

Refinance – Common norms

Sl. No.	Particulars	
1	Objective of Refinance	To support Micro and Small Enterprises (MSEs) by facilitating flow of credit to the MSE sector by way of refinance of banks' lending to MSEs.
2	Eligible Primary Lending Institution (PLI) for availing refinance from SIDBI	<ul style="list-style-type: none"> ❖ Scheduled Banks (Public Sector Banks, Private Sector Banks, Foreign Banks, Small Finance Banks, Scheduled Urban Co-operative Banks & Regional Rural Banks) ❖ The refinance / financial assistance shall be within the Borrowing Limit / Power approved by Board of the PLI.
3	Eligible underlying assets pool / End-borrowers	<ul style="list-style-type: none"> ❖ MSEs as per definition contained in Government of India (GoI), Gazette Notification S.O. 2119(E) dated June 26, 2020. ❖ MSEs should be Udyam Registration Number compliant. ❖ Loans and advances extended for micro finance activities / financing micro enterprises under non-farm income generating activities. ❖ Assets under SMA-2, NPA & Fraud category are not eligible to be covered under refinance. The asset pool should be Standard assets not in default or if default under SMA-0 / SMA-1 category, i.e., with default up to 60 days.
4	Eligible activities of the end-borrowers	<ul style="list-style-type: none"> ❖ Activities of "industrial concerns in the small-scale sector" as defined in Section 2(h) of the SIDBI Act, 1989 or MSEs as per definition contained in Government of India (GoI), Gazette Notification S.O. 2119(E) dated June 26, 2020. ❖ It is clarified that MSEs engaged in Wholesale and Retail Trade, or running Educational Institutions are also eligible.
5	Eligible refinance assistance	<ul style="list-style-type: none"> ❖ Amount up to outstanding portfolio of the asset pool can be refinanced. ❖ PLI should not have any outstanding financial assistance, of whatsoever nature, from any Financial Institution, including refinance from SIDBI, in respect of the said asset pool. ❖ Refinance will also be subject to exposure norms, eligibility criteria, financial performance of the PLI, etc.
6	Security	<ul style="list-style-type: none"> ❖ The bank shall hold in trust for SIDBI, all the securities including movable and immovable assets, book debts, receivables, actionable claims, guarantees, assignments, bills of exchange and proceeds thereof as also other securities as may be directly or indirectly obtained or to be obtained by the bank from its borrowers to secure the financial assistance made available to the borrowers for which the loan has been sanctioned by SIDBI to the bank. ❖ The bank, whenever called upon, shall also furnish to SIDBI all such information and copies of all security documents obtained by it as security for the loan sanctioned to its

		borrowers covered under the said scheme subject to all applicable laws.
7	Application cum Drawl of Assistance	The bank shall submit the Application and Certificate in prescribed format to SIDBI.
8	Sanction	On approval of financial assistance, a Letter of Intent (LoI) will be issued to the applicant bank indicating detailed terms of sanction.
9	Documentation	<p>A) One-time (for on-boarding with SIDBI)</p> <ul style="list-style-type: none"> ❖ General Agreement is executed between the bank and SIDBI. ❖ Letter of Authority (LoA) to be executed by the banks addressed to the RBI/Principal Banker¹ for debiting their Current Account with the RBI/Principal Banker. The LoA should be duly acknowledged by the RBI/Principal Banker. <p>B) At the time of availing Refinance</p> <ul style="list-style-type: none"> ❖ Acceptance of LoI by authorized official of the bank on a non-judicial stamp paper of requisite value with certified copy of Power of Attorney / applicable Board Resolution/ Authorization letter. <p>KYC documents of the authorized officials executing the requisite documents on behalf of the bank shall be submitted, along with the Board Resolution/ DOP/ Authorization letter.</p>
10	Time frame for submission of list of end-borrowers	<ul style="list-style-type: none"> ❖ The bank shall submit the list of end borrowers in the prescribed format at the time of disbursement or within an extended period as may be allowed. ❖ In case the bank fails to furnish the list of end-borrowers as per sanction terms, penal charges (PC) of 0.50% on the disbursed amount along with applicable taxes will be charged with prospective effect till date of receipt of data. The bank will be charged at monthly rest. ❖ In case the data is not furnished even after 3 months from the date of disbursement, SIDBI will reserve the right to recall the outstanding loan. PC will continue to be charged till submission of data, in case the loan is not recalled.

¹ Principal Banker applicable in those cases where the Bank is not maintaining a current account with RBI