

### One Time Settlement Scheme for MSME

Particulars	Guidelines
<b>General</b>	In terms of RBI's "Master Circular - Lending to Micro, Small and Medium Enterprises (MSME) Sector", Bank shall follow a merit-based non-discretionary, one-time settlement for recovery of NPAs under the MSME sector, as approved by Board/ delegated authority. All settlement proposals/ offers shall be examined by the Bank's delegated authority based on facts and merits of each case.
<b>Coverage</b>	Will cover all Standard (Exception case namely death, etc.), Sub Standard & Write off assets (MSME units) inclusive of technically written offs as at the end of previous month.
<b>Up-front payment</b>	Entire OTS amount to be repaid in one lump sum. However, in deserving cases OTS proposals may be considered with up- front payment of 25% and balance in instalments, while proposals without up-front payment may also be considered by Bank on merits of each proposal.
<b>Repayment terms</b>	Normally compromise sum is to be repaid in bullet payment, else with 25% up-front payment and balance as per settlement terms.
<b>Timeline for payment in OTS</b>	As per the terms mentioned in Settlement letter
<b>Non-compliance of settlement terms</b>	In case of default in payment of settled dues and non- compliance of other terms of settlement, the Bank would reserve the right to withdraw the relief and concessions and revert to recover the dues prior to the settlement along with future interest thereon.
<b>Group/Related Accounts</b>	Generally, for the purpose of compromise/ out of court settlements, Group Account concept should be adopted and compromise in Group/ Related accounts should be considered simultaneously. However, if it is felt in certain cases that some of group accounts are operated in satisfactory manner and continuation of such accounts is profitable/ advantageous to the Bank, individual NPA account of the group may be considered for compromise. However, such cases should be referred to appropriate approval authority for their approval.
<b>Settlement Proposals from Legal Heirs</b>	There are cases, where legal Heirs of NPA accounts come forward with settlement proposal so that they can seek release of their guarantees/ securities or discharge them from payment of bank dues. Such proposals from Legal Heirs should be treated on par with proposals received from Borrowers.
<b>Settlement Proposals from Guarantors</b>	There are cases, where Guarantors in NPA accounts come forward with settlement proposal so that they can seek release of their guarantees/ securities or discharge them from payment of bank dues. Such proposals from guarantors and one of the Directors should be treated on par with proposals received from Borrowers.
<b>Criminal Proceedings/CBI Cases</b>	In accounts where criminal action is initiated or matter is under investigation by an investigating authority such as Central Bureau of Investigation etc., without prejudice to such proceeding/ s action, the Bank will be at liberty to enter compromise/ settlement in such accounts purely on commercial consideration, but only after making an intimation to the controlling authorities and the investigating agency through the Chief Vigilance Officer of the bank. If the Bank initiates the criminal proceedings, it will be open to Bank to pursue or not to pursue the case depending upon the circumstances of each case. But, decision in that behalf shall be taken by the Chief Vigilance Officer of the Bank. Wherever the borrower has filed any case, or counter claim against the Bank, and in such a

	<p>case, a compromise/settlement is sought to be made, it should be made a condition of the settlement that the borrower would withdraw the suit/case, or counter claims as the case may be, and that in future also no claim will be raised against the Bank.</p>
<b>General and Operational Principles for compromise and settlements</b>	<ul style="list-style-type: none"> <li>• Bank may take up a compromise settlement / OTS proposal for consideration, irrespective of the present stage and status of the recovery proceedings.</li> <li>• Any compromise will be a negotiated settlement under which the bank will endeavour to recover its dues to the maximum extent possible, with minimum sacrifice. However, it is recognised that amicable settlements are possible only in a win-win situation and sacrifice is a part of settlement.</li> <li>• The last status of the activity of the borrowing entity which seeks a compromise will be taken into reckoning at the very first stage of the negotiation.</li> <li>• An initial deposit of 10-20% of the amount should be taken from the borrower as evidence of his intention to pursue the compromise settlement with the Bank. In case this is not possible, a waiver should be sought specifically in the approval note by way of deviation. For Consumer Bank Retail loans, a one-instalment settlement or a monthly EMI settlement may be acceptable without an upfront deposit.</li> <li>• In case the borrower has other group companies, influence of these companies or the parent company may be used for a better settlement and/or for getting additional security, pending realization of the entire amount of compromise.</li> <li>• It will be the endeavour of the Bank to get the entire compromise amount within three months from the date of settlement. Where the period of settlement exceeds 3 months and the amount is agreed to be recovered in instalments, as far as possible, a certain portion of the amount say 15% to 25% may be made payable upfront on a best-efforts basis, with balance in instalments spread over reasonable period considering source of repayment.</li> <li>• At the time of One Time Settlement negotiation when OTS amount is proposed to be paid in instalments seriousness and preparedness of the borrower to honour OTS commitments shall be considered.</li> <li>• In the case of suit filed account if need be and if practical, the terms and conditions of settlement should be finalized and consent decree from the court should be obtained.</li> <li>• It is recognised that the OTS amount normally will not be less than the realisable value of securities. While considering the realisable value due consideration will be given to various factors like forced sale value, early realization of money, sale ability of the property, type, effort and cost involved &amp; yield in the account.</li> <li>• In case of non-receipt of the committed compromise amount as per the terms of the settlement, the recovery proceedings already initiated before the settlement shall be continued.</li> <li>• The Authority who had approved the compromise settlement earlier may consider the modification in the terms of the settlement.</li> <li>• In compromise settlements/write off the amount of sacrifice will be determined regarding balance/dues as on the 'settlement date' which shall be indicated in the compromise settlement/write off proposals.</li> </ul>