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Nifty **CLOSED**
11,582.90 **84.00**

NSE Gainer-Large Cap >

Zee Ent.
354.80 **22.05**

Precious Metal >

Gold (MCX) (Rs/10g.)
34,990.00 **151.00**

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Market Watch

Decoding the budget 2019: Strict rules soon for PSBs buying NBFC assets

BY [DHEERAJ TIWARI](#), ET BUREAU | UPDATED: JUL 10, 2019, 08.11 AM IST

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NEW DELHI: The government may allow state-run lenders to buy only AA and higher rated retail pooled assets of non-banking financial companies (NBFCs) under the scheme announced in the budget on July 5.

A senior government official told ET that guidelines for the scheme will be issued within the next 10 days. "We will not be comfortable with state-run lenders taking exposure to builder loans of such NBFCs," said the official, who did not wish to be identified. He said the liquidity window opened by the Reserve Bank of India is providing additional comfort required by the sector.

In her maiden budget speech finance minister [Nirmala Sitharaman](#) had announced that for purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of Rs 1 lakh crore during the current financial year, the government will provide onetime six months' partial credit guarantee to public sector banks for first loss of up to 10%.

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Govt may allow PSU banks to buy only AA and above rated pooled assets

Only retail loans, not builder loans, must be in the pool

New guidelines may come within next 10 days

Govt doesn't want banks to take undue risk

WHAT THE BUDGET SAYS

State banks will be allowed to buy pooled assets of NBFCs up to ₹1 lakh cr in current FY

Govt will provide one-time 6 months' partial credit guarantee to PSBs for first loss of up to 10%

On the budget day, [RBI](#) had also announced a scheme allowing banks to borrow from it by pledging their excess government bond holdings to fund the purchase of [NBFC](#) assets, which can release up to Rs 1.34 lakh crore.

"The scheme is to boost confidence in the industry and help it tide over liquidity issues," the official said, adding that during pre-budget consultations the understanding was that NBFCs may require such support for a maximum of two quarters.

"There is no pressing need for public sector banks to take undue risk," he said.

Two departments of the finance ministry, that of economic affairs and financial services, will work out the guidelines, ensuring that banks do not have exposure to riskier unsecured loans.

According to a recent report released by rating agency ICRA, banks have emerged as a large buyer of pooled assets from NBFCs given the liquidity issues faced by the sector during 2018-19. "Proposal to provide one time six months partial credit guarantee to PSBs for first

loss of up to 10% will reduce any credit risk in such assets," it said, even as it noted that with the guarantee being available for only six months, the preference could be for relatively shorterterm retail assets.

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