



বাংলাদেশ কৃষি ব্যাংক
প্রধান কার্যালয়
৮৩-৮৫, মতিঝিল বা/এ, ঢাকা।
ক্রেডিট বিভাগ
ই-মেইল
dgmsme@krishibank.org.bd



সার্কুলার লেটার নং-বিকেবি-প্রকা/ক্রেঃবিঃ-শাখা-৪(এসএমই)-৭(৮)/সিজিএস/২০২০-২০২১/ ১১২০(২২০৮) তারিখঃ ১২/১১/২০২০

মহাব্যবস্থাপক, বিভাগীয় কার্যালয়সমূহ/স্থানীয় মুখ্য কার্যালয়, ঢাকা।
উপ-মহাব্যবস্থাপক, কর্পোরেট শাখাসমূহ।
সকল মুখ্য আঞ্চলিক/আঞ্চলিক ব্যবস্থাপক।
সকল শাখা ব্যবস্থাপক (মুখ্য আঞ্চলিক/আঞ্চলিক ব্যবস্থাপকের মাধ্যমে)
বাংলাদেশ কৃষি ব্যাংক।

বিষয় : Manual of Credit Guarantee Scheme প্রসঙ্গে।

প্রিয় মহোদয়,

উপর্যুক্ত বিষয়ে বাংলাদেশ ব্যাংক প্রধান কার্যালয়ের এসএমই এন্ড স্পেশাল প্রোগ্রামস্ ডিপার্টমেন্টের সিজিএস ইউনিট কর্তৃক জারীকৃত এসএমইএসপিডি সার্কুলার নং-০৩ ও ০৪, তারিখঃ যথাক্রমে ২৭/০৭/২০২০ এবং ০৩/১১/২০২০ এর প্রতি সদয় দৃষ্টি আকর্ষণ করা যাচ্ছে।

০২। কুটির, মাইক্রো ও ক্ষুদ্র উদ্যোগ খাতে ঋণ/বিনিয়োগ প্রবাহ বৃদ্ধিসহ COVID-19 এর প্রাদুর্ভাবের কারণে দেশের অর্থনীতিতে সৃষ্ট বিরূপ প্রভাব থেকে উত্তরণের লক্ষ্যে জামানতবিহীন ঋণ/বিনিয়োগের বিপরীতে গ্যারান্টি সুবিধা প্রদানের জন্য ২৭ জুলাই ২০২০ তারিখে বাংলাদেশ ব্যাংকের এসএমইএসপিডি সার্কুলার নং-০৩ এর মাধ্যমে 'ক্রেডিট গ্যারান্টি স্কিম' চালু করা হয়েছে যা অত্র বিভাগের পত্র সূত্র নং-২৯৩, তারিখঃ ১০/০৮/২০২০ মূলে ইতিমধ্যে অত্র ব্যাংকের মাঠ পর্যায়ের জারী করা হয়েছে।

০৩। এক্ষেত্রে বাংলাদেশ ব্যাংক কর্তৃক এসএমইএসপিডি সার্কুলার নং-০৪, তারিখঃ ০৩/১১/২০২০ এর মাধ্যমে 'ক্রেডিট গ্যারান্টি স্কিম' এর বাস্তবায়ন এবং ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের অনুসরণের জন্য "Manual of Credit Gurantee Scheme" জারী করা হলো। এ প্রেক্ষিতে, এসএমইএসপিডি সার্কুলার নং-০৩/২০২০ এর ১.৪ নং অনুচ্ছেদে বর্ণিত "Credit Guarantee Scheme Manual-2020" শব্দগুলির পরিবর্তে "Manual of Credit Guarantee Scheme" শব্দগুলি প্রতিস্থাপিত বলে গণ্য হবে।

০৪। আলোচ্য ম্যানুয়ালের সফট কপি সকল দাপ্তরিক ই-মেইল ঠিকানায় প্রেরণ করা হলো। এছাড়াও আলোচ্য ম্যানুয়ালটি বাংলাদেশ ব্যাংকের ওয়েবসাইটে (www.bb.org.bd) পাওয়া যাবে।

০৫। বর্ণিত সার্কুলারের মাধ্যমে জারীকৃত "Manual of Credit Guarantee Scheme" এর বাস্তবায়ন নিশ্চিত করার করার জন্য সংশ্লিষ্ট সকলকে অনুরোধ করা হলো।

০৬। বাংলাদেশ ব্যাংক, প্রধান কার্যালয়ের ক্রেডিট গ্যারান্টি স্কিম ইউনিট, এসএমই এন্ড স্পেশাল প্রোগ্রামস্ ডিপার্টমেন্ট এর ০৩ নভেম্বর, ২০২০ তারিখের এসএমইএসপিডি সার্কুলার নং-০৪ অপর পৃষ্ঠায় ছব্ব পুনঃমুদ্রন করা হলো।

অনুমোদনক্রমে-

সংযুক্তিঃ বর্ণনামতে।

আপনার বিশ্বস্ত
১২/১১/২০২০

(মোঃ আজিজুল বারী)

মহাব্যবস্থাপক

পরিকল্পনা ও পরিচালন মহাবিভাগ

নং-বিকেবি-প্রকা/ক্রেঃবিঃ-শাখা-৪(এসএমই)-৭(৮)/সিজিএস/২০২০-২০২১/ ১১২০(২২০৮) তারিখঃ ১২/১১/২০২০
সদয় অবগতি ও প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য অনুলিপি প্রেরণ করা হলোঃ

- ০১। চীফ স্টাফ অফিসার, ব্যবস্থাপনা পরিচালক মহোদয়ের সচিবালয়, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০২। স্টাফ অফিসার, উপ-ব্যবস্থাপনা পরিচালক-১, ২, ৩ মহোদয়ের সচিবালয়, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০৩। স্টাফ অফিসার, সকল মহাব্যবস্থাপক মহোদয়ের দপ্তর, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০৪। অধ্যক্ষ, বিকেবি, স্টাফ কলেজ, মিরপুর, ঢাকা।
- ০৫। সকল উপ-মহাব্যবস্থাপক/সচিব, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০৬। উপ-মহাব্যবস্থাপক, আইসিটি সিস্টেমস, কার্ড ও মোবাইল ব্যাংকিং বিভাগ, বিকেবি, প্রধান কার্যালয়, ঢাকা। উপরোক্ত সার্কুলার লেটারটি ব্যাংকের অফিসিয়াল ওয়েব সাইটে আপলোড করার প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য অনুরোধ করা হলো।
- ০৭। সকল বিভাগীয় নিরীক্ষা কর্মকর্তা, বিকেবি, বিভাগীয় নিরীক্ষা কার্যালয়সমূহ।
- ০৮। সকল আঞ্চলিক নিরীক্ষা কর্মকর্তা, বিকেবি, আঞ্চলিক নিরীক্ষা কার্যালয়সমূহ।
- ০৯। নথি/মহানথি।

মোহাম্মদ মঈনুল ইসলাম
সহকারী মহাব্যবস্থাপক
(বিভাগীয় দায়িত্বে)
ফোনঃ ৯৫৫০৪০৩

বাংলাদেশ ব্যাংক
প্রধান কার্যালয়
মতিঝিল, ঢাকা-১০০০
বাংলাদেশ

এসএমই এন্ড স্পেশাল প্রোগ্রামস্ ডিপার্টমেন্ট
ক্রেডিট গ্যারান্টি স্কিম ইউনিট

এসএমইএসপিডি সার্কুলার নং-০৪

তারিখ: ১৮ কার্তিক, ১৪২৭
০৩ নভেম্বর, ২০২০

ব্যবস্থাপনা পরিচালক/ প্রধান নির্বাহী কর্মকর্তা
বাংলাদেশে কার্যরত সকল তফসিলি ব্যাংক ও আর্থিক প্রতিষ্ঠান

প্রিয় মহোদয়,

Manual of Credit Guarantee Scheme প্রসঙ্গে।

কুটির, মাইক্রো ও ক্ষুদ্র (CMS) উদ্যোগ খাতে ঋণ/বিনিয়োগ প্রবাহ বৃদ্ধিসহ COVID-19 এর প্রাদুর্ভাবের কারণে দেশের অর্থনীতিতে সৃষ্ট বিরূপ প্রভাব থেকে উত্তরণের লক্ষ্যে জামানতবিহীন ঋণ/বিনিয়োগের বিপরীতে গ্যারান্টি সুবিধা প্রদানের জন্য ২৭ জুলাই ২০২০ তারিখে এসএমইএসপিডি সার্কুলার নং-০৩ এর মাধ্যমে ‘ক্রেডিট গ্যারান্টি স্কিম’ চালু করা হয়।

০২। এক্ষণে, উক্ত সার্কুলারের মাধ্যমে চালুকৃত ‘ক্রেডিট গ্যারান্টি স্কিম’ এর বাস্তবায়ন এবং ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের অনুসরণের জন্য “Manual of Credit Guarantee Scheme” জারি করা হলো। এ প্রেক্ষিতে, এসএমইএসপিডি সার্কুলার নং-০৩/২০২০ এর ১.৪ নং অনুচ্ছেদে বর্ণিত “Credit Guarantee Scheme Manual-2020” শব্দগুলির পরিবর্তে “Manual of Credit Guarantee Scheme” শব্দগুলি প্রতিস্থাপিত বলে গণ্য হবে।

০৩। আলোচ্য ম্যানুয়ালটি বাংলাদেশ ব্যাংকের ওয়েব সাইটে (www.bb.org.bd) পাওয়া যাবে।

আপনাদের বিশ্বস্ত,



(মোঃ রহুল আমিন)
মহাব্যবস্থাপক
ফোনঃ ৯৫৩০২২১

Manual of Credit Guarantee Scheme
[For Cottage, Micro and Small Enterprises (CMSE)]



Credit Guarantee Scheme Unit
SME and Special Programmes Department
Bangladesh Bank

Contents

Definitions and Acronyms	ii
Chapter 1. Introduction.....	1
Chapter 2. Design of the Credit Guarantee Scheme.....	2
2.1 Portfolio Guarantee (PG)	2
2.2 Portfolio Coverage Duration	3
Chapter 3. CGS Collateral Policy.....	4
Chapter 4. Guarantee Fees and Interest/Profit Rate.....	5
4.1 General	5
4.2 Administration of Guarantee Fees.....	5
Chapter 5. Eligibility Criteria.....	6
5.1 Loan/Investment Products to be Covered under the CGS.....	6
5.2 Ineligible Business Activities.....	6
5.3 Eligibility of CMSEs for CGS	6
5.4 Ineligibility of CMSEs for CGS.....	7
5.5 Eligibility Criteria for Enlisting PFI	8
Chapter 6. Guarantee Application	9
6.1 Application Procedure.....	9
6.2 Appraisal and Approval	9
Chapter 7. Invocation of Guarantee.....	11
7.1 Monitoring, Delinquency, Default and Renewal/Rescheduling/Restructuring.....	11
7.2 Claims under Guarantee	12
7.3 Claims Validation.....	13
7.4 Settlement of Claims under Guarantee.....	13
7.5 Debt Collection Procedure	14
7.6 Proceeds of Recovery.....	14
7.7 Final Settlement.....	15
Chapter 8. Reporting Requirements	16
Annexure (1-9).....	17-35

Definitions and Acronyms

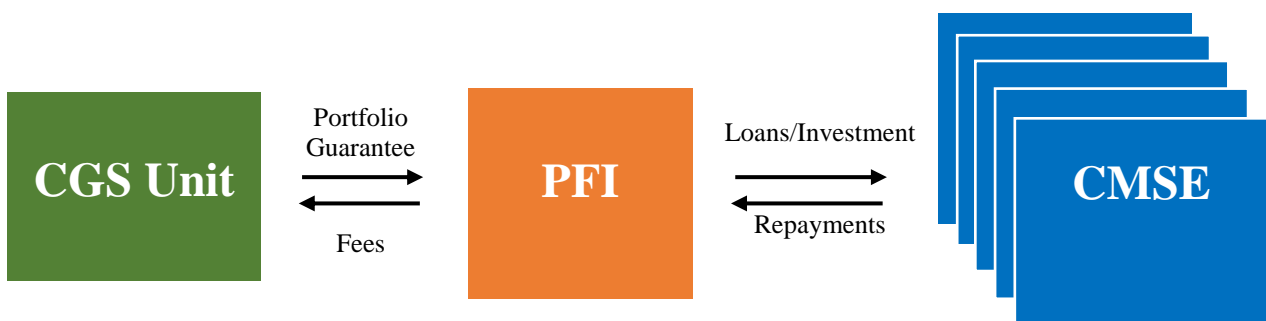
Annual Guarantee Fee	The fee that a PFI has to pay to CGS Unit on total outstanding principal of guaranteed credit for each year.
Bank	Bank means the banking company as defined in section 31 of Bank company Act, 1991.
BDT	Bangladeshi Taka.
BRPD	Banking Regulation and Policy Department of Bangladesh Bank.
Capital	The fund or commitment of Government of Bangladesh and/or Bangladesh Bank available to secure credit guarantees.
CGS	The Credit Guarantee Scheme.
CGS Unit	Credit Guarantee Scheme Unit of Bangladesh Bank.
Cheque	‘Cheque’ is a bill of exchange as defined in Negotiable Instrument Act 1881.
CIB	Credit Information Bureau of Bangladesh Bank.
CMSE	Cottage, Micro and Small Enterprise.
Collateral	Fixed assets, assignment of insurance policy, patent, trademark, other right or property of the CMSE that is/are deposited with PFI against CMSE’s credit obligations.
DFIM	Department of Financial Institutions and Markets of Bangladesh Bank.
Due Diligence	A process of the careful and persistent effort carried out to collect relevant information by PFI in respect of CMSE.
Event of Default	As per the circular issued by BRPD and DFIM of Bangladesh Bank on the classification of loan/investment and provisioning and any of the subsequent amendments of those circulars.
FI	A Non-Bank Financial Institution that has a license under the Financial Institutions Act-1993 from Bangladesh Bank.
Grace Period or Moratorium	Time period allowed for making the borrower affordable to repay the due installment(s).
Guarantee Coverage	The proportion of the principal amount of any individual loan/investment, which is guaranteed by the CGS Unit.
Guarantee Portfolio Cap	The maximum amount of the Portfolio Guarantee Limit that can be claimed by a PFI in the event of default.
Investment	Financing by the PFI as per Islamic Shariah.
Loan/Investment Portfolio	The total amount of CMSE loans/investments of a PFI in a calendar year.
Participation Agreement	A legal agreement between the CGS Unit and the PFI for availing guarantee facilities.
PFI	Participating Financial Institution (Bank/FI).
Portfolio Guarantee Limit	The total amount of loans/investments approved by the CGS Unit.
Pay Order	‘Pay Order’ is a bill of exchange as defined in Negotiable Instrument Act 1881.
SMESPD	SME & Special Programmes Department of Bangladesh Bank.

Chapter 1.

Introduction

Cottage, Micro & Small Enterprises (CMSEs) can play a significant role in the inclusive and sustainable growth of the economy. It is essential to reveal the full potential of the CMSEs in the country through effective financing. A lot of CMSEs are deprived of institutional financing due to lack of collateral. Even though banks and FIs ensure that the business cash flow is sufficient to serve the loan/investment, they prefer to have additional security to mitigate the risk of default. There is a strong demand from both sides of the lenders and borrowers for a risk-sharing facility, which can be used as collateral. Credit guarantee can be an important tool to encourage lending to the potential CMSEs with no/insufficient collateral. The Government of Bangladesh has taken the initiative to provide a portfolio guarantee through the Credit Guarantee Scheme (CGS) Unit of Bangladesh Bank to encourage banks and FIs to lend those CMSEs. The main objective of the scheme is to assist CMSEs with no/insufficient collateral to obtain credit facilities from banks and FIs through guarantee. The CGS aims to extend the sustainable growth of the economy by sharing the risk of the potential CMSEs that are otherwise creditworthy but do not have collateral for access to finance.

The CGS has been designed as a partial guarantee of credit portfolio on CMSE. In this process, the CGS Unit and Participating Financial Institutions (PFIs) will share risks on loan/investment as an agreed ratio. There is also a safety feature limiting the CGS' contingent liability, reducing the moral hazard and enabling more efficient use of the CGS Capital. Banks and FIs may participate in this program by fulfilling some predetermined criteria. The PFI will have to sign a Participation Agreement with the CGS Unit before submitting loan/investment applications for guarantee coverage. There will be no interaction between the CMSE(s) and the CGS Unit other than through the PFI(s).



Chapter 2.

Design of the Credit Guarantee Scheme

2.1 Portfolio Guarantee (PG)

To leverage the funds available and to reduce the potential moral hazard, three limits will be set on the portfolio of loans/investments of a PFI on CMSEs. The three limits are Portfolio Guarantee Limit, Guarantee Portfolio Cap, and Loan/Investment Guarantee Coverage Ratio. These limits will encourage lending to special priority groups. Although the CGS covers most of the risk, these limits will ensure careful assessment and adequate monitoring of the loans/investments by the PFIs since they have enough stakes in those loans/investments. PFIs will also conduct sufficient due diligence in assessing every loan/investment before approval.



2.1.1. Portfolio Guarantee Limit (PGL)

The Portfolio Guarantee Limit is the amount of loans/investments approved by the CGS Unit. The portfolio guarantee limit will be determined each year with each PFI. This guarantee limit may be changed/varied due to availability of funds, the performance of the PFI, and overall level of guarantee outstanding and demand from other PFIs.

The CGS Unit preserve discretionary authority to set the Portfolio Guarantee Limit based on the review of PFIs' financial condition, track record, and desire in expanding the CMSE lending operations, outreach capacity, including branches, units, mobile & agent banking platforms, and other considerations.

If the PFI is not able to disburse the full amount of money approved by the CGS Unit within the targeted period, then this unutilized amount of the limit i.e. this unused limit will be repealed and the guarantee fee already paid against this unused portion will also be forfeited. Therefore, the PFIs might be realistic in determining their Portfolio Guarantee Limits.

The CGS Unit of Bangladesh Bank holds the right to issue instructions on revision of portfolio guarantee limit and it's fee based on special circumstances (if any).

2.1.2. Guarantee Portfolio Cap

The CGS Unit will bear loss up to 30% of the portfolio guarantee limit of any PFI in the event of default, which will be termed as 'Guarantee Portfolio Cap'. The maximum claim amount of a PFI will be accepted by the CGS Unit within the guarantee portfolio cap of the concerned PFI. The Guarantee Portfolio Cap will be considered for the year of guarantee registration, not for the year of claim of that guarantee.

If a PFI fails to utilize the whole Portfolio Guarantee Limit of a calendar year, then the Guarantee Portfolio Cap will also be adjusted with the utilized portion of that particular Portfolio Guarantee Limit.

An example of the Portfolio Cap is as follows:

If a PFI has a Portfolio Guarantee Limit of BDT 1,00,00,000, in the event of default the maximum amount of claim of that PFI will be $(\text{BDT } 1,00,00,000 \times 30\%) = \text{BDT } 30,00,000$, only which is the guarantee portfolio cap. If at the end of the year, the PFI utilizes BDT 80,00,000 of the limit, then the adjusted guarantee portfolio cap will be $\text{BDT } 80,00,000 \times 30\% = \text{BDT } 24,00,000$.

2.1.3. Loan/Investment Guarantee Coverage Ratio

The CGS is intended to be a risk-sharing facility. Therefore, it covers a portion of the uncovered risk on the loan/investment principal rather than the entire loan/investment principal. A Guarantee Coverage Ratio will be maximum 80% of the loan principal, which means, in a single loan case within the Portfolio Guarantee Limit will be covered up to 80% of the principal outstanding; provided that total claims of a PFI must not exceed the guarantee portfolio cap or adjusted guarantee portfolio cap.

The guarantee will cover only the outstanding of principal amount of the loans/investments. For example, if the principal outstanding of a loan/investment is BDT 5,00,000 at the time of default, the PFI can recover (through the guarantee) a maximum of BDT 4,00,000 against that loan/investment if coverage ratio is 80%. The remaining risk of BDT 1,00,000 (20% of the outstanding loan/investment amount) will be borne by the PFI.

The loan/investment guarantee coverage ratio may be increased or decreased based on the dimension of focus on the type of business, segment or sector by the CGS Unit as part of regulatory authority.

2.2 Portfolio Coverage Duration

Every year there will be a new Portfolio Guarantee Limit for each PFI that will protect loans/investments for its' entire duration. For example, if a five-year loan/investment and its' corresponding guarantee is approved on the last day of the particular year, i.e., 31 December 2020, it will essentially be covered until it is fully paid off. Therefore, the Guarantee Portfolio may remain valid up to the last day of the fifth year from the date of approval of that particular year. If a loan/investment is for one year, then the guarantee will not remain valid after one year from the date of approval. If a grace period or moratorium is given, then that will also be considered. If a loan/investment is repaid, the guarantee coverage on that loan/investment will be terminated. The fund allocated for that loan/investment will be treated as released.

The duration of the guarantee for a continuous loan will be one year. For term loan/investment, the duration of the guarantee will be same as the tenure of the initial investment but not exceed five years. In case of renewal/rescheduling/restructuring of a loan/investment, the duration of the guarantee will be enhanced accordingly, subject to the prior approval of the CGS Unit. In this case, the PFI must pay guarantee fee for the extended period.

Chapter 3.

CGS Collateral Policy

Collateral shortfall refers to the case where the potential borrower has lack of property for mortgage against loan/investment. The collateral shortfall will be justified by the PFI as per their loan/investment policy. The CGS Unit will step in to support CMSE through bridging the gap.

The valuation of collateral will be determined in line with the credit policy of the concerned PFIs. In preparing credit policy, the concerned PFIs must follow the guidelines issued by the Bangladesh Bank from time to time. The PFIs have to follow BRPD Circular No. 14 of 23 September 2012 and SMESPD Circular No. 2 of 05 September 2019 (including any subsequent amendments of these Circulars).

Once security (ies) has accepted/considered against any loan/investment approval process, then the PFI will have not the right to release such security/securities without prior approval of the CGS Unit.

Chapter 4.

Guarantee Fees and Interest/Profit Rate

4.1 General

- 4.1.1. The PFIs will have to pay guarantee fees under the participation agreement with the CGS Unit on annual basis. The guarantee fees may be recovered from the borrowers. The CGS Unit of Bangladesh Bank will provide necessary instructions through circular about the rate of guarantee fees and calculation mechanism.
- 4.1.2. The Guarantee Fees will be paid by the PFIs within Fifteen (15) working days from the date of signing of the participation agreement but in the case of special circumstances like COVID-19 the Guarantee Fee can be paid at the date of registration of the guarantee. For the subsequent years, guarantee fees will have to be paid within 30 (thirty) days after the preceding year immediately passed.
- 4.1.3. The interest/profit rate of the guaranteed loan/investment must not exceed the approved limit by the competent authority from time to time. Existing instruction regarding the determination of interest/profit rate and any future instruction to be circulated by the concerned department(s) of Bangladesh Bank will also be applicable in this regard.
- 4.1.4. Any interest/profit rate cap under refinancing scheme offered by Bangladesh Bank will be applicable for CGS guaranteed loan/investment.

4.2 Administration of Guarantee Fees

- 4.2.1. The PFIs have to submit a statement (as per Annexure: 5) within 7 (seven) working days at the outset of each calendar year.
- 4.2.2. The CGS Unit will review and examine the correctness of information with the earlier statements.
- 4.2.3. The CGS Unit will verify the calculation of the guarantee fees.
- 4.2.4. The PFI will make payment of guarantee fees by Account Payee Cheque/Pay Order/Demand Draft in favour of the “CGS Unit” within the stipulated period/time determined by the CGS Unit.
- 4.2.5. If any PFI fails to pay guarantee fees within the stipulated period/time, the CGS Unit of Bangladesh Bank can recover it by debiting the respective PFI’s current account maintained with Bangladesh Bank.

Chapter 5.

Eligibility Criteria

5.1 Loan/Investment Products to be Covered under the CGS

- 5.1.1. Term loan/investment for acquiring fixed assets and working capital loan/investment for operation of the industries/business will be considered under CGS. However, the purpose of loan/investment may be restricted/redefined by the CGS Unit of Bangladesh Bank through circular/circular letter.
- 5.1.2. Instruction regarding the minimum and maximum size of the loan/investment in CMSE sector will be informed in due course by the CGS Unit if and when necessary.
- 5.1.3. The tenure of loan/investment will be fixed as per loan/investment category mentioned in para 2.2 of this Manual.
- 5.1.4. The approval of the grace period for repayment of loan/investment may be allowed at the discretion of the PFIs. Any enhanced loan/investment to existing borrower for expanding business operations will be qualified for CGS support. The PFIs will need to submit necessary certificates to CGS Unit for ensuring settlement of earlier obligation by the borrower. Guarantee against enhanced loan/investment may be allowed under CGS if it is really required for the business. The CGS facility will be used for supporting existing entrepreneur for enhanced requirements and also for supporting the new entrepreneur. Guarantee fee will be charged on the whole principal amount of loan/investment (collateral free) of the borrower.

5.2 Ineligible Business Activities

- 5.2.1. Manufacturing and/or selling of ammunition articles or services.
- 5.2.2. Illegal business as per declaration by any Government Agency/Authority.
- 5.2.3. Socially and ethically damaging projects, like
 - a) Gambling
 - b) Drugs
 - c) Tobacco
 - d) Alcoholic drinks
- 5.2.4. Business which have already been declared as ineligible from any other scheme of the government /Bangladesh Bank
- 5.2.5. Any other product/service/business declared/to be declared as illegal by any Government Agency/Authority from time to time.

5.3 Eligibility of CMSEs for CGS

- 5.3.1. This guarantee scheme will cover potential CMSEs with viable business expansion plans which is suffering from lack of collateral. Women-owned CMSEs will get priorities to obtain such facility.
- 5.3.2. Existing cottage, micro, and small businesses in the manufacturing, service, and trading business (which is defined by Bangladesh Bank through SMESPD Circular No. 2 dated 05 September 2019, and any subsequent amendments) can avail guarantee facilities if

they have no collateral or insufficient collateral for their required bank finance. In case of insufficient collateral, CGS Unit will provide guarantee for uncovered portion at coverage ratio.

- 5.3.3. A business that has been operating without making any losses for last one year.
- 5.3.4. In case of term loan/investment, the borrower must contribute at least 20% of the total project cost as equity capital (without the value of land), which is to be determined at the time of processing of the loan/investment, i.e., if the CMSE wants to borrow BDT 500,000 from the PFI, their project cost must be at least BDT 625,000 out of which BDT 125,000 must be borne by the owner of the CMSE. Before making disbursement of loan/investment, the PFI has to ensure that 20% of the equity of the CMSE has been invested in the project by the owner.
- 5.3.5. CMSE will have a business plan and cash flow statement with a view to showing a repayment capacity.
- 5.3.6. For any loan/investment exceeding BDT 10,00,000, the company/enterprise must have financial statements (Balance sheet/Income statement, Cash flow statement). Financial statements must be prepared based on documentary evidence such as bank statements and/or ledgers/sales and purchase records, etc. If financial statements are not available for any loan/investment proposals, PFIs can process that loan/investment proposal on the basis of Bank statements and other surrogate parameters as per PFIs' credit policy. PFI may undertake capacity building programs for such borrowers in the area of business management, book-keeping, and financial management. Existing borrower who has already loan outstanding of more than BDT 50,00,000, audited financial statement is must for getting new loan.
- 5.3.7. The enterprise must be owned by Bangladeshi nationals.
- 5.3.8. Borrower must be regulars per CIB report.
- 5.3.9. The business of the enterprise/borrower must be compliant with the Environmental Risk Management Guidelines issued by Bangladesh Bank from time to time.

5.4 Ineligibility of CMSEs for CGS

- 5.4.1. Defaulted borrower/enterprise as per CIB report;
- 5.4.2. Any loan/investment under existing portfolio where adequate collateral are exists as per PFIs' policies.
- 5.4.3. Any loan/investment is disbursed which is not in compliance with the prudential regulations/guidelines of Bangladesh Bank.
- 5.4.4. Real-estate development companies and projects.
- 5.4.5. Currency or securities trading.
- 5.4.6. Consumer lending.
- 5.4.7. A CMSE which is already enrolled under the CGS through any PFI.
- 5.4.8. The borrower who failed to repay outstanding loan/Investment once and PFI submitted claim against that loan/investment, will not be eligible for further CGS support.

5.5 Eligibility Criteria for Enlisting PFI

- 5.5.1. Bank and FI duly established under the Bank Company Act, 1991 and Financial Institutions Act, 1993 respectively.
- 5.5.2. Bank/FI that can undertake capacity building programs for borrowers in business management, book-keeping, and financial management will be given priority.
- 5.5.3. PFI must be compliant with the prudential regulations issued by Bangladesh Bank from time to time.
- 5.5.4. The percentage of classification of loan/investment must be within 10% as on 31 December of any particular year. The classification rate may be relaxed or stringent, if BB deems fit.
- 5.5.5. Minimum three years experience of CMSE loan/investment is required.

Chapter 6.

Guarantee Application

6.1 Application Procedure

- 6.1.1. It is the sole responsibility of the PFI to estimate a portfolio limit for the subsequent year based on their previous experience and demand for collateral-free loan/investment of the preceding year.
- 6.1.2. The PFIs must inform the CGS Unit about their estimated target of the portfolio limit. The CGS Unit reserves the right to set the portfolio guarantee limit upon discussions with the PFIs and considering the anticipated volumes and amount of CMSE loans/investments for the upcoming year. After setting the portfolio guarantee limit, a participation agreement between the CGS Unit and PFI will be signed as per Annexure: 9 of this Manual. Each PFI's Portfolio Guarantee Limit will be set for every year.
- 6.1.3. After getting a loan/investment proposal from CMSE along with a declaration from the CMSE owner(s), partner(s) and shareholder(s) that they are not enjoying/did not apply for CGS facilities through any other PFI, the PFI will have to review the proposal meticulously as per their credit policy and ensure due diligence and documentation (minimum requirements as per Annexure: 2). If found eligible in line with CGS criteria, the PFI will apply to CGS Unit through Annexure: 1 of this Manual.
- 6.1.4. The involvement of the CGS unit with the CMSE will be limited to confirm that the loan/investment application submitted by the CMSE meets all the relevant eligibility criteria of CGS and ensuring that the loan/investment is within the agreed portfolio guarantee limit.
- 6.1.5. The CMSEs cannot apply for a guarantee directly to the CGS Unit. All loans/investments will be originated at the end of the PFI. The PFI is solely authorized for assessing the loan/investment application. Approval or declining decision has to be taken based on their loan/investment policies formulated based on prudential regulations of Bangladesh Bank. To avoid possible moral hazard about this facility, PFI should take necessary precautionary measures.

6.2 Appraisal and Approval

- 6.2.1. The PFI has to appraise the loan/investment with a view to determining the viability of the project in all aspects in accordance with the PFIs' loan/investment policies and internal loan/investment assessment procedures.
- 6.2.2. The PFI may apply for registration with CGS Unit if it (the PFI) confirms that the loan/investment proposal is sound and worthy of financing.
- 6.2.3. Upon acceptance of the credit guarantee application by the CGS Unit, it will be registered in the guarantee book, and the concerned PFI will be informed at the earliest.
- 6.2.4. After confirming CGS registration, the PFI will complete documentation with due diligence and give final approval of loan/investment to borrower CMSE within 15

(fifteen) working days. As per approval, PFI will issue sanction letter and disburse accordingly.

- 6.2.5. After CGS registration, any terms and conditions of the loan/investment cannot be changed without prior concurrence of the CGS Unit.
- 6.2.6. For any special circumstances, the CGS Unit of Bangladesh Bank may issue instructions to PFI.
- 6.2.7. In case of any dispute arises, the decision of the CGS Unit of Bangladesh Bank will stand final.

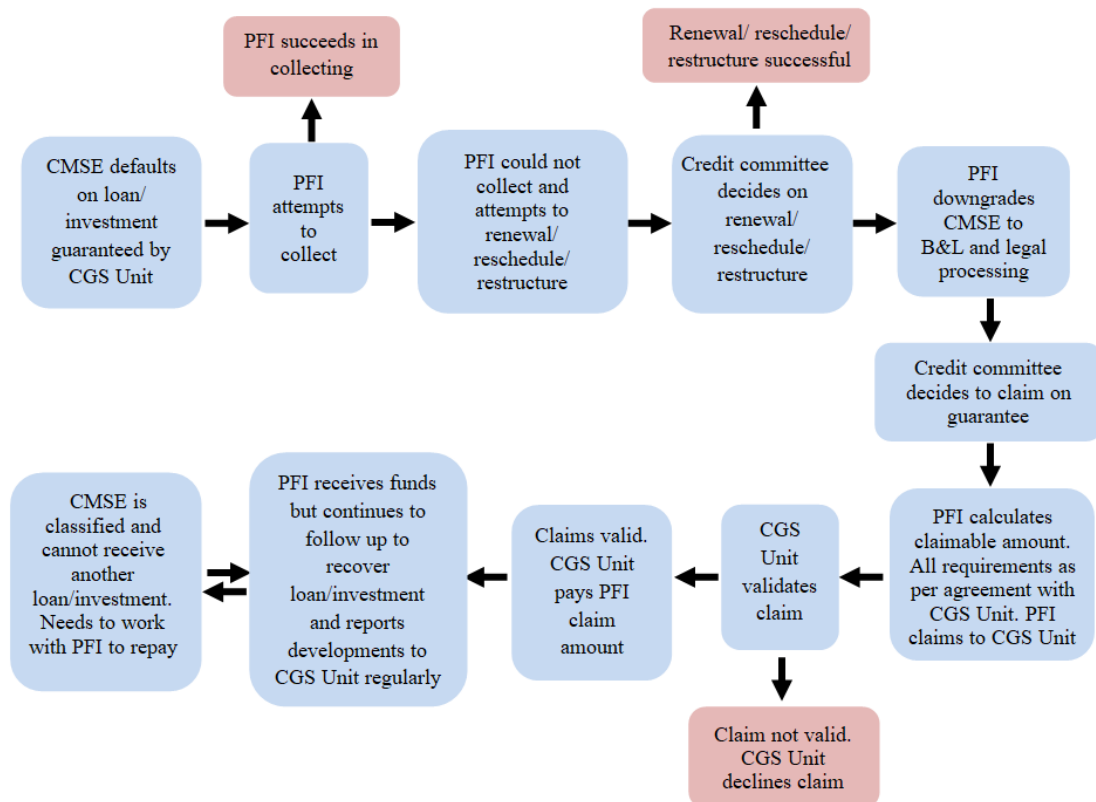
Chapter 7.

Invocation of Guarantee

The CGS Unit reserves the right to inspect the transactions under this guarantee, at any time, and conduct further investigation if required. All claims of PFIs under CGS must be submitted in writing. Claims under CGS will be settled upon confirming that all terms and conditions laid down in registration documents have been complied.

7.1 Monitoring, Delinquency, Default and Renewal/Rescheduling/ Restructuring

- 7.1.1. The PFIs must monitor all loans/investments under the CGS facility as per their monitoring policies. All documents in relation to monitoring must be kept as evidence. Efforts exerted to recovering loan/investment will be treated as proof.
- 7.1.2. Loans/investments under the CGS facility will be classified as per the existing classification policy of Bangladesh Bank (i.e., policies issued by Banking Regulations and Policy Department and Department of Financial Institutions and Markets, respectively).
- 7.1.3. PFI will not require keeping any specific provisions against classified loan/investment up to the amount of guarantee cap of the corresponding portfolio guarantee limit for the guarantee period of the loan.
- 7.1.4. The CMSEs will be given the opportunity for renewal/rescheduling/ restructuring of the loan/investment as per the existing policy of Bangladesh Bank.



7.2 Claims under Guarantee

- 7.2.1. The PFI will apply for guarantee claim only when any loan/investment will be classified as Bad & Loss (B/L date has to be mentioned in the claim application) after giving facilities to the borrower mentioned in para 7.1.2 and 7.1.4.
- 7.2.2. Before submitting guarantee claim, it must be ensured that the borrower has been given the opportunity of renewal/rescheduling/restructuring as per the existing policy.
- 7.2.3. The PFI must inform the borrower in writing about legal steps to be taken for being defaulted.
- 7.2.4. If an asset is pledged/mortgaged to secure the loan, the PFI must begin legal proceedings to liquidate the asset to recover the debt. Proceeding must be taken in accordance with the relevant Act¹ before claiming guarantee payment.
- 7.2.5. If any amount of loan/investment is realized from selling of security then the amount must be adjusted with the principal outstanding first.
- 7.2.6. The PFI will compute the overdue principal amount of loan/investment as on date of default as Bad & Loss after rescheduling as per the guideline based on the following criteria:
 - a. The principal amount recovered from installments before default of the loan/investment will be subtracted from the approved and/or disbursed loan/investment amount;
 - b. Any principal amount recovered after defaulting the loan/investment will be subtracted from the guarantee coverage of CGS;
 - c. The amount recovered under serial no. 7.2.6(a) & 7.2.6(b) will be deducted from the Guarantee Coverage amount.
- 7.1.7. The claim amount must not exceed the guaranteed portion of the principal amount.
- 7.1.8. The summation of all valid claims must not exceed the guarantee cap of each PFI in the respective year.
- 7.1.9. The PFI will prepare each guarantee claim individually. Any interest and other expenses will not be included in the guarantee claim.
- 7.1.10. All loan/investment documents including guarantee application, checklists, credit agreement and pledge documents (if applicable), any outside guarantees (personal and third party), CIB report, financial statements, credit analysis documents, DP Notes, and other credit assessment documents, documents in relation to suit (if any), any repayment correspondence with the borrower and other relevant documents (if any) must be preserved with them up to the period as per the concerned laws and/or credit policy of the respective PFI.

¹ The Money Loan Court Act 2003 and any subsequent amendments or an updated version of the act that may be issued by the respective authority.

7.3 Claims Validation

- 7.3.1. Along with the claim application as per Annexure: 4, the PFI must submit the following documents for the verification of the CGS Unit:
- a) A detailed explanation of due diligence of loan recovery attempts with a list of concerned documents.
 - b) The sanction letter along with a copy of loan/investment contract (if any) between the PFI and the borrower.
 - c) Copy of the account statement of the borrower.
 - d) Copy of the guarantee application, including all undertakings and checklists as per Annexure: 1 & 2.
 - e) Documents related with renewal/reschedule/restructure of the loan/investment or certification by the PFI in respect of non-willingness of the borrower
 - f) Any other documents deemed appropriate by the PFI to justify the claim.
- 7.3.2. The CGS Unit will verify that no terms & conditions of the guarantee agreement has been violated.
- 7.3.3. The CGS Unit will have to ensure that the PFI has paid all the relevant guarantee fees.
- 7.3.4. The CGS Unit will have to ensure that the loan has not been disbursed before approval of the guarantee. For any specific circumstances/scheme, Bangladesh Bank may issue special instruction in this regard.
- 7.3.5. The CGS Unit will have to ensure that the PFI has allowed the borrower to renewal/reschedule/restructure the loan/investment as per the policy of Bangladesh Bank.
- 7.3.6. The CGS Unit will verify the date on which the loan/investment is treated/fall on as Bad & Loss.
- 7.3.7. All claims will have to be checked with a view to ensuring that PFI has adhered to all procedures and criteria.
- 7.3.8. The CGS Unit will have to ensure whether the claim is submitted legally as per the Money Loan Court Act 2003 or other related Act. If submission of any court case is not viable due to cost effective analysis, PFI will have to justify the causes in writing. In such a situation, the CGS Unit will take the necessary steps as per the direction of the competent authority.

7.4 Settlement of Claims under Guarantee

- 7.4.1. The PFI must take actions under Money Loan Court Act 2003 or other related Act and must complete the process of legal proceedings for selling securities to recover the debt before the payment of guarantee. If it is not feasible, the PFI must justify why it is not possible to recover the loan in writing to the CGS Unit along with the claim. To write-off any guaranteed loan/investment, the PFI must follow the respective policy of Bangladesh

Bank and inform the CGS Unit accordingly. Besides, the CGS Unit will take necessary steps as per the direction of the competent authority.

- 7.4.2. The CGS Unit will examine and confirm the claim's amount of outstanding guaranteed principal.
- 7.4.3. The PFI will be provided with written notification (approved or declined) of the claim. In the approval letter, the PFI will be notified that they are required to take all necessary steps to recover the defaulted loan/investment. Any amount recovered must be informed to the CGS Unit and will be distributed as per conditions mentioned in para 7.6 of this chapter. It is the contractual responsibility of the PFI to follow up the recovery of defaulted loan/investment and to report to the CGS Unit on quarterly basis about recovery updates. The quarterly report contains the status of defaulted loan against which guarantee claims have been settled. In the approval or declination letter, further relevant instructions and advice may be stated.
- 7.4.4. Decision on claims will be made within 30 (thirty) days after receiving of complete claim application.

7.5 Debt Collection Procedure

- 7.5.1. The CMSE borrower is responsible for full repayment of the loan/investment along with interest and other cost. The loan/investment facilities which are guaranteed by the CGS Unit must be monitored for repayment based on the policies and regulations of the PFIs and Bangladesh Bank. This implies that the PFI must endeavour to recover unpaid amounts by liquidating collateral (if any) and calling personal as well as other securities /guarantors that the PFI obtained before sanctioning the loan/investment.
- 7.5.2. The PFIs must exercise due diligence to recover the amount of the outstanding loan and exhaust all legal remedies in pursuit of full recovery.
- 7.5.3. The PFIs must report to the CGS Unit quarterly about the status of the debt recovery. Until full recovery of outstanding of loans/investments, the borrower will be reported to the CIB as defaulted by the PFIs.

7.6 Proceeds of Recovery

- 7.6.1. After the payment against claim is made, the PFIs have to continue the follow-up on the CMSE to collect the full amount. The PFI will continue to report to the CGS Unit on the status of the collection efforts.
- 7.6.2. The PFIs will have to provide detailed information on the recovery costs.
- 7.6.3. After adjusting the recovery cost, the rest recovered amount will be distributed on the basis of agreed guarantee coverage ratio/risk-sharing ratio in the respective loan/investment case between the CGS Unit and the PFI according to the guarantee agreement.
- 7.6.4. From the date of default, interest/profit on the loan/investment will have to be applied according to the existing policies of Bangladesh Bank.

7.6.5. When a collection is received from any defaulted (B/L) borrower after making payment of the guarantee amount, the PFI must distribute it properly without delay. Failing to take all necessary steps to recover and regular reporting of the defaulted loan in question, the PFI may be imposed with a penalty.

7.7 Final Settlement

7.7.1. The applicable Guarantee Coverage Ratio is to be applied on overdue principal amount calculated as per para 7.2.6 of this chapter to determine the final settlement.

7.7.2. The CGS Unit and PFI will keep records of every settlement as long as required.

7.7.3. Any mistake in due diligence, sanction, monitoring and declaration to the CGS Unit based on which decision of payment is made, the respective PFI will be held responsible.

7.7.4. In case of non-recovery where no legal procedures is taken and/or partial recovery is made, in such cases unrealized overdue of the loan/investment under CGS will be settled by the competent authority.

Chapter 8.

Reporting Requirements

It is the sole responsibility of the PFIs to monitor the loan/investment guaranteed under the CGS as per their Credit Policy. The PFIs have to submit the following periodic reports to the CGS Unit of Bangladesh Bank:

- a) Report on Guaranteed Loan/Investment and Guarantee Fees under CGS (as per Annexure: 5);
- b) Quarterly Performance Report (as per Annexure: 6);
- c) Quarterly Debt Recovery Report (as per Annexure: 7) and
- d) Quarterly Recovery Report on Defaulted Loans/Investments (as per Annexure: 8)

Annexure 1: Guarantee Application Form

A loan/investment facility has been approved subject to the issuance of a credit guarantee under the participation agreement between PFI Name and the Credit Guarantee Scheme Unit of Bangladesh Bank, subject to the Terms and Conditions outlined in the Agreement dated dd/mm/yyyy.

Section-1: General Information

1. Loan identification number _____
2. Branch Name and Code: _____
3. Name of the Enterprise (Borrower): _____
4. Business Address & Contact Number: _____

5. Trade License Number of the Enterprise _____
6. Tax Identification Number (TIN) of the Enterprise: _____
7. Business Identification Number (BIN) of the Enterprise (if available): _____
8. Name of the Owner(s): _____

9. Owners' TIN _____
10. Owners' NID _____
11. Gender of Owner: Male Female
12. Residence Address & Contact Number of Owner (s): _____

13. Category of the Enterprise: Cottage Micro Small
14. Nature of the Business: Manufacturing Service Trading
15. Establishment Date of the Enterprise: _____ 16. Years in Operation: _____
17. Ownership Type: Sole Proprietorship Partnership Limited Liability Company
18. Borrower Type: First Time Borrower Repeat Borrower
19. Purpose of the Loan: Working Capital Business Expansion Others
20. No. of Existing Employees of the Enterprise:
a. Total _____ b. Male: _____ c. Female: _____
21. a. Total Liability: _____ b. Total Assets: _____
c. Owners' Equity: _____ d. Outside liabilities: _____
e. Annual Sales: _____ f. Annual Income: _____
22. a. Amount of the Loan: _____ b. Expected Guarantee Amount: _____
23. Interest Rate: _____
24. Final Repayment Date: _____
25. Personal Guarantee of the Owner(s): Yes No
26. Third-Party Guarantee: Yes No
27. Other collateral (if any): _____
28. Forced Sale Value of other collateral: _____

Section-2: Undertaking

We, on behalf of the PFI Name, hereby, confirm that this application falls within the terms and conditions of the participation agreement. Proper due diligence and documentation have been made by following our CMSME Credit Policy as well as annexure:2 of the CGS Manual. We will pay the guarantee fees against this application's registration as per the provision of SMESPD circular no. _____, dated _____ and its' subsequent amendments.

We also understand that in the event of any claim under the participation agreement, failure to provide documents and/or certifications as per the CGS Manual and relevant circulars of Bangladesh Bank, the claim against the guarantee may be rejected.

Focal Point officer

Signature:

(for further correspondence):

Name and Designation:

Name and Designation of Authorized Signatory:

Contact Number and Email:

Contact Number and Email:

Seal:

Annexure 2:

a. Due Diligence Checklist

The following are the minimum requirements for due diligence of a CGS facilitated loan/investment and documents attesting to the same need to be on file and shall be made available to the CGS Unit upon request:

1. Loan Application according to the Manual of Credit Guarantee Scheme;
2. Application submitted solely for working capital under the stimulus package of CMSEs;
3. The document that certifies the enterprise falls under CMS Category;
4. On-site visit report;
5. Financial statements (Balance Sheet/Income Statement, Cash Flow Statement) or any written statement(s) based on production/sales/turnover of the previous year (one/more) of CMSE;
6. Credit analysis report including-
 - a) Overall credit rating,
 - b) Discussion on industry/competitive environment,
 - c) Projected income or cash flow statement,
 - d) Assessment of management capacity/competency,
 - e) Evaluation of previous business performance,
 - f) Supplier checks as to borrower's adherence to payment arrangements,
 - g) Comments on capital adequacy and composition of balance sheet including changes in inventory, account receivable and accounts payable,
 - h) Trends in sales, operating income, and net income
 - i) Summary and recommendation/approval by authorized bank officers including all exposure to proposed borrower and group, if any
7. The borrower is regular on all credit facilities from Bank/FI;
8. Satisfactory CIB report of the Borrower;
9. Proposed facilities are not a rescheduling of existing facilities;
10. Verification that borrower's premises or address are in place, and machinery (if any) are working in orderly;
11. The borrower is not subject to any court proceedings, and is not the subject of any legal actions either in process or pending; and
12. The borrower's fixed assets are free from any liens or encumbrances.

b. Documentary Checklist:

In addition to the minimum requirements for due diligence stated above for each loan, the PFI needs to certify the following documents available in the concerned file, which may be verified by the CGS Unit or Representative of the CGS Unit at any time:

1. Loan Application Form;
2. Trade License;
3. Partnership Deed (For Partnership business only);
4. Board Resolution (For Partnership business /Limited Company only);
5. Certificate of Incorporation (For Limited Company only);
6. Memorandum & Articles of Association (For Limited Company only);
7. Form XII/Schedule X (if applicable) (For Limited Company only);
8. T & T phone number of the residence/office;
9. Latest 12 months Business Account Statement;
10. Photograph of Proprietor/Key Partner/Managing Director;
11. TIN Certificate/Tax Return Receipt;
12. Utility Bill of business address;
13. Attested photocopy of Possession/Rental Deed/consecutive three months' rent paid receipt;
14. Photocopy of Nationality Certificate/Passport/Certificate of SSC/Voter ID Card/ID Card of the loan/investment applicant;
15. Environment Policy Compliance;
16. CIB report;
17. Acknowledgment of BB CGS Guarantee application by the borrower;
18. Personal guarantee form (Joint/Several Guarantee);
19. A declaration of the CMSE owner(s), partner(s) and shareholder(s) on their non-involvement of ineligible business activities and non-duplication of loan/investment under CGS facilities; and
20. Other (specify): _____

Annexure 3: Guarantee Letter

Ref.:

Date:

To: (PFI Name)

Dear Sir,

With reference to your application dated _____, the following loans/investments have been registered under your agreed Portfolio Guarantee Limit:

Sl. No.	Name of Borrower/ Enterprise	Loan Identification Number	Loan amount (BDT)	Final Repayment Date	Maximum Credit Guarantee Coverage limit (%)	CGS Guarantee registration Number	CGS Approval Date	Guarantee Validity date
1	2	3	4	5	6	7	8	9

N.B. : The terms and conditions laid down in the Manual of Credit Guarantee Scheme, Participation Agreement, Circular(s) issued by Bangladesh Bank and their subsequent amendments are applicable in the above loan cases.

For and on behalf of the CGS Unit,

Signature:

(Name and Designation of the Authorized Signatory)

Annexure 4: Claims Application Form

Ref.:

Date:

General Manager
Credit Guarantee Scheme (CGS) Unit
SME & Special Programmes Department
Bangladesh Bank
Head Office, Dhaka-1000

Subject: Claims against guarantee registration No. _____, dated _____.

Dear Sir,

We confirm that the Loan ID # _____ under the above guarantee registration number has been classified as Bad & Loss on dd/mm/yyyy. Therefore, it has become due for release of the guarantee amount on the outstanding principal as per Manual of Credit Guarantee Scheme.

According to the Participation Agreement between _____ *PFI Name* _____ and the CGS Unit, dated _____ we can make available all of the documents listed in the Guarantee Application Form dated _____ at any time for your inspection.

Furthermore, the following information is given for your kind consideration:

1. Guarantee registration number and date: _____
2. Name of the Enterprise and Owner: _____
3. Address of the Enterprise: _____
4. Loan amount granted: _____
5. Rate of interest (%): _____
6. Date of approval: _____
7. Guarantee coverage ratio (%): _____
8. Guarantee fee paid(BDT): _____
9. Guarantee fee outstanding(BDT): _____
10. Installment amount: _____
11. Number of installments: _____
12. Date of first installment: _____
13. Collateral (if any): _____
14. Forced Sale value of the collateral: _____
15. Total recovery against the loan/investment:
 - a) Principal: _____
 - b) Interest & Other Charges: _____

- 16. Date of last payment of installment: _____
- 17. Recovery other than installment: _____
- 18. Numbers of unpaid installment(s): _____
- 19. Reasons for non-performance: _____
- 20. Outstanding principal of loan/investment on the B&L date: _____
- 21. Claimed amount under the guarantee: _____
- 22. Procedures taken for follow up and collection: _____
- 23. Legal procedures taken: _____
- 24. Other comments: _____

We, hereby, assert that the information mentioned above is correct. According to the Participation Agreement, we undertake to follow up on the borrower by taking all legal and judicial measures to collect the outstanding amount of loan/investment. We also affirm to provide all information or data that you deem necessary to facilitate this claim's procedures.

Focal Point officer
(for further correspondence):

Name and Designation:

Contact Number and Email:

Signature:

Name and Designation of the Authorized Signatory:

Contact Number and Email:

Seal:

Annexure 5: Report on Guaranteed Loans/Investments and Guarantee Fees under CGS

Ref.:

Date:

General Manager
Credit Guarantee Scheme (CGS) Unit
SME & Special Programmes Department
Bangladesh Bank
Head Office, Dhaka-1000

Subject: Report on Guaranteed Loans/Investments and Guarantee Fees under CGS as of 31 December yyyy for the portfolio guarantee year yyyy.

Dear Sir,

As per para 4.2.1. of the Manual of Credit Guarantee Scheme, the following information is submitted for your necessary actions.

(BDT in Full)

Sl. No.	CGS Registration No.	CGS Registration Date	Loan/Investment ID Number	Sanctioned Amount	Total Recovered Principal	Outstanding of principal on 31 December yyyy	Guarantee Fee Paid	Remarks
1	2	3	4	5	6	7	8	9
Total								

Focal Point officer (*for further correspondence*):

Name and Designation:

Contact Number and Email:

Signature:

Name and Designation of the Authorized Signatory:

Contact Number and Email:

Seal:

Annexure 6: Quarterly Performance Report

Ref. :

Date:

General Manager
Credit Guarantee Scheme (CGS) Unit
SME & Special Programmes Department
Bangladesh Bank
Head Office, Dhaka-1000

Subject: Quarterly Performance Report for the quarter ended on dd/mm/yyyy.

Dear Sir,

Please find quarterly data on the performance of PFI Name for the quarter ending on __, yyyy under the agreed CGS portfolio guarantee herewith.

(BDT in crore)

1. Loan Exposure		Cottage			Micro			Small			Total		
		Number	Amount		Number	Amount		Number	Amount		Number	Amount	
			Disbursed	Outstanding		Disbursed	Outstanding		Disbursed	Outstanding		Disbursed	Outstanding
Manufacturing	Male												
	Female												
Service	Male												
	Female												
Trade	Male												
	Female												
Total	Male												
	Female												
Grand Total (Male + Female)													
Urban	Male												
	Female												
Rural	Male												
	Female												

(During the Quarter)

2. Number of Loans approved by the CGS Unit		Amount of Loans approved by the CGS Unit	
3. Number of Loans Rejected by the CGS Unit		Amount of Loans Rejected by the CGS Unit	
4. Number of Loans Repaid		Amount of Loans Repaid	
5. Number of Loans Projected in the Forthcoming Quarter		Amount of Loans Projected in the Forthcoming Quarter	
6. CMSE Classified Loan			
7. CMSME Classified Loan			
8. Overall Classified Loan			

Focal Point officer (*for further correspondence*):

Name and Designation:

Contact Number and Email:

Signature:

Name and Designation of the Authorized Signatory:

Contact Number and Email:

Seal:

Annexure 7: Debt Recovery Report for the Quarter ended _____

Ref.:

Date:

General Manager
 Credit Guarantee Scheme (CGS) Unit
 SME & Special Programmes Department
 Bangladesh Bank
 Head Office, Dhaka-1000

Subject: Debt Recovery Report for the Quarter ended on dd/mm/yyyy.

Dear Sir,

As per para-7.5.3 of the Manual of Credit Guarantee Scheme, the following information is being submitted for your kind perusal.

Sl. No.	CGS Guarantee Number	Name of the Borrower	Amount of the Granted Credit	Outstanding Principal	Principal Collected During the Quarter	Classification Status of the Loan/Investment	Reasons for Non-Repayment *	Endeavours for Collection **	Remarks
1	2	3	4	5	6	7	8	9	10
Total									

<p>* <u>Reasons for Non-Repayment</u></p> <ol style="list-style-type: none"> 1. Delay in payment 2. Financial Difficulties 3. No contact has yet been made with the client 4. No response from the client 5. Others (Provide details) 	<p>** <u>Collection Endeavours'</u></p> <ol style="list-style-type: none"> a. Contact over telephone b. Reminder Notification c. Field visits d. Requests for repayment e. Legal Warning f. Seizure for security g. Recourses to guarantors h. Filing of lawsuits i. Others (Provide details)
---	---

For and on behalf of the PFI Name

Signature:

Name and Designation of the Authorized Signatory

Seal:

Annexure 8: Quarterly Recovery Report on Defaulted Loans/Investments

Ref. :

Date:

General Manager
Credit Guarantee Scheme (CGS) Unit
SME & Special Programmes Department
Bangladesh Bank
Head Office, Dhaka-1000

Subject: Recovery Report on Defaulted Loans/Investments for the Quarter Ended on dd/mm/yyyy.

Dear Sir,

As per para-7.6.1. of the Manual of Credit Guarantee Scheme, the following information is being submitted for your kind information and necessary action.

Sl No.	Guarantee Registration Number	Claim Paid on dd/mm/yyyy	Amount of the Claim Paid	Amount Recovered During the Quarter	Recovery Cost	Payment to the CGS Unit During the Quarter	Unrealized amount of the claim paid	Reasons for Non-Repayment *	Endeavours for collection **	Remarks (Collection efforts made during the month)
1	2	3	4	5	6	7	8	9	10	11
Total:										

<p>* Reasons for Non-Repayment Delay in payment Financial Difficulties No contact has yet been made with the client No response from the client Others (Provide details)</p>	<p>** Collection Endeavours Contact over telephone Reminder Notification Field visits Requests for repayment Legal Warning</p>	<p>Seizure for security Recourses to guarantors Filing of lawsuits Others (Provide details)</p>
--	--	--

For and on behalf of _____ *PFI Name*

Signature:

Name and Designation of Authorized Signatory

Seal:

Annexure 9: Draft Participation Agreement

PARTICIPATION AGREEMENT

BETWEEN

BANGLADESH BANK, AS THE ADMINISTRATOR
OF THE CREDIT GUARANTEE SCHEME
(hereinafter referred to as "CGS Unit")

AND

[.....PFI NAME.....], AS PARTICIPANT
IN THE CREDIT GUARANTEE SCHEME

PARTICIPATION AGREEMENT

This Participation Agreement (hereinafter also referred to as ‘Participation Agreement’ or ‘Agreement’) is made on theday of 2020

Between

Bangladesh Bank, Head Office, Motijheel, Dhaka-1000 (the “Bangladesh Bank”), represented by the General Manager, Credit Guarantee Scheme Unit, SME and Special Programmes Department as the administrator of the CREDIT GUARANTEE SCHEME (hereinafter referred to as "CGS Unit").

And

[Name of PFI], duly established under Companies Act of 1913/1994 and carrying on its business under Bangladesh Banks License No..... dated having its registered office at -----, Dhaka-..., Bangladesh [hereinafter referred to as ‘Participating Financial Institution (PFI)’].

In this Agreement, the CGS Unit and the PFI may be collectively referred to as the “Parties” or individually as a “Party”.

PREAMBLE

Whereas:

- (a) The CGS Unit has been established to administer the ‘কুটির, মাইক্রো ও ক্ষুদ্র (CMS) উদ্যোগ খাতে ক্রেডিট গ্যারান্টি স্কীম’ (hereafter referred to as the “Scheme”). The scheme aims to assist the eligible Cottage, Micro and Small Sized Enterprises (CMSEs) to avail loan/investment facility from the PFI without any collateral security. The scheme will follow the terms and conditions set down in the Manual of Credit Guarantee Scheme, relevant circulars and their subsequent amendments (collectively the “CGS Guidelines”).
- (b) As per SMESPD Circular No._____, dated dd.mm.yyyy, Credit Guarantee facility shall be granted in favor of the PFI against its working capital/term loan financing in CMS enterprises under the SMESPD Circular No. _____, dated dd.mm.yyyy.
- (c) Against the financing of the PFI to the eligible CMSEs, the CGS Unit shall provide Credit Guarantees in favor of the PFI securing a certain part of the loan/investment facility granted to the CMSEs in accordance with the relevant terms and conditions; and
- (d) The PFI has agreed to take part in the Scheme and cooperate with the CGS Unit in providing loan/investment to CMSE that does not have sufficient collateral but meets the CGS’s criteria for offering guarantees to cover such shortfalls.

1. Subject Matter of Agreement

- 1.1. The purpose of this Agreement is to define the terms and conditions under which participating financial institutions can apply to the credit guarantee scheme to overcome collateral shortfalls.
- 1.2. This Agreement aims to encourage participating financial institutions to increase the number and overall volume of loans/investments to CMSEs.
- 1.3. Through this Agreement, the CGS Unit approves the PFI as an eligible financial institution for risk mitigation purposes in lending to CMSEs.
- 1.4. The PFI agrees to adhere to the terms and conditions under which the guarantees will be issued by the CGS Unit.

2. General Provisions

- 2.1. CGS Guidelines and all circulars/guidelines/documents referred therein and their subsequent amendments shall form an integral part of this Agreement.
- 2.2. All documents forming part of the Agreement (and all parts thereof) are intended to be correlative, complementary, and mutually explanatory. The Agreement shall be read as a whole.
- 2.3. This Agreement contains the entire understanding of the parties concerning the matters herein, and there are no other terms, oral or written, expressed or implied, than those provided herein. Any previous representations, agreements or arrangements between the Parties are superseded by this Agreement. This Agreement shall not be modified except in mutual written consent by both parties.
- 2.4. If any provision or condition of the Agreement is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of the Agreement.

3. Rights and Duties of the Parties

- 3.1. The Parties agree to honor their obligations under the terms of this Agreement.
- 3.2. The Parties shall carry out all their duties and exercise their rights described in the Scheme, in good faith, and with the utmost professional diligence and care.
- 3.3. The Parties shall undertake to assist each other in the carrying out of their duties under this Agreement.
- 3.4. The Parties shall carry out their duties under this Agreement with due regard to the laws of Bangladesh and shall not take part in or be influenced by criminal or illegal activities.

4. General Lending Terms

- 4.1. The CGS Unit shall provide the Credit Guarantees to the PFI in accordance with the terms and conditions of the CGS Guidelines.
- 4.2. The PFI shall sanction loans/investments to CMSEs in accordance with the credit norms and practice of the PFI.
- 4.3. The PFI shall pay guarantee fees to the CGS Unit based on the provision of SMESPD Circular No. _____ of dated _____.
- 4.4. The maximum Portfolio Base Lending Limit under this agreement is set at BDT_____.
- 4.5. The maximum sums guaranteed under the above limit cannot exceed the following parameters:
 - 4.5.1. The maximum portfolio guarantee cap is 30%. Risk coverage for a single loan is a maximum of 80% within the portfolio cap.
 - 4.5.2. The revised portfolio cap will be determined based on the actual loan disbursed under the portfolio guarantee limit as per the ratio mentioned in para 4.5.1.
- 4.6. Loans/investments under the CGS facility will be classified as per the existing classification policy of Bangladesh Bank (i.e., policies issued by Banking Regulations and Policy Department and Department of Financial Institutions and Markets, respectively).
- 4.7. If the status of a guaranteed loan/investment becomes Bad & Loss then any amount realized from the borrower or security or personal guarantee or third-party guarantee or instruments under lien against that loan/investment, that amount must be adjusted against the principal outstanding first.

5. Commencement, Completion, Modification, and Termination of Agreement

- 5.1. This Agreement shall become effective on _____ 2020 and will endure normally for five years except in the event of lawsuit. In case of renewal/rescheduling/restructuring of a loan/investment, this agreement will remain valid until full settlement of liabilities under this agreement.
- 5.2. This Agreement cannot be terminated before settlement of all loans/investments which were given under this agreement but can be suspended for processing new loan/investment under this agreement by either party giving three months' written notice to the other party.

6. Liabilities of the Parties

- 6.1. Each Party acknowledges to be liable for the consequences of any failure on its part or on the part of its personnel to fulfill this Agreement.
- 6.2. Each Party shall be responsible for providing all necessary facilities and services for the proper performance of this agreement at their own expense.

6.3. The Parties shall be liable for non-performance or improper performance of this Agreement in line with the laws of Bangladesh.

7. Force Majeure

7.1. “Force Majeure” shall mean any event beyond the reasonable control of either Party, as the case may be, and which is unavoidable notwithstanding the reasonable care of the party affected, and shall include, without limitation, the following:

- (a) war, hostilities or warlike operations (whether a state of war be declared or not), invasion, the act of foreign enemy and civil war;
- (b) rebellion, revolution, insurrection, mutiny, usurpation of the civil or military government, conspiracy, riot, civil commotion, and terrorist acts;
- (c) confiscation, nationalization, mobilization, commandeering or requisition by or under the order of any government or de jure or de facto authority or ruler or any other act or failure to act of any local state or national government authority;
- (d) strike, sabotage, lockout, embargo, import restriction, port congestion, lack of usual means of public transportation and communication, industrial dispute, shipwreck, shortage or restriction of power supply, epidemics, quarantine, and plague;
- (e) earthquake, landslide, volcanic activity, fire, flood or inundation, tidal wave, typhoon or cyclone, hurricane, storm, lightning, or other inclement weather condition, nuclear and pressure waves, or other natural or physical disasters;
- (f) shortage of labor, materials, or utilities where caused by circumstances that are themselves Force Majeure.

7.2. If either Party is prevented, hindered or delayed from or in performing any of its obligations under the Agreement by an event of Force Majeure, then it shall notify the other in writing of the occurrence of such event and the circumstances thereof within 14 (fourteen) working days after the occurrence of such event.

7.3. The Party who has given such notice shall be excused from the performance or punctual performance of its obligations under the Agreement for so long as the relevant event of Force Majeure continues and to the extent that such Party’s performance is prevented, hindered, or delayed.

7.4. The Party or Parties affected by the event of Force Majeure shall use reasonable efforts to mitigate the effect thereof upon its or their performance of the Agreement and to fulfill its or their obligations under the Agreement.

7.5. If the performance of the Agreement is substantially prevented, hindered, or delayed for a single period of more than 60 (sixty) days or an aggregate period of more than 120 (one hundred and twenty) days on account of one or more events of Force Majeure during the validity of the Agreement, the Parties will attempt to develop a mutually satisfactory

solution, failing which either Party may suspended the Agreement for the expansion of further activities by giving notice to the other Party.

8. Settlement of Disputes

- 8.1. The Parties agree to use best efforts to resolve disputes informally.
- 8.2. Any dispute or claim arising from this Agreement shall be notified to the other Party in writing.
- 8.3. The Party to have received from the other Party its disagreement or claims shall respond in writing within 10 (ten) business days upon the receipt of such disagreement or claim.
- 8.4. In the event the dispute cannot be resolved amicably, then the same shall be resolved through arbitration in accordance with the provisions of Arbitration Act, 2001.

9. Confidential Information

- 9.1. The Parties shall keep confidential and shall not, without the written consent of the other party hereto, divulge to any third party any documents, data, or other information furnished directly or indirectly by the other party hereto in connection with the Agreement, whether such information has been furnished before, during or following termination of the Agreement.
- 9.2. The obligation of a Party under item 9.1 above, however, shall not apply to that information which
 - (a) now or hereafter enters the public domain through no fault of that Party;
 - (b) can be proven to have been possessed by that Party at the time of disclosure and which was not previously obtained, directly or indirectly, from the other Party hereto;
 - (c) otherwise lawfully becomes available to that Party from a third party that has no obligation of confidentiality;
 - (d) must be disclosed to the state authorities when required under the laws of Bangladesh.
- 9.3. The provisions of this Clause 9 shall survive termination, for whatever reason, of the Agreement.

10. Final Provisions

- 10.1. This Agreement is made in Bangladesh and shall be governed by the laws of Bangladesh. The Governing language of the Agreement shall be English.
- 10.2. In the event of any dispute arising between the parties in respect of this Agreement, the Courts in Bangladesh will have jurisdiction.

- 10.3. If one party waives a default or breach of this Agreement by the other party, that waiver will not be considered as a waiver of any subsequent default or breach.
- 10.4. Should any provision of this Agreement be or become invalid in whole or in part, this shall not affect the validity of the rest of this Agreement. In such an event, the Parties shall replace the invalid provision by a valid provision that corresponds to the greatest possible extent to the purpose of the invalid provision.
- 10.5. Each party shall bear its costs concerning this Agreement.
- 10.6. Notice shall be served at the address of the parties as given at the beginning of this Agreement until otherwise notified in writing of any alternative address.

11. Signatures of the parties

In witness whereof, the parties hereto have set and subscribed their respective hands and seal the day and year first above written.

.....

Name and Designation of Authorized Representative of the PFI (Seal)

.....

*General Manager
CGS Unit
SME and Special Programmes Department
Bangladesh Bank
Head Office, Dhaka*

.....

Witness (PFI)

.....

Witness (CGS Unit, Bangladesh Bank)