

## RBI allows partial credit enhancement to bonds issued by Non-Banking Financial Companies and Housing Finance Companies

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

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

- i) The tenor of the bonds issued by NBFC-ND-SIs/HFCs for which PCEs are provided shall not be less than three years;
- ii) With reference to paragraph 27 of circular *ibid*, the proceeds from the bonds backed by PCE from banks shall only be utilized for refinancing the existing debt of the NBFC-ND-SIs/HFCs. Banks shall introduce appropriate mechanisms to monitor and ensure that the end-use condition is met;
- iii) The exposure of a bank by way of PCEs to bonds issued by each such NBFC-ND-SI/HFC shall be restricted to one percent of capital funds of the bank within the extant single/group borrower exposure limits; and
- iv) The exposure of banks to NBFC-ND-SIs/HFCs by way of PCEs shall be within the aggregate PCE exposure limit of 20 percent as provided in paragraph 24(b) of the circular *ibid*.

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

Please contact for any query related to this mail to Ms. Surbhi Sharma, Associate Economist at [surbhi@phdcci.in](mailto:surbhi@phdcci.in) with a cc to Dr. S P Sharma, Chief Economist at [spsharma@phdcci.in](mailto:spsharma@phdcci.in) of PHD Chamber of

Commerce & Industry.

Warm regards,

**Dr. S P Sharma**  
**Chief Economist**

-----  
PHD Chamber of Commerce and Industry  
PHD House, 4/2 Siri Institutional Area  
August Kranti Marg, New Delhi-110016  
Ph.: + 91-11-26863801-04, 49545454  
Fax: +91- 26855450, 49545451  
Email: spsharma@phdcci.in  
Website: www.phdcci.in



The banner features the ISO 9001:2015 logo on the left and the HARYANA logo on the right. The central text reads: "Towards a Prosperous India" followed by "PHD CHAMBER OF COMMERCE AND INDUSTRY". Below this, contact information is provided: "PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel.: +91-11-2686 3801-04, 49545454, 49545400 Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947". At the bottom, there are social media icons for Twitter, Facebook, Instagram, YouTube, and LinkedIn, with the text "Connect with us:" and "Follow us on" preceding the icons.

**COPYRIGHT:** All rights reserved. No part of this publication/Release may be reproduced, distributed, or transmitted in any form or by any means, without the prior written permission of the publisher. For permission requests, write to the publisher.

**DISCLAIMER:** This message and its attachments contain confidential information. If you are not the intended recipient, you are strictly prohibited to disclose, copy, distribute or take any action in reliance on the contents of this information. E-mail transmission cannot be guaranteed to be secure or error-free, as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission. If verification is required please request a hard-copy version.