Corporate Debt Market Development Fund

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About Corporate Debt Market Development Fund:

- The 'Corporate Debt Market Development Fund (CDMDF) is **a backstop facility** for specified debt funds during market dislocations.
- The fund is intended to provide **liquidity support** in the event of a financial crisis.
- It aims to instil confidence amongst the participants in the corporate bond market and to generally enhance secondary market liquidity.
- The proposed CDMDF will have an **initial corpus of Rs 3,000 crore** contributed by mutual funds.
- The government has approved a 10-time leverage of the fund (Additional corpus), thus CDMDF may raise funds up to Rs 30,000 crore.
- Contributions to the fund can be done by the **specified debt-oriented mutual fund** schemes and asset management companies of mutual funds.
- This fund is guaranteed by the **National Credit Guarantee Trust Company (NCGTC)** and the backstop facility will be managed by **SBI Mutual Fund.**
- Specified mutual fund schemes will have access to the fund for selling securities during market dislocation.
- This access is proportional to the contribution made to the fund at a mutual fund level.

What is a Backstop facility?

- A backstop is an act **of providing last-resort support or security** in a securities offering for the unsubscribed portion of shares.
- When a company is trying to raise capital through an issuance, it may get a backstop from an **underwriter or a major shareholder**, such as an **investment bank**, to buy any of its unsubscribed shares.

Q1) What is National Credit Guarantee Trustee Company Ltd (NCGTC)?

National Credit Guarantee Trustee Company Ltd (NCGTC) is a private limited company incorporated under the Companies Act 1956 on March 28, 2014, established by the Department of Financial Services, Ministry of Finance, as a wholly owned company of the Government of India, to act as a common trustee company for multiple credit guarantee funds.

Source: Sebi to set up corp debt mkt development fund with Rs 3,000 crore initial corpus from MFs

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