

CAB Training Cards



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Priority Sector Lending Certificates (PSLCs)

1. What are PSLCs?

PSLCs are certificates issued by banks that have overachieved / are likely to overachieve their priority sector lending targets. Buyers of PSLCs are usually those banks which have a shortfall or are unlikely to achieve their priority sector lending obligations.

2. Why PSLCs?

PSLCs were introduced in 2015 to enable banks to meet their PSL targets and sub-targets and allow leveraging of their comparative advantage.

3. Who can buy/ sell PSLCs?

Scheduled Commercial Banks, Regional Rural Banks, Local Area Banks, Small Finance Banks and Urban Co-operative Banks which have originated PSL eligible category loans.

4. Types of PSLCs

PSLC Agriculture	Counting towards the total agriculture lending target.
PSLC SF/MF	Counting towards the sub-target for lending to Small and Marginal Farmers.
PSLC Micro Enterprises	Counting towards the sub target for lending to Micro Enterprises.
PSLC General	Counting towards the overall priority sector target.

A bank having shortfall in achievement of any sub-target (e.g. SF/MF, Micro), can buy only the specific PSLC to achieve the target. However, for meeting shortfall in achievement of the overall target, it may buy any of the available PSLCs.

5. Other features:

- i. A bank's PSL achievement is computed as the sum of outstanding priority sector loans, and the net nominal value of the PSLCs issued and purchased.
- ii. There is no transfer of loan assets which continue to remain on the books of the originator. Only the fulfillment of priority sector obligation is bought and sold.
- iii. There is no transfer of credit risk as there is no transfer of tangible assets or cash flow.
- iv. The PSLC trading and funds settlement takes place through the e-Kuber (CBS portal of RBI).
- v. The PSLCs have a standard lot size of ₹ 25 lakh and multiples thereof.
- vi. All PSLCs expire by March 31st and are not valid beyond the reporting date (March 31st), irrespective of the date it was first sold on.
- vii. The nominal value of PSLC represents 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.
- viii. The PSLC premium/ fee is market determined on the basis of demand and supply.
- ix. Both seller and buyer report the amount of PSLCs (category-wise) sold and purchased during the year in the 'Disclosures to the Balance Sheet'.
- x. PSLCs may be construed in the nature of 'goods', dealing in which has been notified as a permissible activity under section 6(1)(o) of BR Act, and are liable to tax under GST.

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