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ROYAL MONETARY AUTHORITY OF BHUTAN

DIRECTIVE FOR PRIORITY SECTOR LENDING

RMA/GO_PSL2019/7505

24th June 2019

CEOs
All Financial Institutions
Thimphu

Dasho Dzungdags
All 20 Dzongkhags

PSL Council Members
Thimphu

Dear Sir/Madam,

Based on the decisions of the PSL Council meeting held on 10th June, 2019, the following directives are hereby issued to all the relevant stakeholders for immediate compliance:

1. Turn-Around-Time

PSL proposals will be assessed by the Dzongkhag PSL Committees within a turn-around-time of 15 working days after the receipt of complete proposal (including relevant supporting documents). The Financial Institutions will assess the proposals approved by the Dzongkhags within a turn-around-time of 30 working days after the receipt of complete proposal. The Dzongkhag PSL Committees and Financial Institutions will record the date of receipt of complete proposal ensuring that clients are adequately informed.

2. Priority list

- a. Pending formal requests from the Dzongkhags as well as lack of articulation on what constitutes allowed activities to be included under “farm stays” and finally, based on consultations with the Tourism Council of Bhutan, “farm stays” will continue to be outside the priority list.
- b. As proposed by the Department of Cottage and Small Industry, PSL proposals on automobile workshops shall now be determined by the Dzongkhag/Thromde since the



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Dzongkhag/Thromde can best determine the need for automobile workshops in their localities.

- c. RNR sectors may recommend proposals which are not in the Priority List to the Ministry of Agriculture and Forests which shall be subsequently assessed by the Ministry in consultation with the respective Dzongkhags.

3. Valuation cost

The revised valuation costs for livestock and for agriculture as calculated by the Ministry of Agriculture and Forests will be circulated upon finalization to all PSL stakeholders for implementation.

4. Gestation Period

The gestation period for PSL loans will remain as 1 year but with application of the relevant provisions under the Prudential Regulations 2017.

5. Standard PSL checklist

The respective checklists of all the commercial banks will be circulated to the Dzongkhag PSL Committees to facilitate prospective clients in compiling all required information needed by both the Dzongkhag and the commercial banks.

6. Loan Exposure

The RMA PSL team will compile and share detailed report on sector/activity wise concentration of loans to the commercial banks on a regular basis to provide a comprehensive picture of the overall loan exposures in the respective Dzongkhags. The commercial banks will coordinate with the Dzongkhags in assessing capacity and exposures.



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7. Loan Equity ratio

Existing project assets will qualify to be considered as equity. However, for the purchase of machineries and other project assets, the proponents shall produce 30% equity and further, the loan will be disbursed directly to the vendor of the asset by the commercial banks.

8. Working Capital

PSL loans will include provision of working capital where necessary.

9. Additional loans to existing clients

Existing PSL clients will be eligible for additional loans exceeding the existing ceiling of Nu.500,000 to individuals for primary production under agricultural CSI. However, the proponent must have a good record of paying back the existing loan and the Dzongkhag PSL Committee must recommend the proponent's capacity to avail additional loan.

10. Participation of insurance companies in PSL

The Royal Insurance Corporation of Bhutan Limited and the Bhutan Insurance Corporation Limited will be exempt from lending to PSL projects since they are participating through provision of affordable insurance, especially crop insurance. However, the two institutions will continue to review the pricing of insurance products.

11. CIB record

The CIB record will be available from any BDBL office. The banks will inform the RMA PSL team about their respective criteria for assessing the credit-worthiness of prospective clients based on the CIB records. This information will be shared with the Dzongkhags.

Yangchen Tshogyel

(Chair, PSL Council)