

To All Member Lending Institutions (MLIs) of CGTMSE – CGS - I, II & III

Circular No. 258/ 2025 – 26

Madam / Dear Sir,

Modification in Credit Guarantee Schemes – Third Party Guarantee

The definition of Third Party Guarantee (TPG) under Credit Guarantee Schemes has been reviewed and modified as under:

As per extant guidelines of CGTMSE, “Third Party Guarantee” means any guarantee obtained by a Member Lending Institution in connection with a credit facility extended by it to a Borrower, except from: (i) a Sole-Proprietor in the case of a Sole Proprietary concern; (ii) Partners in the case of a Partnership or Limited Liability Partnership (LLP) Firm; (iii) Trustees in the case of a Trust; (iv) Karta and Coparceners in the case of a Hindu Undivided Family (HUF); (v) Promoter Directors in the case of a Private or Public Limited Company; or (vi) the owner of the collateral security in the case of a guarantee under a hybrid or partial collateral security model.

The matter has since been reviewed and notwithstanding the foregoing, wherever a co-obligant or co-borrower is a signatory to the loan agreement, the personal guarantee of: (a) a sole proprietor or individual as co-borrower or co- obligant; (b) partners of the co-borrower or co- obligant partnership or LLP; (c) trustees of the co-borrower or co- obligant trust; (d) Karta and Coparceners of the co-borrower or co- obligant HUF or (e) promoter directors of the co-borrower or co- obligant company shall not be treated as a Third Party Guarantee.

The contents of this Circular may please be brought to the notice of all your offices.

Yours faithfully,

Sd/-
(Dhiraj Kumar)
Deputy General Manager

