

**Partial Credit Guarantee Scheme Offered by GoI to PSBs for purchasing high-rated pooled assets from NBFCs/HFCs**

Frequently Asked Questions on Partial Credit Guarantee offered by Government of India (GoI) to Public Sector Banks (PSBs) for purchasing high-rated pooled assets from financially sound Non-Banking Financial Companies (NBFCs) / Housing Finance Companies (HFCs) – vide its notification dated August 10, 2019

1. Whether the Partial Credit Guarantee (PCG) Scheme of Government of India covers Securitisation transactions and / or Transactions involving Transfer of Assets through Direct Assignment?

The scheme is applicable for the transactions involving transfer of Assets through Direct Assignment.

2. Whether the guidelines on Minimum Holding Period (MHP) and Minimum Retention Requirement (MRR) prescribed for Direct Assignment Transactions are applicable to the scheme?

MHP & MRR requirements are not applicable to the transactions under the PCG Scheme.

3. Whether, the originating NBFCs/HFCs can offer credit enhancement for the pooled assets made available under the scheme?

Yes, the originating NBFCs/HFCs can offer credit enhancement. However, for such credit enhancement, they need to maintain capital as per the capital requirements prescribed for NBFCs/HFCs by the Bank.

4. Whether the NBFCs/HFCs failing to meet the requirements as per the existing RBI guidelines shall have to maintain capital for the assets sold as if these were still on the books of the originating NBFC/HFC?

No, the transactions covered under the PCG scheme adhering to the prescriptions as per Government of India notification dated August 10, 2019 and the clarifications provided herein will be deemed to have met true sale criteria and the originating NBFC/HFC would not be required to maintain any capital after the transfer of the pooled assets to the purchasing PSBs except in the cases where the originating NBFC/HFC provides credit enhancement.

5. Can the originating NBFCs/HFCs, re-purchase the assets transferred under the provisions of the PCG Scheme?

Yes, the originating NBFCs/HFCs have the option to buy back their assets after a specified period of 12 months, as a re-purchase transaction on a right of first refusal basis.

6. When the originating NBFC/ HFC exercise the option to buy back their assets after a specified period of 12 months as a repurchase transaction, are they required to maintain capital for the repurchased assets?

Yes, upon buy back of the assets under the PCG scheme, the originating NBFC/ HFC will be required to maintain capital for the re-purchased assets as per the capital requirements prescribed for NBFCs/HFCs by the Bank.