

Part 1: General Provision

1. These guidelines shall be called the Guidelines on the implementation of the National Credit Guarantee Scheme 2020.
2. These guidelines shall come into force with effect from 20th October 2020.
3. These guidelines shall be read in conjunction with the following:
 - i) Concept note on NCGS approved by the Lhengye Zhungtshog during its 71st Session; and
 - ii) Agreement drawn and executed between the Government and the Participating Banks on NCGS.
4. These guidelines shall be applicable to the participating banks (PB).
5. If any issue arises in the interpretation of the provisions of these guidelines, the matter shall be referred to the RMA, and the decision of the RMA shall be final and binding on the stakeholders concerned.

Part 2: Application Process

6. Borrowers shall submit applications for loans to be covered under the NCGS to the participating banks as per the NCGS loan application form (Annexure I of the Agreement).
7. The participating banks shall assess the loan application in accordance with their credit policies and internal loan assessment procedures (including the assessment of the CIB report) to determine the eligibility of loans.
8. If the project is found viable by the participating banks, the loan proposal shall be formally forwarded to the NCGSF for the guarantee coverage.
9. Upon receipt of the formal **Guarantee Approval** from the NCGSF, participating banks shall approve the loans based on its loan approval process in vogue.
10. In the event of rejection of loan proposal by the participating banks, a written statement of rejection shall be shared with the NCGSF.

Part 3: Monitoring of Loans

11. The participating banks shall have dedicated unit which shall be responsible for the appraisal, monitoring and recovery of the loans covered under the NCGS.
12. The participating banks shall regularly **monitor and review the loans** covered under the NCGS as per their existing loan monitoring and review procedures.

Part 4: Guarantee Coverage and Claims

13. The guarantee coverage and claim processed after the guarantee is invoked by the participating banks shall be as per the agreement signed between the Government and the participating banks.

Part 5: Prudential Requirements

14. The participating banks shall **comply with all the requirements/provisions** related to credit risk exposures stipulated in the **Prudential Regulations 2017 or amendment thereof** except the following:

- i) All loans granted under the NCGS **(to the extent covered by the Government guarantee)** shall be assigned **zero risk weight** for the computation of risk weighted **Capital Adequacy Ratio (CAR)** of the participating banks;
- ii) The **Guarantee Coverage of the borrowers** specified under Article III (2) of the Agreement on NCGS shall be secured with securities for which the **loan to value (LTV) ratio of 100 percent may be applied**; and
- iii) The debt to equity ratio shall be as per Article III (1b and 1c) of the agreement on NCGS.

15. The participating banks in consultation with the NCGSF may **reschedule and restructure** the loans covered under the NCGS in line with the Prudential Regulations issued by the RMA from time to time.

16. Upon the completion of the guarantee period, the loan outstanding shall be fully secured against the project assets or any other assets.

17. The performance of the loans under the NCGS shall be assessed during onsite inspection which shall impact the management component of the CAMEL rating.

Part 6: Financial Reporting and Disclosure

18. The participating banks shall be subject to periodic financial reporting requirements to RMA.

19. To ensure accountability and transparency, participating banks shall submit reports on NCGS loans (as per the prescribed template) on a quarterly basis duly signed by the management of the participating banks and the NCGSF to the RMA.

20. The participating banks shall disclose the details of loans under the NCGS as per the disclosure requirements in Macro Prudential Regulations 2015 or amendments thereof.

Part 7: Miscellaneous

21. With respect to any matter not specifically provided for in these guidelines, the RMA reserves the right to promulgate supplementary or additional provisions or issue such instructions or clarifications as deemed appropriate for smooth and effective implementation of the scheme.