



CGTMSE Ref. No. 6579/ 44

March 22, 2018

All Member Lending Institutions of CGTMSE
Kind Attention: SME/Priority Sector Department

Circular No.148/2017-18

Dear Sir/Madam,

Refund of Annual Guarantee Fee

Currently, as per Credit Guarantee Scheme (CGS) Chapter III, Point No.8(iii), the annual guarantee fee and / or annual service fee once paid by the lending institution to the Trust is non-refundable except under the following circumstances:

- (i) Excess remittance,
- (ii) Remittance made more than once against the same credit application,
- (iii) Guarantee fee and / or annual service fee not due,
- (iv) Guarantee fee paid in advance but application not approved for guarantee cover under the scheme, etc.

As per the guidelines, Annual fee (ASF/AGF) is charged in advance for the credit facility covered under CGS. There are several queries raised by MLIs, regarding refund of GF/ASF/AGF fee with respect to pre-closure of account or otherwise citing different reasons (such as full repayment by borrower, reduction in guarantee amount etc.).

We reiterate that the payment of GF/AGF/ASF is non-refundable except for the circumstances cited above and following clarifications are being issued:

1. It has been decided to discontinue the practice of refund of proportionate annual guarantee fee (AGF/ASF) while settlement of the claim.
2. In case of pre-closure / request for refund, refund of proportionate annual guarantee fee (GF/AGF/ASF) will be allowed only where closure is marked in CGTMSE system / refund requested is within 3 months from the date of receipt of fee by CGTMSE. To claim refund in case of pre-closure, it is mandatory to mark closure of account in the system using menu: Guarantee maintenance >> Request for closure. Any pre-closure marked / refund request received after 3 months from the date of receipt of fee by CGTMSE would not be considered.

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

Yours faithfully,

Sd/-
(Promod Bakshi)
Deputy General Manager

सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट (भारत सरकार एवं सिडबी द्वारा स्थापित)

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Credit Guarantee Fund Trust for Micro and Small Enterprises (Set up by Government of India & SIDBI)

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