every amount recovered and due to be paid to the Trust shall be paid by the lending institution on pro-rata basis. In case where legal action has been initiated, legal expense (which includes only court fees and advocate fees) will be netted off from total recovered amount and then, amount on pro-rata basis has to be returned to the Trust. However, if an account is settled under OTS, and there are other loan accounts sanctioned by MLI but which are not covered under CGTMSE for the same borrower, then the MLI shall remit the OTS amount on the proportionate basis based on total outstanding amount as on OTS date.

