



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2015-16/366

FIDD.CO.Plan.BC.23/ 04.09.01/2015-16

April 7, 2016

The Chairman/ Managing Director/  
Chief Executive Officer  
[All Scheduled Commercial Banks  
(including Regional Rural Banks)/ Urban Co-operative Banks/ Local Area Banks]

Dear Sir/ Madam,

### **Priority Sector Lending Certificates**

Please refer to Para VIII of [Circular FIDD.CO.Plan.BC 54/04.09.01/2014 – 15 dated April 23, 2015](#) on Priority Sector Lending - Targets and Classifications about introduction of Priority Sector Lending certificates.

2. Government of India vide Notification dated February 04, 2016 has specified “Dealing in Priority Sector Lending Certificates (PSLCs) in accordance with the Guidelines issued by Reserve Bank of India” as a form of business under Section 6 (1)(o) of the Banking Regulation Act, 1949. Accordingly, instructions on trading in PSLCs are enclosed in the Annex. To facilitate trading in PSLCs, a trading platform is being provided through the CBS portal (e-Kuber). The detailed user manual/ instructions for trading on the platform are available through the portal.

Yours faithfully,

(A. Udgata)  
Principal Chief General Manager

Encl: As above

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**हिंदी आसान है, इसका प्रयोग बढ़ाइए।**

“चेतावनी : मेल रिज़र्व बैंक द्वारा-डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।”

**Caution:** RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

## Priority Sector Lending Certificates - Scheme

**i) Purpose:** To enable banks to achieve the priority sector lending target and sub-targets by purchase of these instruments in the event of shortfall and at the same time incentivize the surplus banks; thereby enhancing lending to the categories under priority sector.

**ii) Nature of the Instruments:** The seller will be selling fulfillment of priority sector obligation and the buyer would be buying the same. There will be no transfer of risks or loan assets.

**iii) Modalities:** The PSLCs will be traded through the CBS portal (e-Kuber) of RBI. The detailed operational instructions for carrying out the trades are available through the e-Kuber portal.

**iv) Sellers/Buyers:** Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), Local Area Banks (LABs), Small Finance Banks (when they become operational) and Urban Co-operative Banks who have originated PSL eligible category loans subject to such regulations as may be issued by the Bank.

**v) Types of PSLCs:** There would be four kinds of PSLCs :-

i) PSLC Agriculture: Counting for achievement towards the total agriculture lending target.

ii) PSLC SF/MF: Counting for achievement towards the sub-target for lending to Small and Marginal Farmers.

iii) PSLC Micro Enterprises: Counting for achievement towards the sub target for lending to Micro Enterprises.

iv) PSLC General: Counting for achievement towards the overall priority sector target.

As stated in the [Master Circular FIDD.CO.Plan.BC.4/04.09.01/2015-16 on Priority Sector Lending - Targets and Classifications dated July 01, 2015](#), Priority Sector comprises several categories, including Agriculture and Micro Enterprises. In addition to the overall target and sectoral targets for lending to agriculture and micro enterprises, banks are required to achieve specified sub-target for lending to Small and Marginal Farmers. Accordingly, to avoid computational issues in assessing the achievement/shortfall of PSL targets, it is advised that the above four types of certificates will represent specific loans and count for specific sub-targets/targets as indicated hereunder:

S.No.	Type of PSLCs	Representing	Counting for
1.	PSLC - Agriculture	All eligible Agriculture loans except loans to SF/MF for which separate certificates are available	Achievement of agriculture target and overall PSL target
2.	PSLC - SF/MF	All eligible loans to small/marginal farmers	Achievement of SF/MF sub-target, agriculture target and overall PSL target
3.	PSLC - Micro Enterprises	All PSL Loans to Micro Enterprises	Achievement of micro-enterprise sub-target and overall PSL target
4.	PSLC - General	The residual priority sector loans i.e. other than loans to agriculture and micro enterprises for which separate certificates are available	Achievement of overall PSL target

Thus, a bank having shortfall in achievement of any sub-target (e.g. SF/MF, Micro), will have to buy the specific PSLC to achieve the target. However, if a bank is having shortfall in achievement of the overall target only, as applicable to it, may buy any of the available PSLCs.

**vi) Computation of PSL achievement:** A bank's PSL achievement would be computed as the sum of outstanding priority sector loans, and the net nominal value of the PSLCs issued and purchased. Such computation will be done separately where sub targets are prescribed as on the reporting date.

**vii) Amount eligible for issue:** Normally PSLCs will be issued against the underlying assets. However, with the objective of developing a strong and vibrant market for PSLCs, a bank is permitted to issue PSLCs upto 50 percent of previous year's PSL achievement without having the underlying in its books. However, as on the reporting date, the bank must have met the priority sector target by way of the sum of outstanding priority sector lending portfolio and net of PSLCs issued and purchased. To the extent of shortfall in the achievement of target, banks may be required to invest in RIDF/other funds as hitherto.

**viii) Credit Risk:** There will be no transfer of credit risk on the underlying as there is no transfer of tangible assets or cash flow.

**ix) Expiry date:** All PSLCs will expire by March 31<sup>st</sup> and will not be valid beyond the reporting date (March 31<sup>st</sup>), irrespective of the date it was first sold.

**x) Settlement:** The settlement of funds will be done through the platform as explained in the e-Kuber portal.

**xi) Value and Fee:** The nominal value of PSLC would represent the equivalent of the PSL that would get deducted from the PSL portfolio of the seller and added to the PSL portfolio of the buyer. The buyer would pay a fee to the seller which will be market determined.

**xii) Lot Size:** The PSLCs would have a standard lot size of ₹ 25 lakh and multiples thereof.

**xiii) Accounting:** The fee paid for purchase of the PSLC would be treated as an 'Expense' and the fee received for the sale of PSLCs would be treated as 'Miscellaneous Income'.

**xiv) Disclosures:** Both seller and buyer shall report the amount of PSLCs (category-wise) sold and purchased during the year in the 'Disclosures to the Balance Sheet'.

**Illustration:**

1. Bank A may sell PSLCs with a nominal value of ₹ 100 crores to Bank B on July 15, 2016. Bank B will reckon ₹ 100 crore towards its priority sector achievement as on the reporting dates of September 30, 2016, December 31, 2016 & March 31, 2017, while Bank A will subtract the same from its achievement figures for the respective reporting dates. The PSLC will expire by March 31, 2017.
2. Bank C may buy ₹ 100 crore PSLC on March 30, 2017 from Bank D. Bank D will subtract ₹ 100 crore from its PSL reporting on March 31, 2017 while Bank C will reckon the same towards its achievement. The PSLC will expire by March 31, 2017.

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