Abstract

This document summarizes functional needs of credit guarantee business for new guarantee issuance & their continuity for Stand Up India loan scheme.  
Intention is to collate & track functional specifications of underlying business processes for Stand Up India loan guarantee business and provide a firm base for further interpretations of software requirements & specifications.

Business Requirement Document

Stand Up India Loan – Issuance of New Credit Guarantees & Guarantee Continuity

**Document Version History**

|  |  |  |  |
| --- | --- | --- | --- |
| Version No. | Remarks | Date | Author |
| 1.0 | Baseline | 19-May-2016 | Darshan S. |
| 2.0 | Refined Validations and Calculations | 24-Sep-2016 | Sachin |
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| 4.0 | Changes due to acceptance of only one loan information per quarter per customer and all loans clubbed together therein | 24-Nov-2016 | Sachin |
| 5.0 | - Incorporated IBA meet feedback. Sanction Amount will have two components – Fund and Non Fund Based.  - cover will not be calculated at the stage of CG Issuance, but will be determined on Summation of Sanction Amount for a given customer Id for all other purposes of MIS and Claims, cover will be determined.  - For continuity CG, fees will be capped to sanction of Maximum allowed. | 23-Jan-2016 | Sachin |
| 6.0 | Incorporating NCGTC’s review comments | 31-Jan-2017 | Ekta |
| 7.0 | The first disbursement date eligibility criteria rule has been changed | 18-Apr-2017 | Sachin |
| 8.0 | Revisions as per CG Operations | 29-Apr-2017 | Sachin Patange |

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**Glossary**

Glossary of Important Terms used in this document.

|  |  |  |
| --- | --- | --- |
| S. No. | Term | Description |
| 1 | BATCHDAN | Batch Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for demand of CG Fees for batch of loan records which MLI needs to pay to avail the CG cover. |
| 2 | CG | Credit Guarantee |
| 3 | CGDAN | Credit Guarantee Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for each loan record demand of CG Fees which MLI needs to pay to avail the CG cover. |
| 4 | CGPAN | Credit Guarantee Permanent Account Number – a Unique Credit Guarantee Number generated by NCGTC processing system while issuing the Credit Guarantee. |
| 5 | DDMMYYYY | DD- Date; MM-Month; YYYY-Year (4 digit) |
| 6 | eGov Standards | E Government Standards – Information Technology Standards. |
| 7 | FY | Financial Year |
| 8 | IFSC | An Indian Financial System Code - an alphanumeric code that uniquely identifies a bank-branch. |
| 9 | MLI | Member Leading Institute. These will be Banks, Factors, and Para- Banks etc. Institutes predominantly in business of Money Lending’s. |
| 10 | NPA | Non-Performing Asset |
| 11 | NCGTC | National Credit Guarantee Trustee Company Ltd |
| 12 | SURGE | Software System Developed and Commissioned by NCGTC for Managing Credit Guarantee Business Process.  *SURGE – System for Underwriting, Reassurance & Guarantee Endorsement* |
| 13 | SC | Scheduled Caste |
| 14 | ST | Scheduled Tribe |
| 15 | Gen | General |
| 16 | XML | Extensible Markup Language (**XML**) is a markup language that defines a set of rules for encoding documents in a format which is both human-readable and machine-readable. It is defined by the W3C's XML 1.0 Specification and by several other related specifications, all of which are free open standards. |
| 17 | FDD | Date of First Disbursement |
| 18 | LAFDD | Date of First Disbursement in Loan Application Table (main table related to CG’s in SURGE) |
| 19 | TVFDD | Date of First Disbursement in Temporary Validation Table (staging table related to CG’s in SURGE) |

## **Introduction**

For purpose of Stand Up India loans, NCGTC has designed a guarantee product known as Credit Guarantee Fund Scheme for Stand Up India (CGSSUI).

NCGTC extends guarantee to the Stand Up India loans extended by Member Lending Institutions to an eligible borrower for:

* Stand Up India loans extended by Member Lending Institution(s) to an eligible borrower by a Schedule Commercial Bank, on or after entering into an agreement with NCGTC without any collateral security and/or third-party guarantee, provided that the lending institution applies for guarantee cover in respect of Stand Up India loans so sanctioned within such time period and as per the procedures prescribed by NCGTC for the purpose.

### **Fund & Docket Construct**

Currently it is being envisaged that this scheme has one docket. These docket have code - ‘GEN’. Schematic relation for the Trust, Fund, Scheme and Docket Relation is as below:

## **Input File Layout**

This section specifies the layout of input file which MLI’s needs to send for their respective Loan information’s to request issuance of credit guarantees and/or Continuity of the credit guarantees from NCGTC.

### **Layout: Input File – New CG Issuance**

Refer the spread sheet – Standup India Scheme - New and Continuity Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

**Note:**

* Only two types of loan will be considered – Term Loan and/or Working capital loans.
* Working capital loans to include Letter of Credit, Bank Guarantee and Overdraft type instruments as well. From CG point of view, it is agreed to have the summation amount of these instruments as non-fund based sanctioned amounts.
* The fund based sanctioned amount will be the Term loans or working capital limit.

### **Layout: Input File - CG Continuity**

Refer the spread sheet – Standup India Scheme - New and Continuity Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

**Note:**

* As per NCGTC policy, the Modified Sanction Loan Amount/Limit will not be allowed to decrease in case of term loans. For remaining loan types – they may increase or decrease as the case may be.

## **Input File Format Processed By SURGE**

SURGE will accept input file from MLI(s) in following format only:

* XML layout

XML is only format permissible as per eGov standards. SURGE will **NOT** processed files received in any other formats than those listed above.

## **Preparation of Input File**

This section describes the process for preparation of input file which MLI needs to send to NCGTC. MLI’s need to prepare and send TWO separate files, each having different layout. The purpose of these two files is:

1. NEW credit guarantees – Credit Guarantee request for *new* borrowings sanctioned under Standup India loans disbursed at their end (these disbursal can be full or partial). Only one CG request per quarter per customer for all the sanctions of various loans per customer is permissible. Refer file layout – 1.2.1.
2. CONTINUITY of CG – Continuing existing Credit Guarantee cover (i.e. maintaining the guarantee ‘In Force’ of EXISTING Credit Guarantee’s)

**Important Note:**

1. A periodic frequency of each Quarter is decided to receive and process the input files for new credit guarantees.
2. Annual periodic frequency is decided to receive and process the input files for continuity of existing guarantees.

### **New Credit Guarantees – Request for Quotes and Issue of Guarantees**

As a part of MLI’s loan business at their end, they will sanction and disburse Loans to the borrower under the Stand Up India Scheme. While doing these sanctions and disbursements, MLI’s will:

1. Undertake various business checks and validations to ascertain the eligibility of the borrower.
2. Disburse loan amount in full or in partial.
3. Maintain relevant details of the loan account(s) in their IT system *(Presuming Core Banking System).*

Whilst the above activities from the loan business perspective is being done by the MLI’s, they *may* essentially leverage the benefit of NCGTC’s Stand Up India Loan Guarantee Scheme.

As a part of this scheme, MLI’s are advised to send their requests to NCGTC for issuing credit guarantees in following steps:

1. At the end of every quarter, MLI needs to extract and provide only one credit information which incorporates all loan information for all those NEW loan accounts created on or after the SCHEME START DATE and from which has any one loan needs to have an EFFECTIVE DISBURSEMENT of loan amount (either full or partial) in the PREVIOUS QUARTER in a file, called as ‘Input File – New CG Issuance’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3.
2. For New Credit Guarantee Request, for the first time (i.e. immediately after the enrolment with NCGTC for Stand Up India Loan Scheme) MLI’s will be permitted to extract and send the loan accounts for all those loan accounts created Post the scheme start date and which has an EFFECTIVE DISBURSEMENT of loan amount till PREVIOUS QUARTER END DATE (either full or partial) in a file, called as ‘Input File – New CG Issuance’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3.

Consequently after the first submission and process of request for credit guarantees, point no. 1 mentioned above is applicable.

1. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’. Internally for this scheme, system has one docket which is – ‘GEN’, wherein certain scheme specific parameters are defined. System will extract and split the records for specific guarantee treatment/operations defined in the scheme docket which is – ‘GEN’.
2. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the NEW loan account information multiple times and in *‘Non Approved’* state.
3. After final verification of the input file by MLI approver user account (created by their own MLI Administrator) and NCGTC approval, the state of the input file is changed as *‘Approved’* state.
4. Final submission of the *‘Approved’* input file for further process of Quotes Generation will be effective once MLI accepts to the *‘Management certificate - Terms & Conditions’.*

### **Requesting Quotes for Credit Guarantee Continuity**

Credit Guarantee’s issued under the ‘Stand Up India Loan Scheme’ scheme by NCGTC needs to be CONTINUED every annum. For continuing these guarantees, MLI’s are advised to send their requests to NCGTC and follow these steps:

1. At the end of every financial year end, MLI’s needs to extract the loan information from their IT system for all those loan accounts due for continuity in the next financial year in a file, called as ‘Input File – CG Continuity’. Information to be extracted in the layout mentioned in the section 1.2.2 and in the format mentioned in section 1.3.
2. MLI’s are allowed to send revised values of the ‘Sanctioned Loan Amount’, ‘Outstanding Loan Amount’ etc. of these Loan Accounts which may vary due to loan restructuring, enhancements or reductions or overdue on account of unpaid interest and/or penalty’s levied by MLI to the borrower.
3. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’. Internally for this scheme, system has one docket which is – ‘GEN’, wherein certain scheme specific parameters are defined. System will extract and split the records for specific guarantee treatment/operations defined in the scheme docket which is – ‘GEN’.
4. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the NEW loan account information multiple times and in *‘Non Approved’* state.
5. After final verification of the input file by MLI approver user account (created by their own MLI Administrator) and NCGTC approval, the state of the input file is changed as *‘Approved’* state.
6. Final submission of the *‘Approved’* input file for further process of Quotes Generation will be effective once MLI accepts to the *‘Management certificate - Terms & Conditions’.*

**Important Note:**

1. MLI fails to send the Request for CG Continuity, NCGTC will NOT be able to continue the CG – consequently marking the CG status as LAPSE.
2. CG which is/are LAPSED can be continued on payment of stipulated penalty fixed by NCGTC.

### **Summary - Preparing & Uploading the Input File**

Note: MLI’s are expected to perform these steps in stipulated time communicated by NCGTC to MLI’s.

## **Generation of New Credit Guarantee**

System initiates processing of input file for on upload and approval of loan data file from MLI’s (along with acceptance to the terms & conditions of Management certificate) for a given batch execution.

*Note:*

1. *If MLI uploads an input file as per the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3, and in this file, if the customer id’s of these records do not exists in CG Issuance table, then, system will consider these loan information as NEW loan information and issue them NEW CGPAN after processing.*

Steps involved in the batch execution for generating the NEW credit guarantees entails following steps:

The above is a schematic representation of various processes which will execute in batch mode of NCGTC system. Status reports will be generated at the end of each process to keep NCGTC end users informed and take corrective actions.

### **Input File Content to Staging Area**

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks – New CG Request**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for issuing credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if*:

*(Note: If MLI uploads an input file as per the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3, and in this file, if the customer id’s of these records do not exists in CG Issuance table, then, system will consider these loan information as NEW loan information and issue them NEW CGPAN after processing)*

1. Loan Account having same MLI in the credit guarantee database.
2. The ‘Loan Account Number’ for a particular Loan Account specified in same input file presented by MLI is checked within the same input file first AND then, the ‘Customer ID’. Here there are two possibilities for Rejection –
   1. If both Customer Id and MLI Loan Account exists in the input file, then – this loan record will be rejected as ‘Duplicate Customer Id and Loan Account No. in same input file’.
   2. If Only Loan Account No. matches, then – this loan account will be rejected as ‘Same Loan Account has Multiple Customer’s in same input file’.
3. The ‘Loan Account Number’ specified for a particular Loan Account is checked for a given ‘MLI AND then the ‘Customer ID’ is checked. Here there are two possibilities for Rejection –
   1. If both Customer Id exists in the database for that MLI, then – this loan record will be rejected as ‘Already Issued/Provisioned for CG for this customer’
   2. If Only Loan Account No. matches, then – this loan account will be rejected as ‘Same Loan Account has Multiple Customer’s
4. Promoters DOB - This date IS NOT BETWEEN 01-01-1900 & Current System Date (inclusive of both dates).
5. Following steps are needed for the condition - ‘Minimum Limit to Guarantee Issuance Allowed (INR)’ and ‘Maximum Limit to Guarantee Issuance Allowed (INR)’:
   1. System first determines the summation of the Total Sanctioned Loan Amount/Limit - Fund Based and Total Sanctioned Loan Amount/Limit - Non Fund Based, for all the loan records having same Customer ID for the loan records present in the input file. (Let’s say ‘A’)
   2. System first determines the summation of the Total Sanctioned Loan Amount/Limit - Fund Based and Total Sanctioned Loan Amount/Limit - Non Fund Based, for all the loan records having same Customer ID for the loan records present in the CG Issuance database (Let’s say ‘B’). Note that while determining this summation, system will consider the latest record present in the database. That means if the latest records are present for the continuity, then it considers latest in those.
   3. If ‘A + B’:
      1. Exceeds ‘Maximum Limit to Guarantee Issuance Allowed (INR)’
      2. Is EQUAL TO OR LESS THAN ‘Minimum Limit to Guarantee Issuance Allowed (INR)’

Then, all the records in the input file for this customer id is rejected.

1. For Term Loans (i.e. Loans with Loan Type ‘1’):
   1. The Total Sanctioned Loan Amount/Limit - Fund Based amount is EQUAL TO ZERO OR LESS THAN ZERO
   2. The Total Sanctioned Loan Amount/Limit – Non Fund Based amount is GREATER THAN or less than ZERO
2. For Working Capital Loans (i.e. Loans with Loan Type ‘2’):
   1. The Total Sanctioned Loan Amount/Limit - Fund Based amount AND Total Sanctioned Loan Amount/Limit – Non Fund Based amount is EQUAL TO ZERO OR LESS THAN ZERO
   2. The Total Sanctioned Loan Amount/Limit - Fund Based amount is LESS THAN ZERO
   3. The Total Sanctioned Loan Amount/Limit – Non Fund Based amount is LESS THAN ZERO
3. Sanctioned Loan Date: ‘Sanctioned Loan Date’ IS NOT between ‘Scheme Start Date’ and immediate previous quarter end date.
4. Loan End Date:
   1. IS EARLIER THAN FIRST DISBURSEMENT DATE
   2. EQUAL TO FIRST DISBURSEMENT DATE
   3. LATER THAN 31-12-9999
5. Loan Amount First Disbursement: while performing this check, system will:
   1. Fetch all the VALID loan records on Customer ID.
   2. For all these loan accounts – Any of the Loan Amount First Disbursement is NOT greater than Zero.

*This check is done after all validation checks are done by system. Any one of the loan accounts has to be greater than zero.*

1. Date of First Disbursement:

* For each loan account:

1. If First Disbursement Amount is Zero, then First Disbursement Date is NOT NULL/SPACES

* For a set of loan accounts of a given customer id, the earliest ‘First Disbursement Date’ is identified. Rejection will happen for:

1. If this First Disbursement Date is NOT Between Sanctioned Date and Current System Date (Both date inclusive).
2. Outstanding Loan Amount:
   1. For Loan type ‘1’ (Term Loan / Composite Loan): If outstanding amount is LESS THAN Zero.

*For working capital no check – i.e. o/s amount can have positive/negative/zero value.*

1. The ‘Loan Closed’ field has value as ‘Y’ (Which means it is Closed).
2. Date of Loan Closure: The ‘Date of Loan Closure’ IS NOT NULL/SPACE(s).
3. The ‘NPA’ field has value as ‘Y’ (Which means it is marked as NPA).
4. Date of NPA: ‘Date of NPA’ IS NOT NULL/SPACE(s).
5. Since in Section 10 Page no. 13 ‘Extent of Guarantees’ of the gazette notification issued for this scheme dated 25th April 2016, it is mentioned that *“The Fund shall provide guarantee cover to the extent of 80% of the amount in default for credit facility above Rs.10 lakh and upto Rs.50 lakh, subject to a maximum of Rs.40 lakh. ….”*
6. SURGE considers the docket parameter – ‘Maximum Limit to Guarantee Issuance Allowed’ and Minimum Limit to Guarantee Issuance Allowed’ as *inclusive* for any processing

**It is important to note that the value that needs to be set in the docket parameter - ‘Minimum Limit to Guarantee Issuance Allowed’ must be 1000000.01 and ‘Maximum Limit to Guarantee Issuance Allowed’ must be 100.00Lacs.**

### **Allotting Credit Guarantee Unique Identifiers - CGPAN**

For the eligible records system allocates a unique identification number to the processed NEW loan account, called as CGPAN – Credit Guarantee Permanent Account Number, for traceability and management of CG in SURGE system.

CGPAN follows a specific format:

**CGPAN Format for General Scheme:**

CGPAN signifies a unique identification to the credit guarantee in SURGE system. Subsequently it is used to integrate with Accounting Subsystem and for payment reconciliations.

Post CGPAN allotment, SURGE updates the status of the loan guarantee record:

Guarantee Cover ‘Status’ Field: **‘PROVISONAL’**

### **Deduplication Criteria Checks**

Currently no provision for de-duplication will be provided, since, rolling out this scheme and acceptance of this scheme by MLI is priority. Consequently, as the scheme and its process of issuance and settling guarantees stabilizes – it will be decided to construct an effective de-duplication mechanism.

### **Calculate Credit Guarantee Fees & Covers**

System will calculate credit guarantee cover and the charges for NEW loan accounts and while incorporating in existing CG’s, once these loan records have cleared their eligibility criteria checks mentioned in section 1.5.2 and 1.5.3.

For new Credit Guarantee’s, the Charges includes– Fees and Taxes.

The rules/logic for calculating cover and charges is covered in this section.

### **Calculating Credit Guarantee Cover**

The calculation of CG Cover will be done at the time of Claim settlement and not at the time of CG issuance. Refer section 1.7 for more details.

### **Calculating Credit Guarantee Fees**

Though as mentioned earlier, cover is not being calculated at the time of CG issuance, but, Fees and tax will be calculated and will be for each individual loan record.

Since request for CG can occur at any of the quarters and the continuity period is annual, the calculation for fees for new CG request is for ‘Broken Period’ i.e. till the end of the FY. The Fee calculation is also based on NPA percentage as well as claim payout ratio. RISK BASED Credit Guarantee Fee is determined based on Modified Sanction Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s ‘Docket’ and the formulae is as below:

* Guarantee Fee on SBR = [(Summation of Sanction Loan Amount (Fund and Non Fund) for Loan Account) \* ((Annual Guarantee Fee in Percent) / 4) \* (No. of Quarter’s Left in current FY including the current quarter when the request for CG Quote is made)]
* Guarantee Fee for all Premiums = [(Risk Premium – NPA + Risk Premium – Claim)] \* Guarantee Fee on SBR
* Total CG Fees = Guarantee Fee on SBR + Guarantee Fee for all Premiums

*Refer section 1.8 for details on selection of risk premium NPA and Claim for calculating CG Fees.*

|  |  |
| --- | --- |
| **Stand Up India Loan Scheme Parameters** |  |
| Guarantee Cover (%) (above 10 lakh and upto 50 lakh) | 80% |
| Guarantee Cover (%) (above 50 lakh and upto 100 lakh) | 50% |
| Annual Guarantee Fee (%) | 0.85% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 100,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) (above Rs 10 Lakh) | 10,00,000.01 |
| NPA Percentage Risk Premium | 20% of SBR (>15%-20%) |
| Claim Payout Percentage Risk Premium | 10% of SBR (>5%-10%) |

**Scenario 1:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account DOES NOT EXCEEDS Minimum Limit to Guarantee Issuance Allowed

MLI uploads and approves the input file on SURGE system on 1ST July 2016. This input file contains Loan Disbursement Information for on/or after 5th April 2016(April-May-June). It means that 3 quarters are left in current FY.

The Loan Account has:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account | 900000.00 |

Thus, in case of this scenario, Guarantee is not issued and no fee calculation.

**Scenario 2:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account EXCEEDS Minimum Limit to Guarantee Issuance Allowed but does not EXCEEDS Maximum Limit to guarantee issuance allowed

MLI uploads and approves the input file on SURGE system on 1ST July 2016. This input file contains Loan Disbursement Information for on or after 5th April 2016(April-May-June). It means that 3 quarters are left in current FY. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account | 15,00,000.00 |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account.

Guarantee Fee on SBR = 15,00,000 \* (0.85%/4) \*3 = 9562.5/-

Guarantee Fee for all Premiums = 9562.5 \* 30% = 2868.75/-

Total CG Fees equals to INR 12431.25/- rounded off to INR 12431.00/-

**Scenario 3:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account Equals to Maximum Limit to guarantee issuance allowed

MLI uploads and approves the input file on SURGE system on 1ST July 2016. This input file contains Loan Disbursement Information for on or after 5th April 2016(April-May-June). It means that 3 quarters are left in current FY. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account | 100,00,000.00 |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account.

Guarantee Fee on SBR = 100,00,000 \* (0.85%/4) \*3 = 63750.00/-

Guarantee Fee for all Premiums = 63750 \* 30% = 19125.00/-

Total CG Fees equals to INR 82875.00/ rounded off to INR 82875.00

**Scenario 4:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account EXCEEDS Maximum Limit to Guarantee Issuance Allowed

MLI uploads and approves the input file on SURGE system on 1ST July 2016. This input file contains Loan Disbursement Information for on/or after 5th April 2016(April-May-June). It means that 3 quarters are left in current FY.

The Loan Account has:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account | 115,00,000.00 |

Thus, in case of this scenario, Guarantee is not issued and no fee calculation.

**Calculating the Credit Guarantee Fee:**

* CG Fee will be calculated on Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account EXCEEDS Minimum Limit to Guarantee Issuance Allowed but does not EXCEEDS Maximum Limit to guarantee issuance allowed.

### **Calculating Tax on Credit Guarantee Fees**

Tax on Credit Guarantee Charges is determined based on CG Fees calculated in section 1.5.5.2. There will be various Taxation components. SURGE allows users to define these components (their names and tax value). Summation of these tax components is the total tax determined. The formulae is as below:

Tax on Guarantee Fee = (Tax1 \* Credit Guarantee Fee) + (Tax2 \* Credit Guarantee Fee) + …. + (Taxn \* Credit Guarantee Fee)

|  |  |
| --- | --- |
| **Stand Up India Loan Scheme Parameters** |  |
| Guarantee Cover (%) (above 10 lakh and upto 50 lakh) | 80% |
| Guarantee Cover (%) (above 50 lakh and upto 100 lakh) | 50% |
| Annual Guarantee Fee (%) | 0.85% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 100,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) (above Rs 10 Lakh) | 10,00,000.00 |
| Sanctioned Loan Amount | 15,00,000.00 |

MLI uploads and approves the input file on SURGE system on 1ST July 2016. This input file contains Loan Disbursement Information for on/or after 5th April 2016(April-May-June). It means that 3 quarters are left in current FY. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given loan account | 15,00,000.00 |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Summation of Sanction Loan Amount (Fund and Non Fund) for the loan account.

Guarantee Fee on SBR = 15,00,000 \* (0.85%/4) \*3 = 9562.5/-

Guarantee Fee for all Premiums = 9562.5 \* 30% = 2868.75/-

Total CG Fees equals to INR 12431.25/- rounded off to INR 12431.00/-

Taxation on INR 12431.00/- is determined as below:

1. Service Tax on this Fee @14% is 12431.00\*14% = INR 1740.34/- (rounded off to INR 1740.00/-
2. Swach Bharat & KK Cess each on this Fee @0.5% is 12431.00\*0.5% = INR 62.16/- (rounded off to INR 62.00/-)

Total Tax is summation of service tax, Swach Bharat Cess and Krishi Kalyan Cess = 1740.00 + 62.00 + 62.00 = INR 1864.00/-

**Calculating the Credit Guarantee Fee Tax:**

1. SURGE provides facility to define tax components (names and values (%))
2. Summation of these tax components provides total tax chargeable on CG Fees.

### **Demand Advice for Guarantee Charges**

MLI needs to make payment of Fees and Taxes calculated as above to bring the guarantee ‘In Force’. The demand for fees is made to MLI in form of CGDAN – Credit Guarantee Demand Advisory Number. It is a unique number, used for traceability and management of CG Fees in SURGE.

It is used to integrate with Accounting Subsystem and for payment reconciliations.

### **CGDAN – Demand Advice: New Guarantee Cover - Individual**

This is a demand advice number for each loan record (or guarantee cover).

**CGDAN Format for General Scheme:**

*GC – Guarantee Charge.*

### **BATCHDAN – Demand Advice: New Guarantee Cover - Batch**

Payments from MLI will be accepted for all the eligible records submitted by him i.e. at the batch level (batch here means the file submitted for quote request). To achieve this, system needs to aggregate CG Charges of all eligible records and raise the demand. A unique demand advice number called as ‘BATCHDAN’ is allotted to the batch of these eligible records in the format as below:

**Batch DAN Format for Batch of eligible records – New Credit Guarantee Batch:**

### **Payment of CG Charges**

Till the point MLI makes the payment of CG Charges, system will identify these CG’s as ‘Provisional’ by means of below mentioned status codes:

* Current CG Status – 30036
* Previous CG Status – 30036

Refer the document - ‘Payment Mechanism’ for more details on payment process.

### **Payment of CG Charges in Stipulated Time**

Payment of CG Charges in stipulated time makes the guarantee active, and the Guarantee Status is updated as ‘In Force’.

Guarantee Cover ‘Status’ Field: **‘In Force’**

System makes the CG as ‘In Force’ by using the below status codes:

* Current CG Status – 30010
* Previous CG Status – 30036

SURGE allows following operations for active (In Force) guarantees:

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Queries for Claims & Resolution
* Claims Reject/Approve
* Claim Settlement (1st and Final)
* Post Claim Recoveries
* Close (by MLI)
* Close (by NCGTC user)
* Lapse (by System)
* Release of Lapse (by NCGTC user)
* Modify Specific Fields (by MLI User)

**Guarantee Start Date and Validity:**

1. Guarantee is issued and put ‘In Force’ from the first day of first month of the particular quarter i.e. for Jan-Feb-March quarter - guarantee start date is 1st of Jan, for April-May-June quarter - guarantee start date is 1st of April, for July-Aug-Sep quarter - guarantee start date is 1st of July and for Oct-Nov-Dec quarter - guarantee start date is 1st of Oct.
2. This guarantee is valid till end of that Financial Year. i.e. if the guarantee has been issued in FY 2015-16, then its validity is till 31st March 2016.
3. It is expected that the MLI to keep the guarantee cover in active state needs to apply for quotes during the CG continuity period of next FY (in April month) and pay the applicable CG Charges.

### **Non Payment of CG Charges in Stipulated Time**

On non-payment (due to partial payment or No payment by MLI) of CG Charges in stipulated time, system is unable to issue the guarantee, thus, the guarantee status remains as ‘Not Issued’.

Guarantee Cover ‘Status’ Field: **‘NOT ISSUED’**

System makes the CG as ‘Not Issued’ by using the below status codes:

* Current CG Status – 30011
* Previous CG Status – 30036

In fact there is a Service/Job which is executed at a predefined interval which will make the status codes as mentioned above. Thus, marking a provisional CG as ‘Not Issued’ is a system controlled function.

No further operations are allowed.

## **Continuing Credit Guarantee**

System initiates processing of input file for ‘Continuing’ Guarantees on upload and approval of loan data file from MLI’s (along with acceptance to the terms & conditions of Management certificate) for a given batch execution.

Steps involved in the batch execution for continuing the credit guarantees entails following steps:

The above is a schematic representation of various processes which will execute in batch mode of NCGTC system. Status reports will be generated at the end of each process to keep NCGTC end users informed and take corrective actions

Continuity of CG depends on previous state of CG, following are possible ‘Continuity’ flows handled by SURGE:

Scenario 1:

MLI Uploads Loan Account Information of ‘**In Force**’ CG

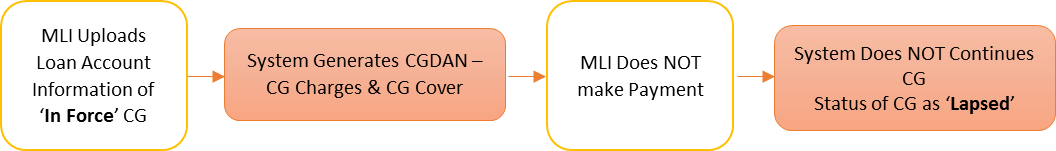
System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as ‘**In Force**’

Scenario 2:



Scenario 3:

MLI Uploads Loan Account Information of ‘**Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as ‘**In Force**’

Scenario 4:

MLI Uploads Loan Account Information of ‘**Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI Does NOT make Payment

System Does NOT Continues CG

Status of CG as ‘**Lapsed**’

Scenario 5:

MLI Uploads Loan Account Information of ‘**NPA – In Force**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as:

‘**NPA – In Force**’ – if NPA persists OR ‘**In Force’ -** if not an NPA

Scenario 6:

MLI Uploads Loan Account Information of ‘**NPA - In Force**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI Does NOT make Payment

System Does NOT Continue CG

Status of CG as:

‘**NPA – Lapsed**’ – if NPA persists OR ‘**Lapsed’ -** if not an NPA

Scenario 7:

MLI Uploads Loan Account Information of ‘**NPA - Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as:

‘**NPA – In Force**’ – if NPA persists OR ‘**In Force’ -** if not an NPA

Scenario 8:

MLI Uploads Loan Account Information of ‘**NPA - Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI Does NOT make Payment

System Does NOT Continues CG

Status of CG as:

‘**NPA – Lapsed**’ – if NPA persists OR ‘**Lapsed’ -** if not an NPA

Continuity of CG is NOT Allowed for following Cases:

1. Guarantee Cover ‘Not Issued’
2. Guarantee who has reported ‘Outstanding Loan Amount’ as Zeroes
3. CG whose claims has been lodged by MLI
4. Queries for Claims & Resolution
5. Claims Reject/Approve
6. Auto Approval of Claims (This is a configurable parameter. For example if this parameter has value INR 10,000/- then for the claims less than or equal to INR 10,000/- will be settled automatically)
7. Claim Settlement (1st and Final)
8. Post Claim Recoveries
9. Closures
10. Revoke (by NCGTC user)

### **Input File Content to Staging Area**

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for continuing credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘Loan Account Number’ for a particular Loan Account specified in same input file presented by MLI is checked within the same input file first AND then, the ‘Customer ID’. Here there are two possibilities for Rejection –
   1. If both Customer Id and MLI Loan Account exists in the input file, then – this loan record will be rejected as ‘Duplicate Customer Id and Loan Account No. in same input file’.
   2. If Only Loan Account No. matches, then – this loan account will be rejected as ‘Same Loan Account has Multiple Customer’s in same input file’.
2. The ‘Loan Account Number’ specified for a particular Loan Account is checked for a given ‘MLI AND then the ‘Customer ID’ is checked. Here there are two possibilities for Rejection –
   1. If both Customer Id and Loan Account No. exists in the database such that the CG Issue Start Date and CG Issue End Date is for the current FY. Then this record is rejected with message ‘Loan A/c is already received in this FY’
   2. If Only Loan Account No. matches, then – this loan account will be rejected as ‘Same Loan Account has Multiple Customer’s
3. The MLI AND Account No. for a particular borrower specified in input file presented by MLI is checked in the CG Issuance Table, If Record DOES NOT exists therein, then –The record for this customer id will be rejected as ‘Record does not exist in Table for Continuity’.
4. For Term Loans (i.e. Loans with Loan Type ‘1’):
   1. The Modified Sanctioned Loan Amount/Limit - Fund Based amount is EQUAL TO ZERO OR LESS THAN ZERO
   2. The Modified Sanctioned Loan Amount/Limit – Non Fund Based amount is GREATER THAN ZERO
   3. Comparing with immediate previous record, if presented Modified Sanctioned Loan Amount/Limit - Fund Based is Less than Modified Sanctioned Loan Amount/Limit - Fund Based OR Total Sanctioned Loan Amount/Limit - Fund Based (whichever is present).
5. For Working Capital Loans (i.e. Loans with Loan Type ‘2’):
   1. The Modified Sanctioned Loan Amount/Limit - Fund Based amount AND Modified Sanctioned Loan Amount/Limit – Non Fund Based amount is EQUAL TO ZERO OR LESS THAN ZERO
   2. The Modified Sanctioned Loan Amount/Limit - Fund Based amount is LESS THAN ZERO
   3. The Modified Sanctioned Loan Amount/Limit – Non Fund Based amount is LESS THAN ZERO
6. Date of Modified Sanctioned Loan Amount/Limit: The ‘Date of Modified Sanctioned Loan Amount/Limit’ is rejected if:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S. No. | Latest Record in CG Database for Given Loan Account1 | | Record In Input File | |
| **Summation of Modified Sanctioned Loan Amount/Limit - Fund Based AND Modified Sanctioned Loan Amount/Limit – Non Fund Based** | **Modified Sanction Date** | **Summation of Modified Sanctioned Loan Amount/Limit - Fund Based AND Modified Sanctioned Loan Amount/Limit – Non Fund Based** | **Modified Sanction Date** |
| 1 | A1 (Where A1 is valid amount) | Valid date – D1 | Same as A1 | * Earlier To D1 * EXCEEDS current system date * NULL/SPACES |
| 2 | A1 (Where A1 is valid amount) | Valid date – D1 | NOT Same as A1 | * Same as D1 * Earlier To D1 * EXCEEDS current system date * NULL/SPACES |

1. For Term Loans (i.e. Loans with Loan Type ‘1’):
2. The ‘Outstanding Loan Amount’ IS LESS THAN Zero OR LESS THAN ‘Minimum Acceptable value for Outstanding/Sanction Amount’ (Docket Parameter).
3. Date of Loan Closure:
   1. If ‘Loan Closed’ is N and Valid date is Provided
   2. If ‘Loan Closed’ is Y and Valid date is provided such that the ‘Date of Loan Closure’ is NOT BETWEEN ‘Date of First Disbursement’ AND Current System Date (inclusive of current system date only).
4. Date of NPA: (Part A): System will need to check if the NPA flag and NPA date information provided in ALL the update record for a given customer (Customer ID) are SAME. If NOT, then ALL these update records for that customer will be rejected.
5. Date of NPA: (Part B): Post part A check, system, gets immediate previous records NPA Flag and NPA date values from CG Issuance Database (Records are chronologically sorted on date of insert in CG Issuance database from Oldest to Latest and the Latest records NPA flag and NPA date is being considered for following checks). Then, the input file record is rejected for:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S. No.** | **Latest Record in Existing in Database for Given CG1** | | **Record In Input File**  ***(Any one of the NPA information is considered, since all the NPA information across the provided update information is/are common)*** | |
| **NPA Flag** | **Date** | **NPA Flag** | **NPA Date** |
| **1** | N | Null | N | NOT Null |
| **2** | N | Valid date – D1 | N | NOT Same as D1 |
| **3** | N | Null | Y | * System to first determine the LATEST first disbursement date (FDD) from CG database (i.e. Loan Application table) from all the records for particular customer (including new and update). Let’s say this date as LAFDD. * If the LAFDD is a valid date, then, the NPA date provided in the update information is NOT between this first disbursement date and current system date (inclusive of current system date only) then reject. * If the LAFDD is NULL/SPACES then reject. |
| **4** | N | Valid date – D1 | Y | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| **5** | Y | Valid date – D1 | N | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| **6** | Y | Valid date – D1 | Y | NOT Same as D1 |

1. The credit guarantee exists in system having its latest Current Status Code as:
   1. 30036
   2. 30011
   3. 30021
   4. 30013
   5. 30005
   6. 30018
   7. 30019
   8. 30038
   9. 30039

*Note - For the field names mentioned above refer section 1.2.2.*

### **Determine Credit Guarantee Cover & Charges**

For continuing the existing CG system calculates the credit guarantee cover and the charges to issue this cover for the loan records which have cleared the eligibility criteria checks mentioned in section 1.6.2.

For continuing the Credit Guarantee, charges includes – Fees, Penal Interest Charges (if the CG is in lapsed state) and Taxes.

The rules/logic for calculating cover and charges is covered in this section.

### **Calculating Credit Guarantee Cover**

The calculation of CG Cover will be done at the time of Claim settlement and not at the time of CG issuance.

While issuing CG, the reports will mention – ‘As per scheme’ instead of actually calculating the CG cover. Refer section 1.7 for more details.

### **Calculating Credit Guarantee Fees**

Though as mentioned earlier, cover is not being calculated at the time of CG issuance, but, Fees and tax will be calculated and will be for each individual loan record.

CG for continuity of guarantee is annual. The calculation for CG Fees is in advanced for entire FY. The Fee calculation is also based on NPA percentage as well as claim payout ratio. RISK BASED Credit Guarantee Fee is determined based on Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s ‘Docket’ and the formulae is as below:

* Guarantee Fee on SBR = Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account \* Annual Guarantee Fee in Percent
* Guarantee Fee for all Premiums = [(Risk Premium – NPA + Risk Premium – Claim)] \* Guarantee Fee on SBR
* Total CG Fees = Guarantee Fee on SBR + Guarantee Fee for all Premiums

*Refer section 1.8 for details on selection of risk premium NPA and Claim for calculating CG Fees.*

Credit Guarantee fee calculation:

|  |  |
| --- | --- |
| **Stand Up India Loan Scheme Parameters** |  |
| Guarantee Cover (%) (above 10 lakh and upto 50 lakh) | 80% |
| Guarantee Cover (%) (above 50 lakh and upto 100 lakh) | 50% |
| Annual Guarantee Fee (%) | 0.85% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 100,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) (above Rs 10 Lakh) | 10,00,000.01 |
| NPA Percentage Risk Premium | 20% of SR (>15%-20%) |
| Claim Payout Percentage Risk Premium | 10% of SR (>5%-10%) |

**Scenario 1:** Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account DOES NOT EXCEEDS Minimum Limit to Guarantee Issuance Allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account | 900000.00 |

Guarantee Fee on SBR = 900000 \* 0.85% = 7650/

Guarantee Fee for all Premiums = 7650\* 30% = 2295/-

Total CG Fees equals to INR 9945/-

**Scenario 2:** Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account EXCEEDS Minimum Limit to Guarantee Issuance Allowed but not Maximum Limit to guarantee issuance allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account | 15,00,000.00 |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account.

Guarantee Fee on SBR = 15,00,000 \* 0.85% = 12750/-

Guarantee Fee for all Premiums = 12750\* 30% = 3825/-

Total CG Fees equals to INR 16575/-

**Scenario 3:** Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account Equals to Maximum Limit to guarantee issuance allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account | 100,00,000.00 |

Guarantee Fee on SBR = 100,00,000 \* 0.85% = 85000/-

Guarantee Fee for all Premiums = 85000 \* 30% = 25500/-

Total CG Fees equals to INR 110500/-

**Scenario 4:** Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account EXCEEDS Maximum Limit to Guarantee Issuance Allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017. One of the Loan Account values are as below:

The Loan Account has:

|  |  |
| --- | --- |
| Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account | 115,00,000.00 |

Guarantee Fee on SBR = 100,00,000 \* 0.85% = 85000/-

Guarantee Fee for all Premiums = 85000 \* 30% = 25500/-

Total CG Fees equals to INR 110500/-

**Calculating the Credit Guarantee Fee:**

* When Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account is in range of Minimum Limit to Guarantee Issuance Allowed but not Maximum Limit to Guarantee issuance allowed, it is calculated based on Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account.
* When Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account exceeds Maximum Limit to Guarantee issuance allowed, it is calculated based on Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account but capped to Maximum Limit to Guarantee issuance allowed.

### **Calculating Penal Interest for Lapsed Revival**

In situation of loan record not received for guarantee continuity for a particular cycle, the guarantee cover awarded to the loan record is inactivated with status as ‘Lapsed’. This is a system generated transaction with status code as 30013 and 30021. For such lapsed guarantee’s, NCGTC user can select them for ‘Release Lapse’ case (status code 30038 and 30039) and mark the for levying penal charges. Now if loan record is presented to the system through the input ‘Input file – CG Continuity’, then, the system calculates the penal interest which MLI needs to pay in conjunction to the current calculated CG Fees and taxes.

*Note that the penal interest is only to be considered or calculated if the MLI and the scheme for which the renewal data is being received is marked for ‘Levy Penal Interest’. If the MLI and the scheme for which the renewal data is being received is NOT marked for ‘Levy Penal Interest’, then, penal charge calculation is NOT done.*

On receipt of payment of penal interest along with CG Fees and taxes, system revives the guarantee.

Formulae for calculation of penal interest is:

Penal Interest for Lapsed Revival = (CG Fees \* ((Annual Penal Interest Rate (%) for Lapsed Revival) /4) \* Number of Lapsed Quarters)

|  |  |
| --- | --- |
| **Stand Up India Loan Scheme Parameters** |  |
| Guarantee Cover (%) (above 10 lakh and upto 50 lakh) | 80% |
| Guarantee Cover (%) (above 50 lakh and upto 100 lakh) | 50% |
| Annual Guarantee Fee (%) | 0.85% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 100,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) (above Rs 10 Lakh) | 10,00,000.01 |
| Annual Penal Interest Rate (%) for Lapsed Revival | 6.0% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

MLI uploads and approves the input file on SURGE system on 10th April 2018. This input file contains Loan Disbursement Information till previous March 2018. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account | 15,00,000.00 |

This loan account had been issued guarantee cover in the Quarter 2 of 2016 and had been ‘In Force’ since then till March 2017. However, its guarantee cover has lapsed since then till 10th April 2018 (i.e. Number of Lapsed Quarters = 8).

CG Fees is calculated on Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account which is - INR 16575/- (Refer section 1.6.3.2 – Scenario 2 above).

Based on this CG Fees, penal interest for Lapsed Revival is calculated as (16575 \* (6.0%/4) \*8) = INR 1989/-

**Calculating the Penal Interest for Lapsed Revival:**

1. The Loan Account CG cover has lapsed since MLI has failed to provide details of Outstanding Loan Account on previous count. Thus, Penal interest is based on the Fees calculated on Loan Sanctioned Amount presented and not on amount of the lapsed quarters

### **Calculating Tax on Credit Guarantee Fees & Interest for Lapsed Revival**

Tax on Credit Guarantee Charges is determined based on CG Fees and Penal Interest calculated in section 1.6.3.2 and 1.6.3.3 respectively. There will be various Taxation components. SURGE allows users to define these components (their names and tax value). Summation of these tax components is the total tax determined. The formulae is as below:

Tax on Guarantee Fee = (Tax1 \* (Credit Guarantee Fee + Penalty)) + (Tax2 \* (Credit Guarantee Fee + Penalty)) + …. + (Taxn \* (Credit Guarantee Fee + Penalty))

|  |  |
| --- | --- |
| **Stand Up India Loan Scheme Parameters** |  |
| Guarantee Cover (%) (above 10 lakh and upto 50 lakh) | 80% |
| Guarantee Cover (%) (above 50 lakh and upto 100 lakh) | 50% |
| Annual Guarantee Fee (%) | 0.85% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 100,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) (above Rs 10 Lakh) | 10,00,000.01 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

**Scenario 1:** Tax Calculation for Non Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account | 1500000.00 |

CG Fees as determined in section XX above, on INR 15Lacs is 16575/-

There is no penalty levied on this loan. Thus, Penalty = INR 0/-

Taxation on INR 21450/- is determined as below:

1. Service Tax on this Fee @14% is 16575\*14% = INR 2320.5/-
2. Swach Bharat Cess on this Fee @0.5% is 16575\*0.5% = INR 82.875/-
3. Krishi Kalyan Cess on this Fee @0.5% is 16575\*0.5% = INR 82.875/-

Total Tax is summation of service tax and Swach Bharat Cess = 2320.5+82.875+82.875= INR 2486/-

**Scenario 2:** Tax Calculation for Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2018. This input file contains Loan Disbursement Information till previous March 2018. The Loan Account has:

|  |  |
| --- | --- |
| Summation of Modified Sanction Loan Amount (Fund and Non Fund) for the given loan account | 15,00,000.00 |

This loan account had been issued guarantee cover in the Quarter 2 of 2016 and had been ‘In Force’ since then till March 2017. However, its guarantee cover has lapsed since then till FY 18-19 (i.e. Number of Lapsed FY Years = 2).

CG Fees is calculated on Sanctioned Loan Amount which is - INR 16575/- (Refer section 1.6.3.2 – Scenario 2 above).

Based on this CG Fees, penal interest for Lapsed Revival is calculated as (16575 \* (6.0%/4) \*8) = INR 1989/-

Taxation is calculated on INR (16575+1989) = INR – 18564/- is determined as below:

1. Service Tax on this @14% is 18564\*14% = INR 2598.96/-
2. Swach Bharat Cess on this @0.5% is 18564\*0.5% = INR 92.82/-
3. Swach Bharat Cess on this @0.5% is 18564\*0.5% = INR 92.82/-

Total Tax is summation of service tax and Swach Bharat Cess = 2598.96+92.82+92.82= INR 2784.6 rounded off to 2785

**Calculating the Credit Guarantee Fee Tax:**

1. SURGE provides facility to define tax components (names and values (%))
2. Summation of these tax components provides total tax chargeable on CG Fees.

### **Demand Advice for Guarantee Charges**

For guarantee charges demand to continue the guarantee cover, system generates the DAN as specified below.

### **CGDAN – Demand Advice: Existing Guarantee Cover - Individual**

The demand for CG Charges is raised to MLI by generating CGDAN. Refer section 1.5.6.1 for details on CGDAN.

### **BATCHDAN – Demand Advice: Existing Guarantee Cover - Batch**

Batch DAN Format for Batch of eligible records – Continuity of Credit Guarantee Batch:

### **Payment of CG Charges**

Till the point MLI makes the payment of CG Charges, system will identify these CG’s as ‘Provisional’ by means of below mentioned status codes:

* Current CG Status – 30036
* Previous CG Status – 30036

Refer the document - ‘Payment Mechanism’ for more details on payment process.

### **Payment of CG Fees/Taxes/Penalty in Stipulated Time**

Payment of CG Fees in stipulated time makes the guarantee active, and the Guarantee Status is updated as ‘In Force’ with below mentioned status codes:

|  |  |  |  |
| --- | --- | --- | --- |
| **S. No.** | **Record Details In Input File for Loan Account in Consideration** | **State of Latest Record in SURGE for Corresponding Loan Account’s CG** | **Satus Codes Provided by System for the New Entry** |
| 1 | Loan Account is Standard | Current State – 30010 | Current State – 30010  Previous State – 30036 |
| 2 | Loan Account is NPA | Current State – 30010 | Current State – 30020  Previous State – 30036 |
| 3 | Loan Account is Standard | Current State – 30020 | Current State – 30010  Previous State – 30036 |
| 4 | Loan Account is NPA | Current State – 30020 | Current State – 30020  Previous State – 30036 |
| 5 | Loan Account is Standard | Current State – 30038 | Current State – 30010  Previous State – 30036 |
| 6 | Loan Account is NPA | Current State – 30038 | Current State – 30020  Previous State – 30036 |
| 7 | Loan Account is Standard | Current State – 30039 | Current State – 30010  Previous State – 30036 |
| 8 | Loan Account is NPA | Current State – 30039 | Current State – 30020  Previous State – 30036 |
| 9 | Loan Account is Closed | Current State – 30010 or 30020 or 30038 or 30039 | Current State – 30005  Previous State – 30036 |

SURGE allows following operations for active (In Force) guarantees:

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Queries for Claims & Resolution
* Claims Reject/Approve
* Claim Settlement (1st and Final)
* Post Claim Recoveries
* Close (by MLI user)
* Close (by NCGTC user)
* Lapse (by System)
* Release of Lapse (by NCGTC user)
* Modify Specific Fields (by MLI User)

Note:

In case of marking the CG as NPA or Standard or Closed: – if Loan Account has been specified with NPA fields and Close fields together – then – CG status provided will be for Closed and not as NPA.

### **Non Payment of CG Charges in Stipulated Time**

On non-payment (due to partial payment or No payment by MLI) of CG Charges in stipulated time, system is unable to issue the guarantee, thus, the guarantee status remains as ‘Lapsed’, with below mentioned status codes:

|  |  |  |  |
| --- | --- | --- | --- |
| **S. No.** | **Record Details In Input File for Loan Account in Consideration** | **State of Latest Record in SURGE for Corresponding Loan Account’s CG** | **Satus Codes Provided by System for the New Entry** |
| 1 | Loan Account is Standard | Current State – 30010 | Current State – 30013  Previous State – 30036 |
| 2 | Loan Account is NPA | Current State – 30010 | Current State – 30021  Previous State – 30036 |
| 3 | Loan Account is Standard | Current State – 30020 | Current State – 30013  Previous State – 30036 |
| 4 | Loan Account is NPA | Current State – 30020 | Current State – 30021  Previous State – 30036 |
| 5 | Loan Account is Standard | Current State – 30038 | Current State – 30013  Previous State – 30036 |
| 6 | Loan Account is NPA | Current State – 30038 | Current State – 30021  Previous State – 30036 |
| 7 | Loan Account is Standard | Current State – 30039 | Current State – 30013  Previous State – 30036 |
| 8 | Loan Account is NPA | Current State – 30039 | Current State – 30021  Previous State – 30036 |

Note:

* The above mentioned lapsed status codes are provided by the Service/Job which is executed at a predefined interval. Thus, marking a provisional CG as ‘Lapsed’ is a system controlled function.
* No further operations are allowed on Lapsed CG.
* In case of marking the CG as NPA or Standard or Closed: – if Loan Account has been specified with NPA fields and Close fields together – then – CG status provided will be for Closed and not as NPA.

## **CG Cover Calculation Applicable During Claim Settlement or MIS/Reporting**

While issuing CG, the reports will mention – ‘As per scheme’ instead of actually calculating the CG cover.

However, at the time of claim settlement and the MIS, the cover calculation will be based on Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id, along with ‘Guarantee Cover’ (%) configured in the ‘Scheme’ and it’s ‘Docket’ and the formulae is as below:

In case, Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id EXCEEDS Minimum Limit to Guarantee Issuance Allowed but upto Rs.50 lakh, then:

Guarantee Cover = (Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id) \* Guarantee Cover (80 %) [Max Rs.40 Lakh]

In case, Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id EXCEEDS Rs.50 Lakh but upto Maximum Limit to Guarantee Issuance Allowed, then:

Guarantee Cover = (Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id (Upto 50 Lakh)) \* Guarantee Cover (80%) [Max Rs.40 Lakh]

+

(Difference of Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id (Above Rs. 50 Lakh)) \* Guarantee Cover (50 %)

Consider the following illustration for calculation purpose:

|  |  |
| --- | --- |
| **Stand Up India Loan Scheme Parameters** |  |
| Guarantee Cover (%) (above 10 lakh and upto 50 lakh) | 80% |
| Guarantee Cover (%) (above 50 lakh and upto 100 lakh) | 50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 100,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) (above Rs 10 Lakh) | 10,00,000.01 |

**Scenario 1:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id DOES NOT EXCEEDS Minimum Limit to Guarantee Issuance Allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017.

The Loan Account has:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id | 900000.00 |

Thus, in case of this scenario, Guarantee cover calculation will be based on sanction loan amount. Thus, Guarantee Cover=900000\*80%

Which is equal to INR 720000/-

**Scenario 2:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id EXCEEDS Minimum Limit to Guarantee Issuance Allowed but UPTO Rs.50 Lakh

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017.

One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id | 1500000.00 |

Thus, in case of this scenario, Guarantee Cover calculation will be based on Sanction Loan Amount. Thus, Guarantee Cover = 1500000 \* 80%

Which equals to INR 1200000/-

**Scenario 3:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id EXCEEDS Rs. 50 lakh but UPTO Maximum Limit to Guarantee Issuance Allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017.

One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id | 70000000.00 |

Thus, in case of this scenario, Guarantee Cover calculation will be based on Summation of Sanction Loan Amount (Fund and Non Fund) for the given Customer ID. Thus, Guarantee Cover = 5000000\* 80% + 2000000\*50 %

Which equals to INR 5000000/-

**Scenario 4**: Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id Equals to Maximum Limit to Guarantee issuance allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017.

One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id | 100,00,000.00 |

Thus, in case of this scenario, Guarantee Cover calculation will be based on Summation of Sanction Loan Amount (Fund and Non Fund) for the given Customer ID. Thus, Guarantee Cover = 5000000\* 80% + 5000000\*50 %

Which equals to INR 6500000/-

**Scenario 5:** Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id EXCEEDS Maximum Limit to Guarantee Issuance Allowed

MLI uploads and approves the input file on SURGE system on 10th April 2017. This input file contains Loan Disbursement Information till previous March 2017.

One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Summation of Sanction Loan Amount (Fund and Non Fund) for the given customer id | 115,00,000.00 |

Thus, in case of this scenario, Guarantee is capped at sanction of 1Cr. Thus, in case of this scenario, Guarantee Cover calculation will be based on Summation of Sanction Loan Amount (Fund and Non Fund) for the given Customer ID. Thus, Guarantee Cover = 5000000\* 80% + 5000000\*50 %

Which equals to INR 6500000/-

**Calculating the Credit Guarantee Cover:**

* Summation of Sanction Loan Amount (Fund and Non Fund) for the given Customer ID EXCEEDS OR DOES NOT EXCEEDS Minimum Limit to Guarantee Issuance Allowed but upto Rs.50 lakh.
* Summation of Sanction Loan Amount (Fund and Non Fund) for the given Customer ID EXCEEDS Rs.50 Lakh but upto Maximum Limit to Guarantee Issuance Allowed.
* Summation of Sanction Loan Amount (Fund and Non Fund) for the given Customer ID EXCEEDS Maximum Limit to Guarantee Issuance Allowed, then the Guarantee is capped at Maximum Limit to Guarantee Issuance Allowed.

## **Loan Amount Sanction Date and Risk Premium Selection**

### **For New Credit Guarantee Cases**

The Risk Premium parameters are saved in the respective masters. For new CG cases, the selection of particular risk premium value (for NPA and Claim) depends on - the sanction date. However, the complication is due to the fact there may be one or multiple entries which qualifies the selection.

* Example: This example is for selection of NPA risk premium parameter. The same rational applies for Claim risk premium parameter.

Consider the loan Sanction date of one of the loan account is 10-Oct-2016

Scenario 1: following entries exist in NPA risk premium parameter table:

|  |  |  |  |
| --- | --- | --- | --- |
| Row No. | From Date | To Date | NPA Risk Premium |
| 1 | 10-Oct-16 | 20-Oct-16 | 10% |
| 2 | 20-Oct-16 | 30-Oct-16 | 20% |
| 3 | 30-Oct-16 | - | 30% |

Since Sanction loan date is 10th Oct 2016, Row No. 1 qualifies the selection and hence 10% is the NPA premium value used for calculation.

Scenario 2: following entries exist in NPA risk premium parameter table:

|  |  |  |  |
| --- | --- | --- | --- |
| Row No. | From Date | To Date | NPA Risk Premium |
| 1 | 5-Oct-16 | 10-Oct-16 | 10% |
| 2 | 10-Oct-16 | 30-Oct-16 | 20% |
| 3 | 30-Oct-16 | - | 30% |

Since Sanction loan date is 10th Oct 2016, ‘To Date’ of Row No. 1 and ‘From Date’ of Row No. 2 qualifies the selection. But Row No. 2 will have higher precedence since it indicates the start of date range and hence 20% is the NPA premium value used for calculation.

Scenario 3: following entries exist in NPA risk premium parameter table:

|  |  |  |  |
| --- | --- | --- | --- |
| Row No. | From Date | To Date | NPA Risk Premium |
| 1 | 5-Oct-16 | 10-Oct-16 | 10% |
| 2 | 10-Oct-16 | 10-Oct-16 | 20% |
| 3 | 10-Oct-16 | 10-Oct-16 | 25% |
| 4 | 10-Oct-16 | 10-Oct-16 | 30% |
| 5 | 10-Oct-16 | - | 40% |

Since Sanction loan date is 10th Oct 2016, ‘To Date’ of Row No. 1 and ‘From Date’ of Row No. 2/3/4/5 qualifies the selection. Note, that there are multiple rows of ‘From Date’ that qualifies the selection. But Row No. 5 will have higher precedence since system considers the active parameter (the one which does not have ‘To Date’) for usage. Hence 40% is the NPA premium value used for calculation.

### **For Continue Credit Guarantee Cases**

In case of continue CG, the selection of particular risk premium value (for NPA and Claim) DOES NOT depends on - the sanction date. The latest available risk premium value is selected for further calculation of CG Fees.

## **Persisting the Loan Account Information in CG Table**

### **New Credit Guarantee Information**

The New Loan Account information (or New CG) if found eligible, is saved in Credit Guarantee table (i.e. CG table). It is important to note that, all the loan information value provided by MLI is saved in the table along with Credit Guarantee status (as explained in above section) and along with below mentioned specific field values:

* File Type – 1 (which indicates that this is a batch transaction for New CG)
* Transaction Mode – 120001
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – DateTime of Record insertion

### **Continue Credit Guarantee Information**

The Loan Account information provided for continuity of CG if found eligible, is saved in Credit Guarantee table (i.e. CG table). It is important to note that, all the loan information value provided by MLI is saved in the table along with Credit Guarantee status (as explained in above section) and along with below mentioned specific field values:

* File Type – 2 (which indicates that this is a batch transaction for New CG)
* Transaction Mode – 120001
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – DateTime of Record insertion

## **Points Pending For Further Clarification**

Following points will need clarification from NCGTC:

|  |  |  |
| --- | --- | --- |
| S. No. | Point for Further Clarification | Contemplations |
| 1 | A request for continuing credit guarantee is raised by MLI for such a loan account which has neared its end of loan tenure. | Whether to close the guarantee cover or issue the cover for the ‘Broken Period’ |
|  |  |  |
| 3 | Loan Account details have ‘Outstanding Loan Amount’ = Zero | Does the system close the CG or provide alert to MLI, consequently, MLI closes the CG manually. |

On receipt of further clarification from NCGTC team, the current document will undergo revision.

Prepared By Mastek Ltd. For National Credit Guarantee Trustee Company Ltd.

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