

**105 Frequently Asked Questions (FAQs) on
Emergency Credit Line Guarantee Scheme of Rs. 3 lakh crore
(Updated as on October 13, 2020)**

1. What is Guaranteed Emergency Credit Line (GECL)?

The GECL is a loan for which 100% guarantee would be provided by National Credit Guarantee Trustee Company (NCGTC) to Member Lending Institutions (MLIs), and which will be extended in the form of additional working capital term loan facility in case of Scheduled Commercial Banks (SCBs) and Financial Institutions (FIs), and additional term loan facility in case of Non-Banking Financial Companies (NBFCs), to eligible MSMEs/ Business Enterprises, individual borrowers in case of the original loan having been for own business and interested Pradhan Mantri Mudra Yojana (PMMY) borrowers. Credit under GECL would be up to 20% of the borrower's total outstanding credit up to Rs. 50 crore, excluding off-balance sheet and non-fund based exposures, as on 29th February, 2020, *i.e.*, additional credit shall be up to Rs.10 crore.

2. What is the objective of the Scheme?

The Scheme is a specific response to the unprecedented situation COVID-19. It seeks to provide much needed relief to the MSME sector by incentivizing MLIs to provide additional credit of up to Rs. 3 lakh crore at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses.

3. What is the Emergency Credit Line Guarantee Scheme?

The Emergency Credit Line Guarantee Scheme provides 100% guarantee coverage by NCGTC to MLIs on GECL of up to Rs. 3 lakh crore to eligible MSMEs. MSMEs for the purpose of this Scheme will include MSMEs/ Business Enterprises which are constituted as Proprietorships, Partnerships, Registered Companies, Trusts and Limited Liability Partnerships (LLPs), interested borrowers under PMMY, and also loans to individuals for business purpose.

4. Who are the MLIs under the Scheme?

All SCBs are eligible as MLIs. NBFCs which have been in operation for at least 2 years as on 29.2.2020, and FIs will also be eligible as MLIs under the Scheme.

5. What will be the definition of FIs for the purpose of this Scheme?

FIs for the purpose of this Scheme will be as defined under sub-clause (i) of clause (c) of Section 45-I of RBI Act.

6. What is the duration of the Scheme?

The Scheme would be applicable to all loans sanctioned under GECL during the period from May 23, 2020 to 31st October, 2020, or till an amount of Rs. 3 lakh crore is sanctioned under GECL, whichever is earlier.

7. What would be the guarantee coverage under the Scheme?

The entire funding provided under GECL shall be provided with a 100% credit guarantee coverage by NCGTC under the Scheme.

8. What will be the eligibility criteria for MSMEs to avail the benefit of the Scheme?

The eligibility criteria under the Scheme are as under:

- All MSME borrower accounts with combined outstanding loans across all MLIs of up to Rs. 50 crore as on 29.2.2020, and annual turnover of up to Rs. 250 crore in FY 2019-20. In case accounts for FY 2019-20 are yet to be audited/finalized, the MLI may rely upon the borrower's declaration of turnover.
- The Scheme is valid only for existing customers on the books of the MLI.
- Borrower accounts should be classified as regular, SMA-0 or SMA-1 as on 29.2.2020. Accounts classified as NPA or SMA-2 as on 29.2.2020 will not be eligible under the Scheme.
- The MSME borrower must be GST registered in all cases where such registration is mandatory. This condition will not apply to MSMEs that are not required to obtain GST registration.
- Loans provided to individuals for own business purposes will be covered under the Scheme.

9. Will the Scheme also cover borrowers under PMMY?

Yes, loans under PMMY extended on or before 29.2.2020, and reported on the MUDRA portal shall be covered under the Scheme.

10. Will GECL be extended as a separate loan account, or as part of the existing loan account of the borrower?

A separate loan account shall be opened for the borrower for extending additional credit under GECL. This account will be distinct from the existing loan account(s) of the borrower.

11. Will loans under the Scheme be automatically given without any application or solicitation from the borrower?

This is a pre-approved loan. An offer will go out from the MLI to the eligible borrowers for a pre-approved loan which the borrower may choose to accept. If the MSME accepts the offer, it will be required to complete requisite documentation. Thus, an 'opt-out' option will be provided to eligible borrowers under the Scheme, *i.e.*, if the borrower is not interested in availing the loan, he/she may indicate accordingly.

12. What would be the procedure followed in case a borrower has loan accounts with multiple lenders?

- In case a borrower has existing limits with multiple lenders, GECL may be availed either through one lender or each of the current lenders in proportion depending upon the agreement between the borrower and the MLI.
- In case the borrower wishes to take from any specific lender an amount more than the proportional 20% of the outstanding credit that the borrower has with that particular lender, a No Objection Certificate (NOC) would be required from such lenders whose share of

loan under ECLGS is being proposed to be taken from the specific lender. However, it would be necessary for the specific lender to agree to provide loan under ECLGS on behalf of such lenders.

- No NOC will, however, be required if the GECL availed from a particular lender is limited to the proportional 20% of the outstanding credit that the borrower has with that lender.

13. To avail GECL, will it be necessary for existing loans of the borrower to be covered under existing guarantee schemes such as CGFMU or CGTMSE?

No.

14. Will the interest rate on GECL be capped?

Yes, interest rates on GECL shall be capped as under:

- For Banks and FIs, one of the RBI prescribed external benchmark linked rates +1% subject to a maximum of 9.25% per annum
- For NBFCs, the interest rate on GECL shall not exceed 14% per annum

The Scheme may also be operated in combination with applicable interest subvention schemes, as far as feasible.

15. What would be the tenor of loans provided under GECL?

The tenor of loans provided under GECL shall be four years from the date of disbursement. No pre-payment penalty shall, however, be charged by the MLIs in case of early repayment.

16. Is there any moratorium period prescribed under the Scheme?

Yes, a moratorium period of one year on the principal amount shall be provided for GECL funding. Interest shall, however, be payable during the moratorium period. The principal shall be repaid in 36 instalments after the moratorium period is over.

17. Is any turnaround time prescribed for MLIs under the Scheme for sanction of GECL?

Indicative turnaround time for loans under the Scheme shall be the same as those prescribed by Department of Financial Services for credit support in the context of COVID-19 pandemic.

18. Will any guarantee fee be charged under the Scheme by NCGTC?

No, NCGTC will not charge any guarantee fee under the Scheme.

19. Will any processing fee be charged by MLIs for sanction of loans under GECL?

Since additional credit under GECL is to be provided to existing customers, no additional processing fee shall be charged by lenders.

20. Will MLIs ask for any additional collateral for the GECL facility?

No additional collateral shall be asked by MLIs for additional credit extended under GECL.

21. Will the categorization of existing loans extended through current Government schemes such as PMEGP or PMMY change if GECL is provided to such borrowers?

No. Existing loans extended through current Government schemes would continue to be categorized under that scheme as earlier. GECL under this Scheme shall be over and above the existing loan.

22. What will be the risk weight assigned to the credit extended under GECL?

Zero risk weight be assigned to the credit facilities extended under GECL, as per RBI Circular No. 76/21.06.201/2019-20 dated June 21, 2020.

23. What will be the security on credit extended under GECL Scheme?

The credit under GECL will rank *second charge* with the existing credit facilities in terms of cash flows (including repayments) and securities, with charge on the assets financed under the Scheme to be created within a period of 3 months from the date of disbursement.

24. Will MLIs be required to enter into any agreement with NCGTC for the purpose of this Scheme?

Yes, MLIs will be required to submit an Undertaking to NCGTC for the purpose of this Scheme.

25. How will the guaranteed amount be paid by NCGTC to the MLIs on invocation of the guarantee?

75% of the guaranteed amount will be paid by NCGTC within 30 days of an eligible claim being preferred by the MLI concerned. The balance 25% will be paid on conclusion of recovery proceedings or till the decree gets time barred, whichever is earlier.

26. Who will issue detailed operational guidelines for ECLGS, and who will have the authority to modify provisions of the Scheme/operational guidelines?

NCGTC has issued the detailed operational guidelines for the Scheme. The Management Committee for ECLGS fund will have the authority to approve any changes to the current structure of the Scheme/ operational guidelines.

27. I run a business enterprise and have a GST registration. However, I am not registered as an MSME nor do I have Udyog Aadhar. My Bank also does not classify me as an MSME borrower. Am I eligible under the scheme?

You are eligible if

- (i) you have total credit outstanding of Rs. 50 Crore or less as on 29th Feb 2020
- (ii) your turnover for 2019-20 was up to Rs. 250 Cr.
- (iii) You have a GST registration or were not required to obtain such GST registration

Udyog Aadhar or recognition as MSME is not required under this Scheme

28. My Bank/ NBFC has offered me a pre approved loan of 15% only though the scheme mentions 20%. Can the Bank/ NBFC do so?

Under ECLGS, Banks/ NBFCs are to offer loans **up to 20%**. Actual loan extended can therefore be less than 20%. This is generally on mutually agreed terms between the borrower and the lender based on factors relevant to the business operations.

29. I run a retail shop. Am I eligible for coverage?

See answer to question 27

30. I operate a lending business. Am I eligible?

No. Typically lending institutions get funds from banks/ NBFCs through on lending, refinance, asset purchase, securitization, assignment etc. There are therefore other windows available including the Partial Credit Guarantee Scheme and the Special Liquidity Facility.

31. Are all NBFCs eligible to become MLIs with NCGTC?

No. The NBFC must be registered with RBI, should be meeting the CRAR requirements prescribed by RBI and have been in lending business for at least two years as on 29th Feb 2020. The Managing Committee of the Scheme may prescribe additional qualification criteria from time to time.

32. What will be the procedure for claim settlement ?

This will be advised in due course through additional guidelines to be issued.

33. Can new MSME borrowers get covered under the scheme?

ECLGS scheme is only for existing borrowers on the books of the banks as on 29th Feb 2020. Any new borrower can, however, be covered under the ongoing CGTMSE and NCGTC schemes

34. Can co-applicant loans between entity and the promoter or director get covered under the scheme ?

Yes

35. Are off balance sheet loans provided to MSME borrowers covered as part of the scheme?

No, the scheme does not cover the off-balance sheet exposure. Only on balance sheet exposures outstanding as on 29th Feb, 2020 are eligible to be covered under the scheme.

36. How is the interest rate to be decided for loans under the scheme?

As per RBI guidelines dated September 04, 2019 & February 26, 2020, all loans to MSMEs must be benchmarked to one of the external benchmark rates. Banks are free to decide the spread over the external benchmark as per their approved policies. Accordingly, loans under the ECLGS must adhere to the above-mentioned guidelines and linked to the external benchmark rates.

As part of the Scheme, overall lending rate is capped at 1% above the external benchmark lending rate or 9.25% p.a. whichever is lower. Loans which are allowed not to be benchmarked to external rates shall be capped at maximum of 9.25%.

For e.g. for Bank ABC External Benchmark Lending Rate is 7.80 %; i.e. RBI Repo Rate (4.0%) + Spread (3.80%). For the purpose of this scheme the lending rate would be Min of (7.8% + 1% = 8.8% and 9.25%) = 8.8% in this case.

For e.g. for Bank ABC1 External Benchmark Lending Rate is 8.50 %; i.e. RBI Repo Rate (4.0%) + Spread (4.50%). For the purpose of this scheme the lending rate would be Min of (8.5% + 1% = 9.5% and 9.25%) = 9.25% in this case.

37. I am not a registered MSME and operate a general/retail business. My account was NPA as on 29th Feb, 2020. Am I eligible for ECLGS?

Accounts that are NPA or where overdues have crossed 60 days (SMA-II) are not eligible under ECLGS.

38. My lender, which is an NBFC, proposes to charge 15% for the loan. Is this permissible?

While a NBFC lender can charge a rate of interest higher than 14%, such a loan would not be eligible for guarantee coverage.

39. What is the process of issue of Guarantees under the scheme ?

As per the system developed by us for issue of guarantee under ECLGS, once a lender enters the details of the loan sanctioned to an eligible borrower as per the scheme guidelines, the system shall approve the guarantee automatically and will provide Application Reference No. and Credit Guarantee Number to the lender, which shall be used by the lender for later references.

No documents are sought at the time of application lodgement of guarantee, except in the case of individual loans where a management certificate certifying that the original loan was for business purposes..

40. Will a portfolio / clients that has been purchased under a pool qualify under this scheme?

The guarantee is available to the existing lender for the additional loan extended during the specified period. Thus, the lenders on whose book these borrowers currently are can provide these facilities provided the borrowers meet all the eligible conditions as defined in the scheme guidelines. It should be noted that the eligible amount for loan under ECLGS is 20% of the outstanding amount as on 29th Feb 2020. The buyer of the pool should be an MLI under the Scheme.

41. Once the credit facility / loan under the scheme is extended to eligible clients, can the loans be assigned or be eligible for securitization?

The facilities provided under ECLGS are eligible for securitization. Since the facility is to be opened as a separate loan account it can be treated at par with normal loans for securitization purpose. Other conditions of eligibility must be fulfilled.

42. In case where the original loan is an unsecured loan (i.e. with no primary or collateral security), is it required to create a charge within a period of 3 months as applicable for ECLGS scheme?

If the underlying loan is unsecured in nature, no charge is required to be created/extended.

43. In retail financial sector, it is a common practice to balance transfer of loans from one entity to other. Will these customers be eligible for this scheme?

Mere transfer of loan from one lender to the other will not invalidate the customer or reduce the maximum loan eligibility available to such customer under this scheme, provided the lender taking over is also eligible under the scheme as per the criteria defined in the scheme guidelines.

MLIs should note that the overall loan under the scheme will be capped at overall outstanding as on 29th Feb, 2020

44. Will MSME customer of HFC entitled for this scheme?

MSME portfolio of HFC will be eligible. All MSME Loans must be given to entities which are eligible to be covered and provided other eligibility conditions are fulfilled.

45. What would be the format of NOC and undertaking to be obtained from other lender?

No format has been prescribed under the scheme. MLIs may use whatever they have been following till now.

46. What would be the nature of guarantee under the scheme?

The Credit Guarantee from NCGTC would be unconditional and irrevocable.

47. What would be the risk weight assigned to loans provided guarantee cover under the scheme ?

Zero risk weight is to be assigned to the credit facilities extended under the scheme, as per RBI Circular No. 76/21.06.201/2019-20 dated June 21, 2020.

48. Guarantee was issued under the scheme to a borrower who was eligible at the time of issue of guarantee. However, subsequently its combined loan outstanding across all MLIs exceeded Rs.50 crore or annual turnover exceeded Rs.250 crore. Whether the guarantee issued in such a case become void ?

No, it would not become void. Eligibility is reckoned at the time of sanction of the loan. Clause 6 of the Undertaking furnished by MLIs shall therefore stand deleted.

49. I run my business as a Society/ HUFs. Am I eligible under the scheme of ECLGS ?

Yes, all legal entities are eligible.

50. Whether individuals are covered under ECLGS, if they are MUDRA borrowers ?

Yes, they are eligible, provided

- (i) they meet the other eligibility norms of the scheme and
- (ii) The lender should have reported loans extended by it on the Mudra portal.

51. In case of MUDRA borrowers, if the total outstanding after support under ELGS exceeds the limit of Rs.10 lakh as specified for MUDRA borrowers, will they continue to get cover under Credit Guarantee Fund for Micro Units ?

Yes, The additional loan would be covered under NCGTC's ECLGS, while the original loan would continue under CGFMU as previously covered.

52. Whether educational institutes/ agri allied activities eligible for coverage under the scheme?

The scheme is for business activities. Any activity that is classified as an MSME or a business enterprise as per various guidelines issued by RBI or any Ministry from time to time are eligible for coverage under the scheme. If the other norms of the scheme are complied with, these institutions shall stand eligible.

53. Whether projects under implementation (who have not yet started commercial operations or have not completed one year of commercial operations) eligible for coverage under the scheme?

No restriction has been imposed for such types of units as they would also have been impacted by the pandemic and may suffer time and cost overrun. The concerned MLI should ensure overall eligibility under the scheme.

54. What is meant by Commercial Vehicle (CV) ?

It means a vehicle registered for commercial purposes.

55. Whether RRBs are eligible for coverage under the scheme ?

Yes, they are eligible.

56. I am a borrower and have furnished corporate guarantee/ guarantee of self / third party to my Bank on an existing loan. Do I have to arrange to extend this previously furnished guarantee for the 20% loan being availed by me under ECLGS ?

No. Extension of any guarantee or obtention of any fresh guarantee will make the guarantee cover provided by NCGTC under the scheme void.

57. The Bank has taken first charge on perishable assets/current assets against short term loans to a borrower and extended second charge on these assets to NCGTC against 20% facility under ECLGS. What would be the security available once these assets are sold off/disposed ?

The second charge assumes the nature of first charge after payment of full dues of first charge holder. However, if the assets against which second charge was created itself are not there, then the facility extended under ECLGS would become unsecured. New assets would not be required for creating or sustaining the charge.

58. Some lenders have indicated a negative list of sectors for consideration under ECLGS. Does the scheme have any restriction on business activity of a borrower?

ECLGS is admissible for all business activities. There is no negative list for coverage under ECLGS.

59. Whether individuals are eligible for assistance under the scheme ?

Yes, business loans availed by individuals for their own businesses shall be eligible under the scheme. However, the MLI shall have to submit a suitable Management Certificate at the time of lodgement of guarantee application.

60. I am an individual having taken loan from an eligible MLI for commercial purpose vehicle. Am I eligible for ECLGS facility ?

Yes, you are eligible, provided you meet the other eligibility criteria of the scheme.

61. I am an individual having taken loan from an eligible MLI for commercial/ construction equipment. Am I eligible for ECLGS facility ?

Yes, you are eligible, provided you meet the other eligibility criteria of the scheme.

62. I am an individual having taken loan from an eligible MLI for diagnostic equipment. Am I eligible for ECLGS facility?

Yes, you are eligible, provided you meet the other eligibility criteria of the scheme.

63. I am an individual having taken loan against property from an eligible MLI. Am I eligible for ECLGS facility ?

You are eligible, provided the loan has been taken for your own business purpose and you meet the other eligibility criteria of the scheme.

64. Whether Lease Rental Discounting is eligible for assistance under ECLGS?

No.

65. I am an eligible borrower banking with MLI 'A' and MLI 'B'. MLI 'A' has sanctioned me the eligible assistance of overall outstanding with MLIs 'A' and 'B' and obtained guarantee under ECLGS by indicating in the system that NOC has been obtained from MLI 'B', though it has actually not been. Now MLI 'A' is delaying disbursement and is seeking NOC from MLI 'B', which MLI 'B' is refusing. MLI 'B' has also sanctioned assistance to me as per my eligibility with them, but cannot disburse as it is not able to obtain guarantee under ECLGS. Finally, I am a sufferer not able to avail assistance under ECLGS due to tussle between the 2 MLIs. What should I do ?

On receipt of details, correction would be done by NCGTC to enable guarantee cover to MLI 'B' to the extent of its eligibility and guarantee cover to MLI 'A' to the extent of its eligibility under ECLGS. You will then be able to avail proportional loan from both the MLIs.

66. I am an eligible MLI and have got some guarantees issued in respect of certain eligible borrowers. However, some of the details entered in the system are incorrect. Can the incorrect details entered be modified?

No, there are some validations in the system and hence modifications cannot be allowed. However, on specific request from registered (at the time of enrolment) mail id of the MLI, NCGTC would arrange to delete the guarantees issued and the MLI shall be able to apply afresh for the guarantee in respect of loan to such borrowers.

67. Bureau outstanding has been entered incorrectly by MLI 'A' while taking guarantee cover in respect of an eligible borrower. The said borrower is also banking with MLI 'B', but it is not able to extend assistance to the borrower in view of incorrect entry of Bureau Outstanding. What should MLI 'B' do ?

NCGTC has already developed and circulated a module as per which the MLI 'B' can rectify the Bureau outstanding. It may, however, be noted that MLI 'B' should retain the document relating to Bureau outstanding as proof which would be required in case of claim settlement.

68. Are Regional Rural Banks (RRBs) eligible as Member Lending institution under ECLGS?

Yes, all scheduled RRBs are eligible. It may be mentioned here that subsequent to amalgamation of certain RRBs which were previously scheduled, they are yet to be included in Second Schedule of RBI Act, but considering that RBI has already commenced the process to include them in the Schedule which may take some time and the fact that they were earlier scheduled, they are also eligible under ECLGS.

69. It has been indicated under FAQ 12 that in case a borrower wishes to take from any lender an amount more than the proportional 20% of the outstanding credit that the borrower has with that particular lender, a No Objection Certificate (NOC) would be required from all other lenders. Is it necessary for the borrower to obtain NOC from all lenders even though the loan being taken from a particular lender is not the total outstanding across all MLIs ?

No, NOC would be required from the respective lenders whose share of ECLGS loan, the borrower wants to avail from one particular lender. It may, however, be necessary here for the particular lender to agree to provide assistance under ECLGS on behalf of these other lenders.

70. An MLI 'A' has taken guarantee cover under ECLGS for a loan provided to a specific borrower. MLI 'B' takes over the said loan from MLI 'A' anytime during the repayment period. How will the guarantee provided under ECLGS be transferred from MLI 'A' to MLI 'B' and what would be the repayment schedule of the said loan under ECLGS with MLI 'B' ?

A page has been created on the portal for takeover cases wherein MLI 'B' has to enter certain details about the borrower being taken over from MLI 'A' – it includes fields like borrower name, names of MLIs 'A' & 'B', CGPAN number of MLI 'A', loan account number, Management Certificate of having taken over the loan, etc. On submission of the same, NCGTC would verify the details of transfer and on approval, fresh CGPAN number is generated for MLI 'B' and a mail goes to the registered mail ids of the two MLIs about shift of guarantee from MLI 'A' to MLI 'B'.

There would be no change in the repayment schedule, which should be as per scheme guidelines and both MLIs should ensure the same.

71. What would be the procedure for filing and settlement of claims under ECLGS ?

A claim lodgement page shall be available on the portal, which is under development presently. The MLI shall furnish the details of the account which would include date of NPA, amount in default, status of legal action etc. The MLI may also be required to upload Management Certificate certifying certain details about the account. On submission of this claim, an e-mail shall go to the MLI that their claim has been lodged and NCGTC would initiate action to approve the claim request and arrange to pay 75% of the amount in default within 30 days of the claim date provided all requisite documents are submitted and the claim is found to be in order and complete in all respects. This shall be treated as Interim Claim.

The MLI shall also furnish details of the recoveries made in the account and after adjusting such recoveries towards default amount relating to first charge and the legal costs incurred by them, remit the balance amount to NCGTC within 30 days, failing which MLI shall be required to pay the recovered amount along with interest at 2% over and above the prevailing repo rate from the date of recovery to the date of payment.

On completion of the recovery Proceedings or till decree gets time barred, whichever is earlier, the MLI shall submit its claim for the balance 25% of the amount in default (net of recoveries, if not already remitted as above). Procedure for settlement of this Final Claim shall be the same as that of Interim Claim except that in the case of loans to individuals, Management Certificate shall be replaced by Statutory Auditor's certificate.

72. The scheme provides that all business enterprises / MSME borrower accounts with combined outstanding loans across all MLIs of upto Rs.50 crore as on 29.2.2020 are eligible for the scheme. In this regard, whether MLI means such institutions which are registered with NCGTC or includes all lending institutions?

MLI here refers to all lending institutions.

73. I am an eligible borrower banking with 2 lending institutions – one is registered with NCGTC and the other is not eligible or not registered with NCGTC. Can the registered MLI provide assistance under ECLGS against my outstanding with non-eligible/non-registered lending institution after obtaining NOC from it ?

Yes

74. I am an eligible borrower banking with MLI 'A' and MLI 'B'. If MLI 'A' provides m ECLGS facility on the outstanding amount of MLI 'B' also based on NOC received from it, do I have to create second charge on my securities available with MLI 'B'.

No, second charge has to be created only on the securities available with the lender providing the ECLGS facility.

75. A legal entity 'A' eligible under the scheme got merged into/taken over by another entity 'B' after February 29, 2020 and the account of entity 'A' has since closed. Will entity 'B' be eligible for facility under ECLGS to the extent of 20% of outstanding as on February 29, 2020 of entity 'B' alone or combined outstanding as on February 29, 2020 of entities 'A' & 'B'.

The facility cannot be provided in respect of closed accounts. Hence, Entity 'B' would be entitled to 20% of outstanding of entity 'B' alone, subject to meeting of other eligibility criteria prescribed under the scheme.

However, if the constitution of entity 'A' gets changed to entity 'B' (and PAN gets changed) subsequent to February 29, 2020, then entity 'B' shall be eligible for assistance as entity 'A' would have become eligible, had it continued to be in existence.

76. NCGTC had come out with an FAQ on June 29, 2020 wherein it was clarified that extension of any guarantee or obtention of any fresh guarantee for the facility under ECLGS shall make the guarantee void. In view of the practice being followed in some MLIs, they have taken extension on guarantees available from the borrowers while creating second charge. Can such accounts be exempted from being considered void, as clarification through FAQ was received only on June 29, 2020.

The Operational Guidelines of the scheme provide for second charge only on securities available with an MLI. Nowhere any mention of obtention of any guarantee was stipulated. The said FAQ was not an amendment to the guidelines, but just a clarification. MLIs who have obtained guarantee in any form may take necessary steps to get the same cancelled to ensure continuity of guarantee cover.

77. I am an eligible borrower having availed loan under the scheme. Can I seek disbursement after October 31, 2020?

Yes, disbursement can be availed after October 31, 2020, but latest by December 31, 2020.

78. I am a borrower banking with an eligible MLI 'A'. My total turnover is Rs.250 crore (exclusive of taxes) for FY 2019-20 and is exceeding Rs.250 crore with taxes including GST. Whether I am eligible under the scheme?

No. The annual turnover prescribed under the scheme is Rs.250 crore (inclusive of all taxes along with GST) for FY 2019-20.

79. Are Self Help Groups eligible for assistance under ECLGS ?

No.

80. I am an eligible borrower banking with an eligible MLI. However, sister concern of the borrower or my personal account has some outstanding over 60 days past due. Whether I am eligible for assistance under ECLGS?

Yes, eligibility of the borrower is to be seen, not of other entities/personal account.

81. I am an eligible borrower having availed assistance under ECLGS. I have since repaid loans to the lender and am seeking release of partial/full securities. Can the lender release these securities?

The lender can release his charge, but continue to hold the securities on behalf of NCGTC till clearance of entire dues under the scheme.

82. I am an eligible borrower banking with an eligible MLI. My present loan is covered under CGTMSE. Am I eligible for loan under ECLGS?

Yes. While, under the existing guidelines of CGTMSE, assets are exclusively charged to the MLI, CGTMSE is allowing creation of second charge under this specific scheme of ECLGS and has been sending clarifications to the MLIs as and when sought.

83. Subsequent to the account turning NPA, when would legal action be considered as initiated on the part of MLI ?

Mere issue of recall notice shall not be construed as initiation of legal action. Legal action shall be considered as initiated upon filing of application in Lok Adalat/Civil Court/Revenue State Authority/DRT or after action pursuant to the notice issued under Section 13(4) of SARFAESI Act, 2002 or after admission of application under NCLT or commencement of arbitration proceedings or such other action as may be decided by NCGTC from time to time.

84. I am an eligible borrower banking with an eligible MLI. Whether commercial or consumer outstanding of credit Bureau (as on February 29, 2020) shall be considered while grant of facility under the scheme ?

It could be cumulative outstanding, particularly in the case of individuals. With regard to commercial bureau outstanding, the outstanding under fund based facility should be considered. With regard to consumer bureau outstanding (basically for individuals), only the outstanding appearing under business purposes like commercial purpose vehicles, commercial and construction equipment, diagnostic equipment, etc. should be considered. For example, loan taken for non business purposes like housing loan, education loan, consumer loan, gold loan, credit card loan etc. taken by the borrower and appearing under the consumer bureau outstanding should not be considered to arrive at the Bureau outstanding.

Credit bureau proof of the same should be retained by the MLI for verification, as and when sought.

85. Whether an MLI can deny loan solely on the ground that Borrower's credit rating or Bureau score is below the cut-off decided as per the internal policy of the MLI.

This scheme is designed as pre-approved loan with specified eligibility criteria and 100% guarantee by Gol. Therefore, coverage from NCGTC is not restricted by borrower's credit rating or Bureau score.

86. I have 3 proprietary concerns in my name with the same PAN. The Bureau outstanding shows my cumulative outstanding against the 3 units. Am I eligible for assistance in all the 3 units ?

Yes, provided the total outstanding under a single PAN is limited to 20% of the Bureau outstanding and the borrower units are, otherwise, eligible for assistance under the scheme.

87. I am an eligible MLI having loan outstanding in respect of a proprietary concern as on February 29, 2020. The owner has changed due to old age or death and accordingly the PAN has also changed. Is the unit eligible under the new PAN?

No, eligibility is PAN specific.

88. I am an eligible MLI having sanctioned cases under MUDRA scheme. When I was trying to lodge MUDRA cases for guarantee under ECLGS, it was showing that I have exhausted my limit. How is the eligibility limit for extending assistance to MUDRA borrowers assessed ?

In terms of the scheme guidelines, ECLGS facility can be extended to such of the MUDRA borrowers where, besides meeting the other eligibility criteria including loan outstanding as on February 29, 2020, the MLIs have reported the accounts on the MUDRA portal as on March 31, 2020 (reporting of outstanding loans to MUDRA being on quarterly basis). The eligibility / limit is, accordingly, assessed.

89. I am an eligible MLI having extended assistance under ECLGS to an eligible borrower. The borrower has approached for release of existing full/partial security or replacement of security. Is it permitted?

Release/replacement of security, partially or fully, is a credit call to be taken by the MLI, subject to the condition that the interest of NCGTC is not compromised in any manner whatsoever, as per the scheme guidelines.

90. I am an eligible MLI having extended assistance under ECLGS to an eligible borrower. The borrower has subsequently approached for enhancement of facility/sanction of additional facility. Is it permitted?

NCGTC may be intimated, as provided in the Operational Guidelines. No prior approval is needed. Enhancement of credit facility / sanction of additional credit facility is a credit call to be taken by the MLI, subject to the condition that the interest of NCGTC is not compromised in any manner whatsoever, as per the scheme guidelines.

91. I am an eligible borrower banking with an eligible MLI. My loan outstanding (as on February 29, 2020) with the MLI is secured on the basis of second charge on certain assets. What would be the security to be created on ECLGS funding?

As per the scheme guidelines, it is second charge on existing assets. Accordingly, in case where second or subservient charge is already created, pari passu second charge may be created.

92. I am an eligible borrower banking with an eligible MLI. My loan outstanding in one of the Credit Bureaus is showing DPD higher than 60 days as on February 29, 2020. However, this is incorrect as I had paid on time and the DPD as on February 29, 2020 was 60 days or less and I have submitted the detailed accounts to my MLI. Am I eligible for assistance under ECLGS?

The scheme guidelines stipulates checking of such details with a Credit Bureau. It, however, does not specify which Bureau. Mistakes can happen at the Bureau also or in reporting of data to the Bureau. It is, therefore, the duty of the MLI to satisfy itself on the eligibility of the borrower as per the scheme guidelines and preserve such documents, which may be required at the time of claim settlement, if any. Efforts may also be made to rectify such issues with the respective Credit Bureau.

93. Whether outstanding NCDs/ Debentures as on February 29, 2020 are to be taken into account for arriving at the outstanding debt ceiling as specified in the scheme?

No..

94. Whether limits sanctioned under bill discounting facilities (purchase wise or seller wise), which is short term but rolling over facility, is eligible for ECLGS assistance based on the outstanding debt as on Feb 29, 2020.

Bill discounting limits are given to purchasers as well as sellers. Such limits given to purchasers only replaces the debts due to their suppliers and does not affect their working capital cycle. Hence, only bill discounting limits given to suppliers will be eligible for ECLGS assistance, based on outstanding facilities as on Feb 29, 2020 subject to it meeting other eligibility norms.

95. I am an eligible borrower who was banking with MLI 'A'. The MLI 'A' has assigned major portion of the loan sanctioned to me to MLI 'B' through securitisation and the loan remaining with MLI 'A' is marginal. Also, the security that was available with MLI 'A' has been transferred to MLI 'B' and there is no security available with MLI 'A' now. Whether MLI 'A' can sanction upto 20% of my outstanding facility across MLI 'A' & 'B' as on February 29, 2020 after obtaining NOC from MLI B' ?

Yes, MLI 'A' can do so provided the borrower is otherwise eligible and it is an existing customer of MLI 'A'. However, if 100% of the loan is assigned by MLI 'A' to MLI 'B' and there is no outstanding of the borrower with MLI 'A', then MLI 'A' shall not be able to provide facility under ECLGS to the said borrower. There is no stipulation of availability of security in the scheme.

96. Whether loans to Joint Liability Group (JLG) under MUDRA scheme eligible for assistance under ECLGS?

JLG is not an entity and no loans are extended to JLG per se. Under the JLG model of lending, individuals are given loans and as per the ECLGS guidelines, individuals are eligible.

97. I am an individual running a proprietary concern. Am I eligible for ECLGS facility both as a proprietary concern and also as an individual?

PAN would be same for the proprietary concern and the individual. If both meet the eligibility criteria of the scheme and original assistance by the proprietary concern was used for business purposes and original assistance by the individual was used as prescribed under the scheme, both would be eligible for assistance under ECLGS but they shall have to apply separately.

98. I am an eligible borrower under ECLGS. However, I am not required to prepare annual accounts and hence I do not have audited/ finalized turnover details for FY 2019-20. What details are required from me for getting the benefit under ECLGS?

In terms of the scheme guidelines, the MLI shall obtain a declaration from such borrowers regarding turnover. The MLI should satisfy itself in this regard.

99. I am an eligible borrower banking with an eligible MLI. My loan accounts were less than 60 days past due, but small overdues exceeding 60 days past due were there in my (borrower's) credit card/savings account/current account as on February 29, 2020 which were appearing in the Credit Bureau report and making the account ineligible for assistance under Emergency Credit Line Guarantee Scheme (ECLGS). Whether any exemption can be granted by the MLIs in such cases?

As an exception, such cases can be considered eligible for assistance under ECLGS, if overdues in respect of credit card/savings account/current account of the borrower does not exceed 1% of the loan amount (i.e. GECL amount) extended under ECLGS facility, the overdue amounts are regularised prior to assistance being provided under ECLGS and are within the materiality concept being followed by the MLI concerned.

100. In a securitization deal, the pooled assets of MLI 'A' have been assigned to a Trust (not an MLI), acting through a Trustee, through direct assignment or through Pass Through Certificate, and the beneficiary is another eligible MLI under the scheme. Please advise whether the purchasing Trust would be eligible for transfer of Guarantees in its name in respect of such pooled assets ?

Yes.

101. What will be the security on credit extended under GECL Scheme in respect of small loans.

In continuation of FAQ No.23, it is further clarified that as per decision taken on September 08, 2020, the stipulation for creation of second charge has been waived in respect of all loans up to Rs.25 lakh (**outstanding loan as on February 29, 2020 plus loan sanctioned under GECL**), provided the MLI ensures to safeguard the interests of NCGTC and in this regard obtains a suitable undertaking (as per draft format to be provided by NCGTC and hosted/to be hosted on the website) from the borrower.

102. I am an eligible borrower with outstanding loans from an eligible MLI and debentures from an investor. Am I eligible for ECLGS facility on debentures also as this is a type of debt, though subordinate to the senior debt?

The Scheme is limited to lending institutions covered under the Scheme, and the ECLGS facility is eligible only on outstanding debt. Hence, ECLGS would be eligible on debentures only if they are either Non-convertible or Optionally Convertible and have been raised from a lending institution covered under the Scheme, and not from investor(s)/investing company. In case of

Optionally Convertible debentures, the guarantee on GECL shall, however, cease to be operative on such debt being converted to equity during the currency of the guarantee coverage.

103. I am an eligible MLI having extended facility under ECLGS to an eligible borrower. In terms of the scheme guidelines, security has to be created within 3 months. Can extension be granted on the same?

As indicated at FAQ 101, stipulation of creation of second charge has already been waived in respect of all loans up to an aggregate of Rs.25 lakh, inclusive of the original loan as well as the additional credit provided under ECLGS.. Further, certain States have already started the facility of e-stamping. Accordingly, MLIs need to make all efforts to create the security within the stipulated time in all cases where creation of security is required under ECLGS.

However, considering that the last date of disbursement of loans under the scheme is December 31, 2020 and keeping the 3 months period allowed for creation of security in view, time up to March 31, 2021 will be allowed to the MLIs to create the stipulated security. MLIs may, accordingly ensure that the stipulated security is created prior to the account turning NPA or up to March 31, 2021, whichever is earlier, failing which claims shall not be settled and the guarantee shall be considered as void.

104. Whether loans given against FDs/Mutual Funds etc. be considered eligible for ECLGS support?

Yes, provided that the various aspects of the scheme guidelines are complied with. The MLI should ensure to create charge /lien on such assets as per the scheme guidelines to safeguard the interest of NCGTC.

105. Whether GECL loans provided under ECLGS are eligible to be restructured without downgrade as per RBI guidelines of August 06, 2020 ?

No, as only credit outstanding as on March 1st, 2020 is eligible for restructuring under RBI's Resolution framework of August 6, 2020. In case GECL loans are restructured, they shall not be eligible for coverage under the scheme and the Guarantee shall become void.

106. An eligible borrower has obtained loan under ECLGS from an eligible MLI 'A'. Whether the said borrower can avail enhanced/fresh loan from the same MLI 'A' or another MLI and extend its first charge on the security available?

The borrower can avail enhanced/fresh loan from the same or another MLI against extension of first charge / creation of pari-passu first charge on the security available..

107. I am a borrower banking with an eligible MLI 'A'. Due to some incorrect accounting or inefficiency of MLI 'A', I was marked as SMA-2/NPA as on February 29, 2020. Whether MLI can consider loan to me under ECLGS ?

It is for the MLI to check the eligibility of the borrower based on all facts available with it and rectify the mistakes so that an eligible borrower is not denied benefit under the scheme due to inefficiency or incorrect accounting at the end of MLI. In such cases, the MLI concerned which had reported the borrowers to CRILC or any other Credit Bureau as SMA-2 or NPA shall have to certify that such reporting was erroneous or due to purely technical reasons.

108. Who can provide answers to any further queries?

Please address your queries/suggestions to ceo@ncgtc.in

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