RBI/2016-17/43
DBR.BP.BC.No.5/21.04.142/2016-17

All Scheduled Commercial Banks
(excluding RRBs)

Partial Credit Enhancement (PCE) to Corporate Bonds


2. In terms of para II.6 of the above-mentioned circular, the aggregate exposure limit of all banks towards the PCE for a given bond issue has been capped at 20 per cent of the bond issue size. On a review, it has been decided to increase the aggregate exposure limit from the banking system to 50 per cent of the bond issue size, with a limit up to 20 per cent of the bond issue size for an individual bank.

3. As the purpose of PCE by banks is to enable wide investor participation in the corporate bond market, banks are expected not to invest in corporate bonds which are credit enhanced by other banks.

4. All other instructions contained in the above-mentioned circular, including the single and group borrower limits and aggregate PCE exposure norms as per the para III.24 (a) and (b), remain unchanged.

Yours faithfully,

(Ajay Kumar Choudhary)
Chief General Manager