




REGULATING NON-BANKING

This role is, perhaps, the most unheralded aspect of our activities, yet it remains among the most critical. This includes ensuring credit availability to the productive sectors of the economy, establishing institutions designed to build the country's financial infrastructure, expanding access to affordable financial services and promoting financial education and literacy.

NOTIFICATIONS


(76 kb)

Date : Nov 02, 2018

Partial Credit Enhancement to Bonds Issued by Non-Banking Financial Companies and Housing Finance Companies

RBI/2018-19/70
DBR.BP.BC.No.7/21.04.142/2018-19

November 2, 2018

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir/Madam,

Partial Credit Enhancement to Bonds Issued by Non-Banking Financial Companies and Housing Finance Companies

Please refer to circular DBR.BP.BC.No.40/21.04.142/2015-16 dated September 24, 2015 on Partial Credit Enhancement to Corporate Bonds and other associated circulars issued subsequently on the subject.

2. It has now been decided to allow banks to provide partial credit enhancement (PCE) to bonds issued by the systemically important non-deposit taking non-banking financial companies (NBFC-ND-SIs) registered with the Reserve Bank of India and Housing Finance Companies (HFCs) registered with National Housing Bank, subject to the following conditions:

i) The tenor of the bonds issued by NBFC-ND-SIs/HFCs for which PCEs are provided shall not be less than three years;

ii) With reference to paragraph 27 of circular *ibid*, the proceeds from the bonds backed by PCE from banks shall only be utilized for refinancing the existing debt of the NBFC-ND-SIs/HFCs. Banks shall introduce appropriate mechanisms to monitor and ensure that the end-use condition is met;

iii) The exposure of a bank by way of PCEs to bonds issued by each such NBFC-ND-SI/HFC shall be restricted to one percent of capital funds of the bank within the extant single/group borrower exposure limits; and

iv) The exposure of banks to NBFC-ND-SIs/HFCs by way of PCEs shall be within the aggregate PCE exposure limit of 20 percent as provided in paragraph 24(b) of the circular *ibid*.

3. All other conditions stipulated in the above mentioned circular as well as circulars DBR.BP.BC.No.5/21.04.142/2016-17 dated August 25, 2016 and DBR.No.BP.BC.70/21.04.142/2016-17 dated May 18, 2017 on Partial Credit Enhancement to Corporate Bonds shall apply mutatis mutandis to PCEs to bonds issued by NBFC-ND-SIs/HFCs.

Yours faithfully,
(Saurav Sinha)
Chief General Manager-in-Charge