Indian Overseas Bank

CAREER GUIDE

2020

Eighth Edition

CAREER GUIDE

for IOBians

A Staff College publication

Karnam Sekar
MD & CEO

Indian Overseas Bank
Central Office,
763, Anna Salai, Chennai -2

Dear IOBians,

FOREWORD

It gives me immense pleasure to write foreword for this VIIIth Edition of Career Guide. I always believe in the paradigm "***Knowledge is Power".***

In a highly dynamic economic scenario, we, as Bankers, have many roles to play. In this context, updating of knowledge is very vital which plays a crucial role in diligently discharging our duties as a Banker.

This career Guide is brought out by the Faculty who have taken tremendous pains in preparing this Book in a short span of time. I commend and congratulate Shri K V Subba Rao, DGM & Principal, Staff College and his entire team for the efforts put in, in bringing out this book in a record time.

An organisation's success depends on its workforce and their collective contribution. I always believe in the immense potential of IOB's 25000+ workforce and am confident that with their collective contribution, IOB will regain its past glory and come out of the PCA, very shortly.

I urge all the IOBians to make the best use of this "Career Guide" and gain knowledge and become more confident in discharging their day to day duties.

Wish you Happy Learning!

With Best wishes,

Karnam Sekar
MD & CEO
Date: 2nd January,2020

PALANISAMY D
General Manager

Indian Overseas Bank
Central Office,
763, Anna Salai, Chennai -2

FOREWORD

I am delighted to write the "Foreword" for this "Career Guide" brought out by our Staff College. A wise man once said "Learning never exhausts the mind" which holds true on any day.

With Banking Service being customer-centric, being aware of all the latest developments and related aspects is crucial in discharging one's duties diligently and with confidence.

I take pride in our Bank's Training System which has been playing a crucial role in shaping the minds of all employees.

As banking industry is witnessing frequent changes with regard to regulations/guidelines, the need of the hour for all of us is to keep abreast of all the changes. The **Eighth edition of CAREER GUIDE** is a welcome step in this direction.

I am confident that all employees will benefit from this treasure trove of knowledge developed by our Staff College and congratulate Mr. K V Subba Rao, DGM & Principal, and the entire faculty team who are behind the creation of this book.

With best wishes,

(D Palanisamy)
General Manager-HR
Date: 2nd January, 2020

K V Subba Rao
DGM & Principal

Indian Overseas Bank
Staff College Chennai

Message from Principal's Desk

*It is with great pride and a deep sense of accomplishment thatwe, the entire Faculty Team of Staff College and the STCs, bring forth this VIIIth Edition of "**Career Guide**" for the use of all employees of our beloved Bank.*

Career progression is the ambition and rightful aspiration of every employee of any organization. Our Bank's endeavour and approach towards training and developing our employees has always been to improve on the current processes, build capacity in the bank to offer better banking service by addressing the knowledge gap, through various internal as well as external trainings, in addition to on-the-job learning.

This apart, Staff College has also taken various other initiatives like Mobile Learning Series, E-Learning through E-Paatashala, Relaunching of Quarterly Newsletter – Vidyadeepam, Online Quiz etc. for improving the knowledge and skill level of our employees. Knowledge is Power. Attitude, Skill and Knowledge make or bring all the difference for any individual and organization.

I firmly believe that all IOBians, and more particularly, those aspiring for career progression, gain from the insights on various areas of Banking, detailed in this Book, which is brought out at the right time.

I would like to specially mention the contribution made by Mr. Abhishek Arya, Senior Manager (Faculty) in shaping this Book to its final stage with the close coordination of entire faculty team. While utmost care is taken in designing and developing the contents of this Book, by keeping in mind all the latest developments, in case of any errors or omissions, the same may be brought to stc@iobnet.co.in.

With Best wishes,

K V Subba Rao
DGM & Principal
Date: 2nd January, 2020

WORDS OF WISDOM

- *Attitude is a little thing that makes a big difference-----------------------------------Winston Churchil*

- *Be curious about everything. Never stop learning. Never stop growing-----------------Caley Alyssa*

- *Vision without action is merely a dream. Action without a vision just passes the time. Vision with action can change the world-------------------Joel Barker*

- *Courage is the ladder on which all the other virtues mount------------------------------Clare Booth Luce*

- *Develop success from failures, Discouragement and failure are two of the surest stepping stones to success----------------Dale Carnegie*

- *What do you with a mistake; recognize it, admit it, learn it, forget it-------------------Dean Smith*

- *Experience is the universal mother of all sciences---Miguel de Cervantes*

- *If you don't risk anything you risk even more---Erica Jong*

PREFACE

To the Eighth Edition

We are having immense pleasure in bringing out the **EIGHTH EDITION** of the Career Guide and sincerely hope that this "**Edition"**will act as SAHAYAK in pulling us out of "**Behind the Eight Ball"** scenario in our day to day banking.

As Career Guide has been one of the most sought after and awaited book from Staff College, there was an urgent need to update the same.

We are thankful to our various readers for their valuable and encouraging feedback/suggestions which acted as a source of motivation while preparing this edition.

As the entire updation exercise was to be completed within a very short time frame, our sincere appreciation goes to each and every faculty member attached with Staff College, Chennai as well as 12 Staff Training Centres for meeting the strict deadline. It is also praiseworthy to mention that the entire updation exercise was carried out by the faculty members along with their regular training programs being conducted at all the centres.

Our sincere thanks to DGM, Principal, Staff College, Chennai for his unflinching support, incessant motivation and most importantly his firm belief in us, without which this edition could not have seen the light of the day so soon.

From

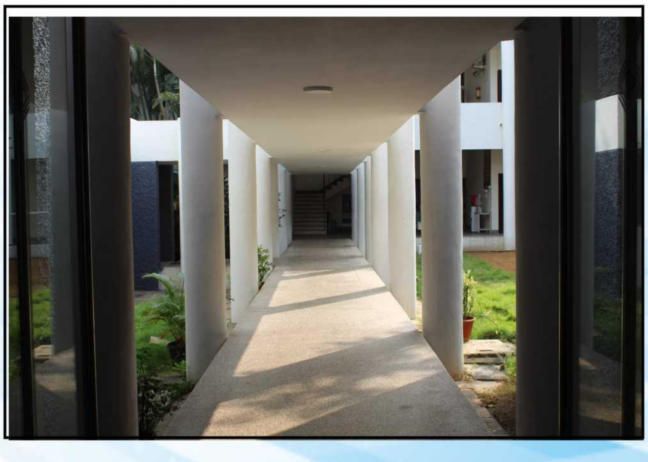
IOB Faculty Fraternity

(Coordinated by Shri Abhishek Arya)

LIST OF IOB FACULTY

NAME	GRADE	STC NAME
BIKAS KUMAR SAH	SM IV	STAFF COLLEGE, CHENNAI
RAJASEKAR N	SM IV	STAFF COLLEGE, CHENNAI
RANJAY KUMAR JHA	SM IV	STAFF COLLEGE, CHENNAI
ABHISHEK ARYA	MM III	STAFF COLLEGE, CHENNAI
PADAMJEET DAHIYA	MM III	STAFF COLLEGE, CHENNAI
JEETENDRA KUMAR PANDA	MM III	STAFF COLLEGE, CHENNAI
PANKAJ KUMAR MOHANTY	MM III	STC BHUBANESWAR
OMKAR SASWAT GAJAPATI	MM II	STC BHUBANESWAR
ELAVENIL A A	MM III	STC CHENNAI
ANIL THEJ KOLANTI	MM III	STC CHENNAI
RAJEEVAKUMAR PUTHALATH	MM III	RUBTEC., COIMBATORE
KOLAPPAN	MM III	RUBTEC., COIMBATORE
PRADEEP SINGH	MM II	STC DELHI
DEEPAK KUMAR JHA	MM III	STC DELHI
VIVEK RANJAN	MM III	STC HYDERABAD
DEEPAK MISHRA	MM III	STC HYDERABAD
HIMANSHU BHUSAN SAHOO	MM III	STC KOLKATA
SATYABRAT MOHANTY	MM III	STC KOLKATA
HEMANT KUMAR	SM IV	STC LUCKNOW
ROLI VERMA	MM III	STC LUCKNOW
SUSOBHAN MAHATA	MM III	STC MADURAI
VENKATARAMANA ROBBA	MM III	STC MADURAI
PRAVEEN KUMAR	SM IV	STC MANGALORE
ARINDAM DAS	MM III	STC MANGALORE
SHIPRA PANDEY	SM IV	STC MUMBAI
SUBHAJIT GHOSH	MM III	STC MUMBAI
ABHISHEK KUMAR	MM III	STC TANJORE
SANTHOSH KUMAR K	MM III	STC TANJORE
CHIRANJIT CHANDRA	MM III	STC TRIVANDRUM
SUMIT MUKHERJEE	MM II	STC TRIVANDRUM

Staff College, Chennai



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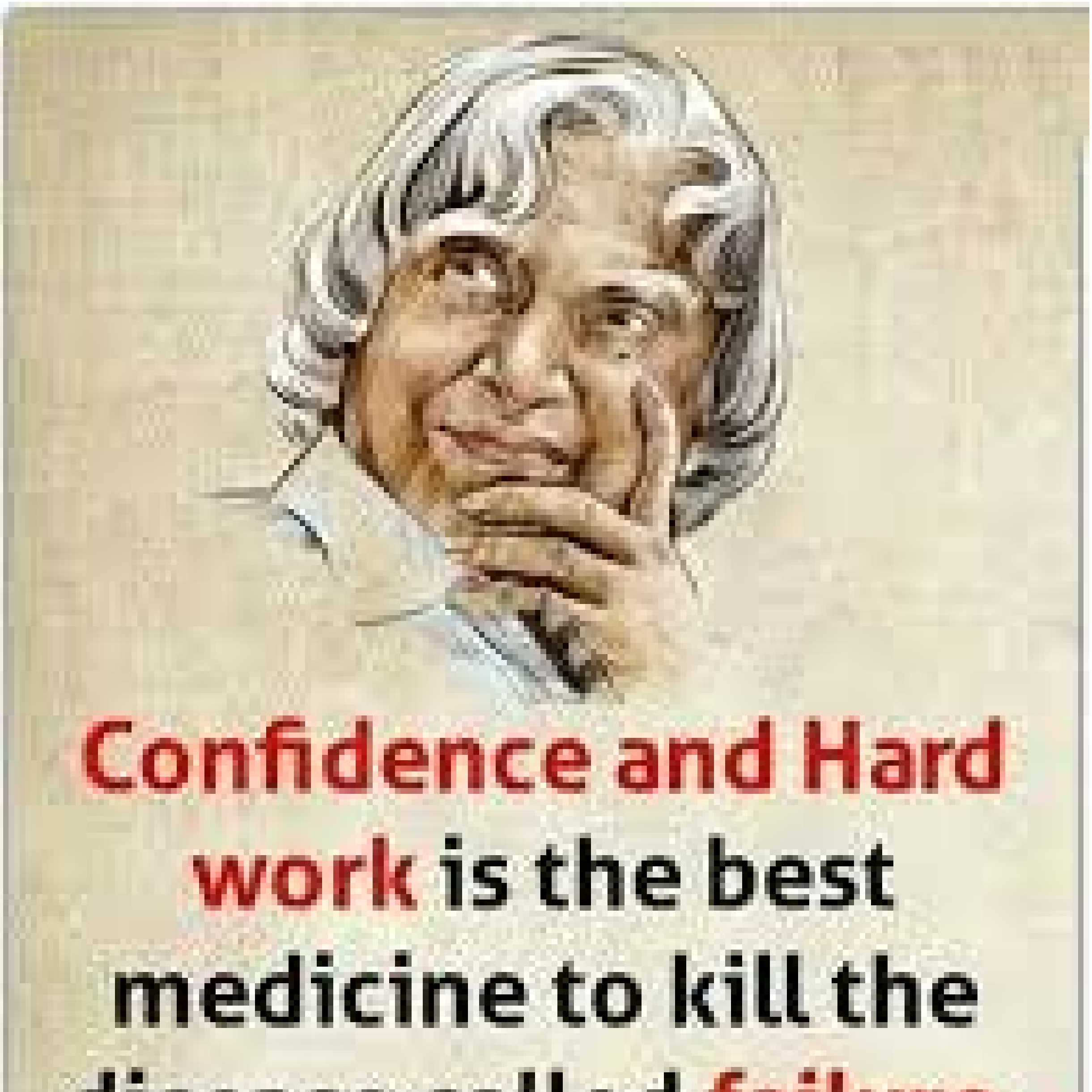
DISCLAIMER

"Even though we have taken best efforts to incorporate the latest guidelines, we advise users to refer to Book of Instructions/ circulars issued from time to time and be guided accordingly in the discharge of their duties. Errors, if any, may be brought to our notice so that they can be corrected in the subsequent editions".


Confidence and Hard
work is the best
medicine to kill the
disease called failure.
It will make you
successful person.

MODULE-A

General Banking

KNOW YOUR CUSTOMER (KYC) GUIDELINES

Reserve Bank of India issues **KYC Guidelines** in exercise of the powers given under **section 35A of Banking Regulation Act,1949**. Banks are required to follow certain **customer identification procedures** while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions.

KYC norms apply to every entity regulated by Reserve Bank of India, and also apply to those branches and majority owned subsidiaries of the Banks which are located abroad, to the extent they are not contradictory to the local laws in the host country:

i. where applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of the Reserve Bank of India.

ii. in case there is a variance in KYC/AML standards prescribed by the Reserve Bank of India and the host country regulators, branches/ subsidiaries of Banks are required to adopt the more stringent regulation of the two.

iii. branches/ subsidiaries of foreign incorporated banks may adopt the more stringent regulation of the two i.e. standards prescribed by the Reserve Bank of India and their home country regulators.

A. **Objectives**

- To prevent bank from being used, intentionally or unintentionally, by criminal elements for money laundering or financing of terrorism.
- To implement the recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) and the paper issued on Customer Due Diligence (CDD) for the bank by the Basel Committee on Banking Supervision.
- To understand the level of risk each account/transaction bears and the steps to be taken to manage them.
- To know and understand its customers fully in terms of identity, location and activity to the extent of establishing the correctness/genuineness of the credentials for extending better Customer Service.

B. **General Points**

- **Customer** means a person who is engaged in a financial transaction or activity with a Bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

- **Walk-in Customer** means a person who does not have an account-based relationship with the bank, but undertakes transactions with the Bank.

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Vetted by: Shri Santosh Kumar K

- **Customer Due Diligence (CDD)** means identifying and verifying the customer and the beneficial owner.

- **Beneficial Owner (BO)**

a. Where the **customer is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

1. "**Controlling ownership interest**" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.
2. "**Control**" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

b. Where the **customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than **15 per cent** of **capital or profits** of the partnership.

c. Where the **customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than **15% of the property** or **capital** or **profits** of the unincorporated association or body of individuals. Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

d. Where the customer is a **trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with **15%** or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

- **A person includes**:

a. An individual
b. Hindu undivided family
c. A company
d. A firm
e. an association of persons or a body of individuals, whether incorporated or not

f. every artificial juridical person, not falling within any one of the above persons (a to e),
g. any agency, office or branch owned or controlled by any of the above persons (a to f).

- **Transaction** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
  - opening of an account;
  - deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
  - the use of a safety deposit box or any other form of safe deposit;
  - entering into any fiduciary relationship;
  - any payment made or received, in whole or in part, for any contractual or other legal obligation; or
  - establishing or creating a legal person or legal arrangement.

- **Suspicious transaction**

  It means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:
  - gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
  - appears to be made in circumstances of unusual or unjustified complexity; or
  - appears to not have economic rationale or bona-fide purpose; or
  - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

- **Politically Exposed Persons**

  (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

- **Shell bank** means a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group.

- **Wire transfer** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.

- **Domestic and cross-border wire transfer**: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the 'originator bank' or 'beneficiary bank' is located in different countries such a transaction is cross-border wire transfer.

Know Your Customer (KYC) policy shall be duly approved by the Board of Directors of Bank or any committee of the Board to which power has been delegated.
Designated Director

A "Designated Director" means a person designated by the Bank to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board.

- The name, designation and address of the Designated Director shall be communicated to the FIU-IND.In no case, the Principal Officer shall be nominated as the 'Designated Director'.

Principal Officer:

- ✓The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.
- ✓The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.
- ✓Banks shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

****

C. Core Components

The KYC policy shall include following four key elements:

1. Customer Acceptance Policy;
2. Risk Management;
3. Customer Identification Procedures (CIP)
4. Monitoring of Transactions

1. Customer Acceptance Policy(CAP)

- No account is opened in anonymous or fictitious/benami name.
- No account is opened where the Bank is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- No transaction or account-based relationship is undertaken without following the CDD procedure.
- The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
- Banks shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a Bank desires to open another account with the same Bank, there shall be no need for a fresh CDD exercise.CDD Procedure is followed for all the joint account holders, while opening a joint account.
- Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
- Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially

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Vetted by: Shri Santosh Kumar K

disadvantaged.

Undesirable Accounts

- Accounts in which the balances often fall below the stipulated minimum balance
- Savings bank accounts in which there are large number of operations not commensurate with the balance maintained
- Accounts in which cheques are drawn without adequate funds or arrangement to cover them and the cheques are returned frequently
- Accounts in which cheques are drawn against uncleared effects expecting the bank to pay the cheques or accounts where the customer remits funds always at the last moment to meet the cheques already presented
- Accounts of customers who are known through reliable sources to be indulging in illegal activities (Smuggling etc), FEMA violation etc, and the developments are likely to tarnish the image of our bank.)

2. Risk Management

For Risk Management, Banks shall have a risk based approach which includes the following.

- Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Bank.
- Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

Risk Perception (RIP) Matrix (MISC/375/2018-19 dated 03.07.2018)

RIP - One (Low risk)

Individuals and entities whose identities and sources of wealth can easily be identified and in whose accounts transactions by and large conform to the known profile shall be categorized under RIP-One.

Example:

- Salaried employees whose salary structures are well defined.
- People belonging to lower economic strata of the society where accounts reflect small balances and low turn-over.
- Government Departments, and Government owned Companies,
- Regulators and Statutory bodies etc.,
- NPOs / NGOs promoted by United Nations or its Agencies

For opening savings bank and term deposit accounts for such customers, branches should ensure that the basic requirements of verifying the identity and location of the customer are met.

RIP -Two (Medium Risk)

Individuals and entities whose accounts reflect large volume of turnover or large number of high value transactions in the estimation of branch, taking into account the relevant factors such as customer's background, nature of business, location of activity, country of origin, source of funds, his client profile, market reports etc. shall be categorised under RIP—Two.

In these cases, upon seeking clarifications satisfactory responses shall be forthcoming from the customers. Example:

> "People with range of business activities of smaller modules Share brokers, real — estate people, Auto consultants, interior decorators etc., who have small *means* and who tend to route the dealing — amounts which do not belong to them in their account."

RIP - Three (High Risk)

Customers who are engaged in certain professions where Money laundering possibilities are high will be classified under RIP-3. Higher Due diligence is required which includes customer's background, nature and location of activity, country of origin, sources of funds, his/her client profile etc. besides proper identification. Such accounts will be subject to enhanced monitoring on an ongoing basis. These include:

- Non — resident customers.
- High net worth individuals.
- Trusts, Charities, NGO's and organizations receiving donations.
- Companies having close family shareholding or beneficial ownership.
- Firms with 'sleeping partners'(A sleeping partner is one who does not take active part in the management of the business & only contributes to the share capital of the firm.)
- Politically exposed persons (PEP's)
- Close relatives of PEPs accounts of which PEP is ultimate beneficiary Owner.
- Non face — to — face customers. (A non-face to face customer is one who opens account without visiting the branch or meeting the officials of Bank)
- Those with dubious reputation as per public information available.
- Accounts of bullion dealers (including sub-dealers) and jewelers in view of risks involved in cash intensive businesses.
- Blocked accounts and unclaimed deposits.
- Persons and entities having large number of cases filed against them by the competent authorities viz.," Enforcement Directorate, Police, Income Tax Department, Monitoring agency for Forex Violations, Commercial Tax Department, Bodies handling Export / Imports disputes.

Periodic Updation

Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers as per the following procedure:

- Banks shall carry out CDD, at the time of periodic updation. However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
- In case of Legal entities, Bank shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- Banks may not insist on the physical presence of the customer for the purpose

of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.

- Banks shall ensure to provide acknowledgment with date of having performed KYC updation.
- The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

Risk category has to be reviewed as per following time schedule:

Type of Risk	Period Review
RIP 1	Every 12 months i.e. in every December
RIP 2	-same as above-
RIP 3	Every 6 months i.e. in every June & December

3. Customer Identification Procedure (CIP)

- **It means undertaking Customer Due Diligence(CDD) measures**

  Banks shall undertake identification of customers in the following cases:
  - Commencement of an account-based relationship with the customer.
  - When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
  - Branch shall ensure that introduction is not to be sought while opening accounts.
  - Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
  - When a Branch has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand. Branch may also consider filing a suspicious transaction report(STR) to AML Cell, Central Office.
  - Carrying out any international money transfer operations for a person who is not an account holder of the bank.
  - Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
  - Any remittance of funds, by way of Demand Draft, Mail/telegraphic transfer/NEFT/IMPS or any other mode and issue of travelers' cheque for walk in customer shall not be undertaken against cash payment for value of Rs. Fifty Thousands & above.
  - All walk in/occasional customers such as buyers of pre-paid instruments /purchasers of third party products who have frequent transactions with the branches are to be properly identified by obtaining valid documents and ensure that they are allotted UCIC.
  - All necessary records of transactions both domestic and international has to be maintained for at least five years from the date of transaction.
- **Customer Due Diligence (CDD) Procedure**

Prepared by: Shri Abhishek Kumar
Vetted by: Shri Santosh Kumar K

❖ **Individuals**

For undertaking CDD, Banks shall obtain the following from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- a certified copy of any OVD containing details of his identity and address
- one recent photograph
- the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962, and
- such other documents pertaining to the nature of business or financial status specified by the Bank in KYC policy.
- Where the individual is desirous of receiving any benefit or subsidy under any scheme notified under **AADHAR Act**, bank will obtain Aadhaar number from such customer & may carry out authentication of the customer's Aadhaar using e authentication facility provided by UIDAI after taking a declaration to such effect.

Branch may carry out **Aadhaar authentication/offline-verification** of an individual who voluntarily uses his Aadhaar for identification purposes. In cases where successful authentication has been carried out, other OVD and photograph need not be submitted by the customer.

Accounts opened using **OTP based e-KYC**, in non-face-to-face mode are subject to the following conditions:

- There must be a specific consent from the customer for authentication through OTP.
- the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD is complete.
- the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.
- As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification to be carried out.

If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.

Officially Valid Document (OVD) : It includes,

1. The passport
2. The driving license
3. Aadhaar number
4. The voter's identity card issued by the election commission of India.
5. Job card issued by NREGA duly signed by an officer of the state government
6. letter issued by the national population register containing details of name and address.

where the OVD furnished by the customer does not have updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address: -

1. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill)
2. property or Municipal tax receipt;
3. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
4. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation

The customer shall submit OVD with current address within a period of three months of submitting the documents specified above.

where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy of OVD, certified by any one of the following, may be obtained:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy/Consulate General in the country where the non- resident customer resides.

❖ While accepting Xerox copies of Officially Valid Documents, from the customers for opening of account, customer should put in writing as "**Submitted for opening of A/c/Updation of KYC etc**" and should be self-attested by customers. The Xerox copies submitted by the customer are to be verified by the branch officials with the originals and certify as "**Verified with originals"**, sign with SS no & affix branch seal. (KYC/AML Dept MISC/343/2018-19 dated 16.04.2018)

In case an individual customer who does not possess any of the OVDs and desires to open a bank account, banks shall open a '**Small Account'**, which entails the following limitations:

1. the aggregate of all credits in a financial year does not exceed rupees one lakh;
2. the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
3. the balance at any point of time does not exceed rupees fifty thousand. Provided, that this limit on balance shall not be considered while making

deposits through Government grants, welfare benefits and payment against procurements.

Further, small accounts are subject to the following conditions:

- The bank shall obtain a self-attested photograph from the customer.
- An officer certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- Provided that where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.
- Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.
- Branch shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.
- The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.
- The entire relaxation provisions shall be reviewed after twenty-four months.
- The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high risk scenarios, the identity of the customer shall be established through the production of an OVD and Permanent Account Number or Form No.60, as the case may be.
- Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established through the production of an OVD and Permanent Account Number or Form No.60, as the case may be.
- KYC verification once done by branch shall be valid for transfer of the account to any other branch, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updation.

A. CDD Measures for Sole Proprietary firms

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out. In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

1. Registration certificate
2. Certificate/license issued by the municipal authorities under Shop and Establishment Act.
3. Sales and income tax returns.
4. CST/VAT/ GST certificate (provisional/final).
5. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
6. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
7. Complete Income Tax Return (not just the acknowledgement) in the name of

the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
8. Utility bills such as electricity, water, landline telephone bills, etc.

In cases where the branches are satisfied that it is not possible to furnish two such documents, branches may at their discretion, accept only one of these documents as proof of Business/Activity, provided branches confirm and satisfy themselves that the business activity has been verified from the address of the proprietary concern. For this purpose, a new document code "**UVVR**" with Document Description "**Unit Visit Verification Report**" has been incorporated in the system. This relaxation is only for Proprietorship concern and not for any other firm or company. (**MISC/536/2018-19 dated 22.03.2019**)

B. CDD Measures for Legal Entities

For opening an account of a legal entity, certified copies of each of the following documents shall be obtained:

B1. Company:

1. Certificate of incorporation
2. Memorandum and Articles of Association
3. Permanent Account Number of the company
4. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
5. Documents, as specified in Section 16, of the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf

B2. Partnership Firm

1. Registration certificate
2. Partnership deed
3. Permanent Account Number of the partnership firm
4. Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf

B3. Trust

1. Registration certificate
2. Trust deed
3. Permanent Account Number or Form No.60 of the trust
4. Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf

B4. An unincorporated association or a body of individuals

1. Resolution of the managing body of such association or body of individuals
2. Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
3. Power of attorney granted to transact on its behalf
4. Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf and
5. Such information as may be required by the Bank to collectively establish the legal existence of such an association or body of individuals.

"Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'. Term 'body of individuals' includes societies."

For opening accounts of **juridical persons** not specifically covered in the earlier part, such as **societies**, **universities** and **local bodies** like **village panchayats**, certified copies of the following documents shall be obtained:

1. Document showing name of the person authorised to act on behalf of the entity;
2. Documents of the person holding an attorney to transact on its behalf and
3. Such documents as may be required by the Bank to establish the legal existence of such an entity/juridical person.

Identification of Beneficial Owner

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified:

1. Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
2. In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

4. Monitoring of Transactions

Banks shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.
Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

1. Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
2. Transactions which exceed the thresholds prescribed for specific categories of accounts.
3. High account turnover inconsistent with the size of the balance maintained.
4. Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.
5. The extent of monitoring shall be aligned with the risk category of the customer.
6. Explanation: High risk accounts have to be subjected to more intensified monitoring.
7. A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.
8. The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

Explanation: Cases where a large number of cheque books are sought by the company and/or multiple small deposits (generally in cash) across the country in

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Vetted by: Shri Santosh Kumar K

one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.

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SINGLE TRANSACTION THRESHOLD LIMIT (STTL)

For effective monitoring of transactions, we should have a limit of amount in each account beyond which the Bank has to make enquiries on the transaction. This limit is called Threshold Limit.

Threshold Limit is fixed based on the Risk Categorisation and the Annual Income (for individuals)/Annual Turnover of business (for enterprise accounts).
The method of arriving STTL Limit is furnished below:

RIP TYPE	RETAIL	CORPORATE
	25 % of Annual Income subject to Minimum Maximum	1/12th of Annual Turnover subject to Minimum Maximum
RIP 1 (Low-10 Years)	50000 20,00,000	5,00,000 50,00,000
RIP 2 (Medium-8 Years)	50000 15,00,000	4,00,000 50,00,000
RIP 3 (High-2 years)	50000 10,00,000	3,00,000 50,00,000

System will calculate STTL value automatically, once the annual income/turn over and RIP classification are entered. If the transaction amount exceeds the STTL Limit, the system will throw pop up message. If it is found suspicious, STR to be filed through AML Cell, CO.

SUSCIPIOUS TRANSANCTION REPORT (MISC/472/2018-19 dated 11.12.2018)
As per the provisions of Prevention of Money laundering Act 2002, Bank is mandated to monitor transactions based on certain red flag indicators/bench marks fixed and escalate any transactions of suspicious nature to financial Intelligence Unit –India on continuous basis.

FIU-India has provided banks with a comprehensive list of Alert scenarios for identifying suspicious transactions. Branches should furnish Suspicious Transaction Report wherever such instances come to light. STRs should be submitted by branches to their regional offices with copy to AML Cell, Central Office. Regional Office shall review the same and forward their recommendations to AML Cell, Central Office.

CASH TRANSACTION REPORT (MISC/644/2019-20 dated 18.10.2019)
The prevention of Money Laundering Act.2002 require banks to furnish to FIU-IND information relating to following transactions of their customers every month before 15th of the succeeding month:

- All Cash transactions of the value of more than Rupees Ten Lakhs or its equivalent in foreign Currency.
- All series of cash transactions integrally connected to each other which have been individually valued below ten lakhs but taken place within a month and monthly

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aggregate exceeds ten lakhs.

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Bank is required to ensure timely submission of the following statutory reports within the stipulated time frame to comply with the Bank's obligation under PMLA:

Sl No	Name of the Report	Short Name	Frequency of the Submission
1	Cash Transaction Report	CTR	15th of the succeeding Month
2	Counterfeit currency report	CCR	15th of the succeeding Month
3	Non-Profit Organisation Transaction Report	NTR	15th of the succeeding Month
4	Suspicious Transaction Report	STR	Within 7 days of arriving at conclusion that any transaction is of Suspicious nature
5	Cross Border Wire Transfer Report	CBWTR	15th of the succeeding Month

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ENHANCED DUE DILIGENCE

Accounts of non-face-to-face customers: Banks shall ensure that the first payment is to be effected through the customer's KYC-complied account with another Bank, for enhanced due diligence of non-face-to-face customers.

Accounts of Politically Exposed Persons (PEPs)

A. Branches shall establish a relationship with PEPs provided that:
   - (a) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
   - (b) the identity of the person shall have been verified before accepting the PEP as a customer;
   - (c) An account for a PEP can be opened with the prior approval of Regional office;
   - (d) all such accounts are subjected to enhanced monitoring on an on-going basis;
   - (e) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, Regional Office approval is required to continue the business relationship.

B. These instructions shall also be applicable to accounts where a PEP is the beneficial owner

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SIMPLIFIED NORMS FOR SELF HELP GROUPS (SHGS)

(a) CDD of all the members of SHG shall not be required while opening the savings bank account of the SHG.

(b) CDD of all the office bearers shall suffice.

(c) No separate CDD shall be required for the members or the office bearers at the time of credit linking of SHGs.

PROCEDURE TO BE FOLLOWED BY BANKS WHILE OPENING ACCOUNTS OF FOREIGN STUDENTS

(a) Branch shall open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his/her passport (with visa & immigration endorsement) bearing the proof of identity and address in the home country together with a photograph and a letter offering admission from the educational institution in India.

i. Provided that a declaration about the local address shall be obtained within a period of 30 days of opening the account and the said local address is verified.

ii. Provided further that pending the verification of address, the account shall be operated with a condition of allowing foreign remittances not exceeding USD 1,000 or equivalent into the account and a cap of rupees fifty thousand on aggregate in the same, during the 30-day period.

(b) The account shall be treated as a normal NRO account, and shall be operated in terms of Reserve Bank of India's instructions on Non-Resident Ordinary Rupee (NRO) Account, and the provisions of FEMA 1999.

(c) Students with Pakistani nationality shall require prior approval of the Reserve Bank for opening the account.

Secrecy Obligations and Sharing of Information:

(a) Branches shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.

(b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

(c) While considering the requests for data/information from Government and other agencies, banks shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.

(d) The exceptions to the said rule shall be as under:

i. Where disclosure is under compulsion of law
ii. Where there is a duty to the public to disclose,
iii. the interest of bank requires disclosure and
iv. Where the disclosure is made with the express or implied consent of the customer.

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PERIOD FOR PRESENTING PAYMENT INSTRUMENTS

Payment of cheques/drafts/pay orders/banker's cheques, if they are presented beyond the period of three months from the date of such instruments, shall not be made.

OPERATION OF BANK ACCOUNTS & MONEY MULES

The instructions on opening of accounts and monitoring of transactions shall be strictly adhered to, in order to minimise the operations of "Money Mules" which are used to launder the proceeds of fraud schemes (*e.g.,* phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties which act as "money mules." If it is established that an account opened and operated is that of a Money Mule, it shall be deemed that the bank has not complied with these directions.

COLLECTION OF ACCOUNT PAYEE CHEQUES

Account payee cheques for any person other than the payee constituent shall not be collected. Banks shall, at their option, collect account payee cheques drawn for an amount not exceeding rupees fifty thousand to the account of their customers who are co-operative credit societies, provided the payees of such cheques are the constituents of such co-operative credit societies.

ISSUE AND PAYMENT OF DEMAND DRAFTS, ETC.

Any remittance of funds by way of demand draft, mail/telegraphic transfer/NEFT/IMPS or any other mode and issue of travelers' cheques for value of rupees fifty thousand and above shall be effected by debit to the customer's account or against cheques and not against cash payment.

Further, the name of the purchaser shall be incorporated on the face of the demand draft, pay order, banker's cheque, etc., by the issuing branch. These instructions shall take effect for such instruments issued on or after September 15, 2018.

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QUOTING OF PAN

Permanent account number (PAN) of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN.

COMMON KYC & ACCOUNT OPENING FORMS

As a part of EASE 2.0 Action Points, IBA has devised a simple & common KYC & Account opening forms to be used by branches of all Public Sector Banks across the country. IBA has approve the following simple and standardized forms:

- KYC cum Account opening forms for the individuals
- Annexure I to Account opening form (Form 60)
- Annexure II to account opening form
- Customer request form for various banking services
- Account opening forms for Non-Individuals

Branches have to use these forms only strictly for opening of accounts wef 01.10.2019. (MISC 633/2019-20 dated 24.09.2019)

TEMPORARY CEASING OF OPERATIONS

Branches can temporarily cease the operations in the account till the time the Permanent Account Number(PAN) or Form 60 is not submitted by the customer subject to following conditions:

- Giving due notice of one month initially to the customers to comply with KYC requirements and followed by a reminder of further 1 month.
- After this branches can impose temporary ceasing of operations in relation of an account. In case of Asset accounts such as Loan accounts, only credits shall be allowed. Relaxation up to 6 months can be given on account of illness, injury, infirmity on account of old age or otherwise with enhanced monitoring.
- If a customer having existing account does not want to submit PAN or form 60 and gives it in writing, bank shall close the account and all obligations due in relation to that accounts shall be settled appropriately. After establishing the identity of the customer by obtaining the identification document applicable.

SHARING OF KYC DOCUMENTS (OD/MISC/197/2017-18 dated 10.08.2017)

All bank branches should share/collect the KYC documents in cases of frauds for further investigations. When a fraud takes place, the paying bank should get should get all the documents from the collecting bank, as per IBA circular dated 08.08.2017.

THANKS GIVING LETTER (KYC/AML/MISC/462/2018-19 dated 04.12.2018)

Branches have to send Thanks Giving Letter by registered post with acknowledgement due to the customer who have opened account with us. Pending receipt of the acknowledgement, the proceeds of any collection/clearing instrument that may have been collected in the account should not be allowed to be withdrawn. Debits may be allowed only against deposit made into the account by way of cash. Cheque book

Prepared by: Shri Abhishek Kumar
Vetted by: Shri Santosh Kumar K

should not ordinarily be issued till receipt of confirmation of acknowledgement. Copy of the same along with acknowledgement should be kept with the account opening from.

SELLING THIRD PARTY PRODUCTS

Banks acting as agents while selling third party products as per regulations in force from time to time shall comply with the following aspects for the purpose of these directions:

- the identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required.
- transaction details of sale of third party products and related records shall be maintained as prescribed.
- AML software capable of capturing, generating and analysing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.
- transactions involving rupees fifty thousand and above shall be undertaken only by:
    - debit to customers' account or against cheques; and
    - obtaining and verifying the PAN given by the account-based as well as walk-in customers.

These instructions shall also apply to sale of Banks' own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for rupees fifty thousand and above.

IMPLEMENTATION OF KYC CELL AT REGIONAL OFFICES (KYC CELL MISC/582/2019-20 DATED 21.06.2019)

- To maintain an effective system of internal controls to identify gaps/deficiencies to facilitate rectification & improvement, a separate cell at every Regional Office will be established for KYC purposes. It will be controlled by in charge of the Inspection Department.
- One officer has to be posted exclusively the KYC cell who will perform all the KYC related role functions. The officer selected will be given training on KYC & performance will be reviewed once in a month by GM, KYC Cell. The existing concept of Nodal Officer for KYC will be discontinued.

KYC COMPLIANCE CERTIFICATE BY SECOND LINE OFFOCIALS OF THE BRANCH(KYC/AML-MISC/454/2018-19)

- 2nd line official of the branch has to verify all account opening forms opened during week and has to certify that all accounts opened are KYC complied. The 1st line manager has to counter sign the certificate and keep the same in separate file for verification.
- In single man branches, Branch Manager will certify the same on a weekly basis. The periodicity of the submission of this compliance certificate is as follows:

Second Line official of the branch	To first line manager of the branch every week
First line manager of the branch	To respective Regional office every month by 5th of every month.
Regional offices	To respective Zonal Offices every month by 10th of every month
Zonal offices	To KYC Cell,CO by 15th of every month.

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Vetted by: Shri Santosh Kumar K

CENTRAL KYC RECORDS REGISTRY(CKYCR)

Central KYC Registry is a centralized repository of KYC records of customers in financial sector with uniform KYC norms and inter-usability of the KYC records across the sector with an objective to reduce the burden of producing KYC documents and getting those verified every time when the customer creates a new relationship with a financial entity.

- As per RBI circular dated 08.12.2016 all scheduled commercial banks are required to introduce CKYC with effect from 01.01.2017. hence all the customer ID created from 01.01.2017 have to be uploaded to CERSAI portal along with scanned copy of identity proof, address proof and photo.
- Central office will consolidate the data captured at the end of the day and upload it to Central KYC Registry. Central KYC Registry will allot a 14-digit unique number for each of such customers and the same will be communicated to them vide SMS/Email. This unique number allotted by CKYCR will enable customers to open account without producing physical OVDs in future.
- If any customer of other Banks approaches our branches for opening of account with Unique 14-digit number allotted by CKYCR, branch has to send the 14-digit number to KYC Cell, CO through mail. KYC Cell will down load the Address Proof, ID proof and Photo from the CERSAI website and forward the same to the concerned branch. Branch can open the account by taking print out from KYC Cell mail and obtaining KYC form and Account opening form.
- The procedure is same for our customers who are having 14 digit CKYCR number, and wish to open account with any other Banks.
- The following reports are available in the report server.

  - **CKYC Completed** – 14-digit Unique Number allotted by CKYC Registry pertaining to individual CIF is made available
  - **CKYC Rejected by CERSAI** – List of CIF IDs rejected by CERSAI with remarks for individual CIF is made available. Branches to modify the errors mentioned in the remarks column through MRCR Menu (No scanning required)
  - **CKYC Not verified** – List of CKYC scanned by the maker pending for verification.
- Separate templates are used for individuals and legal entity to facilitate collating and reporting KYC data. These formats are applicable for all types of accounts including NRI individual and legal entities.
- Separate provision has been made in case of 'small accounts' with provision for photograph, signature/thumb impression and self-certification documents.
- The KYC data captured by the template also fulfil the reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS).

GENERAL BANKING - POINTS

'**Banking'** is defined under Section 5(b) of the Banking Regulation Act 1949. 'Banking' means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.

CTS-2010 STANDARD'

- RBI prescribed certain benchmarks towards achieving standardisation of cheques issued by banks across the country. These include provision of mandatory minimum security features on cheque forms like quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardisation of field placements on cheques. This benchmark prescription is known as: **CTS-2010 standard'**
- All the CTS-2010 standard cheques are preprinted with the notation "payable at par at all branches of IOB in India (MISC / 291 /2013-14 Date: 05.06.2013)
- The presenting banks are required to preserve the physical instruments in their custody securely for a period of **10 years** as required under Procedural Guidelines for CTS. In case some specific cheques are required for the purpose of any investigation, enquiry, etc., under the law, they may be preserved **beyond 10 years**. Drawee banks shall make necessary arrangements to preserve the images of all government cheques for a period of 10 years with themselves or through the National Archival System put in place by National Payments Corporation of India (NPCI). (RBI Cir dt. 31.12.2015)
- **Post-dated cheques (PDC)/Equated Monthly Instalment (EMI) Cheques to Electronic Clearing Service (Debit**) (RBI cir dt.24.07.2013)
- Lending banks shall not accept any Post Dated Cheques (PDC)/Equated Monthly Installment (EMI) cheques in locations where the facility of ECS/RECS (Debit) is available.
- Cheques complying with CTS-2010 standard formats shall alone be obtained in locations, where the facility of ECS/RECS is not available.
- Section 25 of the **Payment and Settlement Systems Act, 2007** accords the same rights and remedies to the payee (beneficiary) against dishonor of electronic funds transfer instructions under insufficiency of funds as are available under Section 138 of the Negotiable Instruments Act, 1881.
- As per CTS -2010 Standard, no changes/correction should be carried out on the cheques (other than for date validation purpose if required). For any change in payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc, fresh cheques have to be used by customers.
- This will be applicable only for cheques cleared under the image based Cheque truncation System. This will not be applicable to cheques cleared under other clearing arrangements or over the counter collection for cash payment.
- Before lodgment of the instruments of value Rs. 2.00 lakhs and above, the instrument should pass UV test.

INCLUSION OF 'THIRD GENDER' IN APPLICATION FORMS (RBI CIR DT. 23.04.2015)

Banks are directed by RBI to include **'third gender'** in all forms/applications etc. prescribed by the Reserve Bank or the banks themselves, wherein any gender classification is envisaged.

PERSONAL ACCIDENT INSURANCE COVER PROVIDED TO THE FOLLOWING CUSTOMERS – FREE OF COST.

SB gold	Rs. 5,00,000
SB silver	Rs. 1,00,000
Current account classic	Rs. 1,00,000
Current account super	Rs. 5,00,000
SB-Corp	Rs. 1,00,000 (Rs. 50,000 for spouse)
SB-Premium Corp	Rs. 2,00,000 (Rs. 1,00,000 for spouse)
SB Platinum	Rs. 75,000
IOB Defence Salary account for commissioned officers	Rs. 5,00,000
IOB Defence Salary account for personnel below commissioned officers	Rs. 2,50,000
SB Arogiya Mahila	Rs. 1,00,000

Maximum coverage under PAI is Rs.5,00,000 irrespective of having more number of accounts in the same branch or with different branches.

DEPOSITS – GENERAL

- The approval to open an account must be given by **the Branch Manager** irrespective of the cadre. However, in the case of Term deposits and Savings bank accounts in the names of individuals, the approval may be given by the officer in charge of the department, except in cases where the introduction or circumstances of opening of the account require scrutiny by the Branch Manager. The official authorizing the opening of an account must satisfy himself that the precautions prescribed for opening an account have been duly complied with. Such account opening should be confirmed by the Branch Manager at the end of the day.
- Photographs need not be insisted by branches, in the under noted accounts:
  - Staff accounts
  - Banks, Local Authorities and Government Departments
  - Term Deposit for an amount up to and inclusive of Rupees Ten thousand only
- Whenever any partner of a partnership firm approaches the branch for opening an account in the similar name of the firm with him as a proprietor or otherwise, such request should be declined by the branch.
- Up to six months of operation the computer system will flash the message “New account “to ensure that the branch is keeping a careful watch on the transactions in the new account

PERIODICITY OF PAYMENT OF INTEREST ON RUPEE SAVINGS/TERM DEPOSITS (RBI CIR DT. 29.11.2013)

- Banks are given the option to pay interest **on Rupee savings and term deposits** at intervals **shorter than quarterly intervals** (resident/NRO/NRE/term deposit etc).
- Payment of additional rate of interest to staff/retired staff.

(MSD/MISC/423/2014-15 dt. 10.07.2014):
'Interest Rates on Rupee Deposits': A bank may, at its discretion, allow additional interest at a rate **not exceeding one percent** per annum over and above the stipulated interest rate in respect of savings or a term deposit account opened in the name of **a member** or a **retired member** of the bank's staff, either singly or jointly with any member or members of his/her family, provided that;

- the bank shall **obtain a declaration from** the depositor concerned, that the monies deposited or which may, from time to time, be deposited into such account, shall be the monies belonging to the depositor.
- the staff member/retired staff member is the **Principal Account Holder**".

- ➢ The spouse of a deceased member or a deceased retired member of the bank's staff is also eligible for additional interest of 1%.
- ➢ The additional interest rate is not payable on NRE S.B. accounts maintained by staff member.
- ➢ As regard to **retired staff** who are senior citizen, 'Interest Rates on Rupee Deposits held in Domestic will be in order for banks to give the **benefit of higher interest rates as admissible to senior citizens**, over and above the additional interest payable by virtue of retired member of staff. But the **maximum** additional interest rate benefit is **capped at 1%** above the card rate. (RBMD/DEP/58/2015-16 dt.30.09.2015)
- ➢ Wef 01.10.2019 interest rate for savings account having balances above Rs. 25.00 lakhs has been linked to Repo rate. Rate of interest for accounts having balance of Rs. 25 lakhs and below have not been linked to Repo rate & the interest rate will remain same.

- ➢ **Mandate**

    - A mandate is neither stamped nor witnessed.
    - If the account holder is illiterate, mandate **must be** attested by notary public

- ➢ Branches are prohibited from revalidating Demand drafts which are more **than 3 years old**. (circular letter dt.08.08.2013)

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BANKER- CUSTOMER RELATIONSHIP:

Sl.No	Type of accounts/transactions of the Customer with the Bank	Relationship of the Banker-Customers
1.	Deposit Accounts (Cr. Balance)	Debtor-Creditor
2.	Deposit Accounts (Dr. Balance)	Creditor-Debtor
3.	Loan accounts	Creditor-Debtor
4.	Collection of cheques/acceptance of standing instructions	Agent/ Principal
5.	Acceptance of articles for safe custody	Bailee - Bailor
6.	Acceptance of money for specific purposes	Trustee -Beneficiary

7.	Accepting money for issuing draft (before draft is issued)	Agent-Principal
8.	Draft tendered to applicant, but before it passes on to the hands of beneficiary	Debtor-Creditor
9.	Draft tendered by payee (with the payee of DD)	Trustee-Beneficiary
10.	Account of safe deposit locker	Lessor-Lessee

POWER OF ATTORNEY

- It is in writing, executed in the presence of notary and is stamped as per the Stamp Act of the State. If it is executed outside India, it should be executed before High Commissioner in Indian Embassy and should be stamped in India **within three months of its receipt**.
- The Power of Attorney must be definite and no provisional or conditional clause as "during my absence from India" or "during my illness" etc., shall be accepted as the monitoring of such conditions is difficult. Care must be taken to see that the attorney does not exceed the powers granted to him.
- A cheque signed by the agent **can be paid even after his death** provided the principal is alive.
- If there is no specific clause in the POA as regards the irrevocability, the POA will be treated as revocable POA and in such cases; it should be verified and ensured that the said POA has not been revoked, from the SRO where the POA was originally registered.
- Though POA received, is irrevocable, it gets automatically cancelled on the death of the Principal. It should therefore be ensured that the Principal is alive on the date of creation of mortgage.
- The POA should also contain a ratification clause whereby the Principal agrees that all acts, deeds and things lawfully done should be construed as the act of the Principal and his undertaking to ratify and confirm all such acts done by the POA holder

REVOCATION OF STOP PAYMENT INSTRUCTIONS

- In the case of accounts of individuals and proprietary concerns, the revocation instruction must be given by the individual or proprietor. In case of joint accounts of individuals **irrespective** of operational instructions like either or Survivor, etc., the revocation instructions must be signed by all **the joint account holders**.
- In the case of partnership accounts, the letter carrying the revocation instructions must be signed by **all the partners** of the firm.
- In the case of accounts of companies, clubs, associations and trusts, the letter revoking the stop payment instructions must be signed by all the Office bearers or trustees (including the one who issued the stop payment instructions).
- An acknowledgment of the letter containing the revocation instruction must be sent to the customer.

INSOLVENCY

- When an individual customer/proprietor of proprietary concern/ any of the joint account holders in a joint account becomes insolvent, or when a company is in the legal process of winding up, the banker customer relationship stands terminated.
- Cheques issued by the partnership firm signed by a partner who has been declared

insolvent, notice of which has been received by the bank must be returned with the reason "Refer to Drawer".

- If the Partnership Deed does not provide for the continuation of the partnership and if a partner becomes insolvent and therefore the firm has to be dissolved, then the solvent partners can be allowed to operate the account **for the purpose of winding up only**.
- On receipt of notice of insolvency of a Karta or any coparcener of the Joint Hindu Family firm, all operations in the account of the Joint Hindu Family firm **must be stopped**.

EFFECT OF INSANITY OF CUSTOMERS:

- A notice or knowledge that a customer is confined to a lunatic asylum or is judicially declared a lunatic under the Lunacy Act, would constitute adequate authority to the Bank to **stop operations** on his account.
- On the insanity of one of the joint account holders, the joint relationship **stands cancelled**. No operations either by the sane or insane account holder should be allowed irrespective of the fact that the balance is payable to either or survivor, anyone or survivor etc.
- Cheques issued prior to receipt of notice of insanity **should not be** honoured even if it is signed by the sane account holder.
- Cheques presented subsequent to receipt of notice of insanity of the proprietor should be returned with the remark "Refer to Drawer".
- If the Partnership Deed provides for continuation of the partnership business even if one or other partners become insane and if the other partners want to continue the partnership business, they must be requested to close the account by drawing a self cheque signed by all the other partners and open a new account by fulfilling all the formalities connected with opening an account.
- Cheques drawn by partnership firms signed by the partner, who has been declared insane or known to be insane by way of notice of insanity received by the Bank, should be **returned by** the Bank with the reason "Refer to Drawer".
- If the Partnership Deed does not contain such a provision and subsequently the partnership firm is to be dissolved, the other partners must be allowed to operate the account for the purpose of **dissolution**.
- Insanity of the karta or individual coparceners will not disrupt the Hindu Undivided Family Firm. The next **senior coparcener becomes automatically the karta of the family to manage its affairs**. The account may be allowed to be continued after satisfying the validity of the claim, of the new karta by getting the written consent of all coparceners.
- Cheques drawn by the insane karta presented after the notice of his insanity may be paid only after getting the confirmation of the new karta.
- Insanity of person who is authorised to operate an account of a Limited Company will not affect the account and cheques issued by the person before his becoming insane will also be paid. The Company will arrange to forward a copy of the new Resolution regarding operation in the bank account to the branch.

RETURN OF PAID CHEQUES TO CUSTOMERS

- In terms of Section 45 Z of the Banking Regulation Act, 1949, banks may return a paid instrument only after obtaining a true copy thereof, by mechanical or other process at the cost of the customer.
- Branches should obtain prior permission of **Banking Operations Department**, Central

Office for furnishing full details of the customer and reason for their seeking return of their paid instruments.

- Such permission will be granted subject to the customer giving an undertaking to the Bank to retain such paid instruments for a minimum period of **eight years** and to produce the same on demand when required under Law such as the Income Tax authorities etc. This undertaking is to be preserved with the account opening form.

OPENING OF CURRENT ACCOUNTS BY BANKS(BOD-MISC/523/2018-19 dated 27.02.2019)

- Banks should obtain declaration related to non availment of credit facilities from other banks & NOC from the lending bank at the time of opening current account. Banks have to draw credit information reports from CIBIl and ensure that the applicant does not have any borrowings & defaulted.
- If a customer declares that he is availing credit facilities from other banks, CRILIC data should be examined and extra due diligence should be undertaken apart from seeking NOC from the lending bank.
- IBA has suggested a self self regulatory mechanism for the banks with regard to accounts having an exposure of 5.00 crores & above from the Banking system.
- Nodal officers have to be appointed by member banks along with designated mail IDs, where other bank would send their request obtaining NOC/Permission for opening a current a/c.
- Before opening a current account, bank should ascertain through CRILIC(Central Repository of information on Large Credits) whether the customer is availing credit facility from other banks.
- In case the account is reported better than SMA-1,mail to be sent on the designated mail id of lead bank(as per CRILIC) for NOC/Permission. If no reply is received within 15 days of request,bank may open the current account & advise the lead bank thereafter.
- In case the account is reported under **SMA-1** category and higher, the current account opening bank should **mandatorily** obtain prior NOC/Permission from the lending bank.
- If the lender bank at any point of time after opening of the current account objects to the same, especially indicating irregularity in the accounts, the current account holding bank (non-lender bank) needs to close such account by providing due notice (30 Days) and remit the closure proceeds to lead bank.

OPENING OF SAVINGS BANK ACCOUNT IN THE NAME OF ENTITIES (BOD-MISC/568/2018-19 DATED 18.05.2019)

- **Savings bank account may be opened in the name of following entities:**
  - Primary Cooperative Credit Society which is financed by bank.
  - Khadi & Village Industries Board.
  - Agriculture Produce Market Committees.
  - Societies registered under Societies Registration Act,1860 or any other corresponding Law in force in a state or union territory except societies registered under the state co-operative societies Acts and specific state enactment creating Land Mortgage Banks.
  - Companies licensed by the central government under section 8 of the companies act 2013 or section 25 of Companies act 1956or under the corresponding provision in the Indian Companies Act 1913and permitted, not to add to their names the word “Limited” or the words “Private Limited”.
  - Institutions whose entire income is exempt from payment of Income Tax under Income Tax Act,1961.
  - Government Departments/Bodies/Agencies in respect of grants/subsidies

released for implementation of implementation of various programs/schemes sponsored by Central Government/State Government subject to production of an authorization from the respective central/state government departments to open a savings bank account.

- Development of women & children in rural areas(DWCRA)
- Self Help Groups(SHG) registered or unregistered which are engaged in promoting saving habits among their members.
- Farmer's Clubs-Vikas Volunteer Vahinis(VVV)

➢ **Entities for whom Savings Bank account should not be opened:**

- Any trading or business concern, or professional concern whether such concern is proprietorship, partnership firm or a company or association.
- Government departments/bodies depending upon budgetary allocations for performance of their functions.
- Municipal Corporations/Committees
- Panchayat Samitees
- State Housing Board
- Industrial Development Authorities
- State Electricity Boards
- Water/Sewerage/drainage Boards
- State Text Book Publishing Corporations/societies
- Metropolitan Development Authorities
- State/District level Housing Co-operative Societies
- Other banks including Regional Rural Banks,Co-operative Banks and any Political Party.
- Any other institution permitted by RBI from time to time.

If any other institution which is not covered above approaches a bank for opening of a savings bank account, and which are specifically engaged in the task of rendering social or economic assistance to, or welfare of, the weaker and under privileged sections of the society, the branch shall make a formal application through their Regional office, to the concerned Regional office of RBI, within whose jurisdiction the Registered Office of the beneficiary organization is situated. The branch can open Savings Bank account for such organization only after specific permission is received from RBI.

OPENING OF SEPARATE BANK ACCOUNT FOR ELECTION EXPENDITURE BY THE CANDIDATES (BOD-MISC/545/2019-20 DATED 09.04.2019)

➢ As per the instructions of Election Commission of India (ECI), each candidate is required to open a separate bank account exclusively for the purpose of election expenditure.

➢ Account can be opened any time, but not later than one day before the date on which the candidate files his nomination papers.

➢ The bank account can be opened either in the name of the candidate or jointly with the election agent for the purpose of election expenditure. The account should not be opened in the joint names of any family member.

➢ The bank account can be opened anywhere in the state. The existing account should not be used for this purpose. Branches to allow deposits & withdrawals in the account on the priority basis. Cheque books to be issued on priority basis.

RIGHTS OF BANKER

1. **Right of set off:**

- This is the right to combine more than one account in order to arrive at the net amount due from the customer i.e. adjusting debit balance in one account against credit balance in another both relating to the same customer.
- This right is subject to the following conditions:
  - The moneys in the accounts should belong to the customer(s) in the same right and capacity.
  - The right of set off is subject to the duty to honour cheques
  - A notice must be served on the customer before exercising the right.
  - The right does not extend to contingent liabilities.
  - Right of set off as well as Right of lien is available for time barred debts.
  - Right of set off is available on the deposit balance held in other branches of the Bank
  - In case of various subsidies under Direct Benefit Transfer Scheme(DBT) for LPG, NREGS, Education Subsidy, Old age pension, PDS etc. banks will consider their right of set off in specific instances where the relief/assistance is linked to natural calamities such as flood, cyclone, earthquake etc. and are as a onetime measure based on the notification issued by Central/state Government.

2. **Appropriation of Payments**

- When a debtor having several debts makes a payment, the creditor should appropriate them as per rules of appropriation, which is based on the provisions under Section 59, 60, 61 of Indian Contract Act.
- Under Section 59, the borrower customer has a right to tell his Banker to which debt (out of several) the money he pays is to be applied and the Banker accepting such credit is under obligation to act accordingly to the such instructions.
- If however, the debtor customer fails to give any such instruction, as per Section 60 of Indian Contract Act, the creditor-Banker is free to use his discretion to credit the amount to any borrowal account he (Creditor - Banker) chooses under intimation to the customer who cannot later seek to vary the appropriation.
- However, "when neither party makes any appropriation (choice) the payment shall be applied in discharge of the debts in order of time, whether they are or not barred by the law in force for the time being as to

the limitation suits.

- If the debts are of equal standing, payments shall be applied in discharge of each proportionally" (Section 61 of Indian Contract Act).

3. In case of credit, in a running loan/cash credit account, the first item on the debit side of an account is discharged or reduced by the first item on the credit side. This is generally known as: **Clayton's Rule**

4. On receipt of notice of death/insolvency/including revocation of guarantee of a guarantor, the operation of the account (cash credit/overdraft account) should be stopped or ruled off. Why? **in the light of Clayton's case rule**

5. Section 133 of Income Tax Act 1961 permits IT Authorities to call for any information with reference to a particular account or all accounts of the customer. Section 131 empowers the income tax authorities to examine a bank officer on oath.

6. **General Lien: Banker's** right to retain the property of another till such time the owner thereof has paid his debt due to the person in possession of the property: General Lien

   - Right of lien is the right to retain the property of another till such time the owner thereof has paid his debt due to the person in possession of the property.
   - Right of lien gives power to retain and not to sell.
   - Being a statutory right no specific contract is necessary for creating this right though the same may be excluded by mutual agreement.
   - Right of lien arises out of normal course of business and is not therefore available for goods received for specific purpose (safe custody, goods in safe deposit lockers, goods held by bank in the capacity of trustee),
   - Is available against goods/securities held by the debtor in joint names or in capacity other than that in which the debt is.
   - Banker's lien, known as implied pledge is a 'general lien' (as per section 171 of Indian Contract Act) which is applicable against all dues payable as against a particular lien (under Section 170 of Indian Contract Act) which is available for specific dues only.
   - Through general lien, Bankers get the advantage of selling the goods/securities after giving the debtor a reasonable notice which is not available under particular lien.
   - Right of lien is available for time barred debts also.

NEGOTIABLE INSTRUMENTS – SOME POINTS

- NI Act,1881 came in to force on March 1,1882 & it extends to whole of India. It has 148 sections & 17 chapters. Section 138 to 142 were added in 1988(came into effect from 01.04.1989). section 143 to 147 were added in 2002. Section 143A & 148 were added in 2017.
- The NI Act states in its preamble that it seeks to define the law relating to **promissory note, bill of exchange and cheque** and therefore it deals with only these three kinds of negotiable instruments.
- Common Features: Any instrument that possesses the common features may be considered to be a negotiable instrument (e.g. bank drafts, government promissory notes).
- The common features of negotiable instruments are as follows:

  - A negotiable instrument can be transferred by delivery or by endorsement and delivery, depending on whether it is payable to the bearer or order. Transferability of the instrument may be restricted by the maker or holder by crossing it as 'Account Payee.'

  - A negotiable instrument confers an absolute and valid title on the transferee who takes it in 'good faith, for value, and without notice of the defect in the title of the transferor.

  - The holder of negotiable instrument can sue in his own name and can recover the amount of the instrument from the party liable to pay thereon as there is **a right of action** attached to the instrument itself.

- **Promissory Note:** (section 4 of NI Act).

  - "A Promissory Note is an instrument in writing (not being a bank note or a currency note) containing an **unconditional undertaking,** signed by the maker, to pay a **certain sum** of money only to, or to the order of, **a certain person**, or to the bearer of the instrument
  - A promissory note that is dependent on contingency would tantamount to being an uncertain undertaking and hence cannot be treated as a promissory note.
  - It must be in writing, duly signed and properly stamped;
  - There must be an undertaking or promise to pay; mere acknowledgement of indebtedness is not enough;
  - It must not be conditional;
  - It must contain a promise to pay money and money only;
  - The parties to a promissory note, that is, the maker and the payee, must be certain;
  - It is payable on demand or after a certain date;
  - The sum payable must be certain.

- **Bill of exchange:** (Section 5 of NI Act).

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Vetted by: Shri Santosh Kumar K

- "A bill of exchange is an instrument in writing containing an **unconditional order**, signed by the maker, directing a **certain person** to pay a **certain sum of money** only to, or to the order of, a **certain person** or to the bearer of the instrument."

Main elements of a bill of exchange are as follows:

- Bill of exchange is used in business and trade involving the seller and buyer of goods/services sold on credit terms.
- It has three parties - drawer (seller), drawee (buyer) and payee (beneficiary).
- It must be in writing, duly signed and accepted by its drawee and properly stamped;
- There must be an order to pay;
- It must be un-conditional;
- The amount and the parties must be certain.
- Instead of paying cash, the drawee (buyer) undertakes to pay to the payee, or to his order, a specified sum on demand (i.e. demand bill on presentment of the bill), or on a specified future date (i.e. usance bill after acceptance).
- The drawee of a bill is not liable until he accepts the bill, indicating thereby his assent to the drawer's order to pay.
- Demand bill is payable immediately on presentment to the drawee.
- Usance bill is presented twice to the drawee - first for acceptance, and thereafter for payment on the due date.
- The date of payment must be **certain or ascertainable**. Demand bill is payable on demand or immediately on presentment. Usance bill is payable after specified period or at a future date. **Usance bills attract stamp duty** and they need to be accepted by the drawee/ s to legally -bind him/them for payment.

➢ **Cheques (Section 6 of NI Act).** "A cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.

- A cheque has three parties. **The drawer** is the account holder signing the cheque; **drawee is always the bank branch** where the account holder maintains his account and the **payee is the** beneficiary who will receive the amount mentioned in the cheque.

- The cheque has to be signed **in ink** by the account holder or his authorized agent (through mandate or power of attorney) as per the specimen

- Printed signatures on dividend/interest warrants cheques that are issued by companies in bulk, are also acceptable.

- A cheque has to be dated, as the date constitutes a material element of a cheque.

- A holder of an undated cheque may fill in the date while presenting it for payment.

- A post-dated cheque cannot be paid before the date on the cheque.

- An ante-dated cheque (i. e. date prior to the presentment) is payable within **3 months** from the date specified on the cheque. There is **no law** to this effect.

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Vetted by: Shri Santosh Kumar K

- A banker can pay a cheque written **only in words** where the amount in words and figures mutually differs.
- But if the amount is written only in figures, the bank generally returns it.
- A **demand draft** is a negotiable instrument and is always drawn, payable to order. A demand draft resembles a bill of exchange; the only difference being that in the former, the drawer (bank) and the drawee (bank) are same.
- "**A cheque in the electronic form**" means a cheque drawn in electronic form by using any computer resource and signed in a secure system with digital signature (with or without biometrics signature) and asymmetric crypto system or with electronic signature, as the case may be. (The Negotiable Instruments (Amendment) Act, 2015).

➢ **General Crossing:** A cheque or bank draft may be crossed by the drawer/issuer and holder by simply drawing on its face, two parallel transverse lines, with or without the words 'not negotiable' or and 'company' or 'account payee'.

- In such cases the drawee banker shall not pay it to anyone other than a banker.
- Such crossing ensures that the cheque or draft will be payable not in cash, but only through the bank, by credit to the account of the payee.
- Account payee crossing restricts further transferability of the instrument as the amount thereof has to be credited to the payee's account only with the bank.

➢ **Special crossing**: A special crossing consists of an addition of the name of a banker across the face of a cheque with or without two parallel transverse lines.

- Such crossing ensures that the drawee bank shall not pay the cheque to anyone than the banker/his agent (to whom it is crossed) for collection.
- This means that a specially crossed cheque has to be routed through an account with the named bank.

➢ **Endorsements**: Endorsement is made on the back of the instrument, or by attaching a slip of paper (**'allonge'**) if the space on the instrument is not enough.

- A negotiable instrument payable to order can be negotiated only by endorsement and delivery
- Following are the main requirements of endorsement

✓ Signature of the endorser with/without adding any words.

✓ Endorsement to be made by the payee or by all the payees jointly.

✓ A stranger cannot endorse an instrument, unless he is a holder in due course.

✓ Endorsement to be made for the entire amount and not for a part of the amount of the instrument.

➢ **Type of Endorsements:**

- **Blank endorsement**: When the endorser signs only his name on the back of the instrument, it is termed as a blank endorsement.

- After such endorsement, the instrument can be negotiated by mere delivery without any further endorsement required.
- **Special endorsement** or endorsement in full: When the endorser's signature is accompanied by instructions to pay the amount to/to the order of a named person, it is termed as a special endorsement.
- The person to whom the money is payable is known as **endorsee**.
- That endorsee can further endorse the instrument in favour of another person specifically instructing to pay to that certain person.
- **Restrictive endorsement**: When further negotiation of the instrument, is prohibited. (e.g. the instrument is endorsed as "pay A only") it is termed as restrictive endorsement.
- Such an endorsement takes away the negotiability of the instrument.

➢ **Inland instruments (Sec 11)**

- A promissory note, bill of exchange or cheque drawn or made in India and made payable in or drawn upon any person resident in India shall be deemed to be an inland instrument.

➢ **A minor** may draw, endorse, deliver and negotiate negotiable instruments so as to bind all parties except himself.

➢ **When maturity is a holiday (Sec – 25)**

- o When the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the next preceding business day.

➢ **'Holder'** of a negotiable instrument as per **section 8** of NI Act.

- In order to be a 'holder' of these instruments, the title or claim of the person is more important rather than the actual possession of the instrument.
- Thus, a person who has stolen or fraudulently obtained possession of a cheque cannot be the 'holder' of the cheque, despite actually possessing it

➢ **Holder in due course** Section **9** of NI Act defines a 'holder in due course' as "any person who for consideration became the possessor of a promissory note, bill of exchange, or cheque if payable to bearer, or the payee or endorsee thereof, if payable to order, before the amount mentioned therein became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title."

➢ The term 'holder in due course', denotes a 'bona fide holder for value without notice

➢ **Paying Bankers Duty**:

The Paying Banker's (Drawee) duties are laid down by section 31 of NI Act as "The drawee of a cheque having sufficient funds of the drawer in his hands, properly applicable to the payment of such cheque must pay the cheque when duly required so to do, and, in default of such payment, must compensate the drawer for any loss or damage caused by such default.

➢ The banker would be justified in refusing payment of a cheque, if:

- The cheque is countermanded by the customer.

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Vetted by: Shri Santosh Kumar K

- There is a garnishee order attached to the amount of the cheque.
- The bank receives notice regarding insolvency, death or insanity of the customer. "
- There is a defect in the title of the presenter of cheque.

➢ **PAYMENT IN DUE COURSE**

- Payment in due course' has been defined in section 10 of the Act.
- Its main features are:

  ✓ The payment must be in accordance with the apparent tenor of the instrument:

  ✓ A cheque should not be paid before its due date.

  ✓ If the amount is written only in figures, the bank generally returns it.

  ✓ Pencil signature is valid, but not allowed by bankers in practice.

  ✓ If the cheque is torn, the banker should normally return it for the reason 'mutilated cheque', unless the drawer confirms the mutilation or the collecting bank attaches a certificate that it was accidentally torn.

  ✓ The **paying banker is not concerned with an 'account payee' crossing.**

  ✓ His liability is discharged once he makes payment in due course.

  ✓ It is the **duty of the collecting banker** to collect the proceeds of the cheque for the credit of the payee's account.

  ✓ It should be noticed that a bank may be held liable for wrongful dishonour of cheques when there is sufficient balance in the customer's account, as per the provisions of sec 31 of Negotiable Instruments Act, 1881.

➢ The protection under section 131 of NI Act is available to a collecting banker when he acts **as agent for collection**.

➢ Section 138 deals with dishonour of cheque for insufficiency etc., of funds in the account;

➢ This section shall apply only when;
  - The cheque has been presented to the bank within a period of **3 months** from the date of on which it is drawn or within the period of validity whichever is earlier
  - The payee or the holder in due course of the cheque, as the case may be, **makes a demand** for the payment of the said amount of money by giving a notice, in writing, to the drawer of the cheque **within 30 days** of the receipt of information by him from the bank regarding the return of the cheque as unpaid.
  - The drawer of such cheque fails to **make the payment** of the said amount of money to the payee or, as the case may be to the holder in due course of the cheque **within 15 days** of the receipt of the said notice.

➢ The offence can be tried by I Class Judicial Magistrate or Metropolitan Magistrate.

➢ The offence under section 138 shall be inquired into and tried only by a court within whose local jurisdiction; The Negotiable Instruments (Amendment) Act, 2015).
  - if the cheque is delivered for collection through an account, the branch of the bank where the payee or holder in due course, as the case may be, maintains the account, is situated; or
  - if the cheque is presented for payment by the payee or holder in due course, otherwise through an account, the branch of the drawee bank where the

drawer maintains the account, is situated.

- Punishment under the section is with imprisonment for a term up to 2 years or with fine which may extend to twice the amount of the cheque or with both.
- Merely because the drawer issued a ‘stop payment instruction’ to the drawee or to the bank for stopping the payment, will not preclude an action under Sec 138 of the NI Act by the drawee or the holder of a cheque in due course.

RECENT AMENDMENTS IN NI ACT

Two sections namely 143A & 148 have been added by Negotiable Instruments (Amendment) Bill 2017.

- Section 143 A gives the court, while trying an offence for dishonor of a cheque, authority to direct the drawer of a cheque an interim compensation in circumstances of a summary trial or summons case wherein the drawer pleads to be not guilty and upon the framing of any other charge. The amount of compensation payable cannot exceed 20% of the amount as stated in the cheque.
- This amount has to be paid within 60 days of from the date of the order, or further within the extended period of 30 days as may be directed by the court on showing sufficient cause for the delay caused.
- On acquittal of the drawer, the court will consequentially direct the complainant to pay the drawer the prescribed amount along with the interest. The interest will be levied at the bank rate published by RBI at the beginning of the financial year. Such recovery has to be made within 60 days of the order or within further period of 30 days as directed by court. The final compensation if any to the complainant will be after the deduction of this interim amount.
- Section 148 of the Act provides that in the event of the conviction of the drawer of the cheque, if the drawer proceeds to file an appeal, the appellate court has the power to order the drawer of the cheque to deposit such amount which shall be minimum of 20% of the fine or compensation awarded by the trial court.
- These amendments aim for reducing undue delay in final resolution of cheque dishonor cases, relief to payees of dishonoured cheques as well as to discourage frivolous and unnecessary litigation which would save time & money and ultimately strengthen the credibility of cheque.

RECENT COURT DECISIONS REGARGING NI ACT

- Madras High Court held that amount written in different inks in negotiable instrument makes it void. When the amount is written in two different inks in a Negotiable Instrument, it amounts to material alteration, which renders it void in accordance with section 87 of the Negotiable Instrument Act, the madras High court has held. (Mrs. M Mallika vs Mr. Kasi Pillai,Second Appeal no 740 of 2015).

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NOMINATION

A. General

- Section 45ZA to 45ZF of the Banking Regulations Act. Permit banks to accept nomination in respect of Deposit accounts, Safe custody of articles and Safe Deposit locker facility.
- Nomination facility is available only to individuals.
- Nomination facility is **not** available for accounts of representative capacity.
- Variation and cancellation may be made any time during the currency of deposit.
- Signature of the account holders in forms for making nominations, for cancellation of nominations and for variation of nominations need not be attested by witnesses. **Only thumb impression of the account holder is required to be attested by two witnesses.** **(MSD/MISC / 128 /2012-13 Dt. 12.04.2012)**
- Nomination can be changed any number of times by the depositor.
- Banks should acknowledge the receipt of the duly completed form of nomination, cancellation and /or variation of the nomination. Such acknowledgement should be given to all the customers irrespective of whether the same is demanded by the customers.
- When a bank account holder has availed himself of nomination facility, the same may be indicated on the passbook with the legend "Nomination Registered". This may be done in the case of term deposit receipts also.
- The name of the nominee can be indicated on the face of the pass book/ Deposit receipts in addition to the legend "Nomination Registered" in case the customer is agreeable to the same. A suitable request letter has to be obtained from the customer separately or a suitable mention is to be made in the account opening form under the signature of the customer to this effect.(BOD/MISC/474/2018-19 Dt. 17.12.2018)
- On the other hand in case the customer **does not require** the name of the nominee to be incorporated in the Passbook/Deposit Receipts, **Branches must only indicate "Nomination Registered" on the face of the Pass Book/ Deposit Receipts.**
- Any individual can be nominated to receive the money.
- Claim of the nominee has to be settled irrespective of the claim from the legal heirs unless restricted by court through a specific order.
- Claim is settled in favour of nominee by closing the account and making the payment against the nominee's discharge on stamped receipt.
- No nomination in respect of account of a Minor, HUF, Firm, Company, Association or Body of individuals.

B. Deposit Accounts

- Nomination is accepted for all types of deposits.
- The nomination forms (DA-1, DA-2(Cancellation) and DA-3(Variation) have been prescribed in the Nomination Rules.
- Nomination facility is available for joint deposit accounts also. Branches to ensure that customers opening all deposit accounts including joint accounts with or without "Either or Survivor" mandate are offered the nomination facility.
- Only one individual in his / her personal capacity can be made as a nominee in respect of particular deposit account.
- In case of proprietary concern branches should extend nomination facility as the deposit held by a proprietary concern is construed as the one standing in the name of the individual i.e .Sole proprietor.
- Separate nomination should be obtained for each deposit account in case of multiple accounts.
- Under no circumstances the branch can permit the nominee to become the depositor under the same account or grant a loan against that deposit.
- **No nomination** facility is available for **Minor's Special Fixed Deposit** Account and Minor's Special S.B. a/c.
- Where the nominee is a minor, it shall be lawful for the depositor making the nomination to appoint any person to receive the amount of the deposit in the event of death of the depositor/s during the minority of the nominee.
- In the case of a joint deposit account the nominee's right arises only after the death of all the depositors.
- **Acceptance of more than one nominee in any particular deposit account is prohibited.** (However, in the case of deposit accounts under **C**apital **G**ains **A**ccounts **S**cheme,1988, a maximum of **three** nominees (Form E) under both schemes viz. Account A for savings deposits and Account B for term deposits is permitted).

C. Clarification on Nomination for Deposits created by Sweep in facility
(MSD/MISC / 212 /2012-13 dt. 21.11.2012)

- **No separate nomination** need be obtained for the deposits created out of auto-sweep facility since the SB account from which auto sweep is made, forms the base account for which nomination is already available**.**
- However when the depositor wants to withdraw from the special scheme, the existing term deposit created by auto-Sweep will be allowed to be continued as normal deposits **if the depositor so desires** and at such time separate term deposit opening form with nomination should be obtained.

D. Safe Custody

- **No** nomination in respect of person **jointly depositing** articles for safe custody.
- All other formalities are same as those applicable for deposit accounts.
- Different forms to be used are: SC-1, SC-2(Cancellation) and SC-3(Variation)

E. Safe Deposit Locker

- Nomination facility available both for individual and joint hirers.
- In case of joint hirers, branch may accept **more than one nominee** upto the limit of the number of joint hirers.
- Different forms to be used are: SL-1,SL-1A(Joint hirer), SL-2(Cancellation) and SL-3(Variation)
- If the sole locker hirer nominates a person, banks should give to such nominee access of the locker and liberty to remove the contents of the locker in the event of the death of the sole locker hirer.
- In case the locker was hired jointly with the instructions to operate it under joint signatures, and the locker hirer(s) nominates person(s), in the event of death of any of the locker hirers, the bank should give access of the locker and the liberty to remove the contents **jointly to the survivor(s) and the nominee(s).**
- In case the locker was hired jointly with survivorship clause and the hirers instructed that the access of the locker should be given over to "either or survivor", "anyone or survivor" or "former or survivor" or according to any other survivorship clause, banks should follow the mandate in the event of the death of one or more of the locker-hirers.

  After removal of the contents of the locker as aforesaid, preceded by an inventory, the nominee and surviving hirer(s) may still keep the entire contents with the same bank, if they so desire, by entering into a fresh contract of hiring a locker. (MSD/MASTER/22/2008-09 Dt. 12.09.2008)

F. Preparing Inventory

- Banks should prepare an inventory before returning articles left in safe custody / before permitting removal of the contents of a safe deposit locker. The inventory shall be in the appropriate Forms set out for the purpose.
- Banks are not required to open sealed/closed packets left with them for safe custody or found in locker while releasing them to the nominee(s) and surviving locker hirers / depositor of safe custody article.
- Further, in case the nominee(s) / survivor(s) / legal heir(s) wishes to continue with the locker, banks may enter into a fresh contract with nominee(s) / survivor(s) / legal heir(s) and also adhere to KYC norms in respect of the nominee(s) / legal heir(s). **(MSD/MISC / 212 /2012-13 dt. 21.11.2012)**

CUSTOMER SERVICE

1. Meetings

- Monthly staff meeting to discuss about new products.
- Observance of Theme based Customers Day on 15th of every month.
- 15th of every month to be considered as **“CUSTOMER GRIEVANCE REDRESSAL DAY”**
- Details of the meeting to be entered in online through share point portal.
- Standing committee on customer service at every branch consisting of bank officials and customers of different segments including senior citizens. Bank has standing committee at the level of ZO and CO also as a part of the institutional framework of customer service.
- To hold meetings of small group of customers every fortnight
  Transient Series (File– G) Circular No.1 of 2013-14 dated 10.05.2013).

2. Opening of account of minors

- Section 6 of the Hindu Minority and Guardianship Act, 1956, stipulates that **father alone** should be deemed to be the guardian, while father is alive. Therefore accounts are opened in the name of minors with father as guardian.
- The facility of allowing opening of **minor’s accounts with mother** as guardians may be extended to Savings Bank and fixed Deposit Accounts. These accounts are not allowed to be overdrawn and that they always remain in credit. In this way, the minors' capacity to enter into contract would not be a subject matter of dispute.

3. Opening of current accounts ;

- Banks do not open current accounts of entities which enjoy credit facilities (fund based or non-fund based) from the banking system without specifically obtaining a **No-Objection Certificate from the lending bank**(s).
- Violation of the above would make the concerned banks liable for penalty under **Banking Regulation Act, 1949.**
- Banks may open current accounts of prospective customers in case no response is received from the existing bankers after a minimum waiting period of **a fortnight.**

4. Business hours

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Vetted by: Shri Pankaj Kumar Mohanty

- No particular banking hours have been prescribed by law.
- Hence banks may fix, after due notice to its customers, whatever business hours are convenient to it i.e., to work in double shifts, to observe weekly holiday on a day other than Sunday or to function on Sundays in addition to the normal working days, subject to observing normal working hours for public transactions.
- Banks should extend business hours for banking transactions other than cash, up till **one hour** before close of the working hours.

5. **Helping customers**

- All branches, except **very small branches** should have "Enquiry" or "May I Help You" counters either exclusively or combined with other duties, located near the entry point of the banking hall.
- Operation in old/sick account holders with a view to enabling the old / sick account holders operate their bank accounts, banks may follow the procedure as under;
    - Wherever thumb or toe impression of the sick/old/incapacitated account holder is obtained, it should be identified by **two independent witnesses** known to the bank, one of whom should be a responsible bank official.
    - Where the customer cannot even put his / her thumb impression and also would not be able to be physically present in the bank, **a mark can be obtained on the cheque / withdrawal form** which should be identified by two independent witnesses, one of whom should be a responsible bank official.
    - The customer may also be asked to indicate to the bank as to who would withdraw the amount from the bank on the basis of cheque / withdrawal form as obtained above and that person should be identified by two independent witnesses. The person who would be actually drawing the money from the bank should be asked to furnish his signature to the bank.

6. **Facilities to visually challenged persons:**

Banks to offer banking facilities such as cheque book facility including third party cheques, ATM facility, Net banking facility, locker facility, retail loans, credit cards etc., are invariably offered to the visually challenged as they are legally competent to contract.(Master cir on customer service dt.01.07.2014)

7. **Magnifying glasses** should also be provided in all bank branches for the use of persons with low vision, wherever they require for carrying out banking transactions with ease. The branches should display at a prominent place notice about the availability of magnifying glasses and other facilities available for

persons with disabilities.(RBI cir dt.21.05.2014)

8. **Issue of Demand Draft**: (IBR/MISC/615/2015-16 dt.23.02.2016).

- Cash should **not be accepted** for issuance of DD of ` 50000 and above, including for multiple DDs in aggregate for ` 50000 and above issued for the same applicant.
- The drafts above Rs. 20000 should invariably be crossed 'a/c payee' before handing over to the customer.

9. **Issue of Duplicate Demand Draft**;

✓ Duplicate draft, in lieu of lost draft, **up to and including Rs.5,000/-** may be issued to the purchaser on the basis of adequate indemnity and without insistence on seeking nonpayment advice from drawee office irrespective of the legal position obtaining in this regard.

✓ Banks should issue duplicate Demand Draft to the customer within a fortnight from the receipt of such request.

✓ For the delay beyond this stipulated period, banks were advised to pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay.

10. Returning dishonoured cheques

✓ **Banks to implement the recommendation of the Goiporia Committee** - dishonoured instruments are to be returned / despatched to the customer promptly without delay, in any case **within 24 hours**.

11. Major channels handling customer grievances at bank:

Sl no	Channel	Particulars
A	Standardized public grievance redressal system(SPGRS)	Public web portal for recording grievances of customers.
B	Banking ombudsman scheme of RBI (BO)	Banking ombudsman scheme of RBI across the contry
C	Centralized public grievance redress and monitoring system(CPGRAMS)	Grievances received through public grievance portal of ministries of Govt of India through DFS.
D	Integrated grievance redress and monitoring system(INGRAMS)	Grievances received through complain management portal of ministry of consumer affairs.
E	Customer education and protection department/cell, RBI(RBI-CEPD/CEPC)	Grievances received through consumer education and protection depts. Of RBI

12. Standardised Public Grievance Redressal System (SPGRS)

✓ Our bank had introduced IOB Grams – (IOB Grievances Redressal And Monitoring System) for the redressal and monitoring of public complaints**.**

✓ As per the instructions of Department of financial services, Govt.of India, IOB

Grams has been modified to have a **Standardised Public Grievance Redressal System (SPGRS).**

- ✓ Standardised Public Grievance Redressal System called SPGRS is uniform in all banks.

- ✓ In the new system the public can register the complaint online through our website **www.iob.in/CustomerCorner/SPGRS**. The complainants can monitor the status of their complaint on a day to day basis.

- ✓ Such complaints can be viewed by the branch in Branch product at SPGRS (IOB GRAMS).

- ✓ SPGRS intranet portal is also accessible to management executives, secretaries and to internal ombudsman (read only).

- ✓ Time Limit for Redressal of Complaints:

  Internal customer complain:
  Deficiency in normal banking service : <= 30 days
  Staff attitude deficiency : <= 07 days
  ATM transaction complains :<= 07 days

  Other channels (RBI/INGRAMS/CPGRAMS/BO etc):
  Deficiency in normal banking service and Staff attitude deficiency :<=10 days

  For other digital complains specific time details are given in the GRM master circular of customer service dept dated 25.02.2019.

- ✓ Complaints pending for more than 7 days in branch will be automatically escalated to the concerned RO/RM. As also the case of complaints pending with RO – escalated to ZO/ZM after completion of 14th day and in case of complaints pending with ZO – escalated to GM-CSD after completion of 21st day.
- ✓ 10 Random grievances at the level of CMD/MD and 20 grievances at the level of EDs from different channels and categories are being examined and reviewed at CO proactively.

- ✓ Resolved complaints have to be closed by Regional Offices on collecting necessary documentary evidence such as mail/letter from the complainant by Regional Office.
- ✓ **ATM and Net Banking related complaints have to be attended by Transaction Banking Department (TBD)** at Central Office from day one of complaint and if they notice any discrepancy due to branch action, corrective action should be made by TBD.

- ✓ The complaints received from RBI, Banking Ombudsman and Directorate of

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Public Grievances and MoF will be closed by CO after satisfactory redressal of the complaints.

- ✓ Other Complaints should be closed by the concerned Regional Office after satisfactory redressal of the grievances.
- ✓ Our bank is having internal ombudsman scheme since 2014 for grievance redressal mechanism.

13. Missed call facility for " Happy/unhappy" customers:

- ✓ Additional facility for customers for grievance redressal from july 2017. Under this, any customer can give a missed call to any one of the 2 telephone numbers (88288 46225- Happy calls, 88288 46220- Unhappy calls) depending on whether he is happy or unhappy with the service extended by the bank. In case customer is unhappy he gets a call back from the central office to redress the grievance.

14. Facility for toll free call centre:

- ✓ Our bank have a 24*7*365 basis toll free no active since 12th jan 2007 with the number 1800 425 4445 for the customers to attend calls on queries or requests or complains(**Q-R-C)**basis. The requests can be viewed by branches through **HCHNLREQ** menu in finacle daily to attend to the request of customers.

15. Empowered help desk at digital banking division:

- ✓ Starting from June 2018 a separate help desk is established at DBD manned jointly by agents of the call center and DBD officials. At present 9 agents of the call centre and atleast one official from DBD are working in this help desk in 3 shifts on 24*7*365 basis to cater to the need of the customers.
- ✓ Landline nos for this helpdesk are: 044- 2851 9464, 9470 and 2888 9338, 9350.

16. **Charter of customer rights (**customer service dept/Misc/472/2014-15 dt.06.12.2014)

a. Right to fair treatment

b. Right to transparency, fair and honest dealing

c. Right to suitability

d. Right to privacy &

e. Right to grievance redress and compensation

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SPECIAL TYPES OF CUSTOMERS

1. Illiterate Persons

- A person who is unable to read and write is considered to be illiterate, even if he/she can sign in some language
- Illiterate customers have to withdraw cash in person and not by Cheques.
- The illiterate customer can have a Mandate Holder for operation of his account using cheque books
- No account can be opened, for a **minor blind person**, but he can have a Joint Account with a major, who is not blind.
- Major, illiterate account can be opened, provided he is capable of conducting the account, signing consistently and operating personally by himself.
- When a joint account of two illiterate depositors is opened with the mandate "Either or Survivor" etc., the safeguards for opening accounts of illiterates must be complied with. If one person is illiterate and the other is literate, a joint account must be considered **strictly on merits with prior approval of Regional office.**

2. Visually Challenged/Persons with Disabilities

All banking facilities such as cheque book facility including third party cheques, ATM facility, Net Banking, Locker, retail loans, credit cards etc. are invariably offered to visually challenged persons/Persons with disabilities without any discrimination as they are legally competent to contract.

3. Minor Special Account

- A minor can open/operate a SAVING BANK account with cheque book facility in his/her name provided:
  - The Minor has completed 10 years of age
  - The Minor should be able to read and write a language.
  - He should be able to adhere to a uniform signature
  - His date of Birth should be declared and recorded.
- Only cash operations are permitted, except in cases like payment to school, hostel, etc.
- Maximum balance should not exceed Rs.50,000/-
- Withdrawal only by loose leaf cheques, no withdrawal slips permitted.
- A Minor can have a Term Deposit Account in own name, if He/she had completed 10 years of age

- the maximum aggregate principal amount in such deposit(s) can be accepted without any ceiling
- No advances will be allowed against the security of these deposits.
- Advances up to **Rs.20,000** against the security of minor's term deposits can be granted to the natural guardian provided he gives a written declaration to the effect that the advance is required for the benefit of the minor.
- In no case, premature payments of such deposits will be allowed.
- The stipulation of a maximum period of **120 months** for term deposits does not apply to minor's deposits. Branches may open accounts of minors for periods over ten years, if they are convinced that it is necessary to do so for the protection of the minor's interest.
- As directed by the Bombay High Court, banks are advised to ensure that accounts of **all student beneficiaries** under the various Central/State Government Scholarship Schemes are **free from restrictions of 'minimum balance' and 'total credit limit'.** (RBI cir dt.01.09.2014).
- For students bank has advised branches to open the account under the newly introduced scheme **SB-DBT**.

4. OPENING OF JOINT ACCOUNTS OF MINORS WITH THIRD PARTIES:

- For joint account with the minor and third party, only fixed deposit account should be opened, provided,

    a. the minor has completed ten years of age

    b. the maximum amount of the fixed deposit is RupeesFifty thousand and

    c. The minor can sign consistently.

- Savings bank accounts **cannot be** opened jointly with the minor by the close relative.
- If the relative has no objection for the natural guardian knowing about the joint deposit, the deposit may be opened in the joint names of the relative and the minor represented by the natural guardian. The account opening form should be signed by both the relative and the natural guardian with FORMER OR SURVIVOR instructions

5. **Pardanashin ladies**: No account to be opened if she happens to be an illiterate

- If the pardanashin lady is able to sign, she can sign the account opening form and specimen signature sheets at her residence in front of her husband, who should attest the lady's signature.
- Where, however, the pardanashin lady is unmarried and if she signs the

application form and the specimen signature sheets at her residence, then her signature should be attested as above, by her natural guardian.

- Further, in respect of Savings Bank accounts/Current accounts (in exceptional cases) opened for pardanashin ladies, all instruments including withdrawal slips/cheques etc. executed by her should be duly attested by her husband or two account holders of the bank.

6. Accounts of Executor

- **Executor** is appointed by the Will of the dead person. When no one is named in the will or the person die without any will, the court appoints **Administrator**.
- For opening of their accounts, the Probate (Will) or Letter of Administration is required by the Bank.

7. Trust Accounts:

- A public Trust includes a Society formed either for Religious or Charitable purpose and registered under Societies Registration Act.
- Accounts of a Trust can be opened ONLY with Regional Office approval.
- In the event of death of any trustee, the surviving trustees should not be allowed to operate the account or withdraw the balance without ascertaining whether terms of the trust deed permit such withdrawal or operation.
- The Bank has no right of set off against the trust funds for debts due from the trustees or any other persons in their individual capacity.
- Accounts of Provident Funds are treated like the Trust Accounts only.

8. Accounts Of Other Banks

- For opening accounts of other banks in India with our bank prior sanction should be obtained from **Banking Operations Department**, Central Office, through Regional Office.
- For opening of our accounts with other banks as well as for entering into agency arrangements with other banks, prior approval of Treasury (Foreign) Dept., Central Office is compulsory.

9. Guardianship of minor:

- Minor attains majority at the age of 18 years.
- A guardian appointed by a court on the basis of Will : **Testamentary Guardian**

Hindu: In the case of a boy or an unmarried girl — the father, and if, the is not alive, the mother is the guardian.

- ➢ Where both the father and mother are not alive, no one other than a person holding a guardianship certificate from a competent court can act as a guardian of the minor.

Mohammedans : Under Mohammedan law the father is the guardian of the property of the minor but after his death the following persons are entitled, in the order mentioned below to be guardians of the minor:

a. the executor appointed by the father's will

b. the father's father

c. the executor appointed by the will of the father's father

d. In the absence of the above said guardians, a guardian appointed by a competent Court alone can act as a guardian.

- Mother can be the guardian if appointed by the court or under the will of the father or father's father. In no other case, can the mother act as the natural guardian of the Mohammedan minor.

Christians, Parsis and other Religions

- Under the Personal Law applicable to Parsis, Christians, the father is the natural guardian.
- The mother will be the natural guardian only if the father is not alive.
- If both are not alive, a person holding a guardianship certificate, from a competent Court can act as guardian.
- However, it should be noted that the guardianship may extend only to the person and not the property of the minor, depending on the directions in the court order.
- If the guardianship of the person appointed by the court extends only to the person of the minor and not to the property, such a guardian will not be in a position to alienate any property of the minor, even in the interest of the minor.

Acceptance of legal guardianship certificates (RBI Cir dt. 13.01.2014)

- According to The Mental Health Act, 1987 "**mentally ill person**" means a person who is in need of treatment by reason of **any mental disorder other than mental retardation.** Sections 53 and 54 of this Act provide for the appointment of guardians for mentally ill persons and in certain cases, managers in respect of their property. The prescribed appointing authorities are the **district courts** and **collectors of districts** under the Mental Health Act, 1987
- The National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 provides for a law relating to certain specified disabilities. The Act defines a "**person with disability**" to mean a person suffering from any of the conditions relating to **autism, cerebral palsy, mental retardation** or a combination of any two or more of such conditions and includes a person suffering from severe multiple disabilities. This Act empowers a **Local Level Committee to appoint a guardian**, to a person with disabilities, who shall have the care of the person and property of the disabled person

- Branches can open accounts for '**mentally ill persons'** and '**Person with disability'** upon receipt of the Legal Guardianship Certificate, issued by the

Prepared by: Shri Omkar Saswat Gajapati
Vetted by: Shri Pankaj Kumar Mohanty

competent authorities as mentioned above. A legal guardian so appointed, can open and operate the Bank account, as long as he remains the legal guardian.

- The details of Local Level Committees are available in the web-site of the National Trust for the welfare of persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities, i.e. www.thenationaltrust.in.
- It would be necessary for banks to seek appointment of a guardian only in such cases where they are convinced on their own or based on documentary evidence available, that the concerned person is mentally ill and is not able to enter into a valid and legally binding contract. (RBI Cir dt. 11.02.2016)

10. **Insolvent persons**:

No account should be opened in the name of an un-discharged insolvent and no operation should be allowed in any existing account as soon as the bank is put on notice of the insolvency of the account holder

11. Partnership firms

- A minor admitted to the benefits of a partnership or his guardian is not required to sign the account opening form and other documents**.**
- He should not be allowed to operate the account unless he is a mandate holder to operate the firm's account**.**
- A Minor is liable only to the extent of his/her share for any debts incurred by the partnership firm before he attains majority.
- If the minor does not elect to become a partner by giving public notice within **6 months** of his/her attaining majority or his/her knowledge of admission to the benefits of the firm, whichever is later, he/she shall become a partner on the expiry of the said **6 months**.
- Minimum number of persons in a partnership firm:2
- Maximum number of person in a partnership firm engaged in activity for the purpose of carrying on any business that has for its object the acquisition of gain: 100 (Sn 464 of Companies Act 2013)
- A **company** can be a partner in a partnership firm.
- HUF cannot be a partner of a partnership firm.

12. ACCOUNTS OF HINDU UNDIVIDED FAMILY CONCERNS

- The account of Hindu Undivided Family (HUF) firm should be opened and operated upon by the **Karta**
- Savings Bank accounts in the name of a Hindu Undivided Family Firm may also be opened, if such accounts are for non-trading purpose.
- The Karta of a HUF may issue a mandate letter in favour of a major coparcener for operating the account.
- In case the mandate is to be issued in favour of a third party an indemnity has to be obtained executed by the Karta and the entire major coparceners of the HUF.
- Liability of a co-parcenor in HUF is restricted to his share in HUF asset.

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Vetted by: Shri Pankaj Kumar Mohanty

DORMANT ACCOUNTS, INOPERATIVE ACCOUNTS AND UNCLAIMED BALANCES

1. Savings Bank & current Accounts

- Every working day the CBS system will classify **Savings Bank/Current Account** where there has been no operation in the account by customers **for one year** (other than crediting of periodic interest in SB accounts or debiting service charges) as **non-operative**.
- Every working day the CBS system will classify Savings Bank/Current Account where there has been no operation in the accounts by customers for the last **1/2 years** (other than crediting of periodic interest in SB accounts or debiting service charges) as **Inactive/Dormant Accounts**.
- Savings Bank/Current Account where there has been no operation in the accounts by customers for the last **3 years** (other than crediting of periodic interest in SB accounts or debiting service charges) will be classified as **Inoperative Accounts.**
- Transferring to Inoperative Accounts will be done by the system on or before **10th March of every year.**
- However, it should be noted that balances should not be transferred to inoperative accounts in the following cases:

  a. where an account is stopped under Garnishee or other court order;

  b. where the operations in the account is stopped to obtain legal representation;

  c. where the account is under lien for advances allowed in another account;

  d. where the account is showing a debit balance

  e. Dividend on shares is credited to Savings Bank accounts as per the mandate of the customer; the same should be treated as a customer induced transaction. As such, the account should be treated as operative account as long as the dividend is credited to the Savings Bank account. (RBI cir dt.01.09.2014)

- Accounts which had remained in-operative for **5 years and above** since their transfer to Inoperative Accounts (**8 years** since the last transaction in it by the customer) are classified for transfer to **Unclaimed Balances Account.**

Prepared by: Shri Omkar Saswat Gajapati
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a. Term Deposit Account

- The Deposit account will be classified as **Unclaimed Deposit** account if the deposit is not claimed within **5 years** from the due date.
- In case of Term Deposits transferred from Unclaimed Balances Account and withdrawn by customer without renewal, branches may pay simple interest, from the maturity date till the date of payment, **at the rate SB interest prevailing on the date of maturity.**

2. Demand Drafts

The Demand Drafts which are outstanding (i.e. remaining unclaimed) for **3 ye**ars or more are to be classified as **unclaimed balance**.

3. Sundry Creditors

All items (except those relating to clearing adjustments) lying in the Sundry Creditor **for 3 years or more** are to be classified as unclaimed balances.

4. Excess Cash

- Excess Cash unclaimed for more than **6 months** shall be transferred to Unclaimed Balances Account maintained at Central Office every half year during March and September
- Overseas Branches should, however, maintain Unclaimed Balances Account in their **own books** to which all their inoperative accounts outstanding for more **than three years** should be transferred under advice to the parties concerned at their last known addresses or **as per guidelines prevailing in the respective countries whichever makes more stringent compliance**.
- There is **no limitation period** for claiming back the amount from the Unclaimed Balance Account.
- The bank will display on the website, the list of **only the names** of the account holders and his/her last known address in respect of Unclaimed Deposits / Inoperative Accounts which are inactive / inoperative for **ten years or more**. The account number, its type and the name of the branch **shall not** be disclosed on the website. The list will be updated **once in a year, as of 31st December.**
- When a branch is approached by a customer whose account has been transferred to Unclaimed Balances Account, the branch, after verification of the bonafides of the customer, should request the **Balance sheet Management Department,** Central Office, to retransfer the balance in the particular account giving all the relevant details.

- On receipt of the credit from Central Office, the account has to be opened in the computer system afresh by obtaining KYC –Crop form and going through the Customer Acceptance Policy and Customer Identification procedure as per KYC Norms / AML standards, if operations are to be continued in the account.

5. Display List of Unclaimed Deposits

The bank displays on the website, the list of **the names** of the account holders and his/her last known address in respect of Unclaimed Deposits / Inoperative Accounts which are inactive / inoperative for **10 years or more**. The account number, its type and the name of the branch shall **not be** disclosed on the website. The list will be updated **once in a year**, as of 31st December.

The credit balance in any deposit account maintained with maintained with bank which have not been operated upon for 10 years or more, or any amount remaining unclaimed for ten years or more are to be credited to Depositor Education & Awareness Fund (DEAF)

(Ref: MSD/Misc/233/2012-13 dated 04.01.2013)

THE DEPOSITOR EDUCATION AND AWARENESS FUND SCHEME, 2014 (DEAF SCHEME)

1. Reserve Bank hereby establishes a Fund to be called the Depositor Education and Awareness Fund referred to in Section 26A of **BR Act**.

2. The credit balance in any deposit account maintained with banks which have **not been operated upon for ten years or more**, or any amount remaining **unclaimed for ten years or more** are to be credited to Depositor Education and Awareness Fund (DEAF)**.**

3. The amounts to be credited to the Fund by banks shall be deposited in "DEAF Account 161001006009"maintained with RBI. The remittance can be made in electronic form through portal facility of the **E-Kuber** (Core Banking Solution) of Reserve Bank of India (RBI). (RBI cir.25.06.2014)

4. Banks are required to transfer to the Fund the amounts becoming due in each calendar month (i.e. balances remaining unclaimed for ten years or more) and the interest accrued thereon, as **on the last working day** of the subsequent month.

5. Banks shall preserve records/documents containing details of all accounts and transactions, including deposit accounts in respect of which amounts are required to be credited to the Fund **permanently**.

6. In case of demand from a customer/ depositor whose unclaimed amount/deposit had been transferred to Fund, banks shall **repay** the customer/depositor, **along with interest** if applicable, and lodge a claim for refund from the Fund for an equivalent amount paid to the customer/depositor.

7. The interest payable, if any, from the Fund on a claim shall accrue only from the date on which the balance in an account was transferred to the Fund to the date of payment to the customer/depositor.

8. Rate of interest, if any, payable on the principal amount transferred to the Fund shall be specified by Reserve Bank from time to time.

9. The rate of interest payable by banks to the depositors/ claimants on the unclaimed interest bearing deposit amount transferred to the Fund shall be **4% simple interest per annum,** at present. (RBI cir dt.26.06.2014)

10. In the case of a claim for refund of foreign currency denominated deposit accounts, instruments or transactions, irrespective of whether the banks have paid the depositor/customer in Indian rupees or foreign currency, the banks shall be entitled to claim refund of the eligible amount from the Fund, in **Indian rupees only**.

11. Refunds made by a bank in each calendar month should be claimed for reimbursement from the Fund on the **last working day of the subsequent month.**

12. Where refund has been claimed from the Fund, banks shall preserve records/documents in respect of such accounts and transactions, for a period of at least **five years** from the date of refund from the Fund.

DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION (DICGC)

1. The deposit accounts of individuals in all commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC. The deposit insurance scheme is compulsory and no bank can withdraw from it.

2. Each depositor in a bank is insured upto a maximum of **Rs.1,00,000** for both principal and interest amount held by him in the same right and same capacity as on the date of liquidation/cancellation of bank's license or the date on which the scheme of amalgamation/merger/reconstruction comes into force

3. The DICGC insures all deposits such as savings, fixed, current, recurring, etc. of individuals.

4. The deposits kept in different branches of a bank are aggregated for the purpose of insurance cover and a maximum amount upto **Rs. one lakh** is paid.

5. The deposits held in two separate joint accounts in combination of say "A" and "B" and "B" and "A"; will now be treated as two separate accounts, and each category of the joint account will be eligible for a claim upto Rs. one lakh.

6. Deposit insurance premium is borne entirely by the insured bank

7. In the event of liquidation of a bank, the liquidator prepares depositor wise claim list and sends it to the DICGC for scrutiny and payment. The DICGC pays the money to the liquidator who is liable to pay to the depositors. In the case of amalgamation / merger of banks, the amount due to each depositor is paid to the transferee bank

8. Banks **have the right to set off their dues** from the amount of deposits. The deposit insurance is available after netting of such dues.

9. Deposit insurance coverage limit is applied **separately** to the deposits if one has deposits with more than one bank.

10. The DICGC is liable to pay to each depositor through the liquidator, the amount of his deposit upto Rupees one lakh **within two months** from the date of receipt of claim list from the liquidator.

11. If a bank is reconstructed or amalgamated / merged with another bank: The DICGC pays the bank concerned, the difference between the full amount of deposit or the limit of insurance cover in force at the time, whichever is less and the amount received by him under the reconstruction / amalgamation scheme within two months from the date of receipt of claim list from the transferee bank / Chief Executive Officer of the insured bank/transferee bank as the case may be.

12. As per Section 15(1) of DICGC Act, 1961 the maximum premium that can be levied is 10 paise p.a. for every Rs. 100/-deposit.

13. All the registered insured banks are liable to pay to the Corporation deposit insurance premium at the rate of **05 paise per half year for every deposit of Rs.100** (with applicable GST).

14. In terms of Regulation 20 of the DICGC General Regulations, 1961, **penal interest is chargeable** on the amount of premium payable or on the unpaid portion thereof, as the case may be, **@ Bank Rate + 8% p.a.** from the beginning of the half year till the date of receipt of payment at DICGC, Mumbai

15. The Corporation may cancel the registration of an insured bank if it fails to pay the premium for three consecutive periods. In the event of the DICGC withdrawing its coverage from any bank for default in the payment of premium the public will be notified through newspapers.

16. Registration of an insured bank stands cancelled if the bank is prohibited from receiving fresh deposits; or its licence is cancelled or a licence is refused to it by the RBI; or it is wound up either voluntarily or compulsorily; or it ceases to be a banking company or a co-operative bank within the meaning of Section 36A(2) of the Banking Regulation Act, 1949; or it has transferred all its deposit liabilities to any other institution; or it is amalgamated with any other bank or a scheme of compromise or arrangement or of reconstruction has been sanctioned by a competent authority and the said scheme does not permit acceptance of fresh deposits.

17. In the event of the cancellation of registration of a bank, deposits of the bank remain covered by the insurance till the date of the cancellation.

18. Deposits credit to Deposit Education Awareness Fund (DEAF) are exempted from payment of DICGC premium.(DICGC cir dt.20.06.2014)

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RIGHT TO INFORMATION ACT 2005

- Right to Information Bill 2005 as introduced by Union Ministry of Personnel, Public Grievance and Pension was passed by Lok Sabha on 11.5.2005 and by Rajya Sabha on 12.5.2005, and received the assent of the President on 15.6.2005.
- It came on the Statute Book as THE RIGHT TO INFORMATION ACT 2005.
- It has been held by the Supreme Court that Right to Information is derived from the freedom of speech and expression which is guaranteed by Article 19 (1)(a) of the Constitution of India.

What is Right to Information?

- Information, in general terms, has been described by the Act as any material in any form, including records, documents, memos, e-mails, opinions, advices, press releases, circulars, orders, log books, contracts, reports, papers, samples, models, data material held in any electronic form etc.
- The right to information under the Act means, accessibility to the information held under the control of any public authority and includes the right to

  i. inspection of work, documents, records
  ii. Taking notes, extracts or certified copies of documents or records
  iii. Taking certified samples of the material
  iv. Obtaining information in the form of diskettes, floppies, tapes, video cassettes or in any other electronic mode or through printouts whether such information is stored in a computer or in any other device.

Who can seek the information?

- ALL CITIZENS have the right to information under the Act.
- In respect of companies, firms and association of persons, the directors, partners and office bearers respectively can seek information under the RTI act in the name of the company, firms and the association of persons, even though these entities may not be construed as 'Citizen' in terms of the RTI Act.
- Further, the person requesting for information need not give any reasons.

Who will give information?

- The Act provides that if any officer is assigned the task of providing information by CPIO then, such officer shall be treated as CPIO.
- In our Bank, The Deputy General Manager (Law department), has been designated as Central Public Information Officer (CPIO) and
- All Regional Heads as Central Assistant Public Information Officers (CAPIO).
- Branches / Regional Offices / Other departments at Central Office will act as

facilitators only.

Exemption from disclosure

- Section 8 & 9 provide for the exemption from disclosure.
- On studying the request from the applicant, CPIO will decide whether the disclosure is exempted under the Act, on case to case basis. Brief details of grounds for exemptions are furnished below:
  - ✓ Information which would affect sovereignty and integrity of the Country.
  - ✓ Expressly forbidden by any court of law or tribunal and disclosure which could be construed as contempt of court.
  - ✓ Information causing breach of privilege of Parliament and State Legislature.
  - ✓ Information including commercial confidence, the disclosure of which would harm the competitive position of a third party (issues involving larger public interest not covered)
  - ✓ Information available to a person in his fiduciary capacity.
  - ✓ Information received from foreign government, in confidence.
  - ✓ Information which endanger life or physical safety of any person.
  - ✓ Information impeding the process of investigation
  - ✓ Cabinet papers including records of deliberations.
  - ✓ Information which relates to personal information the disclosure of which has no relationship to any public activity or interest.
  - ✓ Disclosure of information infringing the copy right may be rejected outright.

Procedure for request of information

- Any request by any person seeking information can be made orally or in writing in any official language to the Public Information Officer specifying the particulars of information sought by him / her either in English or Hindi or in Official language of the local area, in a prescribed form.
- The oral request shall be reduced to writing.

Fee Payable:

Application fee - Rs. 10.

Following fee structure has been prescribed for furnishing the information.

- Rs. 2 for each page (in A4 or A3 size paper) created or copied
- Actual charge or cost price of a copy in larger size paper

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- For inspection of records, no fee for the first hour, and a fee of Rs. 5 for each fifteen minutes (or fraction thereof) thereafter.
- For information provided in diskette or floppy Rs. 50 per diskette or floppy
- Additional fee representing the cost of providing the information may be charged. But full details should be furnished to the applicant.
- No such fee shall be collected from persons who are of below poverty line
- No charges should be levied if the information is not provided within the time limit

Time Limit prescribed

- As per the Act, CPIO or CAPIO shall either provide the information or reject the request as expeditiously as possible, and in any case within **thirty days** of the receipt of the request.
- Failure to reply to the applicant will attract **penalty** under the Act.
- The Central or State Information Commission can impose a penalty of Rs. **250/- per day** till the information is furnished subject to a **maximum of Rs. 250000/-**; subject to opportunity of being heard be given to such Public Information Officer (**Section 20**).

Appeal (Section 19)

- **First Appeal:** Any person who does not receive a decision within the time specified under the Act or who is aggrieved by the decision of the Public Information Officer can **within 30 days** from the expiry of such period or from the receipt of such decision prefer an Appellate Authority.
- In our Bank, **General Manager (Law department)** had been designated as Appellate Authority.
- **Second Appeal:** A Second appeal against the decision of the Appellate Authority, shall lie **within 90 days** from the date on which such decision should have been made or was actually received, with the Central Information Commission or State Information Commission.
- Any Appeal received at Branches / Regional Offices should be forwarded to the Appellate Authority immediately, to enable them to dispose the same within the stipulated period.

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BANKING CODES & STANDARD BOARD OF INDIA (BCSBI)

- BCSBI was promoted by Reserve Bank and 11 Banks public, private and foreign.
- It is not a Department under the control of RBI, but "An independent and autonomous watch dog to monitor and ensure that the Banking Codes and Standards adopted by the banks are adhered to in true spirit while delivering their service
- BCSBI has been registered as a separate Society under the Societies Registration Act 1860. The membership is restricted to scheduled commercial Banks. BCSBI, in a sense, a true independent body, providing RBI "necessary supervisory comfort".
- Banking codes stipulated by BCSBI are **Code of Customer Rights'**, which sets **minimum standards** of banking practices for banks to follow when they are dealing with individual customers. It provides protection to customers and explains how banks are expected to deal with them for your day-to-day operations.
- BCSBI codes are customer rights and it is **obligatory on bank's part** to submit Statement of Compliance to BCSBI on the adherence of various Codes.
- Banking Codes & Standard Board of India has brought out two codes. They are;
    - ✓ One is '**Code of Bank's Commitment to Customers**'.
    - ✓ **Code of Bank's Commitment to Micro and Small enterprises**.
- This Code will be reviewed within a period of 3 years. The review will be undertaken in a transparent manner.
- '**Code of Bank's Commitment to Customers'** has been last reviewed during **January 2018**.
- '**'Code of Bank's Commitment to Micro and Small enterprises'** has been last renewed during **August 2015**. The provisions of the Code of Bank's Commitment to Customers will also be applicable to Micro and Small Enterprise customers wherever relevant. This Code sets the minimum standards of banking practices that banks will follow when they are dealing with **Micro and Small Enterprises** (MSEs).
- Disposal of **MSEs** application shall be done for a credit limit or enhancement in existing credit limit **upto Rs. 5 lakh- within 02 weeks**; limit **above Rs. 5 lakh and upto Rs. 25 lakh- within 06 weeks**; limit **above Rs. 25 lakh- within 06 weeks** from the date of receipt, provided application is complete in all respects and is accompanied by documents as per 'check list' provided.

- The customers should be given a copy of the Code **while opening an account.**
- **Some of the code of customer rights**;
  - ✓ As per code of BCSBI if there is increase any fee or charge or introduce a new fee or charge, it will be notified through statements of accounts /email /SMS alerts / notice board at branches, **one month prior** to the revised charges becoming effective. This information will also be made available on our website.
  - ✓ Banks will make available 'Basic Savings Bank Deposit Account' (BSBD account) to all customers, **without the requirement of any minimum balance.**
  - ✓ While opening deposit accounts, Banks will explain the implications of the accounts as also of the nomination facilities at the time of opening of the account**.**
  - ✓ If a customer is not happy about their choice of current / savings account, may within 14 days of opening the account, approach the bank to switch to any of other account / products offered by the bank. Alternatively, customer may ask for closure of the account along with any interest it may have earned. No penal charges will be applied in such cases.
  - ✓ If a customer decide to close their current / savings account the bank will do so **within three working days** of receiving customer instructions, subject to completing all formalities and submitting all required documents.
  - ✓ If a customer want to transfer their active and operative account to another branch of our bank transfer will be made to the transferee branch within **3 (three) working days** without insisting on fresh proof of address and on the basis of a self-declaration from you giving your current address. Customer needs to submit documentary proof of this address within a period of **six months**.
  - ✓ Under normal circumstances, bank will not close customer account without giving **at least 30 days' notice indicating the reasons for such closure**. In such cases, customer will be required to make alternate arrangements for cheques already issued and desist from issuing any fresh cheques on such account.
  - ✓ Bank shall **invariably** provide with an acknowledgement of loan application, whether submitted online or manually, indicating therein the time frame within which the application will be processed.
  - ✓ Bank will convey decision on loan application as per their prevailing policy, which is available on the banks website, provided your application is complete in all respects and is submitted along with all the documents as per 'check list' provided.
  - ✓ **Branch Closure/Shifting:** If bank plan to close/move any branch or are not able to continue to provide banking services to customer, bank shall give:

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i. Notice of **two months if there is no branch** of any bank functioning at that centre;

ii. Notice of **one month in all other cases**.

✓ In case of shifting of the branch, bank shall inform customer about the complete address of the new location of branch.

- In our bank, all the **Regional Managers** are designated as **Regional Code Compliance Officer** to ensure implementation of the code,
- The Code applies to all the products and services listed below, whether they are provided by branches or subsidiaries, agents acting on our behalf, across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

✓ Current accounts, savings accounts, term deposits, recurring deposits, PPF accounts and all other deposit accounts;

✓ Payment services such as pension, payment orders, remittances by way of Demand Drafts, wire transfers and all electronic transactions e.g. **RTGS, NEFT, IMPS, UPI;**

✓ Banking services related to Government transactions;

✓ Demat accounts, equity, Government bonds;

✓ Indian currency notes / coins exchange facility;

✓ Collection of cheques, safe custody services, safe deposit locker facility;

✓ Loans, overdrafts and guarantees;

✓ Foreign exchange services including money changing;

✓ Third party insurance and investment products sold through our branches;

✓ **Card** products including **credit cards**, debits cards, **ATM** cards, **smart cards** and **POS** services (including credit cards offered by our subsidiaries / companies promoted by us);

✓ Digital Products such as e-wallet, Mobile Banking, internet banking, **UPI, BHIM, Aadhaar Pay**.

- **Provision of Authenticated Copies of Documents to Customers** (Customer service/393/2014-15 dt. 22.04.2014)

✓ The Branches should provide to the borrower a receipt for all documents taken as security/collateral for any loan (Para 8.11.1.i of Code 2009)

✓ The Branches need to provide authenticated copies of all documents (with enclosures) executed between the bank and the borrower at bank's cost.

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THE BANKING OMBUDSMAN SCHEME- 2006

- Reserve Bank of India has formulated Banking Ombudsman Scheme and setup Banking Ombudsman Offices at various centres across the country.
- The Banking Ombudsman Scheme is introduced under **Section 35 A of the Banking Regulation Act, 1949 by RBI** with effect from **1995**
- The Banking Ombudsman Scheme is being amended by RBI from time to time and **last amended as on July 1, 2017**.

1. Objective of the scheme

To resolve the complaints relating to provision of banking services;

a. Of its constituents against a bank

b. Of one bank against another bank through the process of conciliation, mediation and arbitration.

2. Appointment

- The Reserve Bank may appoint one or more of its officers in the rank of Chief General Manager or General Manager to be known as Banking Ombudsmen to carry out the functions entrusted to them by or under the Scheme.
- The appointment of Banking Ombudsman may be made for a period not exceeding **three years** at a time.

3. Location of office and temporary headquarters

The office of the Banking Ombudsman shall be located at such places as may be specified by the Reserve Bank. In order to expedite disposal of complaints, the Banking Ombudsman may hold sittings at such places within his area of jurisdiction as may be considered necessary and proper by him in respect of a complaint or reference before him.

4. Powers and jurisdiction

- The Reserve Bank shall specify the territorial limits to which the authority of each Banking Ombudsman.
- The Banking Ombudsman shall receive and consider complaints relating to the deficiencies in banking or other services and facilitate to their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award in accordance with the Scheme.

5. Grounds of complaint

(1) A complaint on any one of the following grounds alleging deficiency in

Prepared by: Shri Vivek Ranjan
Vetted by: Shri Deepak Mishra

banking or other services.

a. non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc.;

b. non-acceptance, without sufficient cause, of coins/small denomination notes tendered for any purpose, and for charging of commission in respect thereof;

c. non-payment or delay in payment of inward remittances ;

d. failure to issue or delay in issue of drafts, pay orders or bankers' cheques;

e. non-adherence to prescribed working hours ;

f. failure to honour guarantee or letter of credit commitments ;

g. delays, non-credit of proceeds to parties' accounts, non-payment of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a bank ;

h. refusal to open deposit accounts without any valid reason for refusal;

i. levying of charges without adequate prior notice to the customer;

j. non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/Debit card operations or credit card operations;

k. non-adherence to the instructions of Reserve Bank with regard to Mobile Banking / Electronic Banking service in India by the bank on any of the following:
   i. delay or failure to effect online payment / Fund Transfer,
   ii. Unauthorized electronic payment / Fund Transfer

l. non-disbursement or delay in disbursement of pension (to the extent the grievance can be attributed to the action on the part of the bank concerned, but not with regard to its employees);

m. refusal to accept or delay in accepting payment towards taxes, as required by Reserve Bank/Government;

n. refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities;

o. forced closure of deposit accounts without due notice or without sufficient reason;

p. Refusal to close or delay in closing the accounts etc.

q. Non-adherence to provision of fair practice code or code of bank's commitment to customers issued by BCSBI, etc.

r. non-observance of Reserve Bank guidelines on engagement of recovery agents by banks;

s. non-adherence to Reserve Bank guidelines on para-banking activities like sale of insurance /mutual fund /other third party investment products by banks with regard to following:

i. improper, unsuitable sale of third party financial products

ii. non-transparency /lack of adequate transparency in sale

iii. non-disclosure of grievance redressal mechanism available

iv. delay or refusal to facilitate after sales service by banks

t. any other matter relating to the violation of the directives issued by the Reserve Bank in relation to banking or other services

(2) A complaint on any one of the following grounds alleging deficiency in banking service in respect of loans and advances may be filed with the Banking Ombudsman having jurisdiction:

a. non-observance of Reserve Bank Directives on interest rates;

b. delay in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications;

c. non-adherence to the provisions of the fair practices code for lenders as adopted by the bank or Code of Bank's Commitment to Customers, as the case may be;

d. Non-observance of Reserve Bank Directives on engagement of recovery agents.

e. non-acceptance of application for loans without furnishing valid reasons to the applicant; and

f. Non-observance of any other direction or instruction of the Reserve Bank as may be specified by the Reserve Bank for this purpose from time to time.

(3) The Banking Ombudsman may also deal with such other matter as may be specified by the Reserve Bank from time to time in this behalf.

6. Procedure for filing complaint

(1) Any person who has a grievance against a bank on any one or more of the grounds may, himself or through his authorised representative (other than an advocate), make a complaint to the Banking Ombudsman within whose jurisdiction the branch or office of the bank complained against is located.

If the complaint is arising out of the **operations of credit cards,** it shall be filed before the Banking Ombudsman within whose territorial jurisdiction the billing address of the card holder is located and not the place where the bank concerned or the credit card processing unit is located.

(2) One can file a complaint with the Banking Ombudsman simply by **writing on a plain paper**. One can also file it **online** or by sending **an email** to the Banking Ombudsman. There is a form along with details of the scheme in our website. However, it is not mandatory to use this format.

(3) The Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.

(4) The application should contain the details as Name and address of the complainant, the name and address of the branch or office of the bank against which the complaint is made, facts giving rise to the complaint supported by documents, if any, the nature and extent of the loss caused to the complainant, the relief sought from the Banking Ombudsman and a declaration about the compliance with conditions which are required to be complied with by the complainant under Clause 9(3) of the Banking Ombudsman Scheme

(5) No complaint to the Banking Ombudsman shall lie unless:-

a. the complainant had, before making a complaint to the Banking Ombudsman, made a written representation to the bank and the bank had rejected the complaint or the complainant had not received any reply within a period of **one month** after the bank received his representation or the complainant is not satisfied with the reply given to him by the bank;

b. the complaint is made not later than one year after the complainant has received the reply of the bank to his representation or, where no reply is received, not later than **one year and one month after the date of the representation** to the bank;

c. the complaint is not in respect of the same subject matter which was settled or dealt with on merits by the Banking Ombudsman in any previous proceedings whether or not received from the same complainant or along with one or more complainants or one or more of the parties concerned with the subject matter;

d. the complaint does not pertain to the same subject matter, for which any proceedings before any court, tribunal or arbitrator or any other forum is pending or a decree or Award or order has been passed by any such court, tribunal, arbitrator or forum;

e. The complaint is not frivolous or vexatious in nature; and

f. The complaint is made before the expiry of the period of limitation prescribed under the Indian Limitation Act, 1963 for such claims

7. Award by the banking ombudsman

- The award shall state briefly the reasons for passing the award.
- The Award passed under sub-clause (1) shall specify the amount, if any, to be paid by the bank to the complainant by way of compensation for the loss

suffered by him and may contain any direction to the bank.

- the Banking Ombudsman shall have the power to pass an award directing payment by way of compensation for any loss suffered by the complainant is limited to the amount arising directly out of the act or omission of the bank or **₹ 20 lakhs (₹ Two Million), whichever is lower**.

- The Banking Ombudsman may award compensation not exceeding **₹ 1 lakh (₹ 0.1 Million)** to the complainant for **mental agony and harassment**. The Banking Ombudsman will take into account the loss of the complainant's time, expenses incurred by the complainant, harassment and mental anguish suffered by the complainant while passing such award

- A copy of the Award shall be sent to the complainant and the bank.

- An award shall lapse and be of no effect unless the complainant furnishes to the bank concerned within a period of **30 days** from the date of receipt of copy of the Award, a letter of acceptance of the Award in full and final settlement of his claim.

8. **Complaint Handling Process** (customer service/MISC/301/201-14 dt.26.06.2013)

- Banks have to provide the responses which is complete in all respects along with documentary evidences to the Office of the Banking Ombudsman **within 15 days from the date of receipt of the complaint,** failing which, the Banking Ombudsman may be constrained to invoke the provisions of Clause 10(1) of the Banking Ombudsman Scheme 2006 and take appropriate decisions based on available information.

- Banks also have to **pay the compensation upfront**, wherever applicable, as per the banks' internal policy or the Reserve Bank guidelines and furnish the details of such payment in the response to the complaint. In case the request for compensation has been refused, reason for refusal may be furnished in the response.

- Banks have to preserve CCTV footage with regard to ATM complaints in all cases **beyond the prescribed period when a dispute has been raised** by a customer or when a complaint is pending at Office of Banking Ombudsman, failing which the Banking Ombudsman would be constrained to decide the case in favour of the complainant.

- All replies/responses to Ombudsman should be uploaded in the Complaint Tracking System (CTS) only through Central Office.

- Therefore, the branches should resolve the complaints received from Banking Ombudsman on a priority basis and send the replies **within 7 days** to central Office for uploading in CTS.

- **Grievance Redressal Mechanism at IOB**: MISC/521/2018-19 dated 25.02.2019 by Customer Service Dept.

9. **Rejection of the Complain**

- The Banking Ombudsman may reject a complaint at any stage if it appears to him that the complaint made is;
  a. not on the grounds of complaint referred to in clause 8; or
  b. otherwise not in accordance with Sub Clause (3) of clause 9; or
  c. beyond the pecuniary jurisdiction of Banking Ombudsman prescribed under clause 12 (5) and 12 (6): or
  d. requiring consideration of elaborate documentary and oral evidence and the proceedings before the Banking Ombudsman are not appropriate for adjudication of such complaint; or
  e. without any sufficient cause; or
  f. that it is not pursued by the complainant with reasonable diligence; or
  g. in the opinion of the Banking Ombudsman there is no loss or damage or inconvenience caused to the complainant.
- The Banking Ombudsman, shall, if it appears at any stage of the proceedings that the complaint pertains to the same cause of action, for which any proceedings before any court, tribunal or arbitrator or any other forum is pending or a decree or Award or order has been passed by any such court, tribunal, arbitrator or forum, pass an order rejecting the complaint giving reasons thereof.

10. Appeal before the appellate authority

- 'Appellate Authority' is the Deputy Governor in charge of the Department of the RBI.
- Party to the complaint aggrieved by an Award under Clause 12 or rejection of a complaint for the reasons referred to in sub clauses (d) to (g) of Clause 13, may **within 30 days** of the date of receipt of communication of Award or rejection of complaint, prefer an appeal before the Appellate Authority;
- Provided that in case of appeal by a bank, the period of **thirty days** for filing an appeal shall commence from the date on which the bank receives letter of acceptance of Award by complainant under Sub-Clause (8) of Clause 12;
- Provided that the Appellate Authority may, if he is satisfied that the applicant had sufficient cause for not making the appeal within time, allow a further period not exceeding 30 days;
- Provided further that appeal may be filed by a bank only with the previous sanction of the Chairman or, in his absence, the Managing Director or the Executive Director or the Chief Executive Officer or any other officer of equal rank."
- **The appellate authority may:**
  - dismiss the appeal; or
  - allow the appeal and set aside the Award; or

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- send the matter to the Banking Ombudsman for fresh disposal in accordance with such directions as the appellate authority may consider necessary or proper; or
- modify the Award and pass such directions as may be necessary to give effect to the modified award; or
- Pass any other order as it may deem fit.

11. INTERNAL OMBUDSMAN SCHEME

(MISC/430/2018-19 dated 01.10.2018 by Customer Service Dept**)**

- All Public Sector Banks, Some Private sector Banks and Foreign Banks has been advised to appoint an **Internal Ombudsman** designated as **Chief Customer Service Officer (CCSO).**

- As per RBI Guidelines, Our bank has appointed Internal Ombudsman.

The Role of Internal Ombudsman in our bank is as under:

- IO shall not entertain and examine the first resort complaints, which need to be first examined by bank's Internal Grievance Redressal Mechanism. He shall examine the grievances which are on ground listed in the BO scheme (clause 8) and which were not resolved by the bank's Internal Grievance Redressal Mechanism.

- Grievances other than those listed in clause 8 of the BO scheme can also be dealt with by the IO only after they have been examined by the bank's Internal Grievance Redressal Mechanism and left unresolved/ unredressed to the satisfaction of the complainant.

- The Bank shall examine the grievance as per its internal grievance redressal mechanism and in case the bank decides to reject a complaint and/or provide only partial relief to the complainant, it should invariably forward such cases to the Internal Ombudsman (IO) for further examination. The advice to the complainant after examination by the IO in such cases should necessarily have a clause that the grievance has also been examined by the IO.

- In all final communications being sent to the complainants by the IO, where the complaints are unresolved/unredressed to the satisfaction of the complainant, the clause relating to the availability of option to approach the BO should invariably be indicated.

- **BO Scheme 2006: Handling of Complain from BO**: (Perm/287/2017-18 dated 26.02.2018 by Customer Service Dept)

12. OMBUDSMAN SCHEME FOR DIGITAL TRANSACTION (ODT)

- In exercise of the powers conferred by Section 18 of the Payment and Settlement Systems Act, 2007, being satisfied that in the public interest and in the interest of conduct of business relating to **payment systems**, it is necessary to provide for a mechanism of Ombudsman for redressal of complaints against deficiency in services related to digital transactions, the Reserve Bank of India directs that, the **System Participants** defined under the Ombudsman Scheme for Digital Transactions, 2019 shall come within the ambit, and should comply with the provisions of the Ombudsman Scheme for Digital Transactions, 2019

- **The Scheme shall come into force from January 31, 2019**
- It shall extend to the whole of India.
- The Scheme shall apply to the business in India of **System Participants** as defined under the Scheme.
- **System Participant:** As defined under Clause 3 (11) of the Scheme i.e.
- **'System Participant'** means **any person other than a bank** participating in a payment system as defined under Section 2 of the Payment and Settlement Systems Act, 2007 excluding a 'System Provider
- **System Provider'** means and includes a person who operates an authorised payment system as defined under Section 2 of the Payment and Settlement Systems Act, 2007.
- **Digital Complaints pertaining to Banks – to be dealt under BO Scheme**.

(Ref. CEPD. PRS. No. 3370/13.01.010/2018-19 dated 31.01.2019)

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Prepared by: Shri Vivek Ranjan
Vetted by: Shri Deepak Mishra

GARNISHEE ORDER

- Garnishee order is an order passed by an executing court (as introduced in civil procedure code 1908 order 21 section 46 by the amendment act, 1976) directing or ordering a garnishee (a bank) not to pay money to judgment debtor.
- **Judgment creditor:** A person (creditor) who initiates the garnishment action or at whose request garnishee order is issued.
- **Judgment Debtor:** A person who owes the money to judgment creditor and whose funds are blocked.
  Garnishee: Garnishee means a judgment Debtor's debtor.
- It is issued in two stages.
  - ✓ **First order Nisi** is issued ordering the bank to explain why the funds of the depositor (judgment debtor) should not be attached. Bank informs depositor and stops operations.
  - ✓ After receipt of explanation from banker, Order **Absolute** is issued. On receipt of it, banks make payment to the court or as per order of court.
- If amount to be attached is **not mentioned the entire balance is attached**. However, if it is for specific amount, only that amount should be attached.
- Applicable for the **accounts in the same capacity** as mentioned in the order.
- If the order is in the name of individual it will **not attach the partnership a/c** in which the individual is a partner or the individual who holds the a/c in trust.
- Under garnishee order the order issued in the name of partnership company attaches **the partnership account and also the individual partner's accounts**
- Accounts in the name of deceased and undischarged insolvent are **not** attached.
- Any deposit already due or accruing due (term deposit) is attached but payable to court only **on maturity**.
- If the order is in the name of individual but the a/c is in the Joint names it is **not** attachable.
- If the order is issued in joint names it attaches the joint accounts as well as individual accounts if any.
- Payment in cash, before actual parting; and in case of clearing, upto the time of return of clearing cheques the balance available can be attached
- Proceeds of cheques/bill sent on collection are **not** attachable. Uncleared balances on SB/CD are also not attachable.
- Right of set off is available before effecting the Garnishee order.
- On receipt of a Garnishee Order, the date and time of its receipt must be marked and authenticated by the officer of the department
- Notice of receipt of the garnishee order should be sent to the account holder immediately.
- Order to prevent against inadvertently making payments of the amounts so

earmarked, the branch must transfer them to Sundry Creditors Account by giving full details of the garnishee order in the sundry creditors voucher, which must be recorded in the sundry creditors register / module as well.

- In the case of accounts of proprietary concerns, a garnishee order mentioning the name of either the proprietary concerns or the name of the proprietor extends to the accounts of both the proprietary concern as well as the accounts in the name of the proprietor since there is no distinction in law between the proprietor and his proprietary concern.
- A garnishee order does **not** extend to any deposits made subsequent to its receipt.

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ATTACHMENT ORDER

- Issued by Income Tax Authorities under Sec.226 (3) of Indian Income Tax Act, 1961.
- Issued to receive from any person the money **due or becoming due** from him (assesse), or from any person who holds money or may hold subsequently on an account of an assessee.
- In case an IT attachment order is received on a partnership account, the same will attach the personal accounts of the partners as well.
- The attachment order issued is final and binding.
- Joint a/c is also attached on pro-rata basis.
- In case banker fails to comply with attachment order, it will be liable for the amount of order and deemed as an assessee in default
- **Right of set off is available** in both cases before effecting the Garnishee or IT attachment order.
- On receipt of an Attachment Order from the IT Department, the date and time of its receipt must be marked and authenticated by the officer of the department.
- Notice of receipt of the attachment order should be sent to the customer immediately.
- If, however, any amount standing to the credit of the constituent in respect of which a notice under section 226(3)(i) is served has already been under lien to the Bank, such account should be advised to the Income Tax Officer and if there is any surplus after adjusting the amount due to the Bank such surplus will be available for remittance to the Income Tax Officer.

  Notices under Section 226(3) of the Act are to be served only on the Branch/Office concerned, where assessee accounts are maintained and not on the Head Office of the Bank. (Law/MISC/396/2014-15 dt 25.04.2014)

- If any notice under Section 226(3) of the Income Tax Act, 1961 is received by any of our Regional Offices/Branches without mentioning the name of the branch/office where the assessee account(s) is/are maintained, then the Regional Office concerned **shall reply to the Income Tax Authorities quoting IBA letter No.Cir.C&I/IT /2013-14/751/ dated 18.07.2013** and Central Board of Direct Taxes letter F.NoA02/99/2013-ITCC dated July 2, 2013 and request for the Branch details to be indicated in such notice under Section 226(3) of the Act.
- In cases where a notice under Section 226(3) is received by a Branch and subsequently it is found that no such account exists with Branch, the Branch concerned shall reply accordingly to the Income Tax Authorities under advice to the concerned Regional Office.

DETECTION AND IMPOUNDING OF COUNTERFEIT BANK NOTES

Authority to Impound Counterfeit Notes

- The counterfeit notes can be impounded by **all branches of public sector banks, all treasuries and sub-treasuries and issue offices of RBI.**

Detection of Counterfeit Notes

- Banknotes tendered over the counter/received directly at the back office / currency chest through bulk tenders should be examined for authenticity through machines.
- **No credit to customer's account is to be given for Counterfeit Notes**, if any, detected in the tender received over the counter or at the back-office / currency chest.
- In no case, the Counterfeit Notes should be returned to the tenderer or destroyed by the bank branches / treasuries. Failure of the banks to impound Counterfeit Notes detected at their end will be construed as wilful involvement of the bank concerned in circulating Counterfeit Notes and penalty will be imposed**.**

Impounding of Counterfeit Notes

- Notes determined as counterfeit shall be stamped as **"COUNTERFEIT NOTE"** and impounded in the prescribed format. Each such impounded note shall be recorded under authentication, in a separate register.
- For this purpose, a stamp with a uniform size of **5 cm x 5 cm** with the following

COUNTERFEIT BANKNOTE IMPOUNDED BANK / TREASURY/ SUB-TREASURY BRANCH / CURRENCY CHEST SIGNATURE DATE

inscription may be used

Issue of Receipt to Tenderer

- An **acknowledgement receipt** in the prescribed format (Annex II) must be issued to the tenderer, after stamping the.
- The receipt, in running serial numbers, should be authenticated by the cashier and tenderer.
- Notice to this effect should be displayed prominently at the offices / branches for information of the public.
- The receipt is to be issued even in cases where the tenderer is unwilling to countersign it.

Detection of Counterfeit Notes – Reporting to Police and other bodies

The following procedure should be followed while reporting incidence of detection of Counterfeit Note, in a single transaction; to the Police:

- **Counterfeit Notes up to 4 pieces:** a consolidated report in the prescribed format should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station, along with the suspect Counterfeit Notes, at the end of the month**.**
- **Counterfeit Notes of 5 or more pieces:** the Counterfeit Notes should be forwarded immediately by the Nodal Bank Officer to the local police authorities or the Nodal Police Station for investigation by **filing FIR** in the prescribed format.
- A copy of the monthly consolidated report / FIR shall be sent to the Forged Note Vigilance Cell constituted at the Head Office of the bank (only in the case of banks), and in the case of the treasury, it should be sent to the Issue Office of the Reserve Bank concerned.
- **Acknowledgement** of the police authorities concerned has to be obtained for note/s forwarded to them both as consolidated monthly statement and for filing of FIR.
- In order to facilitate identification of people abetting circulation of Counterfeit Notes, banks are advised to cover the banking hall / area and counters under CCTV surveillance and recording and preserve the recording.
- Banks should also monitor the patterns / trends of such detection and suspicious trends / patterns should be brought to the notice of RBI / Police authorities immediately.

Examination of Banknotes before Issuing over Counters, Feeding ATMs and Remitting to Issue Offices of RBI

- The banks should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of **₹100 and above** are not put into re-circulation without the notes being machine processed for authenticity.
- In order to obviate complaints regarding receipt of **Counterfeit Notes through ATMs**, and to curb circulation of counterfeits, it is imperative to put in place adequate safeguards / checks before loading ATMs with notes.
- Dispensation of Counterfeit Notes through the ATMs would be construed as an attempt to circulate the Counterfeit Notes by the bank concerned.
- **Penalty at 100%** of the notional value of Counterfeit Notes, in addition to the recovery of loss to the extent of the notional value of such notes, will be imposed under the following circumstances:
  - a) When Counterfeit Notes are detected in the soiled note remittance of the bank.
  - b) If Counterfeit Notes are detected in the currency chest balance of a bank during Inspection / Audit by RBI

Designating Nodal Bank Officer

- Each bank should designate a Nodal Bank Officer, district-wise and notify the same to the Regional Office of RBI concerned and Police Authorities. All cases of reporting of Counterfeit Note detection as indicated above should be done through the Nodal Bank Officer.

- The Nodal Bank Officer will also serve as the contact point for all Counterfeit Note detection related activities.

Establishment of Forged Notes Vigilance Cell at Head Office of Banks

- **Each bank shall establish at its Head Office, a Forged Note Vigilance (FNV) Cell to undertake the following functions:**

  i. Dissemination of instructions issued by the Reserve Bank on Counterfeit Notes to bank's branches. Monitoring the implementation of these instructions. Compilation of data on detection of Counterfeit Notes, and its submission to Reserve Bank, FIU-IND and National Crime Records Bureau (NCRB) as per extant instructions. Follow-up of cases of Counterfeit Notes, with police authorities / designated nodal officer.

  ii. Sharing of the information thus compiled with bank's CVO and report to him / her all cases of acceptance / issue of Counterfeit Notes over the counters.

  iii. Conducting periodic surprise checks at currency chests where shortages / defective / Counterfeit Notes etc. are detected.

  iv. Ensuring operation of Note Sorting Machines of appropriate capacity at all the currency chests / back offices and closely monitoring the detection of Counterfeit Notes and maintaining the record of the same. Ensuring that only properly sorted and machine examined banknotes are fed into the ATMs / issued over the counters and to put in place adequate safeguards, including surprise checks, both during the processing and in transit of notes.

- **FNV Cell shall submit status report on a quarterly basis** covering the aforesaid aspects to the Chief General Manager, Department of Currency Management, Reserve Bank of India, Central Office, Amar Building, Fourth Floor, Sir P. M. Road, Fort, Mumbai 400 001 / to (email) and to the Issue office of the Regional office of Reserve Bank under whose jurisdiction the FNV Cell is functioning, within a fortnight from the conclusion of the quarter under report. The said report should be sent by e- mail. No hard copy need be sent.

Provision of Ultra-Violet Lamp and Other Infrastructure

- All bank branches / identified back offices should be equipped with ultra-violet lamps / other appropriate banknote sorting / detection machines.

- In addition, all currency chest branches should be equipped with verification, processing and sorting machines and should be used to their optimum capacity. Such machines should conform to the guidelines on **'Note Authentication and Fitness Sorting Parameters' prescribed by the Reserve Bank**.

- The banks shall maintain a daily record of the notes processed through the Note Sorting machines, including the number of counterfeits detected.

- The banks should also consider providing at least one counting machine (with dual display facility) for public use at the counter.

Reporting of Data to RBI / Government

- Data on Counterfeit Notes detected by all the branches of the bank shall be reported in the prescribed format, **on a monthly basis** to the Issue Office of Reserve Bank concerned so as to reach them by **7th of the next month**. A **"nil "**report may be sent in case no counterfeit note has been detected during the month.
- **Under Rule 8 (1) of Prevention of Money Laundering (Maintenance of Records) Amendment Rules, 2013,** Principal Officers of banks are also required to report information on cash transactions where forged notes have been detected to **The Director, FIU-IND**, Financial Intelligence Unit- India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021, by the **15th day of the succeeding month**, by uploading the information on the **FINnet Portal**.
- Similarly, data on Counterfeit Note detection is also to be uploaded on the web-enabled software of **National Crime Records Bureau**, New Delhi at their website.

Preservation of Counterfeit Notes Received from Police Authorities

- All Counterfeit Notes received back from the police authorities / courts may be carefully preserved in the safe custody of the bank and a record thereof be maintained by the branch concerned. FNV Cell of the bank shall also maintain a branch-wise consolidated record of such Counterfeit Notes.
- These Counterfeit Notes at branches should be subjected to verification on a **half-yearly basis (on 31st March and 30th September)** by the Officer-in-Charge of the bank office concerned. They should be preserved for a period of three years from the date of receipt from the police authorities.
- They may thereafter be sent to the Issue Office of Reserve Bank of India concerned with full details.
- Counterfeit Notes, which are the subject matter of litigation in the court of law should be preserved with the branch concerned for **three years** after conclusion of the court case.

For annexure of Reporting/Acknowledgment the following RBI Master Circular can be referred:

(RBI Master Circular DCM (FNVD) G –1/16.01.05/2019-20 dated July 1, 2019)

Reserve Bank of India (Note Refund) Rules, 2009

As amended by Reserve Bank of India (Note Refund) Amendment Rules, 2018 dated December 28, 2018 should be referred.

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INTER-BRANCH CBS TRANSACTIONS

Inter-Branch CBS transactions happen in between two branches under CBS platform. The two branches involved in these transactions are;

1. **Account Maintaining Branch (AMB):** where account is maintained and
2. **Facilitator Branch (FB):** which is handling transactions put through by the customer whose account is maintained by another branch viz. Account maintain branch.

- The ceiling limit is fixed for per day.
- Ceiling limit is inclusive of cash deposited through Cash Deposit Machines.
- If the customer requests for amount exceeding the prescribed ceiling, AMB has to take up with ITD to enable the transaction.
- In case of the ceiling limit is to be enhanced on continuous basis like fee collection account etc., one time permission from Regional Office is to be obtained by AMB.
- KYC & AML procedures should be meticulously followed by all the branches.
- Cash deposits ₹50000 & above to be made available at FB, only for customers with PAN.
- Issuance & payments of Demand Drafts should be done upon observing all procedures and precautions.
- Excess over drawing power or overdrafts should not be permitted by FB.
- However when cheques collected for other branches are returned in clearing and for the value of such returned cheques and cheque return charges only, the debits are permitted either as overdraft/ excess over Drawing Power if in the meantime AMB had allowed drawings against clearing.
- FB should exercise due diligence and ensure adherence to operational instruction for cash payment through withdrawal slip, payment of cheques & other instruments/ credit of proceeds to Customer's account.
- Facilitator Branches should position itself in the role of AMB and exercise authority to the extent & in the manner prescribed.

Current Account & Cash Credit Account

- Withdrawals from Current Account & Cash Credit Account (Except CCSMA & CCATM) should be by way of cheque only.

Type	Transaction Type	Monitoring Ceiling (₹)		
		Cash	Clearing	Transfer
CDCC	Credit	No cap	Full	Full
	Debit	200000	Full	Full
Debit of inward clearing returns received by Facilitator Branch			Value of returned instrument plus Return Charges	

Channel: A

- ✓ No Ceiling Restriction (NCR) with prior approval of Regional Office (under whose control AMB is functioning)
- ✓ Whenever a branch is approached by account holders of Current accounts and Cash Credit accounts for the services under CBS by way of cash receipts exceeding ₹50000

Prepared by: Shri Santhosh Kumar K
Vetted by: Shri Abhishek Kumar

per transactions at Facilitator branches in a routine manner e.g. collection accounts etc., the said branch (in the capacity of AMB) should satisfy itself about the genuineness of the request. A Request Letter should be obtained from such constituents (Refer cir. No MSD/MISC/182/2007-08 dt10. 12. 2007).

Savings Bank Account

✓ Transactions by way of withdrawal slips/ cheques

Type	Transaction Type	Monitoring Ceiling (₹)		
		Cash	Clearing	Transfer
SB	Credit	200000	Full	Full
Account holder (Withdrawal slip & Passbook)	Debit	50000	-	-
Third party (Withdrawal slip & Passbook)	Debit	10000	-	-
Self/ Third party (Cheque)	Debit	200000	-	-
Clearing & Transfer	Debit	-	Full	Full
Debit of inward clearing returns received by Facilitator Branch			Value of returned instrument plus Return Charges	

Deposits

Type	Transaction Type	Monitoring Ceiling (₹)		
		Cash	Clearing	Transfer
Recurring Deposit installments	Credit	200000	Nil	To extend of RD installment amount
Renewal/ Transfer/ Closure of Deposit	Debit	Nil	Nil	Nil

Advances

Type	Transaction Type	Monitoring Ceiling (₹)		
		Cash	Clearing	Transfer
Remittance of loan installment & interest payment	Credit	200000	Full	Full
	Debit	Not permitted		

Demand Draft

Type	Transaction Type	Monitoring Ceiling (₹)		
		Cash	Clearing	Transfer
Issue of Demand draft	Credit	<50000	Nil	Full
Payment of Demand draft issued on CCO & presented at any of the CBS branches	Debit	<50000	Full	Full

Reference:

- MISC/157/2007-08 dated 15.10.2007
- MISC/182/2007-08 dated 10.12.2007
- MISC/290/2013-14 dated 05.06.2013
- MISC/447/2018-19 dated 17.10.2018

DOCUMENTS HANDLING AND RETENTION POLICY

Maintenance and preservation of Records is cover under **Document handling and Retention Policy.**

Four categories of period of preservation of Records are;

- ✓ Records to be preserved permanently
- ✓ Records to be preserved for not less than 25 years
- ✓ Records to be preserved for not less than 20 years
- ✓ Records to be preserved in respect of Govt. transactions

- As envisaged in the **Right to Information Act 2005**, records and documents are to be preserved **for 20 years.**
- The Branch Manager/ Deputy Manager should inspect the record room once in a month and ensure that the records are properly maintained.
- Branches are to hold the records normally in the branch premises itself. Where for some valid reasons viz. space constraints, multi-storied building, costly rentals etc., it is necessitated to hold the records at a different location, and branches may also do so with **prior permission of respective Regional Office.**
- All the records, **older than 3 years** to be sent to such identified place for storage. Proper record to be maintained for the documents sent for preservation purpose by the branch.
- Whenever Branch requires records which have been stored at different premises, branch should submit the request for required document with clear purpose. Request to be **sent to RO with proper authentication** and one copy to be addressed to concerned store room. Request to be considered for processing by the concerned office **within 24 hrs.**
- **Preservation, maintenance and elimination of records and files for written off loan accounts**

  - ✓ Written off loan accounts for which, DICGC claims have already been settled and adjusted to the loan accounts, the loan papers, files, registers etc., be maintained for a period **of 5 years** from the **date of closure** and later eliminated, provided there is no chance of recovery.
  - ✓ Written off loan accounts for which, claims have been lodged with DICGC but are pending for settlement, the loan papers, files, registers etc., be maintained for a period of 5 years from the date of settlement of the claim.
  - ✓ Non-DICGC loans (General Category) which, have been fully written off, the loan papers, files and registers for these loan accounts, be maintained for a period of **5 years from the date of closure** and later eliminated, provided there is no chance of recovery.
  - ✓ Written off loan accounts for which DICGC claims have **already been settled and adjusted to the loan accounts,** the loan papers, files, registers etc., be maintained for a period of **not less than 5 years from the date of closure** of account, of current calendar year.
  - ✓ Written off loan accounts for which, claims have been lodged with DICGC but are **pending for settlement**, the loan papers, files, registers etc., be maintained for a

period of **not less than 5 years from the date of settlement** of the claim of the current calendar year or date of closure whichever later.

- ✓ Non-DICGC loans (General Category) which, have been fully written off, the loan papers, files and registers for these loans accounts be maintained for a period of not less than 5 years from the date of closure of the account, in the current calendar year.
- ✓ Any written off loan account in which, fraud has been detected, or investigation is in progress and staff accountability is ascribed, in such cases **prior permission be obtained from the competent authority** for elimination of records **irrespective of the period** since they are maintained.

Records Relating to Government transactions:

- Records relating to Government Transactions are also to be preserved for a minimum period of **20 years.**(MISC/374/2013-14 dt.07.02.2014)
- The records pertaining to **Government transactions** should be destroyed only after getting **prior permission** from **Government Accounts and Currency Chest Department,** Central Office.
- Prior permission from **Regional Office/Central Office** to be obtained to dispose off/destroy any records before the expiry of stipulated retention period or where a particular record is not listed.

Removal & Disposal of records

- In respect of old records of Regional Offices, General Administration Department, Central Office is the competent authority to permit the elimination.

Protection Clause

- Law does not afford any protection in respect of any negligence in the matter of preservation.
- The **only protection** available is in case of records destroyed **by fire, inundation, flood, earthquake or any other Act of God**.
- Where such a circumstance comes about, a list has to be made in respect of the items that are missing and an endorsement has to be made on the register stating that the record Item No are destroyed by fire, inundation, earthquake etc.

TAX DEDUCTION AT SOURCE (TDS)

The following are some basic rules pertaining to deduction of taxes at source:

- Tax is to be generally deducted at the time of credit or payment, whichever is earlier. Tax is deductible if the payment / credit exceeds or is likely to exceed the threshold limits specified in various sections. Tax need not be deducted or can be deducted at lower rates based on certificate under section 197 of IT Act, if any, obtained by the deductees from their jurisdictional Assessing Officer, well in time.

- Tax is not deductible under Section 193, 194A if the recipient submits a declaration in Form No 15G / 15H (including for RD accounts) under the provisions of Section 197A, before payment or credit to him. 15 H is exclusively meant for senior citizens.

- The basic conditions for filing form 15G are:

  1. The final tax on estimated total income computed as per Income Tax Act should be Nil; and
  2. The aggregate of interest(excluding interest earned on securities)received during the financial year should not exceed the basic exemption slab of income.

- As regards Form 15 H, the only condition is that the final tax on estimated total income of the individual (senior citizen) should be nil.
- Banks are advised to give an acknowledgment at the time of receipt of Form 15-G/15-H to customers.(RBI cir.31.05.2013)

- Declaration in Form 15G/15H are not valid if PAN has not been furnished.
- Payee Can Submit the Self-Declaration either in Paper form or electronically wef-01.10.2015. The tax deductor will not deduct tax and allot a Unique Identification Number (UIN) to all Self-Declarations. The particulars of self-declarations will have to be furnished by the deductor along with UIN in the Quarterly TDS statements. (CBDT notification NO. 76/2015, dt. September 29, 2015.
- Tax under Section 195 has to be deducted as per rates in force or the rates specified in the **Double Taxation Avoidance Agreements (DTAA)** entered into by the Central Government, whichever is lower. The benefits of DTAA can be given to the customers on production of Tax residency certificate (TRC) duly signed by the Assessing officer [Sec 90(4) of IT Act].
- In case of non-receipt of TRC, interest earned on NRO account is taxed at 30% plus cess and surcharge.
- Non-residents have to furnish additional information in Form 10F along with Tax Residency certificate (CBDT notification dt. 01.08.2013)
- Interest on **Savings Bank should not** be considered while determining the threshold limit of **Rs.10,000** for TDS.

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by: Shri Kolappan

- Recurring Deposit is subjected to TDS commencing from the year FY 2015-16 (Finance bill 2015)
- In the case of a Deposit in joint names, the applicability of the provision of Sec.194.A with reference to the limit of Rs.10,000 should be considered **only in the hands of the first holder**.
- Interest on minor deposits should be clubbed with interest on deposits of Parents/Guardian
- Tax **need not** be deducted at source from interest paid on deposits other than NRO deposits held by NRIs.
- Interest paid or credited to the following depositors is not subject to tax deduction.

a) Any Banking Company to which Banking Regulation Act 1949 applies or a Co-operative Society engaged in carrying on the business of banking
b) Any Financial corporation established by or under a Central, State or Provincial Act, e.g. the Industrial Finance Corporation and the State Financial Corporation
c) Life Insurance Corporation of India
d) Unit Trust of India
e) Any Company, or a Co-operative Society carrying on the business of Insurance

- Under Sec. 201, if the person responsible for the deduction of tax at source has defaulted in his obligation to deduct tax at source. Failure to deduct tax attract penalty as follows;
    1. At 1% for every month or part of a month on the amount of tax from the date on which such tax was deductible to the date on which such tax is actually deducted [Sec. 201 (1A)of IT Act].
    2. Failure to deduct tax at source - Penalty is the equal amount of tax deductible but not deducted.[Sec.271C of IT Act]
- U/s 139 A (5B) of Income Tax Act, quoting of PERMANENT ACCOUNT NUMBER (PAN) of all employees is mandatory and the same has to be incorporated in Form No. 16 and 12BA and in the quarterly return Form 24Q. Non-compliance of this section attracts a **penalty of Rs.10000**/-.(section 272B of the Income Tax Act)
- In case of non furnishing of PAN, Tax shall be deducted at actual rate or 20%, whichever is higher (Sec 206 AA of IT Act).
- As per the provisions of Section 203A of Income Tax Act, it is obligatory for all persons responsible for deducting tax at source to obtain and quote Tax Deduction Account Number (TAN) in the challans, TDS certificates, returns etc. Failure to apply for TAN/not quoting the same in the specified documents attract penalty of Rs.10000/-.[Section 272 BB]

- The deductee from whose income tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of TDS certificate issued by the deductor.

1) Electronic mode: E-Payment is mandatory for

a) All corporate assesses; and
b) All assesses (other than company) to whom provisions of section 44AB of the Income Tax Act, 1961 are applicable.

2)Physical Mode: By furnishing the Challan 281 in the authorized bank branch

TDS Rates Applicable for Resident of India

Particulars	TDS Rate (%)
Section 192: Payment of salary	Normal Slab Rate
Section 193: Interest on securities.	10
Section 194: Dividend other than the dividend as referred to in Section 115-O	10
Section 194A: Income by way of interest other than "Interest on securities" w.e.f 1st April 2018, interest up to Rs. 50,000 earned by senior citizens on: – deposit with banks – deposit with post offices – fixed deposits schemes – recurring deposit schemes will be exempt from TDS w.e.f 1st April 2019, TDS on interest income from post offices and bank deposits have increased up to Rs. 40,000 from the present limit of Rs. 10,000.	10
Section 194B: Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort	30
Section 194BB: Income by way of winnings from horse races	30
Section 194C: Payment to contractor/sub-contractors. a) HUF/Individuals b) Others	 1 2
Section 194D: Insurance commission	5 (w.e.f 01.06.2016) (10% from 01.04.2015 to 31.05.2016)
Section 194DA: Payment in respect of a life insurance policy	1 (w.e.f 01.06.2016) (2% from 01.04.2015 to 31.05.2016)
Section 194EE: Payment in respect of deposit under National Savings scheme	10 (w.e.f 01.06.2016) (20% from 01.04.2015 to 31.05.2016)

Particulars	TDS Rate (%)
Section 194F: Payment on account of repurchase of a unit by Mutual Fund or Unit Trust of India	20
Section 194G: Commission, etc., on the sale of lottery tickets	5 (w.e.f 01.06.2016) (10 % from 01.04.2015 to 31.05.2016)
Section 194H: Commission or brokerage	5 (w.e.f 01.06.2016) (10 % from 01.04.2015 to 31.05.2016)
Section 194-I: Rent on a) Plant & Machinery b) Land or building or furniture or fitting W.e.f 1st April 2019, TDS limit for deduction of tax on rent is increased to Rs. 2,40,000 p.a from Rs.1,80,000 p.a.	(a) 2 (b) 10
Section 194-IA: Payment on transfer of certain immovable property other than agricultural land Section 194 – IB: Rent payable by an individual or HUF not covered u/s. 194I (w.e.f from 01.06.2017)	1 5 (w.e.f from 01.06.2017) (If payment of Rent exceeds Rs. 50,000/- per month.)
Section 194J: Any sum paid by way of: a. Fee for professional services b) Fee for technical services. c. Royalty d. Remuneration/fee/commission to a director ore) For not carrying out any activity in relation to any business. f) For not sharing any know-how, patent, copyright etc.	10
Section 194LA: Payment of compensation on acquisition of certain immovable property	10
Section 194LBA: Certain income distributed by a business trust to its unit holder	10
Any Other Income	10

TDS Rates Applicable for Non-Resident of India (NRIs)

Section 192: Payment of Salary	Normal Slab Rate
Section 194B: Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort	30
Section 194BB: Income by way of winnings from horse races	30
Section 194E: Payment to non-resident sportsmen/sports association	20
Section 194EE: Payment in respect of deposits under National Savings Scheme	10
Section 194F: Payment on account of repurchase of unit by Mutual Fund or Unit Trust of India	20
Section 194G: Commission, etc., on sale of lottery tickets	5
Section 194LB: Payment of interest on infrastructure debt fund	5
Section 194LBA: Certain income distributed by a business trust to its unit holder	5
Section 194LC: Payment of interest by an Indian Company or a business trust in respect of money borrowed in foreign currency under a loan agreement or by way of issue of long-term bonds (including long-term infrastructure bond)	5
Section 194LD: Payment of interest on rupee denominated bond of an Indian Company or Government securities to a Foreign Institutional Investor or a Qualified Foreign Investor	5
Section 195: Payment of any other sum to a Non-resident	
a) Income in respect of investment made by a Non-resident Indian Citizen	20
b) Income by way of long-term capital gains referred to in **Section 115E** in case of a Non-resident Indian Citizen	10
c) Income by way of long-term capital gains referred to in sub-clause (iii) of clause (c) of sub-section (1) of **Section 193**	10
d) Income by way of short-term capital gains referred to in **Section 111A**	15
e) Any other income by way of long-term capital gains [not being long-term capital gains referred to in clauses (33), (36) and (38) of **Section 10**]	20
f) Income by way of interest payable by Government or an Indian concern on money borrowed or debt incurred by Government or the Indian concern in foreign currency (not being income by way of interest referred to in **Section 194LB** or **Section 194LC**	20
g) Income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern	10

where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of **Section 115A** of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of **Section 115A** of the Income-tax Act, to a person resident in India	
h) Income by way of royalty	10
i) Income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy	10
j) Any other income	30

TDS Rates Applicable for a Domestic Company

Section 193: Interest on securities	10
Section 194: Dividend	10
Section 194A: Income by way of interest other than "Interest on securities"	10
Section 194B: Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort	30
Section 194BB: Income by way of winnings from horse races	30
Section 194C: Payment to contractor/sub-contractor a) HUF/Individuals b) Others	 1 2
Section 194D: Insurance commission	10
Section 194DA: Payment in respect of the life insurance policy	1 (w.e.f 01.06.2016) (2% from 01.04.2015 to 31.05.2016)
Section 194EE: Payment in respect of deposit under National Savings scheme	10 (w.e.f 01.06.2016) (20% from 01.04.2015 to 31.05.2016)
Section 194F: Payment on account of repurchase of unit by Mutual Fund or Unit	20

Trust of India	
Section 194G: Commission, etc., on sale of lottery tickets	10 (w.e.f 01.06.2016) (10 % from 01.04.2015 to 31.05.2016)
Section 194H: Commission or brokerage	5 (w.e.f 01.06.2016) (10 % from 01.04.2015 to 31.05.2016)
Section 194-I: Rent a) Plant & Machinery b) Land or building or furniture or fitting	 2 10
Section 194-IA: Payment on transfer of certain immovable property other than agricultural land	1
Section 194J: Any sum paid by way of a) Fee for professional services, b) Fee for technical services c) Royalty, d) Remuneration/fee/commission to a director or e) For not carrying out any activity in relation to any business f) For not sharing any know-how, patent, copyright etc.	10
Section 194LA: Payment of Compensation on the acquisition of certain immovable property	10
Section 194LBA: Certain income distributed by a business trust to its unit holder	10
Any Other Income	10

- Failure to quote PAN in accordance with Sec 139 A of IT Act attracts a penalty of Rs.10000/-.
- Customers have an **obligation to furnish their PAN** in every document pertaining to every transaction, which falls under the list of specified transaction or else have to furnish **Form No 60/61.**
- All the Forms (Form No 60/61) so received have to be forwarded to the jurisdictional CIT (CIB), in two instalments covering the periods April 1 to September 30 and October 1 to March 31 of every year, on or before October 31 and April 30 respectively.

Payment of TDS

- Tax deducted in respect of income or amount credited or paid in the month of March shall be paid to the credit of Central Government on or before **30th day of April**

- Tax deducted in other months shall be paid to the credit of Central Government on or before **the seventh day from the end of the month** in which the tax has been deducted.
- Tax deducted shall be remitted **only electronically** by way of internet banking facility of any authorised Bank.

<u>Failure to deposit tax at source</u> :

- Equal amount of tax not deposited [u/s 201(1)]
- Simple Interest is payable @ 1.5% (per month or part) for the amount from date of deduction till date of payment. [201(1A)]

Statement of deduction of tax – Submission of Quarterly E TDS Returns

Particulars of transaction	Forms for reporting
TDS from salary u/s192	24Q
TDS from Payment on transfer of immovable properties u/s194-IA	26QB
TDS when deductees are non-residents (not being a company), foreign company & persons who are resident but not ordinarily resident	27Q
Any other case of TDS	26Q

- The transactions where 15G/15H forms have been submitted by the depositors to the bank needs to be reported in the TDS statement (F26Q) with appropriate flag (B). [Rule 31(4)(VII) of IT Act rules 1962].
- The quarterly statements shall be delivered to the Director General of Income-tax (Systems) or authorised persons i.e. TIN facilitators.

The due dates for furnishing the above returns electronically to the Director General of Income tax (Systems) or any other authorised person are :-

S No	Quarter ending date	Due date
1	30th June	15th July
2	30th September	15th October
3	31st December	15th January
4	31st March	15th May

- The TDS return ought to **capture all transactions** where tax had to be deducted (eg. NIL tax deducted or deducted at lower rate on submission of certificate from IT officer, submission of 15G/15H, tax not deducted as the payment has not exceeded the threshold limit etc.).
- For defaults in furnishing statements fee @ Rs 200/- per day till return is filed, to

be deposited before filing of such TDS return. The maximum amount of fees leviable is up to the TDS amount. (Section 234E has been introduced w.e.f 1.7.12)

- Late filing fee u/s 234E- Fee chargeable on late filing of TDS Return u/s 234E will now be charged at the time of processing of the TDS return itself and any refund/demand thereon will be determined after adjusting the fees u/s 234E. –(Transient Series Circular No. 5 File 7 (d) of 2015-16 dt 02.06.2015)

TDS certificates

- The certificate for deduction at source shall be in Form No 16 (for Salaries) and in Form No 16A (Payments other than salaries)
- TDS certificate in Form No.16 is to be issued annually whereas TDS certificate in Form No.16A is to be issued quarterly, within **15 days** from the due date for submitting quarterly E TDS returns.
- TDS certificate in Form No.16A shall be compulsorily generated through

TDS Reconciliation and Correction Enabling System (TRACES).

For failure to issue TDS certificates, a sum of Rs.100 for every day during which the failure continue subject to a maximum of TDS. [Sec.272 A]

Tax Deducted at Source on Interest on Time Deposits (Sec. 194 A)

- Whenever any account in Term Deposits, SCSS or SB/CDCC-Liqui is closed, all the accounts with the same customer-id will be pooled, projected-interest from all those accounts for the related financial year will be aggregated, and if it exceeds the threshold limit, then applicable TDS will be deducted for the amount of interest paid. The same principle will be applied while applying the periodical interest made to the deposits on monthly / quarterly / half yearly basis. (MSD/MISC / 134 /2012-13 Dt. 24.04.2012)

- If the interest on outstanding term deposits is insufficient to meet the TDS liability, the balance TDS will be deducted from the principal amount of the outstanding term deposits

TDS on the deposits made as directed by court.

- Deposited in the bank directly or through the court.
- The bank shall in accordance with the provisions of the Act, deduct tax at source on the interest accruing on the above mentioned deposit(s) as per existing procedure and at the rates in force.
- The certificate of deduction of tax shall be issued by the bank in the name of 'the depositor'.
- If more than one person has been directed to deposit any specified amount, the amount of TDS shall be corresponding to each such depositor for the portion of interest accrued in its respective share in the total amount deposited and TDS certificates shall be accordingly issued by the bank.

- At the time of making deposit of the amount ordered by the court, the depositor(s) shall submit a prescribed declaration with the court for record purpose and to facilitate the administration of TDS.
- The Registrar/Prothonotary and Senior Master or any person authorized by the court will pass the information furnished therein to the bank concerned for TDS properly in the name of the depositor(s) in accordance with the provisions of the Act.
- The above procedure shall not apply to:

a) Any deposit in the bank held or dealt by the court or any other person appointed by the court in the capacity of being an administrator or receiver or any authority of similar nature; or
b) any deposit which has not been made by any specific depositor but has arisen due to attachment made by the Court; or
c) The cases of "representative assessee" within the meaning of section 160 of the Act.

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by: Shri Kolappan

GOODS AND SERVICE TAX (GST)

GST is a single, **destination based indirect** tax levied on the value added to goods as well as services at each stage of the supply chain. The main objective behind levying such a tax is to consolidate multiple indirect tax levies into a single tax. Thus, GST subsumes a host of taxes. It overcomes limitations of the previous indirect tax structure.
'**Destination Principle'** states that the supply of goods and services would be taxed at the point of consumption. This means that GST replaces source-based tax system with destination-based tax regime.
To administer GST in a country like India, a model was designed involving both Centre and States in its implementation.
Accordingly, a Dual GST Model was implemented that distributed powers to both Centre and the States to levy the tax concurrently. And, depending upon the nature of supply, components of GST are as follows:

- Central GST (CGST)
- State GST (SGST)
- Union Territory GST (UTGST) and
- Integrated GST (IGST)

The main objective of GST is to consolidate multiple indirect taxes levied under the previous indirect tax structure. The essence of such a tax regime is to remove **cascading effect** of multiple taxes. Thus, GST is a well-designed VAT that aims to eliminate distortions existing in the previous indirect tax structure.

Accordingly, the following indirect taxes have been subsumed under GST:

- CentralTaxes
- Central Excise Duty
- Countervailing Duty (CVD) of Customs
- Special Additional Duty of Customs
- Service Tax
- Duties of Excise Under Medicinal and Toilet Preparations Act
- Additional Duties of Excise
- Cesses and Surcharges

State Taxes

- State VAT
- Central Sales Tax
- Purchase Tax
- Luxury Tax
- Entry Tax
- Entertainment Tax

- Taxes on Advertisements
- Taxes on Lotteries, Betting and Gambling
- State Cesses and Surcharges

In order to avoid the challenge of 'tax on tax', Input Tax Credit (ITC) mechanism was incorporated into the GST system.The term 'Input' means any goods other than capital goods used or intended to be used by you in the course or furtherance of your business. And the taxes paid on the inward supply of inputs, capital and services are called input taxes. These may include Integrated GST, Central GST, State GST or Union GST.Therefore, Input Tax Credit means deducting the tax paid on inputs from the tax payable on the final output by you as a registered taxable person. This means as a recipient of inputs or input services (e.g. a manufacturer), you can deduct the amount of tax paid on inputs or input services against the tax on your output.

Under the GST law, registration of an entity means obtaining a unique number from the concerned tax authorities. This number is referred to as GST Identification Number (GSTIN). Such a number is obtained for the following purposes:

(a)To collect tax on behalf of the government and
(b)To avail input tax credit for the taxes paid on inward supplies

But to avail GST Identification Number, there are some basic conditions that your business must meet.

According to section 22 of the CGST Act, 2017, the minimum threshold turnover for GST Registration is Rs. **40 Lakhs for goods** and **Rs 20 Lakhs for services.**But for persons having business units in Jammu and Kashmir and North-Eastern states, the minimum turnover threshold is Rs 20 Lakhs.

Under GST, single registration is required for different taxes. This means you are not required to register separately for CGST, SGST/UTGST, IGST and Cesses. Also, if your business has multiple branches in different states, you are required to register separately for each state.

However, if your business entity has multiple branches within the same state, single registration is required. In such a case, your entity shall declare:

- one place as principal place of business and
- other branches as additional place of business

Furthermore, there are business entities having separate business verticals within the same state. In such a case, the entity has to obtain separate registration for each of its business verticals

Reverse charge means the liability to pay GST is on the recipient instead of the supplier of goods and services. This is unlike the usual regulation under GST where the supplier of goods and services is obligated to pay GST for the supplies made.

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by: Shri Kolappan

Returns under GST regime

Return Form	Particulars	Frequency
GSTR-1	Details of outward supplies of taxable goods and/or services affected	Monthly
GSTR-2	Details of inward supplies of taxable goods and/or services affected claiming the input tax credit.	Monthly
GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of tax.	Monthly
GSTR-3B	Simple Return in which summary of outward supplies along with Input Tax Credit is declared and payment of tax is affected by taxpayer	Monthly
GSTR-5	Return for a Non-Resident foreign taxable person	Monthly
GSTR-6	Return for an Input Service Distributor	Monthly
GSTR-7	Return for authorities deducting tax at source.	Monthly
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly
GSTR-9	Annual Return for a Normal Taxpayer	Annually
GSTR-9A	Annual Return a taxpayer registered under the composition levy anytime during the year	Annually
GSTR-10	Final Return	Once, when GST Registration is cancelled or surrendered

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by: Shri Kolappan

OFFSITE CONTROL AND SURVEILLANCE (OCAS)

Offsite Control and Surveillance (OCAS) Alerts serve as an important audit tool. The alerts are generated when "deviations" from Bank's procedures and guidelines occur at branches. After day end, transaction data for the day is processed in the **eTHIC server** with reference to the deviation.

Purpose of Alerts

- To facilitate near real time detection of deviations/ mistakes and provide early warning signals.
- To mitigate the risk of loss of income through corrective actions and other operational risk by timely action with a systematic approach.
- To give better focus to the on-site inspection.
- To establish proactive internal control culture.
- To safeguard employees from in-advertent mistakes.
- To benefit all stakeholders in the organisation – Central Office, Inspectorates, Regional Offices and Branches.

Classification of Alerts

- Alerts are classified based on the criticality as

  1. **Low Risk Alerts:** to be attended and closed by Branch itself after initiating steps for rectification.
  2. **Medium Risk Alerts:** can be closed only after RO approves the same. Branches need to inform the steps taken by them to RO and the alerts will be escalated to RO.

Any alert if not attended by Branches within 15 days from date of generation, gets escalated to RO.

Role of Branches & Controlling Offices

- The access to closing of alerts shall be available only for Branches & Regional Offices.
- Inspectorate will continue to have access to the alerts generated and pending; both at Branch level & RO level. The data can be used when on-site branch inspection is undertaken.
- Regional Office & Zonal Office should ensure that Branches act upon the alerts and close them.

OCAS Alerts: Action to be initiated by Branches/ Regional Offices

Alert No.	Alert Description	Risk Category	Branch Action	RO Action
1	TOD more than ₹200000	Medium	Explain to RO on the reasons for extending TOD and steps taken for	Close the alert, if satisfied with branch explanation,

			regularization & indicate probable date of regularization.	diarise the date given for regularization & follow up with branch.
2, 3, 4	Small Account: Debit transaction exceeding ₹10000 in a month or Credit summation in a year exceeding ₹100000 or Balance exceeding ₹50000	Low	Take up with the customer for getting KYC documents and convert the account as a SB PUB Account.	Ensure that the alerts are closed at branch level.
5	Transactions with value date prior to date of transaction	Medium	Verify the transaction and conform to RO that the value-dating was effected for valid reasons.	If satisfied, close the alert
6	Excess over sanctioned limit, exceeding 10%	Medium	Inform RO, the reason for excess, RO sanction reference and steps taken for regularization	Close the alert and simultaneously monitor that the excess is regularized.
7	Guarantees expired	Low	Take steps for reversal of entries as per guidelines.	Ensure that the alerts are closed at Branch level.
8	CC accounts with cash withdrawal of more than 10% of sanctioned limit (in a month) – other than Staff CC accounts, MSME and Mudra CC)	Medium	Scrutinize the account and take up with borrower & apprise RO of steps taken.	Monitor the account and close the alert.
9	TOD outstanding beyond 60 days	Medium	Confirm the steps taken to regularize the TOD and reasons for delay.	Upon satisfaction, close the alert.
10	List of Minor accounts where Minor have attained majority	Low	Get KYC documents.	Ensure that the alert is attended and closed.
11	LC devolved	Medium	Take steps for recovery and inform RO.	Make a note and close the alert.
12	SB/ Current account closed within 6 months of opening	Low	Go through the transactions and ensure that they were normal.	Ensure that branch attends to alert and closes it.
13	Zero balance in SB/ CD accounts for more than 6 months.	Low	Take steps to get the account activated/ close the account.	To follow up that the branch attends to alerts.
14	CC/ TL accounts where there are no credits for more than 45 days	Low	Take steps for recovery of dues, as otherwise accounts may become NPA	Ensure that alerts are closed by branches.
15	Excess in MCC/ ETF-CC	Medium	Any such excess will erode the security value.	Ensure that the excess is regularized and alert to be closed.
17	Cheques/ Bill purchased returned. Amount upto ₹100000	Medium	Take steps to recover.	Close the alert after being satisfied.
18	Cheques/ Bill purchased returned. Amount ₹100000 & above upto ₹500000	Medium	Take steps to recover.	Close the alert after being satisfied.
19	Cheques/ Bill purchased returned. Amount beyond	Medium	Take steps to recover.	Close the alert after being satisfied.

	₹500000			
20	Overdue Export bills – DBPF & UBDF	Low	Take steps to realize the bills	Ensure that the branch attends to the alert and take steps.
21	Bank Guarantee with a validity of more than 3 years	Medium	Inform that appropriate sanction is in place for issuing long duration guarantees	Upon satisfied with branch explanation, close the alert.
22	Import bills where Bill of Entry is not received	Medium	Bill of Entry should be received within 90 days from payment date.	Ensure that branch takes effective steps and close the alert.
23	DD, where commission is waived/ concession is allowed.	Medium	Confirm that necessary approval has been obtained.	Close the alert upon satisfaction
24	Loan account with irregular/ multiple changes in interest rate other than system generated during a month.	Medium	Inform RO the relative sanction reference/ reasons for manual changes.	Upon being satisfied, close the alert.
	Loan against deposits for ₹100 lakh & above		Verify the documents along with deposit receipt. Verify system for correctness of masters opened and advise RO.	Make enquiries and if found genuine, close that alert.
	Loan against NRE deposits where proceeds credited to NRE SB account		Branch is not in order in doing so, if loan proceeds are not withdrawn from NRE SB account, transfer the same to NRO account after duly informing the customer. If not, care should be taken so that the loan proceeds are not repatriated.	
	LG invoked		Initiate steps for recovery, inform RO, close the alert.	
	MSME loans above ₹10 lakh and upto ₹100 lakh without CGTMSE coverage		Take steps immediately to cover the loan under CGTMSE. Close the alert.	
	Inward NEFT/ RTGS for ₹1 0lakh and above and outward remittance for similar amount on same day.		This could be money laundering activity. Scrutinize the transaction, take up with the party in case of doubt and report to RO/ CO. Close the alert.	

Reference

- Permanent Circular No. 1/2016-17 dated 27.06.2016
- Transient Series Circular No. (File C)/3/2018-19 dated 04.07.2018
- MISC/436/2018-19 dated 05.10.2018
- MISC/611/2019-20 dt. 14.08.2019

COMPENSATION POLICY

It will be the bank's endeavour to offer services to its customer with possible utilisation of its technology infrastructure. The objective of this policy is to establish a system whereby the bank compensates the customer for any financial loss he/she might incur due to **deficiency in service** on the part of the bank or any act of omission or commission directly attributable to the Bank. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

The compensation policy of the bank is designed to cover areas relating to

- unauthorised debiting of account
- payment of interest to customers for delayed collection of cheques/ instruments
- payment of cheques after acknowledgement of stop payment instructions
- remittances within India
- foreign exchange services lending, etc.

Unauthorised/ Erroneous debit:

- If the bank has raised an unauthorised/ erroneous direct debit to an account, the entry will be revered immediately on being informed of the erroneous debit, after verifying the position.
- In the event the unauthorised/ erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on saving bank deposit or payment additional interest to the bank in a loan account, the bank will compensate customer for such loss.
- If the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorised/ erroneous debit, the bank will compensate the customer to the extent of such financial losses.
- In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank shall arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit.
- In case, the verification involves a third party, the bank shall complete the verification process within a maximum period of 1 month from the date of reporting of erroneous transaction by the customer.
- Erroneous transactions reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card association such as VISA, Master, Amex etc.
- The Bank is affiliated to VISA International. Compensation on account of erroneous transactions, if any, as provided by the card association will be considered on case to case basis. The details of compensation are available in the Visa international website www.visa.com.
- Notwithstanding internal regulations for the members of VISA International on disputes of credit card transactions, guidelines of Reserve Bank of India regarding

provision of explanation/ documentary evidence to the card holders within a maximum period of 60 days.

Erroneous debits arising out on Fraudulent or other transactions

- Bank would compensate the customer forthwith without demur, where the bank is at fault.
- Even when the bank or the customer is not at fault, and the fault lies elsewhere in the system, then also bank would compensate the customer.
- As a measure of our Bank's commitment to speedy customer service, the customer will be compensated up to ₹1 Lakh where erroneous debits have taken place in the customers accounts, either through our fault or where the fault is elsewhere in the system after getting necessary approval from the concerned layer of authority as indicated below.

Regional Head	Upto ₹25000
GM at Central Office	From ₹25001 to 50000
ED	From ₹50001 to 75000
Chairman & Managing Director	From ₹75001 to ₹100000
Board of Directors	Above ₹100000

ECS direct debits/ other debits to accounts

- If bank fails to carry out direct debit/ ECS debit instructions of customers in time, customer will be compensated to the extent of any financial loss would incur on account of delay in carrying out the instructions/ failure to carry out the instructions.
- Bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. In the event the bank levies any charge in violation of the arrangement, the bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.
- Where it is established that the bank had issued and activated a credit card without written consent of the recipient, the bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed as per regulatory guidelines in this regard.

Payment of cheques after Stop Payment instructions:

- In case a cheque has been paid after stop payment instruction is acknowledged by the bank, the bank shall reverse the transaction and give value dated credit to protect the interest of the customer.
- Any consequential financial loss to the customer will be compensated as explained above.
- Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

FOREIGN EXCHANGE SERVICES:

Outward cheque collection

- The bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent. Compensation in such cases will be worked as follows:

USD Denominated Cheques

- The cooling period will be 15 days for USD denominated cheque collection.
- The Bank will pay interest at SB rate from the date of credit to Nostro account till the date of credit to the beneficiary's account if the credit is made on the 16th day.
- If the delay is more than 16 days, the interest will be paid at the applicable term deposit interest rate for the delayed period.
- The exchange rate prevalent on the date of conversion will apply. No compensation will be paid for volatility in the exchange rate.

Other currency denominated cheques

- Cooling period will not be indicated for other countries, in view of the fact that within the same country it may vary from one center to another.
- The exchange rate prevalent on the date of conversion will apply. No compensation will be paid for volatility in the exchange rate.

Inward Remittances:

- Inward remittances will be credited within 7 days from the date of credit in our Nostro account, if the beneficiary's account particulars are available correctly.
- Customers will be compensated by way of interest for the delayed credits beyond 7 days at 2% above SB interest rate.
- The exchange rate prevalent on the date of conversion will apply. No compensation will be paid for volatility in the exchange rate.

REMITTANCES IN INDIA

Payment of interest for delayed collection of Outstation Cheques:

- Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- Where the delay is beyond 14 days, interest will be paid at the rate applicable to for term deposits of the respective period.
- In the case of extraordinary delay, i.e delay exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term deposit rate.
- In the event of the proceeds of Cheque under collection was to be credited to an overdraft/ loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

Cheques/ Instruments lost in transit/ in clearing process or at paying Bank's Branch

- The bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that the cheques, if any, issued by him/her are not dishonoured due to non-credit of the amount of the lost cheques/instruments.
- The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the Cheque.
- In line with the compensation policy of the bank the bank will compensate the account holder in respect of instruments lost in transit in the following way:

✓ In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.

✓ In addition, bank will pay interest on the amount of the Cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/ instrument and collection thereof.

✓ The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/ instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of duplicate instrument.

Violation of the Code by banks agent

- In the event of receipt of any complaint from the customer that the Bank's Representative/ Courier or Direct Selling Agent has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the bank has adopted voluntarily, bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

Issue of Duplicate Draft and Compensation for delays

- Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof.
- For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of corresponding period will be paid as compensation for such delay.

Transaction of "at par instruments" of co-operative Banks by Commercial Banks

The Reserve Bank of India has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonour of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for non payment/ delayed payment of cheques in the absence of adequate funding arrangement.

Returning of securities to borrowers:

- The bank would return to the borrowers all the securities/ documents/ title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted.
- The bank will compensate the borrower for monetary loss suffered, if any, due to delay in return of the same.
- In the event of death of owner of the property, the title deed would be delivered as per bank's policy for settlement of deceased customer asset.
- In the event of loss of title deeds to mortgage property at the hands of the bank the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount of ₹5000 (Rupees Five Thousand only).

ATM Failed Transactions:

- It is mandatory for the bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of the complaint.
- For any failure to re-credit the customer's account within 7 working days from the date of receipt of the complaint, the bank shall pay compensation of ₹100 per day to the aggrieved customer.
- The customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within 30 days of the date of the transaction.

Force majeure

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God" war, damage to the Bank's facilities or of its correspondent bank(s) absence of the usual means of communication or all types of transportation etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

REFERENCE

- CSD/ Master/ 34/ 2013-14 dated.08.05.2013
- CSD/MISC/621/2019-20 dated 05.09.2019
- Compensation Policy ported in our Bank's website.

Prepared by: Shri SantoshKumar K
Vetted by: Shri Abhishek Kumar

SIGNIFICANT ACCOUNTING POLICY OF OUR BANK

- Income is recognized on **accrual basis** on performing assets and on **realization basis** in respect of non-performing assets as per the prudential norms prescribed by Reserve Bank of India**.**
- Interest on Bills Purchased is accounted on **realization basis.**
- Commission (except on Letter of Guarantee/Letter of Credit and Government business), Exchange and Locker Rent are recognized on **realization basis.**
- Expenditure is accounted for on accrual basis, unless otherwise stated.
- Recovery in Non Performing Assets is first appropriated towards interest and the balance, if any, towards principal, except in the case of Suit Filed Accounts and accounts under One Time Settlement
- Legal expenses in respect of Suit Filed Accounts are charged to Profit and Loss Account. Such amount when recovered is treated as income
- Balances in NOSTRO and ACU Dollar accounts are stated at closing rates.
- FCNR/EEFC/RFC/FCA (all foreign currency deposits including interest accrued thereon) and PCFC/WCFC/TLFC/FCL (all foreign currency lendings) are stated at the FEDAI weekly average rate applicable for the last week of the quarter.
- Assets & Liabilities (including contingent liabilities) of **overseas branches** are translated at the closing spot rates notified by FEDAI at the end of each quarter
- Income & expenses of overseas branches are translated at quarterly average rates notified by FEDAI at the end of each quarter.

- Investments in India are classified into '**Held for Trading**", "**Available for Sale**" and "**Held to Maturity**" categories in line with the guidelines of RBI.
- Individual securities under "Held for Trading" and "Available for Sale" categories are marked to market **at quarterly intervals**.
- "Held to Maturity"- investments are carried at acquisition cost/amortised cost.
- Depreciation is provided on straight-line method at the rates as under :
  - Premises : 2.50 %
  - Furniture : 10 %
  - Electrical Installations, Vehicles & Office Equipments : 20 %
  - Computers : 33 1/3 %
  - Computer Software : 33 1/3 %
  - Fire Extinguishers : 100 %
- Depreciation is provided for the full year irrespective of the date of acquisition/revaluation.

SECURITY ARRANGEMENTS IN BANK

1. Insurance coverage for cash in transit is **Rs.500 lacs**
2. Cash remittances are to be escorted as follows:
   (CO: SECY: MASTER/68/2019-20 dated 19.06.2019).

Insurance cover is based on escorts as given hereunder;

UptoRs. 30 lakhs	No Armed escort
Above Rs. 30 lakhs upto Rs.100 lakhs -	1 Armed guard
Above Rs. 100 lakhs upto Rs.500 lakhs	2 Armed guards
Above Rs. 500 lakhs	Police escort

3. The key of the cash box **should not** accompany the remittance / withdrawal party. One set of the cash box key should be available at the Currency Chest/ branch where such remittance / withdrawal are carried out.
4. Bullion / Gold coins in transit will be escorted as done for cash.
5. In case the distance covered is short and no mode of transport is available, cash may be sent on foot.
   - In such cases, remittance should not exceed **Rs.2lakhs**.
   - The escort should walk a few paces behind the carrier.

6. If remittance is not being carried out by fully outsourced agency, **2 confirmed employees** must accompany cash.

7. CCTV surveillance

- ✓ All branches should have a CCTV system and it must be maintained in working condition 24 x 7.
- ✓ The CCTV Cameras should be installed in prominent places in the premises such that it can monitor entire premises area including entry/exit gate.
- ✓ It is mandatory for storing backup of recording for 90 days.
- ✓ The Functioning of CCTV system should be monitored on daily basis and the record of daily checking should also be maintained.
- ✓ The DVR of the CCTV must be secured and hidden at a suitable place. The monitor must face the Branch Head and kept switched off when not in use.
- ✓ Uploading the CCTV footage and confidential information on social media without the approval of competent authority is strictly prohibited
- ✓ Sharing of CCTV footage with the Police regarding incidents of theft/ attempted burglary/ robbery/ dacoity /fire may be done with the approval of the Chief Security Officer. The copy of footage may be given to Police and original duly retained at the branch.

8. Usage of fire extinguishers (CO: SECY: MASTER/68/2019-20 dated 19.06.2019)

- Sound the fire alarm if provided or raise alarm by shouting "FIRE, FIRE, FIRE" or "AAG, AAG, AAG".
- The main switch should be switched off in case of an electrical short circuit/electrical fire.
- A member of staff should inform the Fire Brigade and the dependent Police Station/ Police Control Room.
- Use the appropriate fire extinguisher to extinguish the fire as under:-
  (i) Electrical fire - Use C02 or ABC/ DCP type fire extinguisher.
  (ii) Computer fire - Use C02 type fire extinguisher.
  (iii) Other fire viz. Wood/carpet/cloth/paper - Use ABC/ DCP or C02 type fire extinguisher.
- The ABC/ DCP & CO2 type of Fire Extinguisher to be refilled once in two years. However, in places of high humidity, the ABC/ DCP type of FEs may be refilled annually.
- The FEs beyond the shelf life must be used for the purpose of training the staff at branch level before refilling.

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MANDATE MANAGEMENT SYSTEM

1. **National Automated Clearing House (NACH)**: The project NAC has been initiated by National Payment Corporation of India (NPCI).

2. NACH project consists of two components viz.
   - Mandate Management system
   - Electronic Transactions handling system

3. MMS should be used for validating 'valid debit mandates' received through the different ECS system

4. The mandate can be given by the customer;
   a. to the beneficiary of the mandate

   b. to the sponsor bank of the beneficiary customer

   c. to his own bank (destination bank)

5. **Destination Bank** is the bank who will be authorizing/rejecting the mandate send to them and who will make payment of the amount as per the approved mandate

6. **A Sponsor Bank** is the bank who will forward the mandate given by their corporate customer through NPCI to the Destination Bank for approval of the mandate.

7. All the beneficiaries of the mandates are required to register with NPCI through their sponsor banks and obtain a **unique identification number**

8. Each Bank is expected to generate the data and image files of the mandate and upload the same to NPCI after digitally signing the same.

9. For all validated mandate, NPCI would generate a **Unique Mandate Reference Number (UMRN).**

10. Approach for MMS in our bank

    a) All the inward mandates received for acceptance by IOB are to be referred to CBO, CHENNAI ONLY who will decide whether to accept the mandate or not.

    b) CBO, Chennai will pick up the mandate data and image files from the NPCI server and down load the same to our bank's server on a daily basis.

    c) Only supervisory staff will be engaged in this process as maker and checker.

d) No monetary ceiling is fixed, as both maker and checker are supervisory staff.

e) Mandates for cash credit account except CC-STAFF, CC-DEP, CC-LIC will not be accepted since end use of funds is to be verified. Bank has also extended acceptance of MMS-NACH mandate approval for Newly opened accounts-Less than six months to ease the new customers. The approval of mandate will be handled by IOB-CTS as the case for all other Schemes. (Circular no.7(c)/37/2017-18 dated 22.12.2017 issued by BOD)

f) Mandates for NRI accounts where the beneficiary is a Realtor/Real estate company will **not be accepted,** since there is restriction for investment activities.

g) Our bank is equipped for discharging the duties of both sponsor bank and destination bank.

11. OUR BANK AS SPONSOR BANK (BO/File (C) 2/2015-2016 dt.04.07.2015)

Our Bank has also advanced to borrowers who are having account only with other banks. In such cases, our branches are obtaining MANDATE from the borrowers for periodical debiting of their other bank account towards EMI of our loans.

a) Our branches should obtain MANDATE from their borrowers for debiting the EMI from the other bank accounts.

b) Such MANDATES are to be scanned and the scanned mandates with data are to be uploaded to C.B.O., CHENNAI.

c) C.B.O., Chennai will upload the data received from the branches to N.P.C.I. for onward transmission to the Destination Bank for approval.

d) NPCI has laid down slab based turnaround time (TAT) for processing mandates by the destination banks. Details are as follows:

Mandates upto 3 lakhs	**T+5 days**
Mandates above 3 lakhs	**T+10 days**

e) NPCI vide their circular dated 25.07.2016 has communicated that the destination banks will get incentive of Rs.5/- only if the mandates are processed as per the defined TAT. Mandates processed beyond the TAT will not be eligible for incentive.

f) All the mandates that are pending beyond T+15 days will expire in the system and will not be visible to the destination bank.

g) Service charges for return of NACH DEBITS are to be charged as done for ECS RETURNS.

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FOREIGN CONTRIBUTION (REGULATION) ACT, 2010

1. Government of India, Ministry of Home Affairs has brought into force the Foreign Contribution (Regulation) Act, 2010 with effect from May 1, 2011.

2. With the coming into force of the Act, Foreign Contribution (Regulation) Act, 1976 stands repealed.

3. As the Preamble suggests, the Foreign Contribution (Regulation) Act, 2010, is intended to consolidate the law **regulating the acceptance and utilization of foreign contribution** or **foreign hospitality** by certain individuals or associations or companies and to prohibit acceptance and utilisation of foreign contribution or foreign hospitality for any activities detrimental to the national interest and for matters connected therewith.

4. The Act extends to the whole of India, to its citizens outside India and also to associate branches or subsidiaries outside India, of companies or body corporate, registered or incorporated in India.

5. The following are the persons prohibited from accepting foreign contribution:

   - ✓ Candidate for election;
   - ✓ Correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper;
   - ✓ Judge, government servant or employee of any entity controlled or owned by the Government;
   - ✓ Member of any Legislature;
   - ✓ Political party or office bearers thereof;
   - ✓ Organisations of a political nature as may be specified;
   - ✓ Associations or companies engaged in the production or broadcast of audio news or audiovisual news or current affairs programmes through any electronic mode or form or any other mode of mass communication;
   - ✓ Correspondent or columnist, cartoonist, editor, owner of the association or company.

6. **Registration for the acceptance of foreign contribution**

   - ✓ Section 11 of the Act mandates that except as otherwise provided in the Act, no person having a definite cultural, economic, educational, religious or social program shall accept foreign contribution, **unless such person obtains a certificate of registration from the Central Government**.
   - ✓ In case a person falling in the above category is not registered with the Central Government, it can accept foreign contribution only after obtaining prior permission of the Central Government. The registration is valid for five years.
   - ✓ The Central Government is also authorised to suspend or cancel the registration so granted.
   - ✓ As per Section 16 of his Act , Every person who has been granted a certificate under Section 12 shall apply renewal of such certificate Six months before the expiry of the period of the certificate. A person implementing an ongoing multiyear project should apply 12 monhs before the expiry date. **If sufficient reason provided, government may allow renewal of registration even after expiry date but not later than 4 month from the expiry date.**

7. The Act imposes a prohibition, on persons registered and granted certificate or has obtained prior permission under the Act, from transferring such contribution to any other person, unless such other person is also registered and had been granted a certificate or obtained the prior permission under the Act
8. **Suspension** : Central Government may suspend the licence if consideration for cancellation of registration is pending with the Government which may be for the period not exceeding 180 days. **In this case 25% of the balance can be spent with prior approval of government but remaining amount can be spent only after revocation of suspension.**

9. **Cancellation :** Central Government if deems fit may cancel he registration as per section 14 of this act if any terms and condition of registration violated and in such cases the person will not be eligible for registration or grant of permission for the period of three years from the date of cancellation.

10. **Foreign contribution to be received through a scheduled bank**

- ✓ Section 17 is of special importance to bankers. It states that every person who has been granted a certificate or given prior permission under Section 12 shall receive foreign contribution in a **single account** only through such one of the branches of a bank as he may specify in his application for grant of certificate.
- ✓ Such person can open one or more accounts in one or more banks for utilising the foreign contribution received by him.
- ✓ However, no funds other than foreign contribution shall be received or deposited in such account or accounts.
- ✓ The Act makes it mandatory for every bank or authorized person in foreign exchange to report to such specified authority (a) the prescribed amount of foreign remittance (b) the source and manner in which the foreign remittance was received and (c) other particulars, in such form and manner as may be prescribed.
- ✓ The bank shall report to the Central Government **within 48 hours** any transaction in respect of receipt or utilization of any foreign contribution by any person whether or not such person is registered or granted prior permission under the Act. (GOI MHA Notification dt.14.12.2015)

11. The amount of foreign contribution lying, unutilised in the exclusive foreign contribution bank account of a person whose certificate of registration has been cancelled **shall vest with the banking authority concerned till the Central Government issues further directions in the matter**.
12. In case a person whose certificate of registration has been cancelled transfers/has transferred the foreign contribution to any other person, the above condition would apply to the person to whom the fund has been transferred
13. Penalty can be imposed on the person making false statement, declaration , representation and concealment of the fact which can be imprisonment up o six months or fine or both.
14. Bank Accounts ((FX/67/2013-14 dt.13.06.2013)

- ✓ All foreign contribution should be received in and utilized from the same **SINGLE BANK Account** specified in the order for Registration or Prior Permission granted by Ministry of Home Affairs (MHA).
- ✓ Use of Multiple Bank Accounts is legally prohibited
- ✓ The Foreign Contribution thus received should not be mixed with local funds being handled by the Organization

- ✓ Foreign Contribution received may be in Rupees or Foreign Currency. Both are considered as Foreign Contribution under law.
- ✓ The interest earned from foreign contribution is also considered as foreign contribution

15.Change of Bank Account ((FX/67/2013-14 dt.13.06.2013)

- ✓ Request for change of Bank Account may be applied in the prescribed form citing the reasons/justification for change.
- ✓ This form may be submitted to MHA along with a copy of resolution of the executive committee for such change
- ✓ The form is available on the website, http://mha.nic.in/fcra.htm
- ✓ The New Account may be made operational only after seeking MHA's Approval

16. Restrictions on transfer of funds to other Organizations

- ✓ Foreign Contribution received under one FCRA Account for an Association cannot be transferred to another Association unless the latter has also obtained either Registration or Prior Permission under FCRA.

17. Restrictions on Utilization of Foreign Contribution

a. the Act mandates that the foreign contribution shall be utilised only for the purposes for which contribution was received

b. No foreign contribution or any income arising out of it can be used for **speculative purposes**

18. Flagging in CBS (FX/67/2013-14 dt.13.06.2013)

a. Whenever FCRA Accounts are opened, branches should perform /submit immediately the following to the Treasury, without fail,

I. Fax a copy of the FCRA Registration Letter (both pages) issued by the Ministry of Home Affairs to our Fax: 044 – 2851 9619 marking Attention – Branch Support Services Section, or

II. Scan a copy of the above Certificate (both pages) and send it to e-mail id: fedgen@iobnet.co.in alongwith a covering e-mail furnishing the essential particulars, and

III. Mail a hard copy of the above Registration Certificate to Treasury addressing it to Branch Support Services Section, Treasury, Central Office.

b. Branches have to input the correct values, viz., FCRA Registration No. and

Date and Ministry of Home Affairs Reference No. etc., in CBS under appropriate fields, without any mistake, to enable the System to recognize the Account as a **FCRA Account**.

c. The Customer Record of Profile (CROP) needs to be updated every year in these accounts without fail.

d. In case, an FCRA Account is closed at the Branch, full details of the Account and the data of closure should be intimated to Treasury, central Office.

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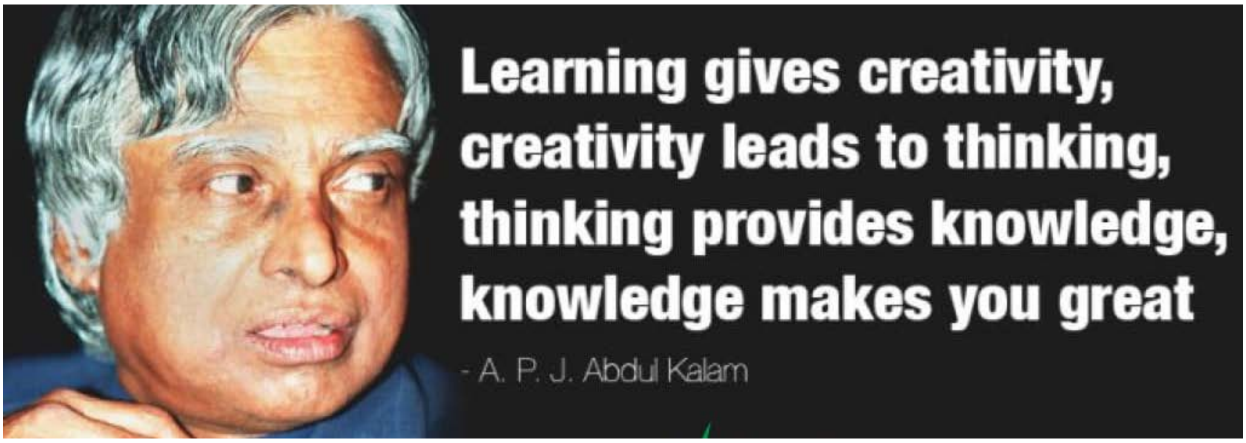
(Ref: FX/67/2013-14 dt.13.06.2013)

Prepared by: Shri Pradeep Singh
Vetted by: Shri Deepak Kumar Jha


Learning gives creativity,
creativity leads to thinking,
thinking provides knowledge,
knowledge makes you great
- A. P. J. Abdul Kalam

MODULE-B

Deposits

SAVINGS BANK ACCOUNT

1. **Features of Savings Bank Deposit**: Deposits are called Liability products as bank is liable to pay back the same to depositors. Deposits are in effect are borrowing from public and reflect in the **liability side of Bank's balance sheet**.

   Again Savings bank & Current account deposit comes under demand deposit where as Term deposit treated as Time deposit.

   CASA (Current Account & Savings Bank Account) comes under **demand deposit since these deposits are payable on demand** while the term deposits are payable after certain periods hence called time deposit.

   Features of SB are **saving** money with bank and the balance can be withdrawn at the time of demand called **liquidity**.

2. Interest rate on SB accounts (domestic, NRE & NRO) has been deregulated.

SB account Balance(Rs.)	Revision in SB interest rate w.e.f. 01.11.2019
Rs.25lakh & Below	3.50%(No Change since not linked to Repo rate)
Above Rs.25lakh	3.75%(5.15-1.40) so rate cut down from 4% to 3.75% with effect of Repo link

(Refer Circular: Dep /48/2019-20 Date: 30.10.2019 Issuing Dept: Planning)

3. "ONLINE ACCOUNT OPENING" through our Web site is available.

- The accounts can be opened under SBGOLD1. SB-NRE, SB-PLAT, SB- PUB, SB-GOLD2, SBSTUDNT, SB-SLVR1, & SB-SLVR2 (ITEC / 30 / 2012-13 dt.18th April 2013)

- Minimum balance requirement will be as applicable to the respective schemes.

- As and when the required documents, forms, copies of proof etc. have been obtained by the branch, account opening shall be completed after due verification of documents as per extant guidelines.

- Accounts should be opened within 3 days of registration, excluding intervening holidays, without fail. In case the account could not be opened due to genuine reasons/ the same should be recorded against the relevant data with the reasons.

- For SB-NRE: (ITEC / 30 / 2012-13 dt.18th April 2013)

  - ✓ The initial remittance for opening the account is to be received through banking channels in an approved manner along with signature of the depositor duly verified and attested by the overseas bank, Indian

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Vetted by: Shri Satyabrat Mohanty

Embassy or Notary Public.

- ✓ Branch should confirm the identity of the depositor at a later date when he calls in person by calling for and verifying his current valid passport.
- ✓ The officer should compare the signature of the customer in the passport with those in the account opening form and ensure that they agree

4. **Individuals resident in India** may be permitted to include **non-resident close relative(s)** as a joint holder(s) in their resident bank accounts on **'Either or survivor'** basis subject to the following conditions; (RBI Cir dt. 09.01.2014)

   - Such account will be treated as resident bank account for all purposes and all regulations applicable to a **resident bank account** shall be applicable.
   - Cheques, instruments, remittances, cash, card or any other proceeds belonging to the NRI close relative shall **not** be eligible for credit to this account.
   - The NRI close relative shall **operate such account only for and on behalf of the resident** for domestic payment and **not** for creating any beneficial interest for himself.
   - Where the NRI close relative becomes a joint holder with more than one resident in such account, such NRI close relative **should be the close relative** of all the resident bank account holders.
   - Where due to any eventuality, the non-resident account holder becomes the survivor of such an account, it shall be categorized as **Non-Resident Ordinary Rupee (NRO)** account as per the extant regulations.
   - Onus will be on the non-resident account holder to keep AD bank informed to get the account categorized as NRO account and all such regulations as applicable to NRO account shall be applicable.
   - The above joint account holder facility may be extended to **all types of resident accounts including savings bank account**
   - While extending this facility the AD bank should satisfy itself about the actual need for such a facility and also obtain a declaration duly signed by the non-resident account holder, in the specified format.

5. **Accounts of Foreign nationals:**

   - The Foreign Nationals employed in India and holding valid visas are

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eligible to maintain **resident accounts** with branches in India.

- RBI has permitted branches to re-designate the **resident account of foreign nationals, maintained in India as NRO account,** on leaving the country after their employment to enable them to receive their pending bonafide dues.

- Branches should obtain the complete details from the account holder about his legitimate dues expected to be received into his account. A declaration to this effect listing out all the legitimate dues to him have to be obtained from account holder.

- Branches have to satisfy themselves as regards the credit of amounts which have to be bonafide dues of the account holder when she / he was a resident in India.

- The funds credited to the NRO account should be repatriated abroad. Before remitting, branch should verify that all the applicable Income tax and other taxes in India have been paid.
- The amount repatriated abroad should not exceed **USD one million** per financial year.

- The debit to the account should be only for the purpose of repatriation to the account holder's account maintained abroad.

- There should not be any other inflow / credit to this account other than that mentioned above.

- The account should be closed immediately after all the dues have been received and repatriated as per the declaration made by the account holder.

6. The interest rates applicable on the domestic savings deposit will be determined on the basis of **end-of-day balance** in the account.

7. Interest on domestic savings deposit shall be credited **at quarterly** or **shorter intervals.** (RBI Master directions dt.02.03.2016)

8. While calculating interest on domestic savings bank deposits, banks are required to apply the uniform rate set by them on end-of-day balance up to **Rs. 1 lakh** and for any end-of-day balance exceeding Rs.1 lakh, banks may apply the differential rate(s) as fixed by each bank. In our bank, there is no differential rate.

9. Banks are directed by RBI not to make payment of cheques/pay orders/ banker's cheque bearing that date or any subsequent date, if they are presented beyond the period of **three months** from the date of such instrument.

10. Branches should obtain the nomination as per procedure and record in the computer system for all Savings Bank accounts, **excepting Minors' Special Savings accounts**

11. Additional withdrawal slips not exceeding ten leaves at a time may be given to such of those customers who do not have cheque books, for the purpose of drawing cash through third parties. In such a case the savings bank clerk (operator) should note the account number in all the withdrawal slips before parting with the same.

12. Payment out of Savings Bank account to third parties through withdrawal slips may be allowed up to a maximum amount of **Rupees One thousand only per instrument.**

13. No interest in SB accounts should be paid unless the interest accrued during the half year amounts to **at least Rupee One**.

14. SB Overdraft Accounts not adjusted and outstanding beyond **sixty days** from the date of granting should be treated as irregular and reported to Regional Office in ERI.

15. Savings Bank Accounts where an average quarterly balance of Rs. 10000 and above was continuously maintained during the previous quarter are eligible for the following concessions in the current quarter

- Inland Demand Drafts for **2 occasions** in a month for a total amount of DD and put together not exceeding Rs.10,000/= are totally exempted from Exchange / Commission charges

- Collection charges would not be levied on outstation instruments such as Cheques, Demand Drafts, Dividend Warrant, Interest Warrant, Refund Order etc., (excluding Documentary / Clean Bills, Hundies, Supply Bills). The total amount of instruments collected during a month for which **no** service charges are recovered should not exceed **Rs.10,000**/=. However there is no restriction on the number of instruments collected per month.

16. Basic Savings Bank Deposit accounts (BSBDA)

(MSD/ MISC /206 /2012-13 dt.10.11.2012 & MSD/MISC / 326 /2013-14 dt18 .09.2013

- All Rural, Semi Urban, Urban and Metropolitan branches can open and maintain Basic Savings Bank account.

- The account can be opened on the basis of simplified procedure – with **self attested photograph and signing in the presence of bank official**. (CSD/MISC/450/2014-15 dt.04.10.2014)

- Individuals including minor who have completed 10 years of age and pensioners. Joint accounts are permitted.

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- Minimum balance: **No requirement of any minimum balance**
- Withdrawals in the account: withdrawal in cash & ATM withdrawals. Cheque book will not be issued**.**
- Facility of ATM card is available.
- Restrictions for number of transactions: **4 withdrawals in a month including ATM withdrawal.**
- Banks should offer the ATM Debit Cards free of charge and **no Annual fee** should be levied on such Cards.
- Balance enquiry through ATMs should not be counted in the four withdrawals allowed free of charge at ATMs.
- Penalty for exceeding number of transactions: No interest is payable
- Basic Savings Bank Account must also be extended to students from scheduled castes, scheduled tribes and other backward classes also, who are availing various scholarships, benefits etc (RBMD/DEP/022/2012-2013 Dt. 13.06.2012)
- Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings bank deposit account in that bank.
- If a customer has any other existing savings bank deposit account in that bank, he/she will be required to close it **within 30 days** from the date of opening a 'Basic Savings Bank Deposit Account'.
- An individual is eligible to have **only one** 'Basic Savings Bank Deposit Account' in one bank.
- One can have Term/Fixed Deposit, Recurring Deposit etc., and accounts in the bank where one holds 'Basic Savings Bank Deposit Account'.
- The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available **to all customers**, through branches. It is **not restricted** to poor/weaker sections only.
- The 'Basic Savings Bank Deposit Account' would be subject to provisions of PML Act and Rules and RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts issued from time to time.
- BSBDA can also be opened with simplified KYC norms. However, if BSBDA is opened on the basis of Simplified KYC, the accounts would additionally be treated as "**BSBDA-SMALL account**"

Basic Savings Bank Deposit Accounts -Small accounts

'Small account' means a savings account in a banking company where-

- The aggregate of all credits in a financial year **does not exceed Rs. 1 lakh**;
- The aggregate of all withdrawals and transfers in a month does not exceed **Rs.10,000**; and
- The balance at any point of time does not exceed Rs. **Rs.50,000**.
- Small accounts are valid for a period of **12 months initially** which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document.
- If any of the condition with regard to credit/withdrawal/balance as stated in above is breached, the account will be **blocked**. (MSD/ MISC / 283 /2013-14 dt.16 .05.2013)
- Foreign remittances will **not be** allowed to be credited into small account unless the identity of the client is fully established through the production of officially valid documents.
- In the case of accounts, which are opened against self-attested photograph and affixation of thumb impression, If the account holder fails to produce any of the officially valid documents even **after 24 months** from the date of opening of the account, the account will be **blocked** disallowing any credit/debit transactions.
- Option to unblock the account will be given to the branch manager after keying in the particulars of receipt of officially valid documents.

17. Minimum balance requirements

Category	With cheque facility (Rs.)	Without cheque facility (Rs.)
Rural & Semi urban branches	500	100
Other branches	1000	500
Pensioners' SB acc	250	5

18. For Basic Savings Bank accounts, no minimum balance charges.

19. Number of debit transactions (excluding ATM,IOB net banking, standing instructions) permitted is **fifty per half year.** (BOD/EST/104/2015-16 dt.01.08.2015).

20. If the number of debits in the account exceeds the permitted limit or if the minimum balance requirement is not complied with a service charge shall be levied to cover the cost.

21. A depositor cannot withdraw a smaller sum than **one rupee** unless it is to close the account, in which case the entire balance of the account will be withdrawn.

22. No cheque shall be drawn for amounts **below Rupees Five only**.

23. Cheque leaves issued more than 25 in number would be charged at the rate of Rs.2.55/= per MICR cheque leaf and Rs.1.55 per Non MICR Cheque Leaf.

24. Savings Bank customers can enjoy the privilege of having their name(s) printed on the cheque-book – Personalised Cheque-book (PCB). **IOB-PRIDE Project**.(MDD/DEP/17/2012-13 dt.03.04.2012)

25. Facilitating opening of Bank Accounts of Prisoners: RBI has advised that, when a branch is approached by a prisoner or jail authorities for opening of a bank account for a prisoner, the branch shall open:

   a. SB SMALL account in the absence of prescribed KYC documents, on production of self attested photograph and affixation of signature or thumb print.

   b. The limit criteria in SB SMALL account on balance shall not be considered while making deposits through Govt.grants, welfare benefits and payment against procurements.

   c. Incase prescribed KYC documents are provided, open an account as stipulated our (KYC/AML/CFT master circular no. MASTER/015/2017-18 dated 08/12/2017)

Branches shall for the purpose of above a) & b), make necessary arrangements, including deputing its officials to the jail for obtaining signature/thumb impression or performing biometric authentication of the Aadhar number of the prisioner with necessary assistance from the jail authorities.

(Refer Circular No. MISC/429/2018-19 Date 01.10.2018 Banking operation Dept.)

CURRENT AND CASH CREDIT ACCOUNTS

Opening of Current Accounts by Banks- Need For discipline:

1. Obtention of the declaration relating to non-availment of credit facilities from other bank and NOC from the lending bank at the time of current account opening is a regulatory guideline to be complied with.

2. Draw CIBIL report and ensure the current account applicant has no borrowings and default.

3. Branches to obtain declaration invariably while opening of current accounts, which is printed in the account opening form by ticking the relevant information.

4. Branches should not open current accounts without obtaining NOC from lender banks.

5. Regional office should strictly monitor and ensure that if branches had opened current accounts without obtaining NOC from lender banks, should take steps to close the account immediately.

6. Examine CRILC data and undertake extra due diligence before opening of such accounts apart for seeking NOC from the bank with whom the customer is supposed to be enjoying credit facilities as per his declaration.

IBA has suggested a self regulated mechanism for the banks with regards to account having an exposure of Rs.5.0 crore and above from banking system.

Nodal officers to be appointed by member banks along with designated email id on which other bank would send their request for obtaining permission/NOC to open current account with them. (Refer circular No.MISC/523/2018-19 Date: 27.02.19 Banking operation Department.)

IMPORTANT NOTES:

- Prior approval of Regional Office should be obtained for opening accounts in the name of Executors and Administrators, Liquidators, and Trusts.
- No current account should be opened for blind persons
- For opening of accounts of other banks, prior sanction of Banking Operations Department, Central Office should be obtained.

Prepared by: Shri Himanshu Bhusan Sahoo
Vetted by: Shri Satyabrat Mohanty

- Whenever any partner of a partnership firm approaches the branch for opening an account in the similar name of the firm with him as a proprietor or otherwise, such request should be declined by the branch.

- While opening current accounts for business entities, Branches should make a reference to CIBIL to ensure that the entity does not have a borrowing arrangement with other banks and the entity is not on the list of defaulters. In either case a reference should be made to the lending banks before the current accounts are opened. (Law/MISC /364/2013-14 dt 10.01.2014)

- No interest is payable on the balances held in current account except in the following cases (RBI Master Directions dt. 03.03.2016)

- Credit balances lying in current/cash credit accounts of individuals/proprietary concerns where the individual/ proprietor has expired, are eligible for payment of interest at Savings Bank rates for the period from the date of death till date of settlement of the claims.

- The minimum balance to be maintained in any current account is furnished hereunder :

Category of Branches	Micro enterprises	Others
Metro and Urban	Rs. 1,000/-	Rs. 2,000/-
Others	Rs. 1,000/-	Rs. 1,000/-

- In respect of Cash Credit Accounts, as per directives from Reserve Bank of India, the credits arising out of clearing are to be passed on to the respective accounts on the day the Bank Account is credited for the relative clearing.

- As the purpose of releasing the credit is to pass-on the interest benefit to the customers, no drawings shall be allowed against such uncleared credit as a matter of routine.

- The following types of service charges are to be recovered in the case of Current and Cash Credit accounts:

a) Ledger folio charges to be recovered on an annual basis.
b) Charges for the return of cheques for want of clear funds, as and when a cheque is returned.
c) Charges for carrying out Standing Instructions as and when carried out

- **Value additions (concessions) in Current Accounts**
  - Eligible Accounts: Current Deposit accounts where an average quarterly balance of Rs.25,000/- and above was maintained during the previous quarter.
  - For arriving at the quarterly average balance, the calendar quarter immediately preceding the date of transaction is to be taken into account.
  - Personalised cheque books can be given to CD/CC account holders. (GAD/MISC/521/2015-16 dt.13.05.2015)
- **Concessions**
  - Inland Demand Drafts and /or Mail Transfers not exceeding 2 occasions in a month for a total amount not exceeding Rs.10,000/- in a month are totally exempted from Exchange/ Commission charges.
  - Collection charges should not be levied on outstation instruments such as cheques, Demand Drafts, Dividend Warrant, Interest Warrant, Refund Order etc.(excluding Documentary/Clean Bills, Hundies, Supply bills).
  - The total amount of instruments collected during a month for which no service charges are recovered should not exceed Rs.10,000/-.
  - However, there is no restriction on the number of instruments collected per month.
  - Instant credit of collection instruments upto Rs.15,000/- is available at the discretion of the bank and for eligible accounts.

CAPITAL GAIN ACCOUNT SCHEME 1988

Introduction:

Capital gain is the profit gained from selling a property, which is liable for taxation irrespective of whether it is long term or short term capital gain.

Under sec 54 of the Income Tax Act, the income from capital gains is required to be re-invested within a specific period (maximum of 03 years) to avoid tax. If the due date for filling income tax falls before the specified term, it is necessary that the amount is deposited as an investment before the last date to benefit Capital Gain Tax.

Note: A proof of the CGAS bank account must be furnished while filing income tax returns to be exempted.

1. **Capital Gain**

   A Capital Gain is gain/income made out of selling a capital investment like land, residential house, flat, shares etc.

2. The 'gain' here, refers essentially to the difference between the price originally paid for the investment, with or without indexation and money received upon selling it.

3. **Types of Capital Gain**

   - **Short term gains**
     - ✓ In case of shares/bonds like securities, if the sale is made within one year of acquiring, the gain so made is treated as short term capital gain.
     - ✓ In case of other capital assets like land, building etc if the sale is made within 36 months of acquiring, the gains so made is treated as short term capital gain.
   - **Long term gains**
     - ✓ When capital assets like land, building etc. are sold after a holding period of more than 36 months, profits made out of the transactions are taxed as Long term capital gain.
     - ✓ When shares/bonds like securities are sold after 12 months the income is exempted from capital gain tax subject to conditions.

4. **Purpose of opening capital Gain Account**

   - In terms of section 54/ 54B/54D/54F/54G/54GB of Income Tax Act 1961, capital gains are subject to tax.
   - As a part of tax management, the capital gains arising out of sale of the capital assets can be utilized immediately for buying capital asset without attracting any tax.

- However, in case the gains are not utilized before the due date for filing income tax returns for that particular year, it can be deposited into the special account called **Capital Gains Account**. By doing so, the seller of the property gets **3 years** time for investing the funds in residential property.

5. **Capital Gain Account Scheme 1988**

- Branches in non-rural areas are authorised to open the deposit accounts under the scheme
- Any tax payer who is eligible for exemption under Capital Gains Tax under sections 54, 54-B, 54-D, 54-F, 54-G of the Income Tax Act 1961 can open the account
- There are two types of accounts under Capital Gains Scheme 1988.

✓ **Deposit Account A**: wherein the deposit shall be in the form of saving deposit. No cheque book is issued. In special cases, Deposit Account A can be opened as Current Account on the request of the Customer – without cheque book facility.

Interest will be credited periodically in SB type and pass book issued to deposit holder. Type A offers better liquidity and withdrawals can be made at any time.

✓ **Deposit Account B** will be in the form of term deposit with either cumulative or non-cumulative option.

- Bank shall issue a pass book to the depositor wherein all amounts of deposits, withdrawals, together with interest due, shall be entered over the signature of the authorised officer of the Bank.
- In the case of deposit under account-B, deposit office shall issue a deposit receipt.
- Minimum period for Deposit Account B under Capital Gains is **15 days**.
- The customer can open the capital gain accounts for **any number** of years subject usual restrictions.
- Such deposits may be made in one lump sum or in installments at any time on or before the due date of furnishing the return of income
- Premature withdrawal from Deposit account B is permitted. The rate of interest payable in respect of such deposit shall be the one applicable to the period for which the deposit remained with the deposit office less one per cent penalty for a premature withdrawal on account of such conversion or withdrawal or closure, as the case may be,
- But as per Sec 54, 54B, 54EC, or 54G of Income Tax Act, if the amount is

not utilized within the stipulated period (2 years for outright purchase or 3 years for construction), the tax has to be paid by the customer.

- Any individual, minor by guardian, a firm, HUF, an association of persons or body of individuals can open Capital Gains account.
- The account **cannot be opened** in joint names. When a jointly held capital asset was sold, the joint holders can invest their portion separately in individual accounts.
- Account can be transferred to another branch of the same Bank.

6. **Interest rates:**

- The interest payable on the deposits under the scheme is the **same** that is payable on domestic deposits applicable on the date of deposit.
- Additional interest applicable to staff deposits is **not** payable under the scheme.
- Additional interest applicable to deposits of Senior Citizens is payable on the deposits of senior citizens under the scheme subject to the same conditions as applicable to the Vardhan Scheme**.**

7. Interest is taxable. TDS should be deducted as per extant guidelines
8. **Nomination:** Nomination up to 3persons is allowed and amount if any to be received by nominees, will be in the order of nomination.

- A depositor may nominate in **Form E** one or more persons but **not exceeding three** to receive the amount standing to his credit in account-A or account-B, as the case may be, in the event of his death before the amount has become payable or having become payable, has not been paid.
- A nomination made by a depositor may be changed by a fresh nomination in Form F or as near thereto as possible, by giving notice in writing to the deposit office in which the account stands
  No nominations shall be made in respect of an account opened on behalf of a minor or a Hindu undivided family or a firm or a company or an association of persons or a body of individuals.
- Where the nomination is in favour of **more than one person**, the nominee **first named** shall alone have the right to receive the amount standing to the credit in the account of the deceased depositor.
- Where the nominee first named has pre-deceased the depositor and the depositor has not cancelled the nomination or substituted the nomination, the nominee second named shall be entitled to receive the amount standing to the credit in the account of the deceased depositor and so on in respect of other successive nominees.

- If a depositor in respect of whose deposit account a nomination is in force, dies, the nominee, if he desires to close the account or accounts and obtain the payment of the balance standing to the credit in the account of the deceased depositor, shall make an application to the Bank in **Form H** with the approval of the Assessing Officer (Income Tax Office) who has jurisdiction over the deceased depositor, and the deposit office shall pay the amount of balance standing to the credit in the account of the deceased depositor including amount of interest accrued, by means of crediting such amount to any bank account of the nominee.

9. Operations in account

- The customer can transfer funds from one account type to another, if they are opened under the same section of Income Tax Act 1961.
- Customer can withdraw money or transfer from deposit A to Deposit account B or vice versa, using designated forms – details of given below.
- Whenever the customer wants to withdraw funds, he has to submit '**Form C**' wherein the reason/purpose should be mentioned. The purpose should be related to purchase/construction of residential property
- If the withdrawal **exceeds Rs. 25,000**, payment should be made by way of crossed demand draft drawn in favor of the person to whom the depositor intends to make the payment.
- When the withdrawals are made by the tax payers, they should furnish in **Form No D**, in duplicate, furnishing the details regarding the manner and the extent of utilization of the previous withdrawal. One copy of the form will be returned to the customer.
- The amount withdrawn from the account should be utilized **within 60 days** by the customer- else the unutilized amount should be remitted back.
- Bankers need not verify the end use of funds but only have to rely on the declaration given by the account holder. These declarations have to be held in safe custody and may have to be submitted to the Tax Authorities as and when required.
- As per the scheme, the funds available under the Capital Gains Scheme 1988 cannot be taken as security for any loan.

10. Closure of the account

- Accounts under the scheme should be closed only with prior written approval of the Assessing Officer having jurisdiction over the depositor (jurisdictional IT officer's approval).

- **Form -G** should be completed for closure of the account**.**

11. Different forms used for operation of the account

Form A	Application for opening account (Both A & B)
Form B	Application for transferring accounts under the scheme
Form C	Application for withdrawal of amount from Account A
Form D	For furnishing the details regarding the manner and extent of utilization of the amount withdrawn – for subsequent withdrawals
Form E	For Nomination
Form F	Application for cancellation or change of nomination previously made in respect of account
Form G	Application for closing the account by the depositor
Form H	Application for closing the account by the nominee/legal heir of the deceased depositor

11. Loan Facility: No loan can be obtained against Capital Gains Account Scheme. Deposit certificate can neither be offered as collateral security or guarantee nor any charge be created on the same.

Points to Note: 1.Funds withdrawn from CGAS account need to be utilized within 2 months. 2. No loan facility is allowed on the CGAS account. 3. Interest earned on CGAS deposit is taxable in the hands of the assessee.

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Ref: **Notification. - GSR 724(E), DT. 22-6-1988**

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CASA SCHEMES

Features	SB-Silver	SB-Gold	SB Arogiya Mahila
Target Group	Individuals including those employed in reputed companies, among Software, Public /Private sector, Govt.	All individuals including professionals such as doctors, Lawyers, CA.s, Executives working in MNC, Software Companies, Public/ private sector and businesspeople, High Net Worth individuals, CEOs, IAS and IPS.	Women of age 18 years and above with independent source of regular income. Self employed women professionals Salaried Women Employees (Govt/PSU/Private sector/ MNCs etc.)
Minimum balance requirement	While opening the account, the account can be opened with '0' balance. average daily balance in the account during the last three months should not be less than Rs.5, 000	The average daily balance over the last three months should not be less than Rs.50000.	Quarterly Average Balance (QAB) not less than Rs 5,000/- No Daily Minimum Balance requirement
Special features / concessions	• Transfer of funds through NEFT free of cost • Personal Accident insurance cover of Rs. one lakh free of cost. • ATM usage at any Bank free. • RTGS free of charges. • Overdraft facility up to one-month salary in case of salary earners. • Facility for automatic transfer of balance in SB to Term Deposit – If the	• Personalised Multi city cheques issued at MICR centres free. • Transfer of funds through RTGS without charges. • Transfer of funds through NEFT without charges • Personalised cheque books with name printed free of cost. • Personal Accident insurance covers of Rs. 5 lakhs free of cost.	• OD facility upto 01 month for salaried employees (permanent) • PAI : ₹ 1 lakh – premium will be borne by the bank. • Health Insurance with maternity benefits & Health checkups with discounted rate of premium • Free Internet Banking and Mobile Banking Facility • Free SMS alerts for all transactions • Free Demat account

	quarterly average balance is Rs.25000/- and above, this facility is offered. Wherein the balance exceeding Rs.35000/- will be swept out in units of Rs.2000/-and kept in TD.	• ATM usage at any Bank free • Demat account opening charges free • Online Tax payment free of charge.	opening, Online Tax Payment and Utility bill payment facility ☐ Free Life time Credit Card with base limit of ₹ 10,000/- after six months of satisfactory transactions in the account ☐ Free personalized cheque books (60 leaves) per annum ☐ Free transfer of funds through NEFT /RTGS ☐ ASBA facility available
Remarks	**IOB-SB Silver – I** : Quarterly average balance between Rs. 5000 and less than Rs.25000 are not eligible for liquid-deposit facility. **IOB-SB Silver II** ;If the quarterly average balance is Rs.25000/- and above, liquid- deposit facility is offered. Wherein the balance exceeding Rs.35000/- will be swept out in units of Rs.2000/-and kept in TD.	**IOB-SB Gold – I** : If the quarterly average balance is between Rs 50000 and less than Rs.100000, the balance exceeding Rs 65000 will be swept out and kept in TD. **IOB-SB Gold – II**: If the quarterly average balance is Rs. 100000 and above, the balance exceeding Rs125000 will swept out and kept in TD. The customers of this category are also eligible for Online equity trading facility and Overseas Travel card free of charge.	Balance exceeding ₹ 25,000/- and above will be swept out in units of ₹ 5,000/- and kept in TD (6 months). When the balance goes down below the minimum requirement, adequate number of units will be closed and transferred to SB on last in first out basis Charges for non-maintenance of QAB: ₹ 50 per quarter Ref:RBMD/MISC/595/15-16 dt.02.01.2016

Features	SB - Student	LITTLE STAR ACCOUNT	IOB SB PLATINUM SPECIAL
Target Group	All existing customers(students) - Student Age – 10 Years and above	**Kids -** 1 day to 10 years. (opened as a Joint Account with Parent / Guardian) Above 10 years and up to 18 years – Minor Self Operated.	All individuals including those employed in reputed companies, among Software, Public/ Private Sector, Govt.
Minimum balance requirement	Rs.500 Zero balance with prior permission of GM/GM(Mkg)	Rs.100 for Non cheque book account Rs.250 for cheque book account	Rs.750/-
Special features / concessions	Fund Transfer Facility/ Bankers Cheque (or) Demand Draft restricted to tuition fees/hostel fees to a Particular School/ College A/c for payment of fees. • Free Multi purpose usage card • Free Standing Instructions. • Free Cheque Book. • a Free Personal Accident Insurance Cover for Rs 1 Lac(**benefit withdrawn w.e.f. 01.04.2016**) Customer ID card (Format given below) as an alternative to carry out their transactions in the absence of Pass Book. The card would be in nature of a debit Card issued to the students with facilities to operate in ATM, POS & ECOM. The card would be embossed with the photo of the	• Max. balance Rs.50,000/- only • (If the account is in the nature of Self – Operated Minor Account, ceiling of Rs. 50,000 shall be applicable. • However, if the account is operated by Parents, ceiling of Rs.50,000 shall not be insisted) • Cheque Book Facility for parent's maximum withdrawal of Rs. 2,000 per cheque leaf. • Free collection of cheques/DDs gifted to the child up to Rs.	• Free cheque book (75 leaves). • Free Personal Accident Insurance cover of Rs.75000/-. • Transfer of funds through RTGS/NEFT (above Rs. 1.00 lakh) - 75% concession on charges.

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	student, which may serve as identification card as well.	25,000/- per annum (In INR or FC).	
Remarks	Branch should not issue Debit Cards separately as the multipurpose card is a debit Card with facilities to operate in ATM, POS & ECOM. • Maximum amount in the account is. Rs 50,000/- (Maximum amount will be removed after the A/c holder attains the age of 18 yrs) Ref:DEP/ 103 /2010-2011 dt : 05.02.11DEP/ 011/2011-12 Dt : 29.11.11	Liqui deposit Facility (Sweep-In, Sweep-out Facility) : The balance exceeding Rs. 10,000 will be swept out and kept in Term Deposits in units of Rs. 2,000/-. And when the minimum balance goes down, the adequate units in Term Deposits will be closed and transferred to SB on Last in first out (LIFO) basis. Liqui deposit Facility (Cut off Level for Sweep in) : Rs. 8,000	Ref: DEP/ 102 /2010-2011 Date : 05.02.11 Issuing Dept. : Retail Banking and Marketing Dept

Features	IOB Classic Current account	IOB Super current account	IOB SUPREME - CA
Target Group	Proprietary concern, Partnership firm, HUF, Limited companies, corporations, SMEs, Trusts, Societies, clubs, Association, Local Bodies, Govt. Departments subject to RBI directives	Proprietary concern, Partnership firm, HUF, Limited companies, corporations, SMEs, Trusts, Societies, clubs, Association, Local Bodies, and Govt. Departments subject to RBI directives.	Proprietary, / Partnership Firms, Clubs, Societies etc
Minimum balance requirement	The average daily balance in the account over the last three months should not be less than Rs.1 lac.	The average daily balance in the current account during last three months should not be less than Rs.5 lac	Rs.7500

Special features / concessions	• Transfer of funds through NEFT free. • Personal accident Cover for Rs. one lakh free of cost. • Waiver of Demat account opening charges. • International Debit Card without charges to all employees and owners. • Online Tax payment facility • Name printed cheque books with free of cost up to 100 leaves. • Issue of Demand drafts @ 50% concession. • Folio charges @ 50% concession. • Outstation cheque collection charges @25% concession. • Transfer of funds through RTGS @ 25% concession.	• Anywhere Banking in CBS branches free. • Transfer of funds through' NEFT free. • Personal accident Cover for Rs. Five lakhs free of cost. • Name printed cheque books free of cost. • Waiver of Demat account opening charges. • Folio charges free. • Online Tax payment facility. • Transfer of funds through RTGS @ 50% concession. • Issue of Demand drafts @ 50% concession. • Outstation cheque collection charges @50% concession	• Free 75 Cheque Leaves • Debit Card Free IOB International VISA Debit Card to Employees/ Owners. • Rent Free POS for 75 days. • Cash Withdrawal up to RS. 50,000 under CBS transactions from any branch. • RTGS/ NEFT (ABOVE Rs. 1.00 lakh) Facility Available with 75 % Concession
Remarks			• Rent free POS Machines is applicable only for the customers satisfying the terms and conditions of the Bank.

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<tr><td>Minimum balance</td><td>Zero balance</td><td>Zero balance</td></tr>
<tr><td>Special features / concessions</td><td>• Free NEFT & RTGS.
• Free CBS Transaction (Within bank)
• Unlimited & Free Cheque book
• Facility of Auto sweep in and sweep out available (As applicable to Silver II Account)
• Instant Credit of Outstation cheques up to Rs 30000
• Passbook available & Free updating at Non-Home Branch
• Free facility setting up Standing Instructions
• ASBA Facility Available
• Free PAI for Rs.5.00 lacs
• Free mobile banking</td><td>• Free NEFT & RTGS.
• Free CBS Transaction (Within bank)
• Unlimited & Free Cheque book
• Instant Credit of Outstation cheques up to Rs 15000
• Passbook available & Free updating at Non-Home Branch
• Free facility setting up Standing Instructions
• ASBA Facility Available
• Free PAI for Rs.2.50 lacs
• Free mobile banking</td></tr>
<tr><td>ATM</td><td>• Free International Visa debit card
• Free Add on Card for spouse.
• Only one Add on Card under the scheme
• No annual maintenance Fee
• Withdrawal limit of 50000/- per account per day.
• Rs.50,000 limit for POS/Merchant Establishment
• Zero Lost Card Liability (Army personnel will have to</td><td>• Free International Visa debit card
• Free Add on Card for spouse
• Only one Add on Card under the scheme.
• No annual maintenance Fee
• Withdrawal limit of 50000/- per account per day.
• Rs. 50,000 limit for POS/Merchant Establishment
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	communicate the loss of card to the Bank and the liability will be nil from then on.)	the Bank and the liability will be nil from then
Credit card	Free life time Credit Card. • Free AMEX-IOB GOLD Charge CARD (free for 1st yr) Subject to Eligibility, Bank satisfactory & CIBIL REPORT	Free life time Credit Card Subject to Eligibility, Bank satisfactory & CIBIL REPORTS
Demand Draft	Unlimited & Free DD (only if issued transfer from salary account and ceiling to Rs. 1 lac per yr)	Unlimited & Free DD (only if issued transfer from salary account and ceiling to Rs. 50000 per year)
Over draft	Up to Two Month salary at the rate of interest applicable to temporary overdraft facility(Provided the customer's a/c is Satisfactory and free from adverse CIBIL report)	Up to one Month salary at the rate of interest applicable to temporary overdraft facility(Provided the customer's a/c is Satisfactory and free from adverse CIBIL report)
Retail loans	Waiver of Processing Charges	Waiver of Processing Charges
Remarks	DEP/ 18 /2012-13 Date : 26.04.2012	DEP/ 18 /2012-13 Date : 26.04.2012

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NOTE: IOB Corporate Salary account scheme revamped into 02 new schemes i.e, A. "**IOB Corp" Salary account** B. "**IOB Premium Corp" Salary account**. (Refer Circular: DEP/22/2017-18 Date: 12/02/2018 Issuing Dept.: Marketing & Development Dept.)

Features	IOB CORP SALARY ACCOUNT (For Employees whose Gross Salary is up to Rs.50,000/)	IOB PREMIUM CORP SALARY ACCOUNT (For Employees whose Gross Salary is Rs.50,001/- and above)
Target Segment	Employees of Corporate Institutions, MNCs, IT Industries including Service organizations such as hospitals, hotels, transport corporations etc. (**Minimum 25 employees of the corporate**)	
Eligibility	Individuals working in Corporate Institutions, MNCs, IT Industries including Service organizations such as hospitals, hotels, transport corporations etc.	
Age Group	Between **18 to 60 years**	
Minimum balance	Account can be opened with Zero balance (Average Quarterly Balance **up to Rs.50,000/-**)	Account can be opened with Zero balance (Average Quarterly Balance **Rs.50,000/- and above**)
Liquid Deposit Facility	NIL	If the quarterly average balance is above Rs.50, 000, the balance exceeding **Rs.1,00,000** will be swept out and kept in TD.(As per our flexi deposit norms)
Free Features	1. Free Internet banking Enrollment 2. Free Mobile banking Enrollment 3. Free within the Bank(CBS) Transactions 4. NIL Cash Handling Charges 5. No Charges for Stop Payment of Cheques 6. Free Passbook 7. Free Funds Transfer through RTGS/NEFT(One Per Month) 8. Free SMS alerts on transactions(Debit/Credit) 9. Free Standing Instructions	
Rate of Interest	As Applicable to Regular SB account (The interest is calculated on daily basis and credited to the account on quarterly basis)	

ATM Cum Debit Card	Rupay Classic Card-**NO Issuance Charges** (to be handed over with welcome kit) Additional 01 Add on card(Limit for add on card can be decided by the Primary account holder)	Rupay Platinum Card-**NO Issuance Charges** Additional 01 Add on card(Rupay Classic Card) (Limit for add on card can be decided by the Primary account holder)
Transaction at ATM/PoS / E Commerce	Maximum **Rs.30, 000/-** per day in ATM. Maximum **Rs.75, 000/-** per day in PoS (Point of Sale)/E Commerce.	
Personal Accident Insurance (Death /Permanent Disability @ free of cost)	1.Self (Rs.1 lakh) 2.Spouse (Rs.50,000/-)(additional coverage)	1.Self (Rs.2 lakh) 2.Spouse (Rs. 1 lakh)(additional coverage)
Cheque Book	Free Non-Personalized Cheque book with **60** leaves (OR) Free Personalized Cheque book with **60** leaves	Free Non-Personalized Cheque book with **100** leaves (OR) Free Personalized Cheque book with **100** leaves
Credit Card	Credit card with a base limit of Rs.**20,000** (**NO Issuance Charges**)	Credit card with a base limit of Rs.**50,000** (**NO Issuance Charges**)
Overdraft Facility (OD can availed after 03 months Salary credit)	Up to **01 month salary** at the rate of interest applicable to **Clean Loan**. (**Repayable in 03 Months**)	Up to **02 month salary** at the rate of interest applicable to **Clean Loan**. (**Repayable in 06 Months**)
	(Provided the customer's account is satisfactory and without adverse comments in CIBIL Report)	
Other ADD on Features	1. SOLVENCY CERT- **NO DISC.** 2. SAFE CUSTODY ARTICLES- **NO DISC.**	1. SOLVENCY CERT- **CHRGS FREE** 2. SAFE CUSTODY ARTICLES- **FREE OF COST**

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	3. LOCKER RENT- **NO DISC.** 4. DD CHRGES- **NO DISC.** 5. MEDICINE- **NO DISC.** 6. FMCG APOLLO- **NO DISC.** **7.** HEALTH INSURANCE-**15L NOMINAL CHRGES** 8. IOB SURAKSHA-**10L AT NOMINAL COST**	3. LOCKER RENT-**50% DISCOUNT- IST YEAR** 4. DD CHRGES-**UP TO 50K(PER YEAR)COMMISSION FREE** 5. MEDICINE-**10% DISCOUNT** 6. FMCG APOLLO-**5% DISCOUNT** 7. HEALTH INSURANCE-**15L NOMINAL CHRGES** 8. IOB SURAKSHA-**10L AT NOMINAL COST**
Basic Features	1. Zero balance a/c and free unlimited transactions across ATMs of any bank. 2.Free Debit card/ATM card 3.Free Cheque Book 4.Free Internet Banking and Mobile Banking 5.Free monthly a/c statements through Emails.	
Special Features	1.Liquid deposit facility(auto sweep of funds) 2.Attractive offers on Locker Charges/Retail loans/Demat accounts 3.Free issuance of Dratfs/Multicity Cheques 4.Free NEFT/RTGS(01 per month) 5.OD up to 02 months net salary 6.Earn points through IOB Rewardz 6.Free Life time credit card(No Issuance Charges) 7.Lounge Acess/Cash back offer for usage of IOB Debit card/credit card 8.Personal Accident Insurance (Death)Coverage (Refer Circular: DEP/22/2017-18 Date: 12/02/2018 Issuing Dept.: Marketing & Development Dept.)	

Features	**IOB-MACT SB** **(Motor Accident Claim Annuity-MACT)**	**SBDBT** **(Savings Account-DBT and Student Scholarship)**	**IOB Eighty Plus** **(Super Senior Citizen-aged 80 years and above)**
Eligible Customers	Individuals including Minors through guardian in single name	Students receiving scholarship amounts and under Govt. schemes and a/c which will receive DBT under Govt.schem	All Super Senior Citizen-aged 80 years and above as on date of opening account.
Minimum balance requirement	No Minimum balance specifications	Can be opened with zero balance	No Minimum Balance

Features	**Purpose**: To receive the monthly annuity and interest from MACAD deposit maintained with our bank or any other bank. 1.Mode of operation i)Single ii)Guardian operated Minor 2.Nomination:Permitted 3.Scheme Change: Not permitted 4.Rate of Interest: As applicable to Regular SB 5.Chq book/ATM card/Debit card/Welcome kit/Internet Banking/Mobile Banking Facility :**NOT AVAILABLE(**Shall not be allowed without the permission of Court**)** 6.Withdrawals:only through withdrawal forms/biometric authentication 7.Place of account opening: Only at the Branch near to the place of residence of claimant(as directed by court)	1. Account will be credited with DBT/Scholarship amount even if the account becomes Dormant/ Inoperative. 2. Accounts are exempted from minimum balance charges and inoperative charges. 3. The accounts are free from restrictions of total credit limit. 4. All existing account of all beneficiaries under the Government Scholarship schemes and accounts receiving credit of Direct Benefit Transfer under Govt.schemes opened in various SB schemes EXCEPT **SB Small** are to be converted to SBDBT scheme to ensure compliance of regulatory guidelines.	1. Door step banking through BC to needy customers. 2. Free Personalized Chq book without any restrictions. 3. Free Internet & Mobile banking. 4. Hassle free submission of Life certificate for pensioners. 5.Free SMS alerts 6. Free issuance Debit cards and 50% waiver in Annual Maintenance Charges from 2nd year onwards. 7.NEFT/RTGS Free(03 per month) 8.Waiver of commission & DD charges (03 per month) 9. Waiver of cash handling/ Standing Instruction/Stop payment chq charges. 10. Free monthly statement of accounts through registered email. 11.50% waiver in Demat account opening charges.12. Collection of 15H(TDS)form through BC.13.Free medical checkup during camp organized by Apollo Munich/USGI14.Facility of Auto-sweep: If AQB Rs.25,000 and the balance exceed Rs.35,000/- will be swept out in Rs.2000 and kept as FD for 91 days.

Remarks	Scheme Code: SBMAC Scheme Description: Savings Account MACT Gl Subhead Code:11026 Interest Payable: xxxx0113305230 **(Refer Circular:Dep/32/2018-19 Date:25/10/2018 Issuing Dept.Planning)**	Branches are advised to exercise due diligence while allowing operations in the account which are dormant /inoperative by ensuring the genuineness of transactions, verification of signature and identity. (Refer Circular: MISC/586/2019-20 Date:25/06/2019Dept. BOD)	15.Instant credit of outstation chq up to Rs.30,000 16.Issuance of Gift card without charges 2per annum with upper limit Rs.10,000 **(Refer Circular:Dep/31/2018-19 dt.27.09.18 Issuing Dept.Planning)**

INDEX

SOP FOR ACHIEVING CASA: ACQUISITION OF NEW ACCOUNTS

1	Opening of minimum__05_____SB accounts per day per Branch
2	Opening of minimum___01____Current accounts per day per Metro/Urban Branch
3	Opening of minimum____01___Institution account(s) per MONTH per Branch
4	Approach Govt. Department/Panchayat/Municipalities for Project Funds
5	New Customer Acquisition Day on _____FORTNIGHT______ basis
6	Opening of more pension accounts.
7	Filled in account opening form should be processed promptly and open without any delay.
8	Guideline for opening account with required document details should be pasted at a prominent place in Branch.
9	Prompt information/ necessary assistance to every walk in customers
10	Explore the possibilities to get accounts if Insurance companies,MF Companies,HFC and NBFCs etc

(Refer Circular: DEP/28/2018-19 Date: 25.06.2018 Issuing Dept. Plannin

TERM DEPOSITS

1. **Term Deposits**

Period of deposit & minimum amount

- Term deposits can be made for periods ranging from 7 days (Rs.1 lakh and above) / 15 days (less than Rs.1 lakh) to 120 months.
- Deposits for six months and above are classified under Fixed Deposits, and the rest are classified under Short Term Deposits.
- Branches can accept deposits for a minimum of Rs.1000 for periods ranging from 15 days to 120 months.
- Bank's deposit receipts are exempted from stamp duty as a receipt under the Stamp Act. When the deposit is renewed together with interest or the proceeds credited to depositors' account, then also no stamp duty is attracted.
- If the principal or interest exceeding ` 5000 is paid otherwise than by transfer to the depositor, the receipt must be discharged by the depositor over a revenue stamp of Rs One.
- A deposit receipt is not transferable
- If the deposit is in the name of a single individual, addition of name(s) of any other person(s) may be permitted at the written request of the sole depositor.
- If the deposit is already in the joint names of two or more persons, for adding or deleting the name of any person in the deposit, written consent of all the depositors should be obtained.
- If the request for addition/deletion of a name is received from the survivor(s), after the demise of one or more of the joint depositors, branches may accede to the request provided the legal heir(s) of the deceased depositor(s) and the survivor(s) give a consent letter for the addition/deletion.
- While addition/deletion of names in the account, the amount of deposit or duration does not undergo any change.
- At least one of the original depositors is to be RETAINED during the currency of the deposit as deletion of names of all the original depositors will tantamount to termination of the contract.
- Deletion of the name of the former in a "former or survivor" deposit is not permitted.
- No addition or deletion of name(s) should be permitted in the case of accounts in the names of minors.
- Splitting of joint deposits in the name(s) of each of the joint depositors in the proportion desired by the depositors is permitted subject to obtaining

Prepared by: Shri Satyabrat Mohanty
Vetted by: Shri Himanshu Bhusan Sahoo

the written request from all the joint depositors. Such splitting should not be treated as premature withdrawal.

- IN CBS atmosphere, renewal of deposits alone can be effected by the facilitator branch up to an amount of **Rs. 10 lakhs,** provided the depositor maintains an account with the facilitator branch (so as to enable Facilitator branch to identify the depositor).
- For payment / closure of the deposit, the deposit receipt should be sent to the account maintaining branch on collection basis as detailed above, in CBS atmosphere.
- Interest rates on term deposits shall vary only on account of one or more of the following reasons: (RBI Master directions dt.02.03.2016)
    a. Tenor of deposit
    b. Size of deposit
- **Differential rate of interest** is paid only on bulk deposit (Single Rupee term deposits of Rs. Two crore and above for Scheduled Commercial Banks (Excluding RRB) and Small Finance Bank. (RBI Notification RBI/2018-19/128 DBR.DIR.BC.No27/13.03.00/2018-19 dt. 22.02.2019) & IOB Circular Ref No.Dep/37/2018-19 dated 11.03.2019 Issued by Planning Department.
- All transactions, involving payment of interest on deposits shall be rounded off to the **nearest rupee** for **rupee deposits** and to **two decimal places** for FCNR (B) deposits. (RBI Master directions dt.02.03.2016)
- If a term deposit is maturing for payment on a non-**business working day,** Banks shall pay interest at the originally contracted rate on the **original principal deposit** amount for the non-business working day, intervening between the date of the maturity of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day. (RBI Master directions dt.02.03.2016)
- In case of reinvestment deposits and recurring deposits, Banks shall pay interest for the intervening non-business working day on the **maturity value**. (RBI Master directions dt.02.03.2016)

2. Vardhan Scheme - for Senior Citizens

The main features of the scheme are as follows:

- Deposit scheme for Senior Citizens who have completed 60 years of age.
- Additional interest of 0.50% over the card rates.
- Payment of additional interest is restricted to deposit amount of Rs 25 Lacs in aggregate in the name of Senior Citizen in the same Branch or different Branches **for Special Deposit Schemes** (A declaration is

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to be obtained to this effect from the senior citizen).

- In case of **normal deposit schemes**, the ceiling of Rs.25 lacs is not applicable.

3. **Penalty for premature closure of deposits**

RBI guidelines (cir dt.24.01.2013)

- ✓ Bank will have the freedom to determine its own penal interest rates for premature withdrawal of term deposits. Bank should ensure that the depositors are made aware of the applicable penal rates along with the deposit rates.

IN IOB

For Domestic Deposits

For deposits contracted upto 07.01.2015.

No penalty for premature closure

subject to;

- ✓ The interest paid on the deposit to be as per card rate for period run as per existing guidelines and
- ✓ In case special rates are offered, the same stands withdrawn and interest rate as per card rate for the period run only will apply.

For deposits contracted **w.e.f 12.06.2017**

Pre-closure charges penalty : Upto Rs. 15000/---NIL; >Rs. 15000/- up-to Rs. 5 Lacs—0.50%; >Rs. 5 Lacs—1.00%

Additional interest rate contracted for Senior Citizen's deposit is payable for deposits only **upto 5.00 lacs** on premature closure (Vardhan Scheme)

For deposits above Rs.5 lakhs, additional interest rate contracted for Senior Citizen's deposit is **not payable** (Vardhan Scheme)

If an overdue deposit, renewed after paying the interest for the overdue period, is closed prematurely before completing 15 days in the case of deposits of less than Rs.15 lakhs and 7 days in the case of deposits of Rs.15 lakhs and above , from the date of renewal - No interest Is payable on the renewed deposit. The interest already paid for the overdue period will also be recovered.

If **NRE deposit has not completed one yea**r from the date of opening or renewal and closed prematurely - No interest is payable.

If **NRE deposit has completed one yea**r from the date of opening or renewal and closed prematurely - !% penalty is applicable.

- If an NRE overdue deposit, renewed after paying the interest for the overdue period , is closed prematurely before completing one year from the date of renewal - No interest is payable on the deposit. Interest already paid for the overdue period will also be recovered.
  - **Conversion Of Balance Under Recurring Deposit Scheme To Fixed Deposit/RDP/SFD Etc. A**llowed interest on a compounded basis at the rate applicable for the period during which the deposit has remained with the bank, without any penalty for premature closure. However, the term deposit should be placed for a period longer than the remaining period of the original contracted period of Recurring deposit.

4. **Differential Interest rate on deposit** (RBI Cir dt. 06.04.2015)

Banks will have the discretion to offer differential interest rates based on whether **the term deposits are with or without-premature-withdrawal-facility**, subject to the following guidelines:

- All term deposits of individuals (held singly or jointly) of **₹ 15 lakh and below** should, necessarily, have premature withdrawal facility.
- For all term deposits other than above, banks can offer deposits **without the option of premature withdrawal** as well. However, banks that offer such term deposits should ensure that at the customer interface point the customers are, in fact, **given the option to choose between term deposits either with or without premature** withdrawal facility.
- Banks should disclose in advance the schedule of interest rates payable on deposits i.e. all deposits mobilized by banks should be strictly in conformity with the published schedule.

5. **Payment of interest on renewal of deposits (NRE deposits)**

- Up to and inclusive of 14 days from the date of maturity (both the date of presentation and date of maturity inclusive) for deposits from the public, staff and senior Citizens – Deposits can be renewed from the date of maturity.
- If the overdue period is more than 14 days from the date of maturity for deposits from the public, staff and senior Citizens, interest for the overdue period shall be paid separately **at simple rate** prevailing on the maturity date or date of renewal whichever is lower is applicable.
- In the case of NRE deposits, if the overdue period is less than one year, the interest rates for one year prevailing on date of maturity or renewal whichever lower is to be applied.

6. **Payment of interest reckoning on number of days in a year:**

On deposits payable in less than three months or where the terminal quarter is incomplete, interest shall be paid for the actual number of days on such period reckoning 365 days in a year, also in respect of a leap year.

7. In case of term deposits remaining in overdue deposits / unclaimed balances and later **withdrawn by customers without renewal**, branches may pay simple interest from the maturity date till date of payment, **at the rate of Savings Bank Interest prevailing on the date of maturity.**
   - **Deceased depositors' accounts** Interest on deceased depositor's term deposit shall be paid at the contracted rate on maturity of the deposit if paid on the date of maturity.
   - In the event of payment of deposit being claimed before the maturity date, interest shall be paid at the appropriate rate for the period for which the deposit has remained with the bank, without charging penalty for premature closure.
   - In the event of death of depositor before the date of maturity of the deposit and the amount of deposit is claimed after the date of maturity, the interest shall be paid at the contracted rate till the date of maturity. From the date of maturity to the date of payment, simple interest shall be paid at the applicable rate operative on the date of maturity, for the period for which the deposit remained with the bank beyond the date of maturity.
   - However, in the case of death of depositor after the date of maturity of deposit, interest shall be paid at savings deposit rate (operative on the date of maturity) from the date of maturity till date of payment.
   - In case of splitting of the amount of term deposit at the request from the claimant/s of deceased depositors or Joint account holders, no penalty for premature withdrawal of the term deposit shall be levied if the period and aggregate amount of the deposit do not undergo any change (RBI Master directions dt.02.03.2016).

8. **Overdue deposits**
   - If a deposit is not paid or renewed on the due date, the principal together with the accrued interest should be credited to "OVERDUE DEPOSITS ACCOUNT" in the General Ledger.

9. **Advances against deposits**
   - Margin on advances (both demand loans and Cash credit) against the prime security of all kinds of rupee term deposits is 10 % (short deposits, Special fixed deposits, fixed deposits, Recurring deposits, NRE deposits).
   - The minimum amount of loan against RD accounts should be Rs.100 only.
   - In case of Reinvestment deposits with remaining maturity of less than 4 years the margin is fixed at 10 %

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- For RDP with remaining maturity of 4 years and above the margin is fixed at 15 %.
- Loan can be granted against **Varkshik Aai Yojana** deposit upto the extent of **85%** of the principal amount only.
  - **Rate of interest in respect of loan against several deposits:** **i**f the borrower/depositor wishes to have one loan against several term deposit receipts, then the rate of interest will be 1% over the rate of deposit, which will be calculated on the basis of **weighted average method**.
- Loan against staff deposits: the rate of interest chargeable shall be half percent over the staff deposit rate. Advances to staff members can be granted up to **Ninety-Five percent** of the deposit amount.

10. Notice of lien/assignment

- When a Notice of Lien is received from branches of our Bank, State/Central Government Departments, Income Tax Department, Enforcement Directorate, Government Investigating Agencies, and Competent Court and from any other Competent Authority, the same shall be registered by the receiving branch and acknowledgement shall be mailed with a copy to the Depositor.
- The 'Notice of Assignment' should be clear as to the intention of the Depositor to assign the 'debt due by the Bank' to a specified third party. Branch should verify the correctness and authenticity of such Notice and can register the same by marking in the Deposit Receipt. An acknowledgement shall be mailed to such third party with a copy to the Depositor.

11. Payment of term deposits

- As per **Section 269-T** of the Income Tax Act, whenever payment of term deposits is made to the depositors, branches should effect the payment of proceeds only by Drafts or Bankers' Cheques or by credit to the depositor's account if the proceeds of the deposit payable **is Rs.20000 or more** or when the aggregate amount of deposits held by the depositor in the branch is **Rs.20000 or more**.
- If fixed/term deposit accounts are opened with operating instructions **'Either or Survivor',** the signatures of both the depositors **need not** be obtained for payment of the amount of the deposits **on maturity**.
- However, the signatures of both the depositors may have to be obtained, in case the deposit is to be paid **before maturity**.
- In case of term deposits with **"Either or Survivor"** or "**Former or Survivor**" mandate, banks are permitted to allow premature withdrawal of the deposit by the surviving joint depositor on the death of the other, **only if,** there is a **joint mandate** from the joint

depositors to this effect.

- The joint deposit holders may be permitted to give the mandate either at the time of placing fixed deposit or anytime subsequently during the term/tenure of the deposit. If such a mandate is obtained, banks can **allow premature withdrawal** of term/fixed deposits by the surviving depositor without seeking the concurrence of the legal heirs of the deceased joint deposit holder.
- Such premature withdrawal would not attract any penal charge.
- This, however, would not stand in the way of making payment to the survivor on maturity.
- In case the mandate is **'Former or Survivor'**, the 'Former' alone can operate/withdraw the matured amount of the fixed/term deposit, when both the depositors are alive.
- However, the **signature of both the depositors** may have to be obtained, in case the deposit is to be paid **before maturity**.
- If the former expires before the maturity of the fixed/term deposit, the 'Survivor' can withdraw the deposit **on maturity**.
- Premature withdrawal would however require the consent of both the parties, when both of them are alive, and that of the surviving depositor and the legal heirs of the deceased in case of death of one of the depositors.
- If the joint depositors prefer to allow premature withdrawals of fixed/term deposits also in accordance with the mandate of 'Either or Survivor' or 'Former or Survivor', as the case may be, it would be open to banks to do so, provided they have taken a specific joint mandate from the depositors for the said purpose.

12. Deposits maturing on a holiday

- In the event of a deposit falling due for payment on a holiday/Sunday interest at the originally contracted rate on the deposit amount is payable for the holiday(s) intervening between the date of expiry of the specified term deposit and the succeeding working day, irrespective of the date of payment of the deposit.
- These instructions are applicable to domestic as well as Non-resident (FCNR & NRE) term deposits.

13. Floating Rate Deposits

- Floating Rate Deposit Scheme is applicable only to the **public and is not applicable to staff members**
- The deposits received from Senior Citizens under Floating Rate Deposit Scheme are **not eligible for additional interest rate**
- Resident individuals either singly or jointly with others, a natural / legal guardian on behalf of a minor, HUF, Trusts, Companies / Firms and RRBs. The scheme is optional.

- Under Floating Interest Rate deposit, the interest rate is fixed in relation to an **anchor rate** and will change as and when there is a change in the anchor rate at predetermined intervals**.**
- Deposits will be accepted for a **minimum period of more than 3years** but up to a maximum period of **10 years**.
- Floating rate deposits will be accepted under **Special Fixed Deposit(Q**) Scheme only and interest is payable at quarterly intervals.
- The minimum amount of deposit accepted under the scheme is Rs.1 lakh and in multiples of Rs.10,000/- thereafter. There is no upper ceiling for amount of deposit.
- Interest rate:
  - ✓ For deposits for a maturity period of 3 years to 5 years, the interest rate will be **5 year G Sec rate**, and for deposits for maturity period of above 5 years to 10 years, the interest rate will be **10 year G Sec rate**.
  - ✓ The rate will be fixed based on the daily average of G Sec rate for the last 6 months.
  - ✓ The rates will be reset in the accounts on 1st March and 1st September every year.
- Premature closure is permitted if depositor gives a minimum **10 days notice** in writing and the deposit has **completed 3 years.**
- Premature closure is not permitted, if the deposit has not completed 3 years from the date of deposit irrespective of the amount of deposit.
- On premature closure, there will be a foreclosure charge of 1.00% if the deposit amount is more than Rs.5 lacs.
- Loan can be granted against the deposit for 90% of the amount deposited. The interest rate on the loan will be 2% over the current floating rate for loan to self and 3% over the current floating rate for loan to third parties.
- The interest on loan will also be **reset once in six months** to synchronize with resetting the deposit rate.
- An existing Fixed rate Deposit can be converted into a Floating Rate Deposit scheme. In such an event, the Deposit will be treated as prematurely closed and the interest on the closed deposit will be paid at the appropriate rate for the period run without deducting any foreclosure charges
- Conversion floating rate to fixed rate schemes is not permitted.
- Transfer of Floating Rate deposit is not allowed between branches

15. Unfixed Deposit (RBMD/DEP/ 39 /2012-2013 dt.: 12.02.2013)

- Period : 7 days to 179 days

- Minimum amount Rs.100 lacs
  - Interest rate : In line with the applicable interest rates for Deposits of Rs.1.00 Crore and above prevalent on the date of deposit for the tenor for which the deposit runs with the Bank. (RBMD/DEP/48/2014-2015 dt: 18.10.2014)
- No Prepayment Penalty for this Scheme
- If Closed before 7 days no interest is payable.
- If closed after 7 days and before 15 days, Normal Interest is only applicable
- Additional Interest for Senior Citizens and Additional Interest for Staff Members will not be applicable under the Scheme.

16. Opening of Internet Deposits

- Any individual account holder having an account with the operational instructions "self operated" or "either or survivor" can open a deposit online.
- The accounts with joint operations and corporate customers are not allowed with this facility.
- The title of the deposit account would be the same as that of the source account for funds.

- As the deposit is opened online and the printing of receipt is also automatically done through the system, it does not bear any signature of Bank Official and hence the e-receipt is to be construed as the deposit receipt issued to the customer.
- No separate manual deposit receipt needs to be printed / issued for deposits opened online.
- As a recurring deposit requires issuance of passbook, the branch may at the request of the customer, shall verify from the ledger and issue a new passbook for the RD account opened by him / her online.
- Nomination has to be registered by the customer/s at the Branch by furnishing nomination form duly signed by depositor/s.
- The deposit can be closed in full term or on a premature basis by getting the print out of the deposit discharged, verified and the proceeds credited back to the customer's savings / current account on closure.

The revised guidelines will be applicable with effect from April 1, 2013.(DBOD. No. Dir. BC.73/13.03.00/ 2012-13 January 24, 2013)

17. **Acceptance of Bulk Deposits :** branches have to obtain **prior permission** from AGM, Treasury – Domestic department, before accepting single deposit of **Rs.1 crore and above, even at card rates.** (RBMD/DEP/ 58/2015-16 dt 30.09.2015)

TERM DEPOSITS SCHEMES

Features	Re-investment Deposit Plan (RDP)	Special fixed Deposit {SFD (M)/(Q)}	Recurring Deposit (RD)
Target group	Individuals, Traders, Self employed persons, salaried persons	• Ideal for depositors who want regular monthly or quarterly interest income. • Senior citizens / Pensioners could be targeted for this product.	• Ideal for depositors who save in installments for future big occasions. • Target house wife, students, small traders etc.
Minimum Deposit amount	Rs.1000 and multiples of Rs.100/-.	Rs.3000	Minimum of Rs. 50 and in multiples of Rs.5/- .
Minimum & maximum period	6 months to 120 months	6 months to 120 months.	6months to 120 month
Payment of Interest	quarterly compounding and paid at the time of maturity	Monthly/Quarterly	quarterly compounding and paid at the time of maturity
Remarks	• All future expenses will be met through this deposit • The interest accrued till date may be considered for arriving at the loan amount.	Monthly interest is payable at discounted rate	• All future expenses will be met through this deposit • The interest accrued till date may be considered for arriving at the loan amount

Features	Tax Saver Scheme	Multiple Deposits (MDA) Plan I	Multiple Deposit (MDA) Plan II
Target group	Target salaried class and other Income Tax payers – Individuals and Karta of HUF – In joint names, only 2	Salaried people, professionals, business people etc	• Individuals either singly or jointly with two or more persons, institutions, companies, firms, societies etc • Traders, Professionals, salaried individuals etc.
Minimum Deposit amount	Min. Rs.10,000 and Max. Rs.1,50,000 (RMBD/ADV/530/2014-15 dt.01.11.14)	Rs.100 and in multiples of Rs. 5/-	Minimum deposit amount rs:10000/- and in multiples of Rs.1000/-.
Minimum & maximum period	5 to 10 yrs	6 months to 120 months	6 months to 120 months
Payment of Interest	Interest according to the mode of deposit	quarterly compounding and paid at the time of maturity	quarterly compounding and paid at the time of maturity
Remarks	□ Deposit can be made under RDP or SFD. □ No loan against deposit/Not as collateral security □ No premature closure except in case of death of depositor □ Interest on deposit is liable to tax/TDS	• Each remittance is accepted for identical period. • The amount of the deposit the customer wishes to deposit, held as different remittances under the same MDA. • The depositor has the option of making any	• Each remittance is accepted for identical period • The amount of the deposit the customer wishes to deposit, may be split into convenient units and held as different remittances under the same MDA. • The depositor has the option of making any number of deposits under the same account and each remittance will be deemed as a separate deposit maturing

	Interest rate: 8% (RBMD/DEP/52/2 015-16 dt.24.04.2015) This scheme intended to attract deposits under Section 80 C of Income Tax Act. Deposit receipt should contain PAN and signature of the depositor	number of deposits under the same account and each remittance will be deemed as a separate deposit maturing after the agreed period. • Separate deposit receipt is not issued for each deposit but a pass book is issued showing each remittance with interest rate, due date and maturity value.	after the agreed period. • Separate deposit receipt is not issued for each deposit but a pass book is issued showing each remittance with interest rate, due date and maturity value. • If the depositor wants to take back a part of his deposit amount the required number of units can be closed and repaid while the remaining amount remains intact and earns interest.

Features	Multiple investment scheme (MIS)	Automatic cumulative Wedding deposit (ACWD)	EDUCATION DEPOSIT (ED)
Target group	• Agriculturist, self employed persons, traders etc • This scheme will benefit those who want to save but unable to make fixed monthly payments.	• Targeted at small traders, professional and self employed salaried persons etc. • The deposit can be made in such a way that maturity proceeds are used for marriage expenses of their children.	• Rural savers, small traders, self employed persons etc. • Monthly installments can be planned in such a way that the maturity proceeds are utilized for meeting the education expenses.
Minimum Deposit amount	Rs.100 and any further amounts should be in multiples of Rs.10 with a minimum of Rs.100	Minimum of Rs. 50	Rs.250 for 63 months and Rs.350 for 84 months
Minimum & maximum period	one year and maximum period of ten years	May be opened for 63 months, 84 months or 120 months	63 months & 84 months
Payment of interest	compounded quarterly and reinvested	compounded quarterly and reinvested	compounded quarterly

Remarks	• Remittances become due for payment on the same date fixed at the time of opening the account. • Various remittances made into the account at irregular intervals at the convenience of the depositor, mature on the specified maturity date. • Each remittance under the MIS account should be treated as a separate RDP	• This is a variation of RD • The monthly instalment payable by the depositor increases uniformly year after year Branch shall not entertain opening of new account under the scheme – Refer cir No.RBMD/DEP/59/2015-16 dt.01.10.2015	• The scheme is a v ariant of Recurring Deposit. • The monthly instalment payable by the depositor decreases uniformly year after year. • The depositor can get back the deposit amount plus interest either as a lumpsum on the date of maturity or in three annual instalments in the case of sixty three month deposits and in four annual instalments in the case of eighty four month deposits • The monthly deposit from the second year decreases by 1/5 in the case of 63 month deposit and 1/7 in the case of 84 m onth deposit.

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Features	Varshik Aai Yojana		Earn And Save for You (Easy) Deposit
Target group	Parents with school going children, House wives, salaried individuals etc.		Students, house wife, salaried individual, professionals etc., who want to save money in flexible and convenient installments.
Minimum Deposit amount	Rs.1000		Min 100, higher deposits in multiple of 10 & max. Rs.10000
Minimum & maximum period	2 yrs and above		6 months to 120 months
Payment of Interest	Compounded quarterly and paid annually		compounded half yearly and paid on maturity
Remarks	• The scheme is a combination of RDP and Fixed Deposit Scheme. • The principal remains intact till the date of maturity. • Useful for depositors to pay annual school fee of their children, payment of taxes, annual insurance premia etc. • Deposits under Varshik Aai Yojana should be classified under the General Ledger head RDP		• Monthly interest depending on the minimum balance in a/c between 10th and last day of the month • Minimum deposit amount is the core amount and depositor is free to deposit up to 10 times the core amount every month Branch shall not entertain opening of new account under the scheme – Refer cir No.RBMD/DEP/59/2015-16 dt.01.10.2015

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Features	IOB Suvidha		IOB Eighty Plus
Target group	Individuals Including(NRIs/NRO)/Firms/Corporates/PSUs/Institutions/HUF/Trust Society. Minor Special deposits not allowed under the scheme.		All Super Senior Citizens with age 80 and Above as on date Opening of Account.
Nature of Deposit	RDP		RDP/SFD (M & Q)/RD
Minimum Deposit amount	Rs.100000		As per Respective Scheme
Minimum & maximum period	15 Months and 10 Years		6 months to 120 months
Payment of Interest	quarterly compounding and paid at the time of maturity		As per Respective Scheme
Remarks	• The principal remains intact till the date of maturity. • A cash Credit account against the same deposit will be automatically opened in Finacle along with the Deposit with 90% Value of deposit having 10% Margin with Interest rate 1% above the deposit rate. The limit can be utilized for any purpose other than speculation & Real Estate Business or Prohibited by RBI/Government. • There is Nil Processing charge & Folio Charge for the CC Limit. Branch can		• Additional Interest Rate of 0.25% Per annum over and above the applicable interest rate for senior Citizen. • Self/E or S with Spouse Only/F or S with Spouse Only (Super Senior Citizen as Primary Account Holder. • Online account opening Facility is available with IOB Internet Banking.

	Issue Cheque Book,Debit Card and Credit Card for the limit. • A Single Account opening form containing all the conditions with regard to opening of deposits and Cash credit facility		

IOB GOLD DEPOSIT SCHEME

A. Persons eligible to deposit

a. Resident Indians (Individuals, HUF, Trusts and Companies),
b. A Trust including Mutual Funds /Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations may deposit under the scheme
c. Resident minor by a natural or legal guardian
d. Joint Deposits in the case of individuals

B. HOW TO DEPOSIT

a. Bank will accept gold bars, coins, jewellery etc. without any stones, gems etc. in scrap form along with the prescribed application form duly signed.
b. There will be a preliminary assay to ascertain gold content / caratage by non-destructive technique followed by a foolproof fire assay method
c. Bank will issue a provisional receipt on preliminary assay followed by a Deposit Certificate on final assay.
d. The cost of transport, melting, assay and other charges incurred at the Mint and octroi, if any will be borne by the depositor.
e. Exception from fire assay/destructive assay will be provided for physical gold tendered by Mutual Funds/Gold Exchange Traded Funds approved by SEBI and complying with the Good delivery norms of the London Bullion Market Association(LBMA) having a fineness of 995.0 parts per thousand accompanied by a certificate acceptable to our bank

C. Minimum & Maximum Quantity

- Minimum quantity accepted as deposit will be **1000 grams** in net weight and for quantities **less than 1000 grams prior permission** from Treasury Department is necessary.
- There is no upper limit for such deposits

D. Period Of Deposit

- Period of deposit will be **minimum 6 months** and **maximum 7 years**

E. Rate of Interest

a. The rate of interest will be decided by the Bank from time to time
b. Interest rates once fixed and indicated in the Deposit Certificate will remain the same for the entire period of deposit
c. Interest can be paid **semi annually** on 30th September and 31st March every year. It can also be compounded at the option of the Depositor.
d. Interest will be paid **in Rupee only** at Bank's Gold / Rupee buying rate

- **e.** Interest will be paid from the date of provisional receipt **on the net weight** and **fineness** indicated in the final receipt

- f. Interest will be calculated **at 360 days a year basis** (365/360

F. Current Interest Rates

Until further instructions, the following are the rates of interest payable on Gold Deposits

6 months and above to less than 1 year	1.50% p.a.
1 year and above upto 3 years	1.65% p.a.
More than 3 years to 7 years	1.75% p.a.

G. Transferability

- a. IOB Gold Deposit Certificate is in the form of a **document of title to goods** and is therefore **transferable by endorsement and delivery**. However in the case of certificates issued in dematerialized form, the depository rules will apply.
- b. The **transfer is required to be registered** with the Deposit Issuing Branch

H. Nomination

- **a.** Nomination facility **is available** in the case of a deposit in **a single name** and not for HUF/Trusts/Companies.

- **b.** In the case of deposits payable to **Former/Survivor**, the **Survivor will be deemed nominee**
- c. Nomination will automatically **seize in case the depositor transfers** the IOB Gold Deposit Certificate to another person
- d. The transferee, if an individual, is eligible for **fresh nomination** facility

I. Repayment

- a. Bank will redeem the Deposit Certificate for the principal amount of the deposit **either in Rupees or in Gold** as per the option exercised by the Depositor against surrender of the Deposit Certificate duly discharged.
- b. In case of repayment in Gold, Bank will **repay 995 or 999 fineness** gold in **one Kilo Bar** or such other denomination as available at our sole discretion. Bank will make necessary adjustments in weight consequent to the redemption in different fineness as against the fineness shown in the final receipt. For any fraction quantity, Bank will pay the same in rupees at our Gold/Rupee buying rate.
- c. In case of repayment in rupees, it will be paid at Bank's Gold/Rupee buying rate on the date of repayment
- d. The deposit will stop earning interest from the date of maturity
- **e.** In case the depositor wishes to renew the deposit after maturity date, Bank will renew the same from that date only at the then prevailing interest rate. **No retrospective renewal is permissible.**
- f. Bank may at its discretion in such renewals after the maturity date pay interest at such rates as deemed feasible for the overdue period in rupees at its Gold/Rupee buying rate on the date of payment.

J. Premature Payment

There will be a lock-in period of **One year** and no premature payment will be allowed during the said period.

K. Tax Concessions

In terms of various amendments carried out by respective Acts in Finance Act 1999, the following concessions are currently available:

a. Interest earned under IOB Gold Deposit Scheme will be exempted from **Income Tax**.

b. Value of Gold deposited under IOB Gold Deposit Scheme will be exempted from **Wealth Tax**.

c. Capital gains earned through trading or on redemption will be exempted from **Capital Gains Tax**

L. Authorised Branches

The scheme is open and is available at our select branches only at present

M. Prior Permission

Prior permission is to be obtained from Treasury, Central Office before accepting any gold under IOB Gold Deposit Scheme

Branch shall not entertain opening of new account under the scheme – Refer cir No.FX/108/2015-16 dated 02.11.2015.

The GMS (Gold Monetization Scheme) will replace the existing Gold Deposit Scheme 1999. The new GMS comprise of 'Revamped Gold Deposit Scheme(R-GDS)' and, Revamped Gold Metal Loan' linked together. However, the deposits outstanding under the existing Gold Deposit scheme will be allowed to run off till maturity unless the depositors prematurely withdraw them.

GOLD MONETISATION SCHEME

A new scheme for monetization of gold was introduced In the Union Budget, 2015-16 for mobilizing the gold held by households and institutions in the country and putting this gold into productive use.

The Union Cabinet had approved the Schemes on 9th Sep 2015. The operational details of the scheme have been notified by Ministry of Finance through notification issued vide office Memorandum F.No.2015/201S-FT dated September 15,2015.

In pursuance of the government notification, RBI on 22nd Oct 20l5 had issued Reserve Bank of India (Gold Monetization Scheme) Direction, 2015.

The GMS (Gold Monetization Scheme) will replace the existing Gold Deposit Scheme 1999. The new GMS comprise of 'Revamped Gold Deposit Scheme(R-GDS)' and, Revamped Gold Metal Loan' linked together

I. REVAMPED GOLD DEPOSIT SCHEME(R-GDS)

A. Eligible depositors:

Resident Indians (individuals, HUFs, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies).

B. Eligible Banks:

An account opened with o designated bonk (oll Scheduled Commercial Banks excluding RRBs) under the scheme and denominated in grams of gold.

C. Types of Gold Deposit Accounts:

Short Term Bonk Deposit :{STBD}

The deposit of Gold mode under the GMS with designated bank for a short term period of l-3 years.

Medium and Long Term Deposits:{ MLTGD}

The deposit of gold made under the GMS with a designated bank in the account of the Central Government for o medium term period of 5-7 years or o long term period of l 2- l 5 years or for such period as may be decided from time to lime by the Central Government.

D. Quantum of Deposit Accepted.

The minimum deposit of any one time shall be gold (bars, coins, jewelry excluding stones other metals) equivalent to 30 grams of gold of fineness.

E. Mode of Operation in Account:

Single as well as Joint deposits of two or more eligible depositors can be accepted. In case of Joint deposit, the some shall be credited to the joint deposit account opened in the name of such depositors.

The existing rules regarding joint operation of bonk deposit accounts including nominations will be applicable to these gold deposits.

F. Issuance of Final Gold Deposit Certificate by Designated Bank.

1. The depositor shall produce the receipt showing the 995 fineness equivalent amount of gold issued by the CPTC to the designated Bank branch, either in person or through post.
2. On submission of the deposit receipt by the depositor, the designated bank shall issue the final deposit certificate on the same day or 30 days after the date of the tendering of gold of the CPTC, whichever is later.
3. The 995 fineness equivalent amount of gold as determined by the CPTC will be final and any difference in quantity or quality found after issuance of the receipt by the CPTC including at the level of the refinery due to refinement or any other reason shall be settled among the three parties viz., the CPTC, the refiner and the designated bank in accordance with the terms of the tripartite agreement.

G. Accruals of Interest on deposits:

interest on deposits under the scheme will start accurring from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold of the CPTC or the bank's designated branch, as the case may be, whichever is earlier.

H. Collection & Purity Testing Centre

The collection and assaying centers certified by the Bureau of Indian standards (BIS) and notified by the central Government for the purpose of handling gold deposited and redeemed under GMS.

The designated bonks will be free to select and authorize the CPTCs out of the list notified by the central Government for handling gold as their agents based on their assessment of the credit worthiness of these centers.

I. Refiners:

The refineries accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL) and notified by the Central Government for the purpose of handling gold deposited and redeemed under GMS.

J. Tripartite Agreement between the designated Banks, Refiners and CPTCs

Designated bonk shall enter into o legally binding tripartite agreement with the refiners and CPTCs with whom they lie up under the Scheme.

Prepared by: Shri Satyabrat Mohanty
Vetted by: Shri Himanshu Bhusan Sahoo

The agreement shall clearly lay down the details regarding payment of fees, services lo be provided, standards of service, the details of the arrangement regarding movement of gold and rights and obligations of all the three parties in connection with
the operation of the Scheme. (Standard Tripartite Agreement in IBA format shall be entered into between bank, authorized CPTCs and authorized refiners)

K. Documentation:

Appropriate standard documentations designed by IBA in connection with the GMS including application form, nomination and final Deposit Receipt to be issued to the depositor and any other documents shall be made available in IOB online.

The entire set of documents shall be made available to the depositor upfront including all the terms and conditions of the scheme and the schedule of charges. The documentation shall also be posted on IBA's website and shall also be made available in physical form at the CPTCS.

L. Valuation of gold denominated deposits/liabilities

All transactions under the scheme with the designated bonk shall be denominated in gold of 995 fineness. The transactions shall be accounted in Notional Role advised by Treasury- CO.

M. Regulation of CPTCs and Refineries

1. The Central Government, in consultation with BIS, NABL, RBI and IBA, may put in place appropriate supervisory mechanism over the CPTCs and the refiners so as to ensure observance of the standards set out for these centers by Government (BIS and NABL).

2. The Central Government may toke appropriate action including levy of penalties against the noncompliant CPTCs and refiners.

3. The Central Government may also put in place appropriate grievance redress mechanism regarding any depositor's complaints against the CPTCS.

N. Issues with Designated Banks

The complaints against the designated banks regarding any discrepancy in issuance of receipts and deposit certificates, redemption of deposit, payment of interest will be handled first by the bonk's grievance redress process and then by the Bonking Ombudsman of RBI.

In Details:

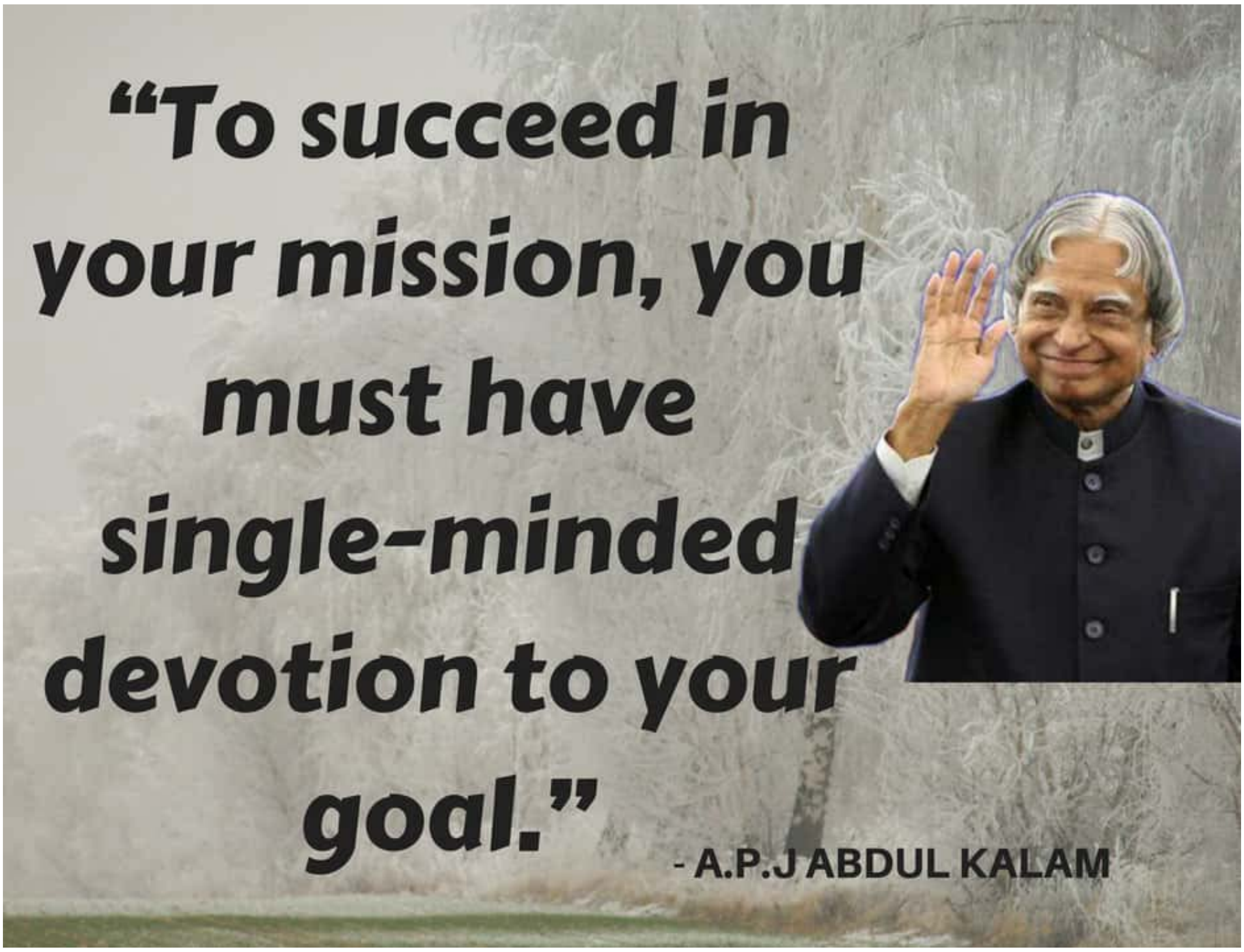
Particulars	Short Term Bank Deposits(STBD)	Medium and Long Term Government Deposits(MLTGD)
Nature of Deposits	The deposits will be accepted by bonks on their own account and will be reflected in their on-balance sheet as deposit liability.	The deposit under this category will be accepted by the designated bonks on behalf of the Central Government. The receipts issued by the CPTC and the deposit certificate issued by the designated bonks shall state this clearly. This deposit will not be reflected in the balance sheet of the designated banks. It will be the liability of Central Government and the designated bonks will hold this gold deposit on behalf of Central Government until it is transferred to such person as may be determined by the Central Government.
Effective date of Credit to the Gold Deposit Account	The designated banks will credit the STBD with the amount of 995 fineness gold as indicated in the advice received from CPTC, after 30 days of receipt of gold of the CPTC, regardless of whether the depositor submits the receipt for issuance of the deposit certificate or not.	The designated bonks will credit the MLTGD, with the amount of 995 fineness gold as indicated in the advice received from CPTC, after 30 days of receipt of gold at the CPTC, regardless of whether the depositor submits the receipt for issuance of the deposit certificate or not.
Tenor of the deposit	The deposit will be mode with the designated banks for o short term period l-3 years (with o facility of roll over). Deposits can also be allowed for broken periods (e.9. I year 3 months; 2 years 4 months 5doys etc.,)	The deposit con be mode for o medium term period of 5-7 years or o long term period of l2-15 years or for such period as may be decided from time to time by the Central Government.
Interest rotes	0.25% The rote of interest payable in the case of deposits for maturities with broken	The rate of interest on such deposits will be decided by Central Government and will be notified by Reserve bonk

	periods shall be calculated as the sum of interest for completed year plus interest for the number of remaining days at the role of D/360*AR|, where ARI = Annual Rote of interest= Number of days.	of India from time to time. The current rate of interest as notified by the Central Government are as under: i. On Medium Term Deposit: 2.25%p.a. ii. On Long Term Deposit: 2.50%p.a. The rate of interest payable in the case of deposits for maturities with broken periods shall be calculated as the sum of interest for completed year plus interest for the number of remaining days at the rote of D/360*AR|, where ARI = Annual Rote of interest, D = Number of days.
Redemption of principal and payment of interest	Redemption of principal and interest at maturity will, at the option of the depositor be either in Indian rupee equivalent of the deposited gold and accrued interest based on the price of gold prevailing at the time of redemption, or in gold. The opinion in this regard shall be mode in writing by the depositor at the time of making the deposit and shall be irrevocable. The principal and interest on STBD shall be denominated in gold.	Redemption of principal at maturity will, at the option of the depositor, be either in Indian Rupee equivalent of the value of deposited gold at the time of redemption or in gold. However, any premature redemption of MLTGD shall be only in INR. Where the redemption of the deposit is in gold, on administrative charge at a rate of 0.2% of the notional redemption amount in terms of INR shall be collected from the depositors. However, the interest accrued on MLTGD shall be calculated with reference to the value of gold in terms of Indian Rupees at the time of deposit and will be paid only in cash.
Lock-in period	Initial lock-in period shall be one year and no premature payment will be allowed during the said period.	A Medium Term Government Deposit (MTGD) is allowed to be withdrawn any time after 3 Years and a Long term Government deposit (LTGD) after 5 Years.

All the deposits under the scheme shall be made at the CPTC provided that at their discretion, bonks may accept the deposit of gold at the designated branches, especially from the larger depositors. provided further thot bonks may, at their discretion also allow the depositors to deposit their gold directly with the refiners that have facilities to carry out final assaying and to issue the deposit receipts of the standard gold of 995 fineness to the depositor. The quantity of gold will be expressed up to 3 decimals of a gram.

Reference Circulars :

t. Fxl108/2015-16 dt 02.11.2015
2. FX/109 /2015- I 6 dr 07 .1 1 .201 5
3. FX/12212016-17 dt 09.05.20t 6
4. FX/006/201 6-17 dt 23.03.201 7
5. FX100712016-17 dt 29.03.2017
6. FX/01612017-18 dr 23.08.2017
7 . FX/030/2018-19 di 13.06.2018
8. FX/03712018-19 di 25.07.2018
9. FX/039/2018-19 dt 29.10.2018
10.FX/047 /2018-19 dt 14.01.2019
11.FX/59/2019-20 dt 09.08.2019


"To succeed in your mission, you must have single-minded devotion to your goal."
- A.P.J ABDUL KALAM

MODULE-C

Advances

GENERAL ADVANCES

1. Loans granted with repayment period (including holiday period) of 12 months and below are classified as **Short Term Loans**.
2. Loans granted with repayment period (including holiday period) of more than 12 months are classified as Term Loans
3. **Borrowing power of companies (LAW/Misc/373/2013-14 dt.05.02.2014 & Law/Misc/440/2014-15 dt.11.09.2014)**

   Mandate in Section 180(1)(c)of Companies Act 2013:

   - Section 180 of the Companies Act, 2013 provides that the Board of Directors of a company shall exercise the powers comprised under the section only with the consent of the Company by a **Special Resolution**.
   - Henceforth a **Special Resolution** is required to borrow money, where the money to be borrowed, together with the money already borrowed by the company exceed the **aggregate of its paid-up share capital and free reserves,** apart from, temporary loans obtained from the company's bankers in the ordinary course of business.
   - It has also been clarified in the said section that **'temporary loans'** means loans repayable on demand or within **six months** from the date of the loan such as short-term, cash credit arrangements, the discounting of bills and the issue of other short-term loans of a seasonal character, but does not include loans raised for the purpose of financial expenditure of a capital nature.
   - Such special Resolution shall also **specify the ceiling limit** i.e., the maximum amount that the Board of Directors is allowed/ authorized to borrow in the name of the company.
   - Now Section 180 of the 2013 Act is not applicable to private limited companies.(law/misc/564/2015-16 dated 30.09.2015)
4. **Unsecured exposure** is defined as an exposure where the realizable value of security, as assessed by the Bank/approved valuers/Reserve bank's inspecting officers is **not more than 10 per cent, ab-initio**, of the outstanding exposure.

   Bank's outstanding unsecured guarantees, plus total outstanding unsecured advances should **not exceed 30%** of its total outstanding **global advances as at the end of previous quarter.**

5. **Ceiling for single Borrower Limit** (Other than Infrastructure Projects)

<table>
<tr><th>Category of borrower</th><th colspan="2">Maximum Limit</th><th>Maximum limit with approval of Board</th></tr>
<tr><td>Individual /Proprietary Concerns/ Trust/Society*</td><td colspan="2">Rs.100 Crores</td><td rowspan="2"></td></tr>
<tr><td>Partnership firms</td><td colspan="2">Rs.400 Crores</td></tr>
<tr><td>Ship Breaking Industry*</td><td colspan="2">Rs.400 Crores</td><td rowspan="3">5 % of capital Funds</td></tr>
<tr><td>Film Industry*</td><td colspan="2">Rs.50 Crores</td></tr>
<tr><td>Aviation Industry*</td><td colspan="2">Rs.500 Crores</td></tr>
<tr><td rowspan="5">NBFCS*registered with RBI.(for single NBFC/NBFC-AFC (Asset financing Company) NBFCs having gold loans to the extent of 50% or more of its total financial assets.</td><td>External rating</td><td>Ceiling</td><td rowspan="5">7.5% of Capital Fund</td></tr>
<tr><td>AAA</td><td>₹ 1000 Cr or 7% of capital funds whichever is less</td></tr>
<tr><td>AA</td><td>₹ 6% of capital funds whichever is less 800 Cr</td></tr>
<tr><td>A</td><td>₹4% of capital funds whichever is less 500 Cr</td></tr>
<tr><td>Others</td><td>₹2% of capital funds or 300 Cr whichever is less</td></tr>
</table>

NBFCs, which have been exempted from the requirement of registration by RBI viz. Insurance Companies registered under Section 3 of the Insurance Act, 1938; Nidhi Companies notified under Section 620A of the Companies Act, 1956; Chit Fund Companies carrying on Chit Fund business as their principal business as per Explanation to Clause (vii) of Section 45-I(bb) of the Reserve Bank of India Act, 1934; Stock Broking Companies / Merchant Banking Companies registered under Section 12 of the Securities & Exchange Board of India Act; and Housing Finance Companies being regulated by the National Housing Bank (NHB).	12.5% of Capital Funds		17.5% of capital Funds
All other borrowers	12.5% of Capital		17.5 % of capital Funds

6. Single borrower limit for infrastructure projects

Category of borrower	Maximum Limit		Maximum limit with approval of Board
Individual /Proprietary Concerns/Trust/Society	Rs.100 Crore		5% of capital Funds
Partnership firms	Rs.400 Crore		
NBFCs Registered with RBI. {for single NBFC/NBFC-AFC (Asset Financing Company) if the NBFC is lending to Infrastructure} & NBFCs having gold loansto the extent of 50% or more of its total financial assets.	External raing	Ceiling	7.5 % of Capital
	AAA	₹ 7% of capital funds Rs.1000 Cr whichever is lower	
	AA	₹ 6% of capital funds whichever is less 800 Cr	
	A	₹ 4% of capital	

		funds whichever is less 500 Cr	
	Others	₹ 2% of capital funds or 300 Cr whichever is less	
All other borrowers	15 % of Capital Funds		@ 20% of capital Funds

7. **Single borrower limit for oil companies**

Single borrower limit for oil companies	Maximum limit	Maximum limit with approval of board
For Oil Companies who have been issued Oil Bonds (which do not have SLR status) by Govt. of India	12.5% of Capital Funds	17.5% of Capital Funds

8. **Group Borrower Limit**

Group borrower limit	**Maximum Limit**	**Maximum limit with approval**
For projects other than infrastructure.	20 % of capital Funds. However aggregate limits to Proprietary and partnership firms in the Group should not exceed Rs.500 crore.	25% of capital Funds
For Infrastructure projects	25% of capital Funds However aggregate limits to Proprietary and partnership firms in the group should not exceed Rs.500 crore.	30% of capital Funds

9. Single/group **Prudential exposure limits** do not apply if the credit facilities

proposed fall under the following categories:

Existing/additional credit facilities (including funding of interest and irregularities)

a. Granted to weak/sick industrial units under rehabilitation.

b. Borrowers, to whom limits are allocated directly by the Reserve Bank of India, for food credit.

c. Principal and interest are fully guaranteed by the Government of India.

d. Loans and advances granted against the security of Bank's own term deposits.

e. Exposure to NABARD.

10. Exposure ceiling to NBFC

- In the case of NBFCs, the Bank will restrict its aggregate exposure **to** 10% of gross domestic advances subject to single borrower exposure not exceeding 2% of capital funds or Rs.300 Cr for accounts rated below 'A'. The exposure ceiling is7% of capital funds or 1000 crore whichever is lower,6% of capital fund s or Rs.800 crore whichever is lower and 4 % of capital funds or Rs.500 crore whichever is lower respectively for 'AAA'; 'AA' and 'A' rated borrowers. Existing accounts with exposure more than this ceiling shall continue.

- **Single borrower limit for NBFCs predominantly engaged in lending against gold:** Within the above ceiling a sub ceiling **of 1% of gross domestic exposure** for all such NBFCs, having gold loans to the extent of 50% or more of its total financial assets, taken together.

11. According to the guidelines of RBI, **No** Non Banking financial company shall contribute to the capital of a **partnership firm/LLP/Association of persons** or become a partner of such firms.(CSSD/ADV/358/2013-14 dt.17.06.2013)

12. Exposure ceiling for real estate advances

Sub-sector under Real Estate Advances	Sub-ceiling
Commercial Real Estate excluding liquirent CRE :- Lendings secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multifamily residential buildings, multi-tenanted commercial premises, industrial or warehouse space, land acquisition, development and construction etc.) (excluding liquirent CRE). Of which CRE- Residential Housing (CRE-RH) (to builders and developers)	7% (3%)
Liquirent CRE	3%

Commercial Real Estate (Total)	10%
Liquirent – Non-CRE	3%
Hotels, Hospitals and investment in Mortgaged Backed Securities (MBS) and other securitised exposures	3%
Housing direct (includes total of residential mortgages-except indirect housing loans)	10%
Housing Indirect	4%
Non-Commercial Real Estate (Total)	20%
Real Estate – CRE & Non CRE (Total)	30%

13. Ceiling for Aggregate exposure limit for Trust/Society

- ✓ The exposure to Trust and Society put together shall **not exceed 3%** of gross domestic exposure subject to single borrower exposure not exceeding Rs.100 Crores. MD&CEO is authorized to permit for exceeding overall exposure by 10% (i.e. upto 3.3% of gross domestic exposure
- ✓ The ceiling of Rs.100 crore fixed for Single Trust/Society and 3% fixed for aggregate Trust/Society accounts are not applicable in the following cases.
  - i. In the case of exposure to Trusts/Societies constituted by State / Central Governments including Port Trust(s) or under Special Statutes for specific purposes like infrastructure development etc., and
  - ii. To accounts specifically exempted by the Board

  In such cases (mentioned under i & ii above), the exposure can be upto single borrower limit under prudential norms

14. Loans to Hotels and Hospitals

- Loans to Hotels and Hospitals are not classified under Commercial Real Estate sector if the ventures are run by the borrower themselves.
- Branches and ROs can sanction advances to these sectors viz.Hotels, Hospital and Liquirent Non-CRE under their discretion available to sanction limits for such category of borrower

15. Loan against Shares

a. Loans against the security of shares, debentures and PSU bonds if held in physical form should not exceed the limit of **Rs.10 lakhs** per borrower and **Rs.20 lakhs per borrower if shares are held in demat form**.

b. At present a minimum margin of 50% will be maintained on advances against shares/ Issue of guarantees on behalf of brokers.

c. Where the securities are held in dematerialized form, the requirement relating to transfer of shares in bank's name will not apply. Instead, lien will be marked against such shares in DP.

16. **Granting Of Loans For Acquisition Of Kisan Vikas Patras (KVPs)**:

- **No loans will be sanctioned for acquisition of/investing in Small Savings Instrument**s including Kisan Vikas Patras as per RBI guidelines

17. Margin on loans & advances

- Bank recognizes margin as the **borrower's share in the assets** or s**ecurity**

18. **Margin on MC**C – 50% of value of immovable properties

19. In respect of MCC against immovable properties, Bank may at its discretion delegate authority to prescribe lower margin .

20. The confirmation of balances in deposit and advances accounts of entities should be sent directly to the respective auditors, besides sending to the account holders.

21. **Guarantees In Favour Of Banks**: (CSSD/ADV/582/2015-16 dt.28.05.2015)

- Banks issue guarantees favouring other banks/FIs/other lending agencies for the loans extended by the latter.

- A cap of **10%** on Bank's Tier 1 capital is fixed for the bank as a whole for issuing such guarantees.

- Of this, guarantees favouring single bank/FI will not exceed 1% of Tier 1 capital.

- CAC is empowered to sanction upto the ceiling of 20% for the bank as a whole and 2% for single Bank/FI. Sanction of this facility is restricted to ZLCC (GM) and upwards.

22. **Guidelines for Sanctioning Bridge Loans**:

- Bank will sanction bridge loans **to companies (other than Non-Banking Financial Companies and Residuary Non-Banking Financial Companies)**for a period not exceeding one year against expected equity flows/issues. Such loans will be included within the ceiling of 40 percent of the banks' networth as on March 31 of the previous year prescribed for total exposure, including both fund-based and no-fund based exposure to capital market in all forms.

- Bank will also extend bridge loans against the expected proceeds of Non-Convertible Debentures, External Commercial Borrowings, Global Depository Receipts and/or funds in the nature of Foreign Direct Investments, provided the borrowing company has already made firm arrangements for raising the aforesaid resources/funds

23. **Credit Information Reports**;

- Our Bank is a member in all the following 4 credit information companies.

1. The Credit Information Bureau (India) Ltd (CIBIL),

2. Experian Credit Information Co. of India P. Ltd.,
3. Equifax Credit Information Services P. Ltd. and
4. CRIF High mark Credit Information Services P. Ltd. (rbi cir dt.22.08.2014)

- It is compulsory to draw Credit Information Reports (CIR) from Credit Information Company in respect of advances for Consumer as well as Commercial segment irrespective of the loan amount – for fresh sanction / enhancement / renewal.
  - The following credit facilities are exempted from mandatory drawing credit information report: (CSS/ADV/433/2013-14 dt.28.12.2013)
    - Loan against deposit
    - Pensioner's loan
    - Loans to individuals against NSCs, KVP/IVP
    - Loans to individuals against insurance policies approved by IRDA,
    - Jewel loans
    - Agri jewel loans
    - Loan against Govt. Bonds
    - Staff Consumer Loan
    - DPN Loan/cash credit facility to staff
    - Term Loan (wedding) to staff
    - Staff Vehicle Loan
    - Festival advance to staff
    - All Scheme of staff housing Loan(including Subhagruha housing loan for staff if it is linked with SHL)
    - Education loan to wards of staff members
    - Winter loan to staff
    - Drought/flood loan to staff
- As of now Branches and other offices are given access to draw the report from CIBIL & CRIF HIGH MARK. Reports shall be drawn from other companies as per operational guidelines issued from time to time.
- Branches should draw reports in Commercial segment with the User Ids they have. An amount of **Rs.700** is to be collected from the borrower when CIRs are pulled out.(ADV 287/2009-10 dt.18.06.2009)
- After obtaining CIBIL report, branch should also ensure that the borrower(s) / guarantor(s) names do not appear in the **CIBIL DETECT** list which is available with Regional Offices.

Prepared by: Shri Pankaj Kumar Mohanty
Vetted by : Shri Omkar Saswat Gajapati

- RBI has mandated all Credit Institutions to become members of all CICs and to submit data (including historical data) to them. (RBI Cir dt. 15.01.2015). The membership fee shall not exceed Rs.10,000 each. The annual fees charged by the CICs to CIs shall not exceed Rs.5000 each.

24. CIBIL Mortgage check (RBMD/ADV/457/2013-14 dt.20.02.2014)

- CIBIL mortgage check is the first centralized electronic data base of mortgages in India which help the lending institutions to share and access mortgage information. This helps to exercise stronger due diligence and also helps to contain fraudulent transactions.
- Our Bank has subscribed to CIBIL mortgage check and the same needs to be verified before disbursing any mortgage based loan with effect from 01.03.2014.

25. CIBIL Consumer trigger (RBMD/Misc/399/2014-15 dt.14.05.2014)

- Whenever our customer approaches (or} being approached by any financial institution for a loan/line of credit, CIBIL will return a **trigger** to our Bank upon CIBIL verification.
- CIBIL will provide the Consumer Enquiry Triggers for the list of customers provided to them, which will subsequently be disseminated to the branches through email by Central Office Marketing Department
- CIBIL - Consumers Trigger will be in the nature of **Business Intelligence leads.** This tool will facilitate the branches/ marketing teams to identify the needs of customers

26. Report on Overseas Buyers And Sellers

Branches can draw the reports either from

a. Dun & Bradstreet Information Services India Pvt. Ltd. or

b. From Experian Services India Private Limited.

27. **Approval grid** : abolished (CSSD/ADV/606/2015-16 dt.14.09.2015)

28. **Different committees for credit are**:

- ✓ Credit Approval Committee **.**
- ✓ Two Credit Approval committees at Central Office namely HLCC(ED) and HLCC (GM) cater to all eligible proposals at Central Office level.
- ✓ One committee at Zonal office name **ZLCC (GM**) to consider proposal at Zonal office.
- ✓ One committee at Regional office namely **Regional Level Credit Approval Committee (RLCC)** to consider proposals at Regional offices.

- With the setting up of the committees individual delegated powers above the Branch Manager level **cease to exist**. The delegated powers are vested with the committees.
- The decision of these committees shall be **unanimous.**

- Minutes of the meetings of various committees at RO and CO shall be duly recorded and signed by the Head and other members of the respective committees.
- Minutes of the meetings of RLCC, HLCC (GM) and HLCC (ED) shall be reported to **next higher committee** respectively.

- The Convener for each committee shall be asUnder.

HLCC (ED) ⟹ CSSD

HLCC (GM) ⟹ CSSD

RLCC ⟹ Head of the Credit Department (RO)

- The convener is responsible for;
  - Circulation of Agenda Notes serially numbered.
  - Recording of Minutes.
  - Communication of Minutes to the respective Departments.
  - Keeping the minutes and original proposal under Safe Custody.
  - Placing the minutes to next layer for review in the following month
- Frequency Of Meeting:
  - The committees shall meet on a **weekly basis** and as and when required.
- The quorum of the committees : 3

29. The Delegated Powers (CSSD/ADV/266/2018-19 dt.16.08.2018)

Sanction of limits to below hurdle rated accounts

The delegated powers for sanctioning credit facilities to below hurdle rated accounts i.e., below IOB 5 (for non-priority) (i.e. accounts rated IOB 6 TO IOB 10) accounts ie., below IOB 6 (for priority) i.e. accounts rated IOB 7 TO IOB 10)

are modified. In case of external reating, the hurdle rate is BBB (i.e. accounts rated BB and below).The discretion for sanctioning accounts (renewal, renewal with enhancement and fresh) which are below hurdle rate is given below.

Renewal without enhancement As regards renewal of accounts with rating below hurdle rate, renewal sanction discretion shall be as follows:

Original Sanctioning Authority	Sanctioning Authority for renewal of account rated below hurdle rate
Branch, RLCC & ZLCC	ZLCC
HLCC(GM)	HLCC(GM)
HLCC (ED)	HLCC (ED)
CAC	CAC

MCB	MCB

While renewing such accounts, sanctioning authority should endeavour to increase the margin, increase in collateral coverage etc.

Renewal with enhancement

Renewal with enhancement for accounts rated below hurdle rate can be sanctioned by HLCC (GM) and above only. The proposed discretion shall be as under

Original Sanctioning Authority	Sanctioning Authority for enhancement to accounts rated below hurdle rate
Branch, RLCC & ZLCC, HLCC(GM)	HLCC(GM)
HLCC (ED)	HLCC (ED)
CAC	CAC
MCB	MCB

While considering enhancement to accounts falling below hurdle rate, the sanctioning authority can consider enhancement as per discretion mentioned above if any three of these following conditions are satisfied.

a) The borrower is having a long standing banking relationship with our bank, with at least 5 years relationship

b) The rating downgrade is temporary in nature.

c) There is strong group support available for borrower.

d) The borrower is a public sector undertaking/reputed private sector companies/govt undertakings.

e) Enhancement is essential for turnaround of the borrower.

f) The exposure is fully backed by collateral security/ government guarantee/ corporate guarantee of parent/ associate which has an investment grade rating.

The sanctioning authority shall record the specific reasons for considering enhancement to such accounts.

New Accounts/Fresh Sanctions:

Sanction for a new account which gets a rating below hurdle rate shall be only under exceptional circumstances. Bank may evince interest in cases such as Central Govt or State Govt sponsored companies where government guarantee is provided or in a case where a sick unit is being taken over by a reputed group and the corporate guarantee of the parent company which is an investment grade company is provided. Discretion for sanction of limits to such accounts which are rated below the hurdle rate is vested only with HLCC (ED) and above.

Normal Discretion falls under	Sanctioning Authority for new accounts rated below hurdle rate
Branch, RLCC & ZLCC, HLCC(GM), HLCC (ED)	HLCC (ED)
CAC	CAC
MCB	MCB

30. Delegation of powers

- The sanctioning authority shall exercise his/her delegated powers only after regular loan proposals are prepared, needs assessed, compliance of KYC norms and **duly recommended** at least by one officer of the bank other than the sanctioning authority.
- In single man branches, advances sanctioned by Branch Head under Special Credit Schemes, Industrial and trade sectors require **pre release clearance** by the Regional Head.
- Rejected/declined proposals by higher authorities should not be entertained at lower levels even if such sanctions fall within lower functionaries' delegated powers.
- Proposals declined by one Branch or RO should not be entertained by another Branch or RO without prior clearance of the Branch or RO which has declined the proposal earlier.
- The powers delegated to Branch Heads to sanction credit limits are with reference to the **scale of the sanctioning authorities** only and not in relation to the size of the Branch.

31. Release of limits (CSSD/ADV/582/2015-16 dt.28.05.2015)

- Certificate from the 2nd in Command to be obtained before release of limits.
- The Branches manned by only one officer (i.e. Branch Head), the Manager shall send the certificate to the Regional Head.
- Complete vetting of documents to be done by **Bank's panel lawyers** before release of funds under sanctions at various levels aggregating Rs.1 crore and above.
- For credit sanctions aggregating Rs.10 Crore and upto Rs.50 Crore, permission for release of the limits shall be obtained from RO upon receipt of the Certificate by second in command of the Branch and ensuring the vetting of documents by the Bank's panel lawyers.
- For credit sanctions above Rs. 50 Crore, permission for release of the limits shall be obtained from ZO.
- Any delay beyond **15 days** between **the request for disbursement** and **actual disbursement**, without communicating (in writing) the reasons to the borrower, would be viewed from vigilance angle. (CSSD/499/2014 -15 dt.03.07.2014).

32. Financing To Second Hand Machinery (CSSD/ADV/582/2015-16 dt.28.05.2015)

Financing for the purchase of second hand machinery (both indigenous as well as imported) will be considered subject to the following conditions.

- The value, working condition and residual life of the existing asset /machinery should be valued /assessed by our approved valuer, or a reputed valuer.
- The margin should be sufficient to cover the value that is decided based on wear and tear, depreciation, market value etc of the machinery/asset to be financed against.
- The repayment of the term loan should be restricted to a maximum period **of 5 years** or the residual life period of machinery/asset whichever is lower

33. Discretionary powers- extension of credit facilities in foreign currency (CSSD/ADV/593/2015-16 dt.06.07.2015).

Wherever the credit facilities are extended in foreign currency, the delegated powers are reckoned in Indian Rupees at the applicable Notional Rate for the foreign currency

34. Discretionary power – II line functionaries in branches (CSSD/ADV/593/2015-16 dt.06.07.2015)

- In Branches, headed by Managers in Scale IV and above, II line Managers can exercise discretionary powers as applicable to their scale. However, such sanctions made, shall be reviewed by the 1st line Manager.
- In Branches headed by Scale I to III officers, II line Managers can exercise the delegated powers as applicable to their scale in respect of the following advances. However, such sanctions made, shall be reviewed by the 1st line Manager.
  - ✓ Demand Loan against domestic deposits to depositors and third parties.
  - ✓ Demand Loan against NSC, policies of LIC and other private insurance companies approved by IRDA.
  - ✓ Agri Jewel Loan
  - ✓ Pensioners' loan.

35. Loan Against NRE Rupee+Deposits and FCNR (B) Deposits (FB & NFB)

Please refer RBI Master Circular of Instructions relating to Deposits held in FCNR(B) Account

- Rupee loans may be allowed to depositor/third party without any ceiling subject to usual margin requirements
- Foreign Currency loans may be allowed to depositor/third party without any ceiling subject to usual margin requirements.
- In case of FCNR deposits, the margin requirement shall be notionally calculated jon the rupee equivalent of the deposits.

- Further, the facility of premature withdrawal of NRE/FCNR deposits shall not be available where loans against such deposits are to be availed of . This requirement may specifically be brought to the notice of the deposit holder at the time of sanction of the loan.

36. With a view to simplify access to Bank Credit by exporters, especially small and medium exporters, RBI has drawn up a scheme, in consultation with select Banks and exporters.: **Gold Card Scheme**

37. Trade Credit

- Limit to traders upto which Balance sheet need **not** be insisted :**Rs 10 lakh**
- Sanctioning limits to traders based on unaudited balance sheet : **For limits upto Rs 25 lakhs,**
- Non-insistence of approved valuers' valuation on collateral securities offered for securing limits to traders: **upto Rs 1 lakh etc**

38. Term loan/project financing

- ✓ The maximum period for repayment of term loans shall not generally exceed 120 months including the holiday period. This may however be increased upto 180 months for large projects involving longer gestation period
- ✓ Gestation/Holiday period for various project loans will vary from 3 months to **36 months**. However on any account the gestation period should not go above 36 months.
- ✓ **Debt Service Coverage Ratio:** While the desirable ratio would be above 2:1, average DSCR of 1.5: 1 with minimum DSCR of 1.2: 1 can be accepted on merits. For MSME units located in backward areas an average DSCR of 1.5 with a minimum of 1.2 in any year can be accepted.
- ✓ **Solvency ratios:** In general, debt equity ratio of less than 2:1 and Total outside Liabilities to Tangible Net Worth (TOL/TNW) ratio of less than 4:1 will be considered as reasonable requirements for any credit proposal. These bench marks will generally be observed for new connections.

39. Appraisal of Infrastructure Projects

- ✓ The desirable **debt equity ratio** is 3.5 to 4:1 and relaxation can be given on case-to-case basis.
- ✓ Likewise while the desirable and ideal DSCR ratio would be above 2:1, an average DSCR of **2.0 with a minimum of 1.50** in any year can be accepted.

40. Upfront fee for Term loans

- For Term Loans (for standalone Term Loan as well as Term Loan sanctioned with other facilities) upfront fee @1.20% should be collected in lieu of processing charges.
- **Maximum** amount is RS.100.00 Lakhs.
- **Processing Fee on modifications effected on sanction terms**: As applicable from time to time

Commitment charges

Charges are recovered as per utilization level of advances as under:- (both for Fund Based and Non fund Based)

Working capital and Term loan : Applicable for Limits above ₹. 50.00 lacs	
i) Amount of Loan/Limit	Charges
ii) Utilization Level above 80 %	No charges
iii) Utilization Level 50 % to less than 80 %	0.50 % p.a to be recovered on entire unutilized portion.
iv)	
v) Below 50 %	0.60%pa of unutilized portion

41. Lending Banks to ensure that the borrowing firms are making payments of their statutory dues in time, strictly in compliance of the provisions of the relevant statutes. (CSS/ADV/173/2012-13 dt.28.04.2012)

- Why because some legislations like the employees Provident Fund and Miscellaneous Provision Act 1952 declare priority to the dues over others. This will lead to security value erosion.
- Branches are to obtain a certificate from the borrower's auditors on an annual basis stating that all statutory dues including EPF dues have been paid by the borrower.

42. Construction Industry:

In case of construction industries the extant RBI guidelines based on **Accounting Standard (AS.7)** issued by Institute of Chartered Accountants of India (ICAI) is followed to arrive at the permissible bank finance for borrowers with fund based working capital limits beyond Rs 2 crore.

43. Working capital Finance

- Banks have been given **freedom** in evolving their own method of lending and the Bank has evolved its own lending policy
- Working capital limits **upto Rs.2 crore** (Rs.7.5 crore for SME borrowers) will be assessed as per **Nayak Committee recommendations i.e. turnover method.**
- Borrowers enjoying working capital limits of **above Rs.2 crore and upto Rs. 10 Crore (above Rs.7.5 Crore and upto Rs.10 Crore for SME borrowers**) will be assessed as per the existing **traditional method** of arriving at Maximum Permissible Bank Finance (MPBF) calling for the CMA data and
- Borrowers enjoying working capital limits of **above Rs.10 Crore**, option will be given to the borrower to be assessed as per the cash budget method or as per MPBF method.

- Branches/RO/ZOs to adopt simplified procedures for sanction of working capital limits to MSEs i.e. 25% of the projected and accepted annual turnover could be extended as working capital limit to MSE units requiring aggregate fund based working capital limits up to Rs 7.5 crores. In such cases where 25% of the accepted turnover is extended as working capital the borrower has to bring in 6.25% of the accepted turnover as margin for the proposed working capital limit. Current ratio of 1.25 to be maintained. Working capital assessment for digital portion. For those units enjoying working capital limits up to Rs.7.5 crores, branches/ro/zo would consider extending working capital up ot 30% of the digital portion of the turnover projected. The borrower has to bring in 7.50% of the accepted digital turnover as margin.
- For industries like **sugar and tea** wherein the pattern of financing the peak cash deficit(s) is followed all along, the existing system of assessment under the cash budget method will be followed.
- **Current Ratio:** While it is desirable for a current ratio of 1.33:1 (1.25:1 for MSE) as a benchmark, lower current ratio can be considered acceptable on a case-to-case basis depending upon the components and quality of current assets and current liabilities.

44. CC against book debts

- For sanctioning CC against book debts the age of which are not more than 120 days, the minimum margin should be : **25%**
- Proposals involving advance against book debts of age above120 days and not exceeding 180 days can be sanctioned from the level of ZLCC (GM) and above only. (CSSD/ADV/593/2015-16 dt.06.07.2015)

45. Lending By Inter Bank Participation (IBP) With Risk Sharing:

- ✓ The Bank may participate in IBPCs with Risk Sharing issued by scheduled commercial Banks with the approval of MCB to increase the credit portfolio as and when required as per the guidelines for the scheme outlined by RBI from time to time.
- ✓ The interest rate shall be mutually agreed between the issuing and participant banks
- ✓ The IBPCs are not transferable and the tenor shall be minimum 91 days and maximum of 180 days.
- ✓ The aggregate amount of such participation in any account shall not exceed 40% of the outstanding in the account at the time of issue and it shall be maintained during the currency of participation.
- ✓ In case where there is default in the underlying advances, the issuing bank will

take necessary action, in consultation with the participating bank and share the recoveries proportionately.

46. Group/associates financing-NPA

Fresh/enhancement of credit limits to a standard performing account in a group can be considered even though any of their associate(s) is/are a non performing asset or was granted OTS with sacrifice or a suit filed account. Suitable powers are delegated to the authorities to consider such fresh limits or enhancement and for renewal.

47. Stock audit:

- In respect of NPA accounts, which are under Private or Public sector, with outstanding of Rs. 5 crore and above stock audit is to be done once in a year as on October 31st of every year.
- Borrowers [Standard Assets] in Private Sector whose fund based working capital limits [inclusive of receivables] are **Rs. 5 crore** and above - once in year i.e. as on October 31st every year.
- The Watch Category/ Restructured borrowal accounts with fund based outstanding of Rs.**1 crore** and above - once in a year as on 31st October every year.
- Stock audit should be conducted for **non-fund-based advances** pertaining to trading in goods for non-fund-based exposures of Rs.5 crore and above.

48. Bills Financing

- ✓ Bills financing facilities will be treated as a **part of working capital** finance and accordingly, the bills limit shall be assessed and appraised within the overall working capital limits sanctioned to the borrower
- ✓ The Bills purchased/ discounted in respect of **'services"** will be treated as **unsecured advances** for the purpose of exercise of discretionary powers.
- ✓ However, wherever such facilities are supported by collateral securities, they will be **construed as secured advances** only for balance - sheet /audit purposes

49. Granting of loans to officers and their relatives:

- No officers or any committee comprising inter alia, an officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to himself or to his /her relative.
- Such a facility shall ordinarily be sanctioned only by the next higher sanctioning authority.
- In the case of **Advances to Officers of Bank** and their relatives, the term

'**credit facility'** will not include loans or advances against;

- ✓ Government securities
- ✓ Life Insurance policies
- ✓ Fixed or other deposits
- ✓ Temporary overdrafts for small amount i.e. upto Rs.25,000/-
- ✓ Casual purchase of cheques upto Rs.5,000/- at a time.
- ✓ Loans and advances such as housing loans, car advances, consumption loans, etc. granted to an officer of the bank under any scheme applicable generally to officers.

50. Pensioner's loan

Pensioners' Loan scheme to all pensioners receiving pension through our branches except Malaysian Government pensioners (CSSD/Adv/ 582 / 2015 – 16 dt 28.05.2015).

51. In lending under consortium/multiple banking, Branches should obtain the following certificates.

- In case of consortium Due Diligence Report shall be obtained from agencies/firms such as Dun and Bradstreet, CRISIL, Experian Sevices P Ltd., on suppliers of machinery/equipments notwithstanding the procedure followed by the leader bank. If the machineries/equipments are large in number to be purchased or installed, exemption of Due Diligence shal be made for machineries /equipments with value below Rs.50 lakhs or 5% of total of machineries whichever is less.
- Certification of borrowal companies by chartered Accountants/ Company Secretary/cost accountants
- Any sanction of fresh loans/adhoc loans/renewal of loans to new/existing borrowers with effect from January 1, 2013 should be done only after obtaining/sharing necessary information.

52. Banks and notified All India Financial institutions are required furnish details of willful defaulters to all four credit information companies; (RBI cir dt.01.07.2015)

- ✓ Banks/FIs should submit the list of **suit filed accounts and non suit filed** accounts of willful defaulters of Rs.25 lakh and above on a monthly or more frequent basis to all the four credit information companies. This would enable such information to be available to the banks/FI on a near real time basis
- ✓ In this connection it is clarified that banks need not report cases where outstanding amount falls below Rs.25 laks and in respect of cases where banks have agreed for a compromise settlement and the borrower has fully paid the compromised amount.

53. The exposure to hotels, hospitals etc. where the repayment primarily depends on

Prepared by: Shri Pankaj Kumar Mohanty
Vetted by : Shri Omkar Saswat Gajapati

the operating profit from the business operations, quality of goods and services; need not be treated as Commercial Real Estate (CRE).

54. Whenever the limits in the nature of loan for acquisition of capital assets (other than working capital limits) sanctioned to a public limited company or to a private limited company which is its subsidiary, together with its other term loan borrowings exceed its paid up capital and free reserves, the approval of such company in General Body Meeting is to be obtained for such excess borrowings. Every such general body resolution delegating power to borrow must specify the total amount outstanding at one time up to which moneys may be borrowed by the company.

55. Definition Of Group:

a. As per RBI guidelines, the concept of "Group" and the task of identification of the borrowers belonging to specific industrial groups is left to the perception of banks / financial institutions. The guiding principle in this regard being commonality of management and effective control.

b. A group is defined by invoking associate/sister concern concept.

c. Where a proprietor or partner of a firm/director of one company is proprietor or partner of another firm/director of another company, they are called as associates falling within the purview of group concept.

d. Where a proprietor or partner of a firm /a director of one company/ a company is the guarantor of another partnership firm/another company where the guarantor has no financial stake (or has no commonality of management and effective control), then they are not to be treated as associates falling within the purview of group concept.

e. Where common director /partners are employees/ institutional nominees/ or have no financial stake, the group concept will not apply.

f. In case of common guarantors if they have substantial interest i.e 51% or more stakes in one or any of the common concerns, then the account should be treated as associate concern.

g. Even after complying with the above directions, If a sanctioning authority is of the opinion that the borrower should be considered as an associate concern, then the provisions of associate shall be applicable (such as very closely connected family members, say wife, son, daughter etc, under on family umbrella).

56. Foreclosure of term loan accounts

Banks are not permitted to charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers (RBI cir dt.07.05.2014).

57. **GOLD (METAL) LOANS**: Our Bank is a nominated Bank by RBI to extend Gold (Metal) loan. Gold (Metal) loan can be extended to domestic jewellery manufacturers and jewellery exporters for a period not exceeding 180 days by ZLCC and above.

58. No advances should be granted by the Bank for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) (RBI Cir. Dt.19.11.2012)

59. **Charging/Compounding Of Interest On Loans And Advances**

- As per RBI guidelines, interest for all the loans and advances are to be charged at **monthly rests** except agricultural advances and DRI Small loans (RBI Master Directions dt. 03.03.2016)
- Interest rates shall be decided on the overall fund based credit limits extended to any borrower (BOD/ADV/581/2015-16 dt.21.05.2015).
- Overdue / Penal interest at **2.00%** over the prescribed rate should be charged wherever applicable, as per the extant guidelines for Non submission of Audited Financial Statements, Inadequate Drawing Power, default/ delay in payment of installments etc. (BOD/ADV/581/2015-16 dt.21.05.2015)
- No penal interest should be charged by banks for loans under priority sector up to **Rs 25,000** (RBI Cir dt. 17.08.2001).

60. **Interest rate on foreign currency loans** (RBI Master Directions dt. 03.03.2016)

- The interest rates shall be determined with reference to a market determined external benchmark.
- The actual lending rates shall be determined by adding the components of spread to the external benchmark

61. **Legal Audit of title deeds** (RBI cir dt.07.06.2013)

- Banks should subject the title deeds and other documents in respect of all credit exposures of **Rs. 5 crore and** above to periodic **legal audit** and re-verification of title deeds with relevant authorities as part of regular audit exercise till the loan stands fully repaid**.**
- The banks may furnish a review note to its Board/ Audit Committee of the Board at quarterly intervals on an ongoing basis on the details of legal audit.

62. **Recovery Agents _ Policy for engagement (**Cir No. File 7E dt.19.07.2014)

- The policy shall cover all NPA accounts under Doubtful , loss assets and substandard accounts falling under Auto loans, Educational loans, clean loans, SHG , MSME sector loan and loan under special credit schemes
- Secured Substandard accounts not falling under the above category shall not be entrusted to Recovery Agent
- The DRA can be utilized for Substandard, Doubtful as well as Loss accounts for the limited purpose of SARFAESI Actions.
- Retired officials of the Bank may be engaged as Recovery agents subject to clearance from Vigilance Department
- However in case of retired executives there shall be a cooling period of one year from the date of retirement and their request shall be considered only on expiry of the cooling period
- Retired officials engaged as DRA should be entrusted only with accounts under doubtful, loss and written off category for recovery of dues. It should be ensured that no substandard account should be entrusted to the retired officials.

63. Obtention of 'No due certificate' (RBI Cir dt.28.01.2015)& (ARID/ADV/556/2014-15 dt.07.03.2015)

Banks are advised by RBI to dispense with obtaining 'No Due Certificate' from the individual borrowers (including SHGs & JLGs) in rural and semi-urban areas for all types of loans including loans under Government Sponsored Schemes, irrespective of the amount involved unless the Government Sponsored Scheme itself provides for obtention of 'No Dues Certificate'**.**

64. Accounting standards – segment reporting (Tran/cir dt.26.03.2015)

- **Wholesale/corporate borrower:**

✓ All Fund Based and Non Fund Based Exposure for a single borrower/entity aggregating more than **Rs.5 crore and above.**

✓ An Entity having an average annual turnover (sales turnover) of Rs. 50crore and above for the last 3 years in case of an existing unit, and projected annual turnover in case of a new unit, even if such entity is enjoying credit facilities of **less than Rs. 5 crore**.

✓ Corporate/wholesale banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under "Retail Banking".

✓ Food credit advances held in certain branches are also to be included under this Segment

Exposure means:

- In case of Cash Credit type limits: Loan sanction or outstanding whichever is higher

65. In case of Term loan type: Balance outstanding, if fully released and Limit sanctioned, if not fully released

66. Market Information:

Opinion about the applicant/associates should be ascertained by making market enquiries from people in similar line of business/buyers/suppliers etc. Even in the case of existing accounts Bank shall obtain periodic market information. CRCO in banks prescribed format must be obtained at the time of fresh sanction as well as renewal of the business loans. However, for business loans of Rs.2.00 lacs and above it must be compulsorily obtained. For project funding above Rs.50.00 crores rigorous due diligence and appraisal measures as specified in LPD 2019 has to be done.

67. Rigorous Due Diligence and Appraisal Measures for project funding above Rs.50.00 Crores.

- ✓ Regulatory clearances/approvals for the projects.
- ✓ Group Balance Sheet to be obtained and analysed.
- ✓ Cash flow to be ascertained.
- ✓ RBI defaulter list to be verified.
- ✓ **CIBIL** willful defaulter to be verified
- ✓ Credit Information from CIC to be obtained. Rating agency reports to be analysed.
- ✓ The account is to be verified from CRILC database.
- ✓ Equity Research/Industry Analyst report to be analysed.
- ✓ Litigation listing for the borrower by 3rd party sources to be done.

The account is to be verified from Central Fraud Registry and information services companies i.e., probe 42.

68. Geographical Boundaries: It is prudent to extend finance within proper boundaries, which are easy to monitor. The below mentioned guidelines should be adhered to while extending credit to a borrower.

SL NO	Loan Amount	Guidelnes
1	Upto Rs.1 cr	The Borrower Residence/ Registered Office/ Corporate Office/ Factory either one of them should be located within 10km of the branch premises. Deviation, if any in this regard to be

Prepared by: Shri Pankaj Kumar Mohanty
Vetted by : Shri Omkar Saswat Gajapati

		permitted by RLCC
2	Above Rs.1 cr and upto Rs.10 Cr	The Borrower Residence/ Registered Office/ Corporate Office/ Factory either one of them should be located within 25km of the branch premises. Deviation, if any in this regard to be permitted by ZLCC
3	Above Rs.10 cr and upto Rs.100 Cr	The Borrower Registered Office/ Corporate Office/ Factory either one of them should be located within 50km of the branch premises. Deviation, if any in this regard to be permitted by HLCC (GM) and above
4	Above Rs.100 Cr	Such borrowal accounts will be sanctioned at Central Office level only. The Sanctioning authority to decide on the acceptability of serving branch vis-à-vis the location of the borrower based on merits.

The above guidelines shall be applicable for corporate borrowal accounts (Business Loans) excluding retail loans.

69. Time frame

Export Credit: Branches / Offices should also adhere to the following time frame prescribed by RBI for disposal of loan applications involving export credit.

	Disposal time frame
Fresh sanction/enhancement	45 days
Renewal	30 days
Adhoc limits	15 days

TimeLine for processing/ recommending/ sanction for fresh/new/ enhancement/ additional limit credit proposals other than retail credit.

Number of Days

	Credit limits (FB+NFB)						
Activity	Layer	Upto 5 lac	Rs.5 lacs to 25 lacs	Rs.25 lacs to Rs.1 cr	Rs.1 cr and upto 20.00 cr	Above 20crs and upto 40 crs	Above 40 crs
Processing	Branch	7	10	21	25	35	45
	RO	0	5	7	15	15	15
	ZO	0	0	0	5	10	10
	CO	0	0	0	0	0	15
Recommend	Branc	4	7	10	10	0	0

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Vetted by : Shri Omkar Saswat Gajapati

ation	h						
	RO	0	3	5	10	10	0
	ZO				5	0	0
Sanction	Branch	2	3	7	7	NA	NA
	RLCC	NA	3	6	10	NA	NA
	ZLCC	NA	NA	NA	5	5	0
	HLCC (GM)/ED/ CAC/MCB						15
Total	Branch	13	20	38	42	0	NA
	RLCC	0	21	39	60	0	NA
	ZLCC	NA	NA	NA	65	75	NA
	CO powers	NA	NA	NA	NA	NA	100

70. Interference of third parties (eg. Chartered Accountants, Advocates, Valuers etc.) in the process of loan sanctioning is prevented, as per the notification of MoF, GOI dt. 18.12.2015. (CSSD/ADV/627/2015-16 dt.28.12.2015)

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PRIORITY SECTOR CREDIT CLASSIFICATION ,TARGETS & GUIDELINES

Reserve Bank of India has consolidated all the guidelines / directives issued by them up to June 30, 2016 on lending to Priority Sector and issued a Master direction vide FIDD.Co. Plan.1/04.09.01/2016-17 dated 07.07.2016, which is updated as on December 05, 2019.

The guidelines on Priority Sector lending were revised vide RBI circular dated April 23, 2015. The priority sector loans sanctioned under the guidelines issued prior to April 23,2015 will continue to be classified under the priority sector till repayment/maturity/renewal.

The provisions of these Directions shall apply to every Scheduled Commercial Bank {excluding Regional Rural Banks (RRBs) and Small Finance Banks(SFBs)} licensed to operate in India by the Reserve Bank of India.

1. **Priority Sector lending classification**

For computation of sub-target, **Small and marginal farmers** will include the following:

- Farmers with landholding of **up to 1 hectare** are considered as **Marginal Farmers**. Farmers with a landholding **of more than 1 hectare and upto 2 hectares** are considered as **Small Farmers**.
- Landless agricultural labourers, tenant farmers, oral lessees and share-croppers, whose share of landholding is within the limits prescribed for small and marginal farmers.
- Loans to **Self Help Groups (SHGs) or Joint Liability Groups (JLGs),** i.e. groups of individual Small and Marginal farmers directly engaged in Agriculture and Allied Activities, provided banks **maintain disaggregated data** of such loans.
- Loans to farmers' producer companies of individual farmers, and co-operatives of farmers directly engaged in Agriculture and Allied Activities, where **the membership of Small and Marginal Farmers is not less than 75 %** by number and whose land-holding share is also not less than 75 % of the total land-holding.

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2. Categories under priority sector

1. Agriculture
2. Micro, Small and Medium Enterprises
3. Export credit
4. Education
5. Housing
6. Social infrastructure
7. Renewable energy
8. Others

3. Targets/Sub-targets for Priority Sector:

i) The targets and sub-targets set under priority sector lending for all scheduled commercial banks operating in India are furnished below:

Categories	Domestic commercial banks / Foreign banks with 20 and above branches	Foreign banks with less than 20 branches
Total Priority Sector	40 % of Adjusted Net Bank Credit [ANBC]* or Credit Equivalent Amount of Off- Balance Sheet Exposure, whichever is higher. (ANBC defined in below para)	40 % of Adjusted Net Bank Credit [ANBC] or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher; to be achieved in a phased manner by 2020.

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Vetted by : Shri N Rajasekar

Agriculture	18 % of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. Within the 18 % target for agriculture, a target of 8 % of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal Farmers.##	Not applicable
Micro Enterprises	7.5% of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.	Not applicable.
Advances to Weaker Sections	10% of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.	Not applicable

Additionally, domestic banks are directed to ensure that the overall' lending to non-corporate farmers does not fall below the system-wide average of the last three years achievement All efforts should be maintained to reach the level of 13.5 percent direct lending to the beneficiaries who earlier constituted the direct agriculture sector. The applicable system wide average figure as applicable to domestic Banks and made available for foreign banks with 20 branches and above from FY 2019-20, for computing achievement under priority sector lending will be notified every year.

For FY 2015-16, the applicable system wide average figure is 12.11 percent for FY 2019-20.

ii) The computation of priority sector targets/sub-targets achievement will be based on the ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposures, whichever is higher, as on the corresponding date of the preceding year. For the purpose of priority sector lending, ANBC denotes the outstanding Bank Credit in India [As prescribed in item No.VI of Form 'A' under Section 42 (2) of the RBI Act, 1934] minus bills rediscounted with RBI and other approved Financial Institutions plus permitted non SLR bonds/debentures under Held to Maturity (HTM) category plus other investments eligible to be treated as part of priority sector lending (e.g. investments in securitised assets). The outstanding deposits under RIDF and other funds with NABARD, NHB, SIDBI and MUDRA Ltd. in lieu of non-achievement of priority sector lending targets/sub-targets will form part of ANBC. Advances extended in India against the incremental FCNR (B)INRE deposits, qualifying for exemption from CRR/SLR requirements, as per the Reserve Bank's circulars will be excluded from the ANBC for computation of priority sector lending targets, till their repayment. The eligible amount for exemption on account of issuance of long-term bonds for infrastructure and affordable housing as per Reserve Bank's circular DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15.2014 will also be excluded from the ANBC for computation of priority sector lending targets. Investment made by Public sector Banks in the recapitalization bonds floated by Government of India will not be taken into account for the purpose of calculation of ANBC/ For the purpose of calculation of Credit Equivalent Amount of Off-Balance Sheet Exposures, banks may be guided by the Master Circular on Exposure Norms issued by our Department of Banking Regulation.

Computation of Adjusted Net Bank Credit (ANBC):

Bank Credit in India [As prescribed in item No. VI of Form' A' under Section 42 (2) of the RBI Act, 1934]	**I**
Bills Rediscounted with RBI and other approved Financial Institutions	**II**
Net Bank Credit (NBC)*	**III (I-II)**
Bonds/debentures in Non-SLR categories under HTM category+ other investments eligible to be treated as priority sector +Outstanding Deposits under RIDF and other eligible funds with NABARD, NHB, SIDBI and MUDRA Ltd. on account of priority sector shortfall + outstanding PSLCs	**IV**
Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable housing as per circular DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15 2014.	**V**
Eligible advances extended in India against the incremental FCNR (B)/NRE deposits, qualifying for exemption from CRR/SLR requirements.	**VI**
Investment made by public sector banks in the recapitalization bonds floated by Government of India	**VII**
ANBC	**III+IV-V-VI-VII**

**** For the purpose of Priority Sector Computation only, Banks should not deduct/net any amount like provisions, accrued interest etc from NBC.***

5. Description of the eligible categories under priority sector

5.A. Agriculture

The Lending to agriculture sector has been defined to include;

(i) Farm Credit (which will include short-term crop loans and medium/long- term credit to farmers)

(ii) Agriculture Infrastructure and

(iii) Ancillary Activities.

A list of eligible activities under the three sub-categories as indicated below:

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i) Farm credit	**A. Loans to individual farmers** [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans] and Proprietorship firms of farmers, directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include: i. Crop loans to farmers, which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities. ii. Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.) iii. Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce. iv. Loans to farmers up to Rs.50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months. v. Loans to distressed farmers indebted to non-institutional lenders. vi. Loans to farmers under the Kisan Credit Card Scheme. vii. Loans to small and marginal farmers for purchase of land for agricultural purposes.
	B. Loans to corporate farmers, farmers' producer organizations/ companies of individual farmers, partnership firms and co- operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of Rs.2 Crore per borrower. This will include: (i) Crop loans to farmers which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities. (ii) Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural imple-

	ments and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.) (iii) Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce. (iv) Loans up to Rs.50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
ii)Agriculture infrastructure	i. Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units/ cold storage chains designed to store agriculture produce/products, irrespective of their location. ii. Soil conservation and watershed development. iii. Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting. For the above loans, an **aggregate sanctioned limit of Rs.100 crore** per borrower from the banking system, will apply.
iii) Ancillary activities	i. Loans up to Rs.5 crore to co-operative societies of farmers for disposing of the produce of members. ii. Loans for setting up of Agriclinics and Agribusiness Centres. iii. Loans for Food and Agro-processing up to an aggregate sanctioned limit of Rs.100 crore per borrower from the banking system. iv. Loans to Custom Service Units managed by Individuals, Institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc, and undertake farm work for farmers on contract basis. v. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized

	Adivasi Multi-Purpose Societies (LAMPS) for on-lending# to agriculture. vi. Loans sanctioned by banks to MFIs for on-lending to agriculture sector as per the conditions specified in para no.-11. vii. Loans sanctioned by Banks to registered NBFCs(Other than MFIs) as per conditions specified in para no. 13. viii. Outstanding deposits under RIDF and other eligible funds with NABARD on account of priority sector shortfall.

#On-lending means loans sanctioned by Banks to eligible intermediaries for onward lending only for creation of priority sector assets. The average maturity of priority sector assets thus created should be broadly co-terminus with maturity of the bank loan.

5.B. Micro, Small and Medium Enterprises (MSMEs)

5.B.1. Limits for investment in plant and machinery/equipment: The limits for investment in 'plant and machinery/equipment for manufacturing /service enterprise, as notified by Ministry of Micro, Small and Medium Enterprises, vide S.0.1642(E) dated September 9,2006 are as under: -

Manufacturing Sector	
Enterprises	**Investment in Plant & Machinery**
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees.
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees.
Service Sector	
Enterprises	**Investment in equipment**
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees.
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees.

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Vetted by : Shri N Rajasekar

Bank loans to **Micro**, **Small** and **Medium** Enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector as per the following norms:

a. Manufacturing Enterprises

The Micro, Small and Medium Enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The Manufacturing Enterprises are defined in terms of investment in plant & machinery.

b. Service Enterprises

All Bank loans to MSMEs, engaged in providing or rendering of services as defined in terms of investment in equipment under MSMED Act, 2006, shall qualify under priority sector **without any credit cap.**
(RBI circular no. RBI/2017-18/135 FIDD.CO.Plan.BC.18/04.09.01/2017-18 dated 01.03.2018)
(Bank circular no.- ARID/ADV/205/2017-18 dated 05.03.2018)

c. Factoring Transactions:

(i) Factoring transactions on 'with recourse' basis by banks which carry out the business of factoring departmentally, wherever the 'assignor' is a Micro, Small or Medium Enterprise, subject to the corresponding limits for investment in plant and machinery/ equipment and other extant guidelines for priority sector classification. Such outstanding factoring portfolios may be classified by banks under MSME category on the reporting dates.

(ii) In terms of paragraph 9 of the RBI, Department of Banking Regulation Circular DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015 on 'Provision of Factoring Services by Banks- Review', inter-alia, the borrower's bank shall obtain from the borrower, periodical certificates regarding factored receivables to avoid double financing/ counting. Further, the 'factors' must intimate the limits sanctioned to the borrower and details of debts factored to the banks concerned, taking responsibility to avoid double financing.

(iii) Factoring transactions taking place through the Trade Receivables Discounting System (TReDS) shall also be eligible for classification under priority sector upon operationalization of the platform.

d. Khadi and Village Industries Sector (KVI)

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7 percent /7.5 percent prescribed for Micro Enterprises under priority sector.

e. Other Finance to MSMEs

- Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.
- Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.
- Loans sanctioned by banks to MFIs for on-lending to MSME sector as per the conditions specified in paragraph no. 11.
- *On lending by registered NBFCs (Other than MFIs) to Micro & Small Enterprises as per conditions specified in para-13.*
- Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).
- *In terms of revised guidelines issued by Department of Financial Services, Ministry of Finance, dated September 24, 2018, Overdraft limit to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holder has been raised to ₹ 10,000/-, age limit of 18-60 years has been revised to 18-65 years and there will not be any conditions attached for overdraft up to ₹ 2,000/-. These overdrafts will qualify as achievement of the target for lending to Micro Enterprises.*
- Outstanding deposits with SIDBI on account of priority sector shortfall.
- To ensure that MSMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units will continue to enjoy the priority sector lending status **up to 3 years** after they grow out of the MSME category concerned.

5.C.-Export Credit

The Export Credit extended as per the details below would be classified as priority sector

Domestic banks	Foreign banks with 20 branches and above	Foreign banks with less than 20 branches
Incremental export credit over corresponding date of the preceding year, up to 2 % of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, subject to a sanctioned limit of Rs.40 crore per borrower to units having no limits on turnover.	Incremental export credit over corresponding date of the preceding year, up to 2 % of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1, 2017	Export credit will be allowed up to 32 % of ANBC or Credit Equivalent Amount of Off- Balance Sheet Exposure, whichever is higher.

Export credit includes pre-shipment and post shipment export credit (excluding off- balance sheet items) as defined in Master Circular on Rupee / Foreign Currency Export Credit and Customer Service to Exporters issued by RBI, Department of Banking Regulation.

5.D. Education

Loans to individuals for educational purposes including vocational courses **upto Rs. 10 lakh** irrespective of the sanctioned amount will be considered as eligible for priority sector.

5.E.-Housing

a. Loans to individuals up to **Rs.35.00 lakh** in **metropolitan centres** (with population of ten lakh and above) and loans up to **Rs.25.00 lakh** in **other centres** for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres should not exceed **Rs.45 lakh** and **Rs.30 lakh** respectively.
(Circular no.- ARID/ADV/249/2018-19 date 25.06.2018)

- The housing loans to banks' own employees will be excluded.

- As housing loans which are backed by long term bonds are exempted from ANBC, banks should either include such housing loans to individuals up to Rs.35 lakh in metropolitan centres and Rs. 25 lakh in other centres under priority sector or take benefit of exemption from ANBC, but not both.

b. Loans for repairs to damaged dwelling units of families up to **Rs. 5 lakh** in metropolitan centres and up to **Rs. 2 lakh** in other centres.

c. Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling **of Rs.10 lakh** per dwelling unit.

d. The loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses for economically weaker sections and low income groups, the total cost of which does not exceed **Rs. 10.00 lakh** per dwelling unit. For the purpose of identifying the economically weaker sections (EWS) and low income groups (LIG), the family income limit of **Rs.3.00 lakh per annum** and **Rs.6.00 lac per annum** respectively irrespective of the location, in alignment with the income criteria specified under PMAY is prescribed.

e. Bank loans to Housing Finance Companies (HFCs), approved by NHB for their refinance, for on-lending for the purpose of purchase/ construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of **Rs. 20 lakh** per borrower as per the condition specified in para no. 13.

f. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower- wise details of the underlying portfolio.

g. Outstanding deposits with NHB on account of priority sector shortfall

5.F.-Social infrastructure

A. Bank loans up to a limit **of Rs.5.00 crore** per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities in **Tier II** to **Tier VI** centres.

B. Bank credit to Micro Finance Institutions (MFIs) extended for on-lending to individuals and also to members of SHGs/JLGs for water and sanitation facilities will be eligible for categorization as priority sector under' Social Infrastructure', subject to the criteria specified in para no. 11

5.G.-Renewable Energy

Bank loans up to a limit of **Rs.15.00 Crore** to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro- hydel plants and for non-conventional energy based public utilities viz. street lighting systems, and remote village electrification. For individual households, the loan limit will be **Rs.10.00 lakh per borrower.**

5.H.-Others

- Loans not exceeding **Rs.50,000/-** per borrower provided directly by banks to individuals and their SHG/JLG, provided the individual borrower's household annual **income in rural areas does not exceed Rs.100,000/-** and for **non-rural areas it does not exceed Rs.1,60,000/-.**
- Loans to distressed persons (other than farmers included under para 5.A.A.V) not exceeding Rs.1,00,000/- per borrower to prepay their debt to non-institutional lenders.
- Loans sanctioned to State Sponsored Organizations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organizations.

6. Weaker Sections

Priority sector loans to the following borrowers will be considered under Weaker Sections category: -

	Category
1.	Small and Marginal Farmers
2.	Artisans, village and cottage industries where individual credit limits do not exceed Rs.1 lakh.
3.	Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS).
4.	Scheduled Castes and Scheduled Tribes
5.	Beneficiaries of Differential Rate of Interest (DRI) scheme
6.	Self Help Groups

7.	Distressed farmers indebted to non-institutional lenders
8.	Distressed persons other than farmers, with loan amount not exceeding Rs.1 lakh per borrower to prepay their debt to non-institutional lenders
9.	Individual women beneficiaries up to Rs.1 lakh per borrower
10.	Persons with disabilities
11.	Overdrafts uptoRs.10,000/- under Pradhan Mantri Jan-Dhan Yojana (PMJDY) account *holders with age limit of 18-65 years.*
12.	Minority communities as may be notified by Government of India from time to time

In States, where one of the minority communities notified is, in fact, in majority, item (xii) will cover only the other notified minorities. These States/ Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.

7. Investments by banks in securitized assets

i. Investments by banks in securitized assets, representing loans to various categories of priority sector, except 'others' category, are eligible for classification under respective categories of priority sector depending on the underlying assets provided:

a. The securitized assets are originated by banks and financial institutions and are eligible to be classified as priority sector advances prior to securitization and fulfill the Reserve Bank of India guidelines on securitization.

b. The all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the Base Rate of the investing bank plus 8 percent per annum.

The investments in securitised assets originated by MFIs, which comply with the guidelines in Paragraph IX of master circular are exempted from this interest cap as there are separate caps on margin and interest rate.

ii. Investments made by banks in securitised assets originated by NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.

8. Transfer of Assets through Direct Assignment / Outright purchases:

i. Assignments/Outright purchases of pool of assets by banks representing loans under various categories of priority sector, **except the 'others'** category, will be eligible for classification under respective categories of priority sector provided:

a. The assets are originated by banks and financial institutions which are **eligible to be classified as priority sector advances prior to the purchase** and fulfill the Reserve Bank of India guidelines on outright purchase/assignment.

b. The eligible loan assets so purchased should not be disposed of other than by way of repayment.

c. The all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the **Base Rate** of the purchasing bank **plus 8 %** per annum.

The Assignments/Outright purchases of eligible priority sector loans from MFIs, which comply with the guidelines in Paragraph IX of this circular are exempted from this interest rate cap as there are separate caps on margin and interest rate.

ii. When the banks undertake outright purchase of loan assets from banks/ financial institutions to be classified under priority sector, they must report the nominal amount actually disbursed to end priority sector borrowers and not the premium embedded amount paid to the sellers.

iii. Purchase/ assignment/investment transactions undertaken by banks with NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status

9. Inter Bank Participation Certificates

Inter Bank Participation Certificates (IBPCs) bought by banks, **on a risk sharing basis**, are eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector and the banks fulfill the Reserve Bank of India guidelines on IBPCs.

With regard to the underlying assets of the IBPC transactions being eligible for categorization under "Export Credit" as para 5.C, the IBPC bought by Banks, on a risk sharing basis, may be classified from purchasing Bank's perspective for priority sector categorization. However, in such a scenario, the issuing bank shall certify that the underlying as-

Prepared by: Shri Bikas Kumar Sah
Vetted by : Shri N Rajasekar

set is 'EXPORT Credit'in addition to the due diligence required to be undertaken by the issuing and the purchasing bank as per the guidelines in this regard.

10. Priority Sector Lending Certificates

The outstanding priority sector lending certificates bought by the banks will be eligible for classification under respective categories of priority sector provided the assets are originated by banks, and are eligible to be classified as priority sector advances and fulfill the Reserve Bank of India guidelines on priority sector lending certificates.

11. Bank loans to MFIs for on-lending

a. Bank credit to MFIs extended for on-lending to individuals and also to members of SHGs / JLGs will be eligible for categorization as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, Social Infrastructure and 'Others', provided **not less than 85 % of total assets** of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of **"qualifying assets"**. In addition, aggregate amount of loan, extended for income generating activity, should be not less than **50 %** of the total loans given by MFIs.

b. A **"qualifying asset"** shall mean a loan disbursed by MFI, which satisfies the following criteria:

1. The loan is to be extended to a borrower whose household annual income in rural areas does not **exceed Rs.1,25,000/-** while for non-rural areas it should not exceed **Rs.2,00,000**/-.
2. Loan does not exceed **Rs. 75,000/-** in the first cycle **and Rs. 1,25,000/-** in the subsequent cycles.
3. Total indebtedness of the borrower does not **exceed Rs.1,25,000**/-.
4. Tenure of loan is not less than **24 months** when loan amount exceeds **Rs. 30,000/-** with right to borrower of prepayment without penalty.
5. The loan is without collateral.
6. Loan is repayable by weekly, fortnightly or monthly installments at

the choice of the borrower.© Further, the banks have to ensure that MFIs comply with the following caps on margin and interest rate as also other 'pricing guidelines', to be eligible to classify these loans as priority sector loans.

i) **Margin cap**: The margin cap should not exceed 10 % for MFIs having loan portfolio exceeding Rs.100 crore and 12 % for others. The interest cost is to be calculated on average fortnightly balances of outstanding borrowings and interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.

ii) **Interest cap on individual loans**: With effect from April 1, 2014, interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less. The average of the Base Rate shall be advised by Reserve Bank of India.

iii) Only three components are to be included in pricing of loans viz.,

a. processing fee not exceeding 1 % of the gross loan amount,

b. the interest charge and

c. the insurance premium.

iv) The processing fee is not to be included in the margin cap or the interest cap.

v) Only the actual cost of insurance i.e. actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered; administrative charges may be recovered as per IRDA guidelines.

vi) There should not be any penalty for delayed payment.

vii) No Security Deposit/ Margin are to be taken.

(d)The banks should obtain from MFI, at the end of each quarter, a Chartered Accountant's Certificate stating, inter-alia, that the criteria on;

- qualifying assets,
- the aggregate amount of loan, extended for income generation activity and

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- Pricing guidelines are followed.

12. **Monitoring of Priority Sector Lending targets-** All scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) may engage with NBFC-ND-SIs (hereinafter referred to as NBFC) to co-originate loans for the creation of priority sector assets. The arrangement should entail joint contribution of credit at the facility level, by both lenders. It should also involve sharing of risks and rewards between the bank and the NBFC for ensuring appropriate alignment of respective business objectives, as per the mutually decided agreement between the bank and the NBFC. Detailed guidelines, in this regard, have been issued vide RBI circular No. FIDD.CO.Plan.BC/08/04.09.01/2018-19 dated September 21, 2018.

13. Bank Loans to NBFCs for on-lending

(a) Bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories subject to the following conditions:

(i) Agriculture: On-lending by NBFCs for 'Term lending' component under Agriculture will be allowed up to ₹ 10 lakh per borrower

(ii) **Micro & Small enterprises:** On-lending by NBFC will be allowed up to ₹ 20 lakh per borrower.

(b) Banks can classify only the fresh loans sanctioned by NBFCs out of bank borrowings, on or after August 13, 2019. However, loans given by HFCs under the existing on-lending guidelines will continue to be classified under priority sector by banks. Bank credit to NBFCs and HFCs for On-Lending will be allowed upto a limit of five percent of individual bank's total priority sector lending on an ongoing basis. Further, the above dispensation shall be valid for the FY 2019-20 and will be reviewed thereafter. However, loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

14. Monitoring of Priority Sector Lending Targets : To ensure continuous flow of credit to Priority Sector , the compliance of banks will be monitored on '**Quarterly Basis'.** The data on Priority Sector Advances has to be furnished by banks at quarterly and annual intervals as per the reporting formats prescribed vide Circular FIDD.CO.Plan.BC.58/04.09.01/2014-15 dated June 11,2015 on Priority Sector Lending-Revised Reporting System.

15. **Non-achievement of Priority Sector targets**

- Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD/NHB/SIDBI/MUDRA Ltd., as decided by the Reserve Bank from time to time.

- The achievement will be arrived at the end of financial year based on the average of priority sector target/sub target achievement as at the end of each quarter.
- While computing priority sector target achievement, shortfall/ excess lending for each quarter will be monitored separately. A simple average of all quarters will be arrived at and considered for computation of overall shortfall/ excess at the end of the year. The same method will be followed for calculating the achievement of priority sector sub-targets.
- The interest rates on banks' contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by Reserve Bank of India from time to time.
- Non-achievement of priority sector targets and sub-targets will be taken into account while granting regulatory clearances/approvals for various purposes.

16. Common guidelines for priority sector loans

Banks should comply with the following common guidelines for all categories of advances under the priority sector.

a. Rate of interest

The rates of interest on bank loans will be as per directives issued by RBI, Department of Banking Regulation from time to time.

b. Service charges

No loan related and adhoc service charges/inspection charges should be levied on priority sector loans up **to Rs.25,000.** In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole.

c. Receipt, Sanction/Rejection/Disbursement Register

A register/ electronic record should be maintained by the bank, wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc., should be recorded. The register/electronic record should be made available to all inspecting agencies.

d. Issue of Acknowledgement of Loan Applications

Prepared by: Shri Bikas Kumar Sah
Vetted by : Shri N Rajasekar

Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.

17. Clarifications:

a. On-lending: Loans sanctioned by banks to eligible intermediaries for onward lending **only for creation of priority sector assets**. The average maturity of priority sector assets thus created should be broadly **co-terminus with maturity of the bank loan.**

b. Contingent liabilities/off-balance sheet items **do not** form part of priority sector target achievement.

c. Off-balance sheet interbank exposures are excluded for computing Credit Equivalent of Off -Balance Sheet Exposures for the priority sector targets.

d. The term "all inclusive interest" includes interest (effective annual interest), processing fees and service charges.

e. *The guidelines on priority sector lending were revised vide RBI circular dated April 23, 2015. The priority sector loans sanctioned under the guidelines issued prior to April 23, 2015 will continue to be classified under priority sector till repayment/maturity/renewal.*

Ref: RBI Cir dt. dt.07.07.2016; ARID/MASTER/ 06 /2016-17 Date : 28.07.2016

Updated December 2019.

RATIO ANALYSIS

- A **RATIO** is an arithmetical expression of relationship between two related or inter dependent items.
- The relationship may be shown as a percentage or as a quotient or even as a ratio.
- Ratios should be computed only for those relationships that are significant from a banker's point of view.
- **RATIO ANALYSIS** is a systematic interpretation of the financial statements through the use of ratios between balance sheet items and profit & loss items so that the strengths and weakness of the firm vis-à-vis other firms in the industry as well as historical performance can be determined (trend analysis).
- Ratios are only financial indicators. These indicators point the necessity for investigation.
- Ratio Analysis diagnoses the financial health by evaluating liquidity, solvency, profitability etc.
- Full repayment of the debts is possible only where the value of assets is more than the debts. Hence, SOLVENCY of the unit should also be ascertained by the lender.
- Profitability and Solvency indicates the inherent strength of the concern in repaying the debt, but actual payment of the debt can be made only if the concern has enough cash or liquid assets to effect the payment. Thus, study of liquidity is also equally important for a lender.

Types of Ratios

The financial position of a firm can be described by studying its long term and short term liquidity position, profitability and its operational activity.

Therefore, the ratios can be generally classified into the following five broad categories:

A. Solvency Ratio
B. Liquidity Ratio
C. Leverage ratio
D. Profitability Ratio
E. Activity ratios or Turnover Ratios

Prepared by: Shri Bikas Kumar Sah
Vetted by : Shri N Rajasekar

A. SOLVENCY RATIOS

- Generally, Solvency Ratio is determined to find out Long Term solvency of a firm.
- A firm is said to be solvent if its tangible assets are more than its outside liabilities. Tangible assets mean all assets minus intangible assets. At the same time, outside liabilities are found out by adding Term Liabilities and Current Liabilities.
- Solvency can also be calculated by finding out Tangible Net Worth (TNW). **Hence, TNW= NET WORTH-INTANGIBLE ASSETS.**

  A firm is solvent if its TNW is positive.

  Tangible Net worth(TNW) can also be found out by deducting Total Outside Liabilities (TOL) from Total Tangible Assets.

  Hence, TNW=TTA-TOL

- Solvency Ratio can also be calculated by dividing Total Tangible Assets by Total Outside Liabilities. Where this ratio is more than one, the unit is solvent.

$$\textbf{Solvency Ratio} = \frac{\textbf{Total Tangible Assets}}{\textbf{Total Outside Liabilities}}$$

B. Liquidity Ratios:

- Liquidity Ratio indicates the ability of the business to pay its short term liability. Liquidity is referred as Short Term Solvency which means the unit is in a position to meet its short term liabilities.

- A firm is considered to be liquid if it is in a position to meet its current liability out of its current Assets.

- Traditionally two ratios are used to highlight the business liquidity. They are **Current Ratio and Quick Ratio. Net Working Capital (NWC)** is another way to measure the liquidity of the firm.

1) NET WORKING CAPITAL

Net Working Capital= Current Assets –Current Liabilities

Hence, Net working Capital is excess of the Current assets over Current Liabilities. It is the available fund of Long Term Sources after meeting the Long Term Uses. Hence, we can say that NWC is the excess of Long Term Sources of Fund over Long Term Uses of Fund.

Thus, NWC= Long Term Source Fund –Long Term Use Fund.

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2. Current Ratio:

It indicates the extent to which the enterprise can meet its Current liabilities out of its Current Assets.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

- ✓ **Current Assets** include inventories, Sundry Debtors, trade receivables; short term Loans and Advances, Short Term Investment, Deposit with Bank, Cash & Bank Balance etc.

- ✓ These assets are convertible into cash within the operating cycle of the business within a period of 12 months.

- ✓ **Current Liabilities** include Creditors for goods and services, Short Term Loans, Book Cash Credit/overdrafts, outstanding expenses etc. These liabilities mature for payment within next 12 months.

- ✓ The objective of finding of this ratio is to know as to whether the business unit does have enough current assets to meet the payment schedule of its current debts with a margin for possible losses.

- ✓ Bench mark of this ratio is 1.50: 1. Minimum Current Ratio under Tandon Committee is 1.33:1 while under Nayak Committee for MSE customers it is 1.25:1.

- ✓ Higher ratio may be good in the point of view of creditors. A Higher ratio also indicates that the firm is having more long term fund than required and is utilizing this excess money for holding higher level of current assets. The firm can effectively reduce the current asset holding and can utilize the excess fund in any other long term uses like Fixed Assets/Non-Current Assets/Intangible Assets.

- ✓ If the Current Ratio is less than one, it indicates that firm is not having adequate long term fund to bring as margin for buildup of Current Assets and also some portion of current liabilities has been not utilized for current Asset. A poor current ratio can be improved either by bringing in fresh long term funds or by ploughing back profit.

- ✓ If Current Assets are increased with equal amount of Current Liability and proportionate margin not brought for current assets, it will lead to reduction of current ratio. Also, diversion of funds can reduce the current ratio substantially.

The above points can be better understood by the following examples:

2018	2019
CA=500 lac	CA=600 lac
CL=400 lac	CL=500 lac
CR=1.25	CR=1.20

Since Margin has not been brought along with additional Current liability of Rs.100 lac for increasing the Current Assets, Current ratio has been declined.

In same case, if the additional Current liability of Rs.100 lac has been not utilized for buildup of current assets then it will considered as fund diversion and in this situation the CR will come down drastically.

2018	2019
CA=500 lac	CA=500 lac
CL=400 lac	CL=500 lac
CR=1.25	CR=1.00

Current Ratio can be increased by over valuation of Current Assets.

- ✓ Current Ratio being calculated on a particular date and not indicating for the entire financial year, the ratio has limitation as an indicator of liquidity. Hence, to monitor the account a lender should see the current ratio on regular intervals and also level of current assets vis a vis current liability has to be checked on regular basis.

3. Quick Ratio: It is also known as acid test ratio. It is a more exacting measure than Current Ratio. It concentrates on really liquid assets with value fairly certain.

Since selling of inventory and realization into cash is long time taking process, it is excluded from the Current Assets and not considered as part of Quick Assets.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

- ✓ Quick Assets consist of only cash and cash equivalents.
- ✓ Quick Assets = Current Assets - Inventories
- ✓ Quick Ratio of 1: 1 is considered satisfactory

A high Current Ratio but low Quick ratio may be reason of the large stock of inventory.

C. LEVERAGE RATIOS:

1. Financial Leverage

Financial Leverage can be defined as utilization of outside borrowing to increase return on shareholder's fund.
A firm can have funds either from sources which carry fixed charge in form of interest/dividend OR do not carry fixed charge.
Examples of sources carrying fixed Charge-Term Loan, Preference Share, Debenture etc.
Examples of sources not carrying fixed charge- Equity Capital, Subsidy/Grant etc.
If any firm is able to post the profit at a rate higher than the rate of interest payable on fixed charge i.e. interest bearing fund, then only business in such fund increase the return on shareholder's fund.
Hence, increasing return on net worth by resorting to financial leverage is possible only where the unit's profit earning capacity is reasonably consistent and the rate of profit is more than the interest to be paid on borrowed funds.

A company is said to be highly geared when its fixed charge bearing funds are disproportionately higher compared to shareholder's funds.

Also known as gearing ratio.

2. Capital Gearing Ratio

It measures the proportion of fixed charge bearing Long Term Fund to Total Long Term Fund available with the firm.

Total long term fund =Net worth + Term Liabilities

Capital gearing ratio is one leverage ratio.

$$\text{Capital gearing ratio} = \frac{\text{Fixed charge bearing long term funds}}{\text{Total Long Term Fund(TL+NW)}}$$

Gearing should be within the controlled limit. A high gearing is risky in case the firm is not able to earn profit for future years at the same time gives higher rate of return on shareholder's fund.

3. Debt equity ratio:

It gives the relation between borrowed funds (debts) and Net owned funds (TNW).

There should be a proper balance between the borrowed funds and Owned Funds.

Debt Equity Ratio (DER) =Long Term Debts/Tangible Net Worth

The purpose of calculating this ratio is to determine the relative stake of outsiders and shareholders.

Higher the ratio, more is the borrowed funds in comparison of owned funds and the same is riskier to creditors.

As per Loan policy of our Bank, the ratio should not exceed 2:1 while accepting any proposal.

4. Total Indebtedness Ratio

The ratio is calculated by dividing Total outside liabilities by Tangible Net Worth (TNW).

$$\text{Debt Equity Ratio} = \frac{\text{Total Outside Liability}}{\text{Tangible Net Worth}}$$

Total Outside Liability= Term Liability + Current Liability

As per Loan policy of our Bank, the ratio should not exceed 2:1 while accepting any proposal.

5. Proprietary Ratio

This ratio gives the relationship between own funds and total assets.

$$\text{Proprietary Ratio} = \frac{\text{Share Holder's funds} \qquad \text{X100}}{\text{Total Assets (excluding fictitious assets)}}$$

This ratio will come as 100% when there is no borrowing and entire tangible assets has been purchased by owned fun only.

D. PROFITABILITY RATIOS

- The efficiency in business is measured by profitability.
- The firm should be able to manufacture goods at minimum cost and should be able to generate sufficient Gross Profit.
- A better Operating Profit shows the operating expenses under control.
- The firm can give higher return to the shareholder's/owners fund by generating higher Net Profit after Tax (NPAT).

Some of the profitability ratio are:

1. Gross Profit Ratio
2. Net Profit Ratio
3. Operating Profit ratio
4. Return on Investment
5. Return on Assets
6. Return on Net Worth

1. Gross Profit Ratio

It gives the relationship of Gross Profit to Net Sales of a firm, in percentage terms

Gross profit ratio = Gross profit/ net sales*100

Gross Profit = Net Sales – Cost of sales (COS)

By comparing with gross profit to Net Sales the ratio indicates manufacturing efficiency as well as the pricing policy of the concern.

2. Operating Profit Ratio

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$

Operating profit = Gross profit – operating expenses.

Higher margin indicates operational efficiency.

3. Net Profit Ratio

It establishes the relationship between net profit and sales, in percentage terms

$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Net Sales}} \times 100$$

It measures overall profitability.

Net profit ratio can also be higher due to non-operative income.

4. Return on Investment (ROI)

a. This is also known as Return on Capital employed (ROC).

b. It establishes the relationship between Net Profit before interest and tax (EBIT) and capital employed.

$$ROI = \frac{EBIT}{\text{Capital Employed}} \times 100$$

c. Capital employed = TNW + Term Liability + Current Liability
d. Capital employed= Total Tangible Assets

e. This measures the efficiency in use of funds employed.

5. Return on Assets (ROA)

a. Return on assets is the ratio of annual net income to average total assets of a business during a financial year.

b. Return on assets indicates the profit earned on the amount invested in assets.

c. It measures efficiency of the business in using its assets to generate net income. It is a profitability ratio.

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Average Total Assets}}$$

Average total assets are calculated by dividing the sum of total assets at the beginning and at the end of the financial year by 2.

Total assets at the beginning and at the end of the year can be obtained from year ending balance sheets of two consecutive financial years.

d. Thus higher values of return on assets show that business is more profitable.

e. This ratio should be used only to compare companies in the same industry.

f. When a firm proposes to acquire expensive plant and equipment analysis is made on its profitability using this ratio.

6. Return on Net Worth:

This ratio is also known as Shareholder's Ratio or Return on Tangible Net Worth.

It shows the percentage of return on TNW by way of net profit after tax earned by firm.

$$\text{Return on Net Worth} = \frac{\text{Net Profit after Tax}}{\text{Tangible Net Worth(TNW)}} \times 100$$

E. TURNOVER RATIOS

- These are also known as performance ratios. This indicates how effectively the facilities available to the firm are being utilized.
- These ratios are usually calculated on the basis of sales or cost of sales.
- Turnover ratio for each type of asset is calculated separately.
- Higher Turnover Ratio indicates better utilization of resource.

Some of the important ratios are:

a. Inventory Turnover Ratio
b. Debtor Turnover Ratio (Debtors velocity)
c. Creditors Turnover Ratio (Creditors velocity)
d. Capital Turnover Ratio

a. Inventory Turnover Ratio

✓ Also known as stock turnover ratio.
✓ Establishes relationship between cost of goods sold during a given period and average amount of inventory carried during that period.
✓ Indicate the efficiency in usage of investment in stock

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

Where, cost of goods sold = Sales - Gross Profit

$$\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

For approximate calculation, closing stock of inventory may be taken in place of average inventory. Similarly, Net sales may be taken in place of Cost of Sales.

Prepared by: Shri Bikas Kumar Sah
Vetted by : Shri N Rajasekar

b. Debtor's Turnover Ratio OR Debtor's velocity

$$\text{Debtors velocity} = \frac{\text{Average O/s of Receivables}}{\text{Credit sales}}$$

- ✓ Average receivable includes debtors, Bills receivables and Bills discounted.
- ✓ Purpose is to calculate average time taken to collect credit sales.
- ✓ Credit sales per day is calculated by dividing total credit sales during the year by 365 days.
- ✓ Debtor's velocity can be expressed in weeks or months by replacing 36 days by 52 weeks or 12 months.

C. Creditors Velocity:

Shows relation between net credit purchases and average payables (trade creditors & bills payable).

Also called creditors velocity, Average payment period.

$$\text{Creditor's velocity} = \frac{\text{Average outstanding of payable}}{\text{Credit Purchase per day}}$$

Payables include Sundry Creditors (For trade and not others) and bills payable.

Creditor's velocity (in days) indicates the average time lag between a purchase and its payment i.e. the period of credit enjoyed by the concern.

D. Capital Turnover Ratio

✓ shows efficiency of capital employed in the business

$$\text{Capital Turnover ratio} = \frac{\text{Net sales}}{\text{Capital employed}}$$

Limitations of Ratio Analysis

Ratio Analysis is a widely used technique to evaluate financial health of a firm as also its performance. But evaluation is subject to certain limitations:

1. Balance sheet is a statement of assets and liabilities as **on a particular date**. By the time the statement is prepared/audited/published/analyzed the value of assets would have undergone changes.
2. The functionaries of the firm may succeed in bringing financial position of the firm as on the date of balance sheet. The position may not be the same on other days.
3. Inventory management/pricing is different from firm to firm within the industry. This makes comparison difficult.
4. Evaluation of ratios depends largely on the intention and the ability of the person who handles it.
5. Ratio is only an arithmetical expression and by itself has very little meaning unless it is compared with some appropriate standard viz. historical and external.
6. Personal bias can affect the evaluation.
7. Ratio Analysis is made only on money-value basis. Hence not realistic in approach.
8. In Balance Sheet analysis, historical values are only considered. The changes in price levels are ignored. Hence the ratios are unreliable.
9. Accounting principles of firm may differ which makes inter-firm comparison difficult.
10. Management & Financial Policies of firms may differ from one another. Hence similar ratio may not reflect similar state of affairs.

11. A ratio in isolation may not be useful to review the whole business. Hence, for evaluation of financial strength of a firm, a group of ratios are to be considered.

12. Ratios depend on the correctness of accounting.

13. Classification of an item in Balance Sheet depends as nature and tenor of the transaction. Any wrong classification may mislead evaluation.

Questions:

1) Total Current Assets of a firm are Rs. 32.00 lac and the Net Working Capital is Rs.8 lac. The Current ratio is:

a) 1.17:1	b) 1.25:1	c) 1.33:1	d) 1.50:1

2) The long term use is 125% of long term source, this indicate the unit has

a) CR 1.2:1	b) Negative TNW	c) Low capital	d) Negative NWC

3) The perusal of Balance sheet reveals that the current ratio is 3:1. The net working capital is Rs. 80,000. The Current Assets will be

a) Rs.2.40 lac	b) Rs.1.20 lac	c) Rs.0.40 lac	d) None

4) In a Balance sheet, amount of total assets is Rs.10.00 lac, current liabilities Rs.5.00 lac and capital and reserves Rs.2.00 lac. What will be the debt equity ratio?

a) 1:1	b) 1.5:1	c)2:1	d) None

5) The Degree of Solvency of two firms can be compared by measuring

a) Net Worth	b) Tangible Net Worth	c) Current Ratio	d) Solvency Ratio

6) Liquidity is a measure of

a) Short term solvency	b) High stock turnover	c) Net working capital	d) long term solvency

7) Net working capital is find out by

a)CL-CA	b) Long term source-Long term Use of fund	c) Net worth – outside liabilities	d) a or b

8) The Net working capital is contributed by

a) Current Assets	b) Long term Source	c) Net worth – outside liabilities	d) a or b

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Vetted by : Shri N Rajasekar

9) The term “Liquid Surplus” refers to

a) Net Working Capital	b) Tangible Net Worth	c) Excess Current Assets over Current Liability	d) a or c

10) Average creditors outstanding is Rs. 40,000. Total Credit purchases during the year is Rs.8.00lac. Creditors velocity in month will be

a)0.60 month	b) 0.50 month	c) 0.75 month	d) 1 month

Ans.- 1-c, 2-d,3-b,4-b,5-d,6-a,7-b,8-b,9-d,10-a.

LENDING TO MSME, POLICY AND GUIDELINES

Classification of MSME:

According to the MSMED act 2006, the classification of the Micro, Small and Medium enterprises is based on the original investment in Plant and Machinery in case of manufacturing unit and in equipment in case of Service unit.

Type of Enterprises	Manufacturing	Service
Micro	Up to 25 lakh	Up to 10 lakh
Small	>25 lakh to 5 crore	>10 lakh to 2 crore
Medium	>5 crore to 10 crore	>2 crore to 5 crore

In terms of Ministry of MSME, GoI, Office Memorandum (OM) F. No. 12(4)/2017-SME dated March 8, 2017, it is clarified that for ascertaining the investment in plant and machinery for classification of an enterprise as Micro, Small and Medium, the following documents could be relied upon: (i) A copy of the invoice of the purchase of plant and machinery; or (ii) Gross block for investment in plant and machinery as shown in the audited accounts; or (iii) A certificate issued by a Chartered Accountant regarding purchase price of plant and machinery. Further, the Ministry has clarified that for the investment in plant and machinery for the purpose of classification of an enterprise as Micro, Small or Medium, the purchase value of the plant and machinery is to be reckoned and not the book value (purchase value minus depreciation).

Presently, Government of India has proposed to classify MSMEs based on turnover as mentioned below:

1. A micro enterprise will be defined as a unit where the annual turnover does not exceed 5 crore rupees;
2. A small enterprise will be defined as a unit where the annual turnover is more than 5 crore rupees but does not exceed 75 crore rupees;
3. A medium enterprise will be defined as a unit where the annual turnover is more than 75 crore rupees but does not exceed 250 crore rupees.

Trade Advances (SME/ADV/ 400 / 2013-14 dt. 22.10.2013):

Credit to Micro, Small service enterprises engaged in retail trading activity fall under as priority sector credit for credit limits up to Rs.500 Lacs. Trade advances as above, are brought under MSE only for classification purpose and the interest rate for such advances is as applicable for trade advances.

To ensure that MEMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units shall continue to enjoy the priority sector lending status up to three years after they grow out of the MSME category concerned.

As the MSMED Act does not provide for clubbing of Investments of different enterprises set up by same person/company for the purpose classification as Micro, Small and Medium enterprises therefore the Gazette Notification No. S.O . 2(E) dated January 1,1993 on clubbing of Investments of two or more enterprises under the same ownership for the purpose of classification of Industrial undertaking as SSI has been rescinded vide GOI Notification No. S.O. 563 (E) dated February 27, 2009.

Priority Sector Target and sub-target for MSME:

- ✓ All loans sanctioned to Micro, Small and Medium Enterprises are classified under Priority sector lending.
- ✓ Advances to Micro, Small and Medium Enterprises (MSME) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 percent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure(CEOBE), whichever is higher, as per the extant guidelines on priority sector lending.
- ✓ Domestic Commercial Banks and foreign banks with 20 branches and above are required to achieve a sub-target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Micro Enterprises. However, this sub-target for lending to Micro Enterprises is not applicable to foreign banks with less than 20 branches operating in India.
- ✓ All loans to units in KVI sector will be eligible for classification under the sub target of 7.5% prescribed for Micro Enterprises under priority sector.
- ✓ Bank loans to food and agro processing units shall form part of agriculture.
- ✓ Other finance to MSME: the following loans are also classified under MSME.

1. Loans to entities involved in assisting the decentralised sector in the supply of inputs to and marketing of output of artisans, village and cottage industries.
2. 2)Loans to co-operatives of produces in the decentralised sector viz artisans, village and cottage industries.
3. Loans sanctioned by banks to MFIs for on lending to MSME sector as per the condition specified.
4. Credit Outstanding under general credit cards (including artisan credit card Laghu Udyomi Card, Swarojagar Credit Card and weaver card).

5. Overdraft extended by bank upto Rs. 10000/- under Pradhan Mantri Jan Dhan Yojana accounts provided borrower's house hold income doesn't exceed Rs. 1.00 lakh in rural area and Rs. 1.60 lakh for non-rural areas. These overdrafts will qualify as achievement of the targets for lending to micro units.

✓ In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are advised to achieve:

I. 20 per cent year-on-year growth in credit to micro and small enterprises,
II. 10 per cent annual growth in the number of micro enterprise accounts and
III. 60 per cent of total lending to MSE sector as on corresponding quarter of the previous year to Micro enterprises.

Common Guidelines for MSME Lending:

Issue of Acknowledgement of Loan Applications to MSME borrowers: Banks are advised to mandatorily acknowledge all loan applications, submitted manually or online, by their MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt. Banks are further advised to put in place a system of Central Registration of loan applications, online submission of loan applications and a system of e-tracking of MSE loan application.

Collateral:

Banks are mandated not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Banks are also advised to extend collateral-free loans up to Rs. 10 lakh to all the units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC.

Banks may, on the basis of good track record and financial position of the MSE units, increase the limit to dispense with the collateral requirement for loans up to Rs.25 lakh (with the approval of the appropriate authority). Banks are advised to strongly encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, including making performance in this regard a criterion in the evaluation of their field staff.

Composite Loan:

A composite loan limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

Revised GCC Scheme:

Under this scheme individual like artisans, weavers, fishermen, rickshaw owners, self-employed persons etc seeking non-farm entrepreneurial credit are sanctioned with a credit limit of maximum rupees of 1 lakh.

Validity: GCC limit is valid for 3-year subject to annual review. Term loan maximum repayment period is 5 years.

Margin: Up to Rs. 50000/- - Nil

Above Rs. 50000/- - 10 to 15%

Interest Rate: 1YR MCLR + 0.75%

Security: Asset created out of loan as prime security and no collateral security, the limit should be covered under CGTMSE.

(Our Bank circular on GCC: Circular No- ADV/461/2013-14 dated 06.03.2014)

Credit linked Capital subsidy scheme (CLSS):

Government of India, Ministry of Micro, Small and Medium Enterprises had launched Credit Linked Capital Subsidy Scheme (CLSS) for Technology Up gradation of Micro and Small Enterprises subject to the following conditions:

1. Ceiling on the loan under the Scheme is Rs.1.00 crore.
2. The rate of subsidy is 15% for all units of micro and small enterprises up to loan ceiling of Rs. 1crore.
3. Calculation of admissible subsidy will be done with reference to the purchase price of plant and machinery instead of term loan disbursed to the beneficiary unit.
4. SIDBI and NABARD will continue to be implementing agencies of the scheme.
5. This scheme is with effect from 01.04.2017 to 31.03.2020 or till the time sanctions if aggregate Capital Subsidy disbursed reaches to Rs. 2360 Crores (Approved Outlay), whichever is earlier.

   (This is as per MSME circular no. 22/CLSS/Scheme-EFC/2016-17 Pt. 1 dated 09.08.2019).

Streamlining flow of credit to Micro and Small (MSEs) for facilitating timely and adequate credit Flow during their Life Cycle:

Banks are advised to review and tune their existing lending policies to the MSE sector by incorporating therein the 7 following provisions so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances:

1. To extend standby credit facility in case of term loans.
2. Additional working capital to meet with emergent needs of MSE units.
3. Mid-term review of the regular working capital limits, where banks are convinced that changes in demand pattern of MSMEs, every year based on the actual sales of the previous year.
4. Timeliness for credit decisions.

Debt Restructuring Mechanism for MSMEs:

All commercial banks have been advised to follow the guidelines / instructions pertaining to SME Debt restructuring as contained in RBI circular No. DBR. No. BP.BC.2/21.04.048/2015-16 dated July 1, 2015 on Master Circular - prudential norms on Income recognition, Asset Classification and provisioning pertaining to Advances" and as updated from time to time.

1. Loan policy governing extension of credit facilities, (Restructuring / Rehabilitation policy for revival of potentially viable sick units / enterprise (Now read with guidelines on Frame Work for Revival and Rehabilitation of Micro, Small and Medium enterprises issued on march 17, 16) and non-discretionary One Time Settlement scheme for non-performing loans for the MSME sector.
2. By providing wide publicity to the One Time settlement, by placing it on the Bank's website and through other possible modes of dissemination. Banks have been advised to allow reasonable time to the borrowers to submit the application and also make payment of the dues in order to extend the benefits of the scheme to eligible borrowers.
3. Implementation of recommendation with regard to timely and adequate flow of credit to the MSE sector.

Frame work for Revival and Rehabilitation of MSMEs:

The revised Framework supersedes our earlier Guidelines on Rehabilitation of Sick Micro and Small enterprises issued vide RBI circular RPCD.CO. MSME & NFS.B.C. 40/0602.31/2012-13 dated November 1, 2012 except those relating to reliefs and concessions for Rehabilitation of potentially Viable Units and one Time settlement mentioned in the circular. The salient features of the Frame work are as under:

1. Before a loan account of an MSME turns in to a Non-Performing Asset (NPA), banks or creditors should identify incipient stress in the account by creating three sub-categories under Special Mention Account (SMA) as given in the Framework.
2. Any MSME borrower may also voluntarily initiate proceedings under this Framework
3. Committee approach to be adopted for deciding corrective action plan.
4. Time lines have been fixed for taking various decisions under Framework.

(Detailed guidelines on Frame work for Revival and Rehabilitation of MSMEs were enumerated in our Circular No. ADV/028/2016-17dated 30.06.2016).

Structured mechanism for monitoring the credit growth to the MSE sector:

In view of the concerns emerging from the deceleration in credit growth to the MSE sector Indian Banking Association (IBA) - led Sub-Committee was set up to suggest a structured mechanism to be put in place by banks to monitor the entire gamut of credit related issues pertaining to the sector. Based on the recommendations of the Committee, banks are advised to:

1. Strengthen their existing systems of monitoring credit growth to the sector and put in place a system-driven comprehensive performance management information system (MIS) at every supervisory level (branch, region, zone, head office) which should be critically evaluated on a regular basis.
2. Put in place a system of e-tracking of MSE loan applications and monitor the loan application disposal process in banks, giving branch-wise, region-wise, zone-wise and State-wise positions. The position in this regard is to be displayed by banks on their websites.

Institutional arrangements

Specialized MSME Branches:

- One Specialized branch in each district by the public sector banks.
- Banks are permitted to classify the branches where more than 60% of loan portfolio is MSME as Specialized MSME Branch.
- As per the policy package announced by the Government of India for stepping up credit to MSME sector, the public sector banks will ensure Specialized MSME branches in identified clusters/ centers with preponderance of small entrepreneurs to have easy access to the bank credit and to equip bank personnel to develop requisite expertise. Though their core competence will be utilized for extending finance and other services to MSME sector, they will have operational flexibility to extend finance /render other services to other sector/borrowers.

State level inter institutional Committee (SLIIC)

- To deal with the problems of co-ordination for rehabilitation of sick micro and small units State level inter Institutional Committee were set up in the States.

Prepared by: Shri Jeetendra Kumar Panda Vetted by : Shri Abhishek Arya

- It is set up at each state level.

Empowered committee:

- As part of the announcement made by the Union Finance Minister, Committee formed at each regional office of RBI, under the Chairmanship of the Regional Directors with the representatives of SLBC Convener, senior level officers from two banks having predominant share in MSME financing in the state, representative of SIDBI Regional Office, the Director of MSME or Industries of the State Government, one or two senior level representatives from ·the MSME Associations in the State and a senior level officer from SFC/SIDC as members.

- The committee meet periodically and review the progress in financing and also rehabilitation od stressed MSME units.

BCSBI:

Objective of BCSBI Code: The code is developed to; A) Give a positive thrust to the MSE sector by providing easy access to efficient banking services, B) Promote good and fair banking practices by setting minimum standards in dealing with MSE, C) Increase transparency to enable a better understanding of what can reasonably be expected of the services, D) Improve understanding of business through effective communication. E) Encourage market forces, through competition, to achieve higher operating standards. F) Promote a fair and cordial relationship between MSE and banks and also ensure timely and quick response to banking needs. G) Foster confidence in the banking system.

Some of the features of the BCSBI code related to SME are:

- Acknowledgement of receipt application copy.
- Reason for rejection in writing.
- Issue of sanction letter covering all the terms and conditions.
- Clarity on interest rate. Fixed or floating?
- Written receipt of all documents taken as collateral.
- Providing authenticated copies of documents executed.
- Release of securities/ documents to the individual borrower/ guarantor within 15 days of the repayment of all dues as agreed to or contracted.
- Payment of compensation in case of delay in release of security and documentation.
- Use of simplified application form.

- Disposal of application – up to 5 lakh- 2 weeks, above 5 to 25 – 3 weeks and more than 25 6 weeks.
- Extending loans up to 10 lakhs to MSE units without collateral

<u>Financial literacy and consulting services:</u>

- Scheduled Commercial Banks(SCBs) to conduct Financial literacy camps either through their FLC or branches. Each month the FLC has to conduct 5 literacies camps one camp for each SME, SHG, Senior citizens, School Children and Farmers.
- The bank staff should also be trained through customised training programs to meet the specific needs of the sector.

<u>Cluster Approach:</u>

As per Ganguly committee recommendations (Sep 4 2004), banks are advised that a full service approach to cater to the diverse needs of the MSE sector may be achieved through extending banking services to recognized MSE clusters by adopting a 4C approach namely; customer focus, customer control, cross sell and contain risk.
A cluster-based approach may be more beneficial;

- In dealing with well-defined and recognized groups,
- For making available of appropriate information for risk assessment and
- For monitoring by the lending institutions.

SLBC Convener bank to review their institutional arrangements for delivering the credit needs to the MSE sector in the cluster and also incorporate the requirement of credit in the cluster in the annual credit plan.
UNIDO (United Nations Industrial Development Organization) has identified 388 clusters spread over 21 states in various parts of the country.
The Ministry of Micro, Small and Medium Enterprises has approved a list of clusters under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Micro and Small Enterprises Clusters Development Programme (MSE-CDP) located in 121 Minority Concentration Districts. Accordingly, appropriate measures have been taken to improve the credit flow to the identified clusters of micro and small entrepreneurs from the Minority Communities residing in the minority concentrated districts of the country.
In terms of recommendations of the Prime Minister's Task Force on MSMEs banks should open more MSE focused branch officials at different MSE clusters which can also act as Counseling Centres for MSEs. Each lead bank of a district may adopt at least one MSE clusters.

Delayed Payment:

In the Micro, Small and Medium Enterprises Development (MSMED), Act 2006, the provisions of the interest on Delayed Payment Act, 1998 to Small Scale and Ancillary Industrial Undertakings, have been strengthened as under;

- The buyer has to make payment to the supplier on or before the date agreed upon between him and the supplier in writing or, in case of no agreement, before the appointed day. The period agreed upon between the supplier and the buyer shall not exceed forty-five days from the date of acceptance or the day of deemed acceptance.
- In case the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.
- For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the interest as advised at (ii) above.
- In case of dispute with regard to any amount due, a reference shall be made to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government.
- To facilitation online registration of application to MSEFC, government of India has introduced an online portal named SME- SAMADHAN.
- Further, banks are advised to fix sub-limits within the overall working capital limits to the large borrowers specifically for meeting the payment obligation in respect of purchase from MSMEs.

Recent Government initiative for the development of MSME sector:

- Introduction of online portal https://www.psbloansin59minutes.com for online processing and in principle sanction of the loans from Rs. 1.00 lacs to Rs. 5.00 crore.
- Introduction of online portal SME- SAMADHAN for registering complaints against delayed payments to MSEFC.
- Introduction of online platform MSME- SAMBANDH, a portal monitoring the implementation of public procurement policy. As per the public procurement policy, all public sector companies have to compulsorily procure 25 percent, instead of 20 percent of their total purchases, from MSMEs. Out of 25%, 3% should be reserved for women entrepreneur.
- Introduction of online platform Government-e-market place (GeM). Government e-Marketplace (GeM) is a one stop portal to facilitate online procurement of common use Goods & Services required by

various Government Departments / Organizations / PSUs. GeM aims to enhance transparency, efficiency and speed in public procurement.

- 2% interest subvention for GST registered MSME, on fresh/ incremental loans.
- Interest rebate for exporters increased from 3% to 5% who avail pre-shipment and post-shipment.
- all companies with a turnover more than Rs. 500 crores, must now compulsorily be brought on the Trade Receivables e-Discounting System (TReDS).
- Cluster for Pharma companies and 70% of establishment cost will borne by Union government.
- The return under 8 labour laws and 10 Union regulations must now be filed only once a year.
- Air pollution and water pollution laws, now both these have been merged as a single consent. The return will be accepted through self-certification.
- An Ordinance has been brought, under which, for minor violations under the Companies Act, the entrepreneur will no longer have to approach the Courts, but can correct them through simple procedures.
- 20 hubs across the country which will act as tool rooms for technology upgradation.

Highlights of Our Banks SME Loan policy:

Margin Norm:

Term Loans	Working Capital Finance
No margin is required for loans up to Rs.50000/-	
For loans above Rs.50000/- and up to Rs.5 Lac -10%. For loans above Rs.5 Lac -15% In case of second hand machineries, higher margin to be stipulated on case to case basis.	Working Capital against hypothecation of STOCKS: Above Rs.50000/- and up to Rs.5 Lac - 15% Above Rs.5 Lac -20%
For Government sponsored schemes and Bank's special credit schemes, margin will be obtained as stipulated in the scheme.	
Minimum cash margin of 10% will be prescribed in respect of non-fund based limits such as LC & LG.	
In exceptional cases, margin lesser than indicated above can be prescribed with the approval of appropriate authority as per delegation.	

Collateral Security:

- All MSE advances up to Rs. 10 lakhs will be granted without collateral security and third party guarantee as per RBI guidelines. These advances will be brought under CGTMSE/ CGFMU guarantee cover, wherever possible.

- All MSE credit up to Rs. 2 crores will also be granted without any collateral security and third party guarantee where CGTMSE guarantee is available. Collateral can be taken only if CGTMSE cover is not available for the unit. Bank will cover all eligible advances under CGTMSE. When an MSE borrower prefers collateral security to CGTMSE Cover for loans above Rs. 10 Lac and up to Rs. 200 lakhs, Bank will accede to the borrower's request. Such preference of the borrower and Bank's acceptance of the collateral security will be recorded.
- For all Medium Enterprises (ME) advances and Micro and Small Enterprises (MSE) advances of above Rs. 200 lakhs, suitable collateral security and/or third party guarantee may be taken based on risk perception and judgment of sanctioning authority.
- Branch Managers up to the level of scale IV can sanction secured credit facilities to MSE units by taking collateral securities to a minimum extent of 60% of the limits sanction.
- No MSME proposals, however, should be rejected for want of tangible collateral security alone, if otherwise the Bank is satisfied with regard to viability of the project and track record of the promoters.
- All Branch Managers can sanction collateral free loans to MSE sector with CGTMSE cover, up to their per borrower limits.
- In case of rejection of MSME proposals for any reason, the rejection should be conveyed to the applicant, only with the consent of the next higher authority.
- The following guarantee coverage are available for SME loans:

1. CGTMSE- UPTO 2 CRORES for Manufacturing and services. Up to 1 crore for retail trades.
2. CGFMU-RETAIL TARDE ADVANCES IN MUDRA UPTO 10 LAKHS.
3. CGSSI-ADVANCES UNDER STAND UP INDIA ABOVE 10 LACS TO 1 CRORE.

Rating:

1. For Fresh Proposal from Rs. 2 Lacs to Rs. 2 Crores, Online scoring model should be used for scrutinizing of proposal, if they score 60% and above, then only proposal can be considered.

2. Loans up to 1 crore CRRM rating model.
3. Loans 1 crore and above are to be rated under CRISIL RAM rating model.
4. MSME accounts having Credit exposure up to 100 crores are exempted from external rating, so above Rs.100 crores external rating is mandatory for MSME units.
5. Techno Economic Viability (TEV) study is applicable for advances 25 crore and above (Green field), in consortium advances 50 crore and above.

Other Bench Marks in MSME lending:

1. Current Ratio- 1.33 desirable (however 1.25 is acceptable for MSE)
2. Term liability to Tangible net worth ratio i.e. TL/TNW- 2:1 (Maximum)
3. Total outside liability to Tangible Net worth i.e. TOL/TNW – 4:1 (Maximum)
4. While the desirable ratio would be above 2: 1, average DSCR of 1.5: 1 with minimum DSCR of 1.2: 1 can be accepted on merits. For MSME units located in backward areas an average DSCR of 1.5, with a minimum of 1.2 in any year can be accepted.
5. Book debts: Maximum period 120 days, can be extended up to 180 days as per discretion.

Other Guidelines:

- Loans up to 10 lakh balance sheet may not be insisted.
- Loans up to 25 lakhs balance sheet needn't to be audited.
- More than 1 crore turnover accounts, Tax audit of the firm to be done and Auditors certificate along with form 3CB 3CD
- CMA (Credit monitoring Arrangement) data to be submitted for working capital limits 2 crore and above.
- Financials are to be signed by the POA of the firm/company.
- Financials are to be checked and matched with returns filed by the firm. Audited financials are to be obtained on time and should be matched with the estimated or projected.
- Wherever associate firms are available, branch should ask for the financial details of the associate firm also.

New Business Committee: All fresh proposals for sanction of credit limits of

Rs. 10 crores and above (both fund based and non-fund based) should be referred to the new business group at Central Office to get in principle approval for taking up the proposal. Permission accorded by NBC is only an "expression of interest" to take up the proposal for consideration on merits and should not be construed as "In Principle Sanction". Expression of Interest accorded by NBC is valid for 3 months and complete proposal must be submitted during that period for considering sanction on merits.

IT Screening Committee: Proposals for financing development of software shall be cleared by Screening Committee in Central Office. After clearance such proposals will be sanctioned by the respective sanctioning authorities. The proposals once cleared by Screening Committee, need not be referred again at the time of renewal, if the enhancement does not exceed 50% of the limits and if there is no change in the activity of the borrower. Technical evaluation of IT/software industry proposals are done by IT dept.

Working Capital Assessment for MSEs:

Branches / RO / ZO to adopt simplified procedures for sanction of working capital limits to MSEs i.e. 25% of the projected and accepted annual turnover could be extended as working capital limit to MSE units requiring aggregate fund based working capital limits up to Rs. 7.5 Crore. In such cases where 25% of the accepted Turnover is extended as Working Capital, the Borrower has to bring in 6.25% of the accepted turnover as margin for the proposed Working capital Limit. Current Ratio of 1.25 to me maintained.

<u>WC assessment for Digital Portion:</u>

For those units enjoying aggregate working capital limits up to Rs. 7.50 Crore, branch / RO / ZO would consider extending working capital up to 30% of the digital portion of Turnover projected, within the overall working capital limit of Rs. 7.50 Crore. Digital transaction means all sales transaction reflected in the bank books of account through digital channel, i.e. other than cash and paper based instruments such as cheques, ODs, BC, etc.

<u>Eligibility for considering Digital portion WC:</u>

Out of total projected sale, at least 25% should be through digital transaction. Thus Units projecting to undertake 25% and above, of their projected turnover through digital mode, may be considered for sanctioning working capital @ 30% of their projected digital turnover. The borrower has to bring in 7.50% of the accepted digital turnover as margin. Assessment of limit for digital portion of projected digital sales turnover shall be based on past and current trends. This assessment for digital portion is applicable to existing customer only and not applicable to new customer. It should also be noted that if the projected digital turnover is less than 25% of the overall projected total sales over, the borrower is not eligible for assessing separate working capital under the Digital Turnover method.

A case study is discussed below where the projected annual turnover is 10 crores.
MPBF is arrived at below assuming two cases,
1) where the entire Turnover shall be from regular sale without digital sale
2) Where, out of Turnover Rs. 10 Crore, digital sale of Rs. 2.50 Crore shall be made:

Assessment under turnover method	As per Modified Policy (Rs. in Crore)	
	When there is No Digital Turnover	When there is Digital Turnover
Projected total sales turnover -of which a) Regular turnover b) Digital turnover	10.00 10.00 Nil	10 .00 7.50 2.50
Permissible Bank Finance	2.50 @25% of Projected Regular Sale turnover of Rs. 10.00 Cr	1.88 @25% of Projected Regular Sale turnover of Rs. 7.50 Cr
	0.00	0.75 @30% of Projected Digital Sale turnover of Rs. 2.50 Cr
Minimum Permissible Bank Finance	2.50	2.63
Working capital Margin to be brought in by the borrower	0.63 @6.25%on regular Sale turnover of Rs. 10.00 Cr	0.47 @6.25% on regular Sale turnover of Rs. 7.50 Cr
		0.19 @7.50 % digital turnover of Rs. 2.50 Cr
Total Margin to be brought in by the borrower	0.63	0.66

Note: For considering Working Capital for Digital transaction:
1) the borrower must be our existing customer and
2) At least 25% of the projected turnover should be through digital mode.
3) Only need based credit limit should be extended

4) The projection must be

a) Acceptable to bank.

b) Comparable with the past digital transaction routed through the bank.

c) Marketability of company's product through digital mode.

SME Debit card: (SME/ADV/ 449 / 2013-14 dt 04.02.2014)

- ✓ SME borrowers can avail SME Debit card facility from our Bank. The Borrowal account should have a satisfactory track record for a minimum period of 2 years. The account should be regular.
- ✓ The Card limit may be fixed as 10 % of the fund based working capital limits or Rs. 5.00 Lacs whichever is less, subject to certain conditions.
- ✓ This limit is allowed over and above the eligible limit availed by them. This account is to be brought to credit once in 3 months.
- ✓ New borrowers/borrowers with less than 2 year borrowing relation with us are also eligible. But the credit limit is carved out of their working capital limit.

CREDIT GUARANTEE FUND TRUST FOR MICRO & SMALL ENTERPRISES (CGTMSE)

In terms of the recommendations made by the High Level Committee on Credit to SSI (1998) headed by Shri. S. L. Kapoor, **Government of India and SIDBI** had jointly set up a new Guarantee Corporation- "Credit Guarantee Fund Trust for small Industries (CGTSI) with effect from 1.8.2000 to cover advances to SSI units.

Subsequent to the enactment of MSMED Act 2006 the Trust has been renamed as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the Scheme is known as the 'Credit Guarantee Fund Scheme for Micro and Small Enterprises'

The credit guarantee Scheme offers a better alternative to collateral based lending as major portion of credit risk is shared by CGTMSE. Further CGTMSE guaranteed portion of the advance carries Zero risk weight and attracts no provision in case the advances become NPAs

1. Credit policy of our Bank on collateral free loans

- **No Collateral security** and third party guarantee are to be taken for loans granted to Micro & Small enterprises for an amount up to Rs.10 lacs. Such loans will be covered under CGTMSE or CGFMU.
- All MSE credit **upto Rs. 2 crore** may also be granted without any collateral security where CGTMSE guarantee is available. Collateral security can be taken under Hybrid security under CGTMSE where the borrower prefers to offer collateral security. Now CGTMSE cover is available for the unit like Retail trade for loan up to Rs100 Lakhs and lower flooring of Rs10 lacs has been removed.

2. Eligible borrowal accounts

- Credit facilities extended to single borrower for credit upto Rs.200 lacs by way of Term Loan and/or working capital to a New or Existing Micro & Small enterprises including IT and Software industries.
- Loan given by MLIs for incubation under Ministry of MSME scheme can be covered under CGTMSE.
- Advances extended without obtaining any Collateral Security and or third party guarantees.
- Loan granted to Education/ training Institute/ SHGs are **not** eligible
- With effect from 1.9.2003 there is no minimum threshold limit fixed for guarantee cover by CGTMSE.
- Interest rate of the loan facility shall not be more than Interest rate prescribed by RBI.

3. **International trade classification –Harmonized system [ITC (HS)]** is adopted by the

trust for categorizing the activity of different units (cir letter SME/974/ 2014-15 dt.14.01.2015).

4. Responsibilities of the bank under the scheme

- Limit would have been sanctioned by using prudent banking judgment.
- Bank shall closely monitor the borrower's account
- Bank shall safe guard the primary & collateral securities in good and enforceable condition.
- Bank shall lodge the claim, if any in the prescribed form in time.
- Bank shall obtain prior permission of Trust before entering into any compromise or arrangement which may have the effect of discharge or waiver of personal guarantee or security.
- For loans of Rs.50 lacs and above, the account should be internally rated and should be of investment grade.
- MLIs are mandatorily required to indicate the details of IT PAN of the borrower in the Application Form in respect of credit facilities of Rs 5 lakh and above w.e.f 01.04.2016 (CGTMSE/cir 112/2015-16 dt. 23.02.2016).

5. Guarantee Fee & annual service fee for loans granted on after April01,2018

AGF will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facilities sanctioned / renewed to MSEs on or after April 01, 2018 as detailed below (Refer Circular No.139/2017-18 dated February 28, 2018):

Modified AGF Structure – Standard Rate (SR)

Credit Facility	Annual Guarantee Fee (AGF) [% p.a.]*	
	Women, Micro Enterprises and Units covered in North East Region	Others
Up to Rs 5Lakhs	1.00 + Risk Premium as per extant guidelines of the Trust	
Above Rs 5 Lakhs and up to Rs 50 Lacs	1.35 + Risk Premium as per extant guidelines of the Trust	1.50 + Risk Premium as per extant guidelines of the Trust
Above Rs 50 Lakhs and up to Rs 200 Lakhs	1.80 + Risk Premium as per extant guidelines of the Trust	

Retail Trade (Rs 10 lakh to Rs 100 lakh)	2.00+ Risk Premium as per extant guidelines of the Trust
*AGF will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility.	

In case of term loans, AGF would be calculated on outstanding amount as on 31 December against each guarantee account and for working capital, AGF would be calculated on maximum (peak) working capital limit availed by the borrower/enterprise during the previous calendaryear.

For cases covered under Hybrid Security Model Guarantee fee will be charged on the guaranteed amount for the first year and on the proportionate outstanding amount subsequently resulting in lower guarantee fee charged to MSEs.

Additional risk premium of 15% will be charged on the applicable rate to MLIs who exceed the payout threshold limit of 2 times more than thrice in last 5 years. This premium will be applicable for all guarantee accounts irrespective of the sanction date.

For cases sanctioned prior to April 01, 2018, the ASF/ AGF will continue to be charged on the guaranteed amount as per the details in the table given below:

	Credit Facility	Upfront Guarantee Fee (%)		Annual Service Fee (%)	
		North East Region (incl.Sikkim)	Others		
Guarantees sanctioned upto 31/12/2012	Upto Rs 5 lakh	0.75	1.00	0.50	Fixed Rates (GF and ASF) (Circular No. 45 / 2007- 08 dated March 03, 2008)
	Above Rs 5 lakh to Rs 50 lakh	0.75	1.50	0.75	
	Above Rs 50 lakh to Rs 100 lakh	1.50	1.50	0.75	
	Composite all-in Guarantee Fee as under :-				
		Annual Guarantee Fee (AGF) [% p.a.]			

	Credit Facility	Women, Micro Enterprises and units in North East Region (incl.	Others	
Guarantee sanctioned on or after 01/01/2013	Upto Rs 5 lakh	0.75	1.00	
	Above Rs 5 lakh and upto Rs100 lakh	0.85	1.00	

	Credit Facility	Annual Guarantee Fee (AGF) [% p.a.] + Risk Premium (RP)		
		Women, Micro Enterprises and units in North East Region (incl. Sikkim)	Others	
Guarantees sanctioned after 01/04/2016	Upto Rs 5 lakh	0.75+RP	1.00+RP	
	Above Rs 5 lakh and upto Rs100 lakh	0.85+RP	1.00+RP	

5.1 Charging of Annual Service Fee (ASF) / Annual Guarantee Fee (AGF) at differential rates depending upon NPA levels/ Claim Payout ratio of MLIs

The Trust had earlier adopted non-discretionary approach in levying Annual Service Fee (ASF)/Annual Guarantee Fee (AGF) without reference to the level of NPAs reported by the Bank on the CGTMSE portal vis-à-vis the guarantees issued to them as also without reference to the claims paid to the MLIs vis-à-vis the fees and recoveries received from the MLIs. Considering the very high level of NPAs reported by some of the MLIs as also significantly larger amount of claims settled for some of the MLIs, the Trust had introduced risk based pricing structure for cases sanctioned on or after **April 01, 2016**. The Trust with it's over 18 years of working in the Credit Guarantee field, has built up adequate data to support the risk bases pricing. Therefore, the Trust had introduced following risk premium structure:

1) Risk premium on NPAs in Guaranteed portfolio		(2) Risk premium on Claim Payout Ratio	
NPA Percentage	**Risk Premium**	**Claim Payout**	**Risk Premium**
0-5%	SR	0-5%	SR
>5-10%	10% of SR	>5-10%	10% of SR
>10-15%	15% of SR	>10-15%	15% of SR

Prepared by: Shri Abhishek Arya
Vetted by : Shri PadamJeet Dahiya

>15-20%	20% of SR	>15-20%	20% of SR
>20%	25% of SR	>20%	25% of SR

The above Risk premium structure would be governed by the following:

1. The risk premium, wherever applicable, would be charged with prospective effect i.e. credit facilities sanctioned by MLIs on or after April 01, 2016 and covered under the Credit Guarantee Scheme. The existing loans under credit Guarantee will continue to carry the old rates till their maturities or renewal.

2. The rates under this mechanism will be floating and will undergo changes every year based on the NPA level and payout ratios of the concerned Bank.

3. The MLIs having NPA percentage as well as claim payout ratio more than 5%, the risk premium under both the categories shall be applicable to such MLIs.

4. The risk premium structure will also be applicable to renewal cases (i.e. renewals after expiry of guarantee period) in respect of working capital limits.

5. In respect of working capital accounts covered under the Credit Guarantee Scheme where original sanctions are prior to April 01, 2016 and the subsequent enhancements in the limits are on or after April 01, 2016, the earlier fixed rate structure (i.e. pre-revised structure) would continue to apply even for the enhanced portion.

6. The review of risk premium would be an annual exercise and the revised risk premium would be applicable from the first day of each financial year. The subsequent revisions in the risk premium would be applicable to all those guarantees originally approved under differential pricing structure.

7. It is clarified here that while levying the annual guarantee fee for the first time, the fee is collected for the full 365 days from the guarantee start date (i.e. fee payment date) and the second and subsequent year onwards in respect of already issued guarantees, the fee is collected till the end of financial year excepting for the terminal year of guarantee where the fee is collected for the proportionate period. Thus, while the fee applicable for the first year would be for the entire 365 days at applicable rate, the fee at the revised rates in subsequent years, based on revisions in NPA percentage/claim pay-out ratio, would be applicable only for the broken period of the respective year.

8. It is further clarified that the guarantees approved under fixed rate structure i.e. in respect of credit facilities sanctioned by MLIs on or before March 31, 2016 would continue to be governed by the fixed rate structure till the expiry of respective guarantee period or first settlement of claim, whichever is earlier.

9. For working out the percentages of NPAs/claim pay-out ratio with a view to arrive at

the risk premium, the data generated as on September 30 of immediately preceding financial year would be relied upon. e.g. for working out the risk premium applicable as effective from April01, 2016 onwards, the base data for working out the percentage of NPAs/claim pay-out ratio would be as on September 30, 2015 and so on. The MLIs would be advised by January every year about their respective NPA percentage and claim pay-out ratio as per the CGTMSE records and the risk premium applicable to them effective April 01 of subsequent financial year.

10. As regards calculation of NPA percentages and claim pay-out ratio, it may be mentioned that while NPA percentage would be worked on the basis of cumulative NPAs upto September 30 each year as marked by the MLI in CGTMSE portal (net of upgraded accounts and the accounts where the claims would not hit CGTMSE in respect of the NPAs marked) in terms of amount (i.e. Guaranteed amount of the corresponding NPA account) vis-à-vis the cumulative guarantees issued by the Trust as on September 30 every year as indicated above, the claim pay-out ratio would be worked out on the basis of cumulative claims settled by the Trust and the cumulative receipts (includes Annual Service /Annual Guarantee Fee receipts, recoveries out of OTS and recoveries passed on by MLIs after first settlement of claim) as on September 30 each year. The cumulative claims paid upto 1.05 times of the cumulative receipts will not attract any risk premium as indicated in the table above.

11. The MLIs would be intimated by first week of March each year about their respective NPA percentage and claim payout ratio and the applicable risk premium effective from April 01, of succeeding year.

5. <u>Payment of AGF</u>

Procedure for payment of Fees (SME/ ADV/ 326 / 2013-14 dt 17.04.2013)

5.2.1 Annual Service Fee

- ✓ For the guarantees issued up to March 31,2013 against the credit facilities sanctioned / approved / renewed by MLIs up to December 31,2012, ASF needs to be paid.
- ✓ ASF for FY 2013-14 and subsequent years, would be demanded and collected "in advance" from the MLIs.
- ✓ Demand for ASF would be made in April itself, i.e at the beginning of the year and is to be paid by the MLIs.

5.3 "Annual Guarantee Fee (AGF)

- ✓ Annual Guarantee fee (AGF) is to be paid upfront by the Member lending institution(MLI) to the Trust in respect of credit facilities sanctioned on or after January 01.2013.
- ✓ The demand on MLIs for AGF in respect of fresh guarantees would be raised upon approval of guarantee cover.

- ✓ The guarantee start date is termed as '**material date'** by CGS.
- ✓ Material date would be the date on which proceeds of AGF are credited to Trust`s Bank account.
- ✓ The AGF/guarantee cover would be valid for **1 year** from the material date
- ✓ In the subsequent financial year, demand for AGF(i.e., for 2nd AGF) would be raised in the month of April for the guarantees approved in the previous financial year (till March 31st) for which the AGF has been received till March 31.
- ✓ The AGF demands for subsequent years would be on "Full Financial Year basis" excepting for the terminal year of guarantee where AGF demand would be till validity of guarantee cover.

Annual Guarantee fee (first time fee) shall be paid to the Trust by the institution availing of the guarantee within 30 days from the date of first disbursement of credit facility (not applicable for Working capital) or 30 days from the date of Demand Advice (CGDAN) of guarantee fee whichever is later or such date as specified by the Trust.
The AGF (subsequent to first time fee) at specified rate (as specified above) on pro-rata basis for the first and last year and in full for the intervening years would be generated by 2nd week of February every year. AGF so demanded would be paid by the MLIs on or before 15th April each year or any other specified date by CGTMSE, of every year.

In the event of non-payment of annual service / guarantee fee within the stipulated time or such extended time that may be agreed to by the Trust on such terms, liability of the Trust to guarantee such credit facility would lapse in respect of those credit facility against which the service charges / fee are due and not paid.

Provided further that, the Trust may consider renewal of guarantee cover for such of the credit facility upon such terms and conditions as the Trust may decide.

In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee / annual service fee, such deficiency / shortfall shall be paid by the eligible lending institution to the Trust together **with interest on such amount at a rate of four per cent over and above the Bank Rate**, or as may be prescribed by the Trust from time to time. Any amount found to have been paid in excess would be refunded by the Trust. In the event of any representation made by the lending institution in this regard, the Trust shall take a decision based on the available information with it and the clarifications received from the lending institution, and its decision shall be final and binding on the lending institution.

The amount equivalent to the annual guarantee fee and / or the service fee payable by the eligible lending institution may be recovered by it, at its discretion from the eligible borrower.

The annual guarantee fee and / or annual service fee once paid by the lending institution to the Trust is non-refundable. Annual Guarantee fee / Annual Service Fee, shall not be refunded, except under certain circumstances like –

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

6. Payment of guarantee fee (SME/ADV/ 390 / 2013-14 dt 13.09.2013)

Period of Advance	Status of Guarantee Fee
Loans sanctioned up to 25.02.2013.	Borne by the borrower irrespective of the amount.
Loans sanctioned on or after 25.02.2013 and up to 13.09.2013	Borne by the Bank for limits up to Rs. 1 crore. (for the subsequent years also for the above borrowers, Bank will bear the Guarantee Fee)
For Loans sanctioned on or after 14.09.2013	For advance limit up to Rs. 10 lacs- borne by the BANK; For advance above Rs. 10 lacs – borne by the BORROWER
For Loans granted on or after 1.03.2015	All the fees payable to CGTMSE should be borne by the borrower (SME/ADV/553/2014-15 dt.25.02.2015)

7. Revival of closed accounts

✓ If the guaranteed account gets closed due to non-payment of AGF, the guarantee under the scheme shall not be available and request for revival of accounts/ delayed payment will be considered subject to the following conditions:

✓ Request for revival of account will have to be submitted within next financial year.

- ✓ Account should be standard and regular as on date of submission of request for revival and the Trust reserves the right to reject the claim if the account turns NPA within 180 days from the date of revival of account.
- ✓ Any fee due by the MLI (current and previous FY) will be demanded along with penal interest (@ 4% over Bank Rate, per annum) and additional risk premium @15% of standard rate or at such rates specified by the Trust from time to time, for the period of delay.

8. Extent of the Guarantee Coverage

- ✓ The Trust shall provide Guarantee as under for cases sanctioned on or after April 01, 2018

Modified Extent of Guarantee Coverage

Category	Maximum extent of Guarantee where credit facility is		
	Upto ₹ 5 lakh	Above ₹ 5 lakh & upto ₹ 50 lakh	Above ₹ 50 lakh & upto ₹ 200 lakh
Micro Enterprises	85%of the amount in default subject to a maximum of ₹ 4.25 lakh	75% of the amount in default subject to a maximum of ₹ 37.50 lakh	75% of the amount in default subject to a maximum of ₹ 150 lakh
Women entrepreneurs/ Units located in North East Region (incl. Sikkim) (other than credit facility upto ₹ 5 lakh to micro	80% of the amount in default subject to a maximum of ₹ 40 lakh		
MSE Retail Trade (Up to Rs100 lakh)	50% of the amount in default subject to a maximum of ₹ 50 lakh.		
All other eligible category of borrowers	75% of the amount in default subject to a maximum of ₹ 150 lakh.		

✓ Extent of guarantee already existing for cases sanctioned prior to April 01, 2018 would continue to apply as per the details in the table given below:

	Category	Maximum extent of Guarantee where credit facility is		
		Upto ₹ 5 lakh	Above ₹ 5 lakh & upto ₹ 50 lakh	Above ₹ 50 lakh & upto ₹ 200 lakh
Guarantees approved on or after 16/12/2013	Micro Enterprises	85%of the amount in default subject to a maximum of ₹ 4.25 lakh	75% of the amount in default subject to a maximum of ₹ 37.50 lakh	50% of the amount in default subject to a maximum of ₹ 100 lakh
	Women entrepreneurs/ Units located in North East Region (incl. Sikkim) (other	80% of the amount in default subject to a maximum of ₹ 40 lakh		
	All other eligible category of borrowers	75% of the amount in default subject to a maximum of ₹ 37.50 lakh.		

		Maximum extent of Guarantee where credit facility is

Prepared by: Shri Abhishek Arya
Vetted by : Shri PadamJeet Dahiya

	Category	Upto ₹ 5 lakh	Above ₹ 5 lakh & upto ₹ 50 lakh	Above ₹ 50 lakh & upto ₹ 200 lakh
Guarantees sanctioned on or after 02/01/2009	Micro Enterprises	85%of the amount in default subject to a maximum of ₹ 4.25 lakh	75% of the amount in default subject to a maximum of ₹ 37.50 lakh	Rs.37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.62.50 lakh
	Women entrepreneurs/ Units located in North East Region (incl. Sikkim) (other than credit facility upto ₹ 5 lakh to micro enterprises)	80% of the amount in default subject to a maximum of ₹ 40 lakh		Rs.40 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.65 lakh
	All other eligible category of borrowers	75% of the amount in default subject to a maximum of ₹37.50 lakh.		Rs.37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.62.50 lakh

9. Updation of NPA details

- NPA details are to be updated in the system by the end of the subsequent quarter for all accounts that may be classified as NPA using the option **Member login area -> Guarantee maintenance -> Periodic Information > NPA details**.
- MLIs themselves are allowed to up-grade already marked NPA accounts through online module in CGTMSE portal (Guarantee Maintenance-

>Periodic Info->NPA account upgradation) and approving authority in bank, **not below the rank of AGM or of equivalent rank** has to approve the entry**.** (CGTMSE/Cir No.111 / 2015 – 16 dt.22.02.2016).

10. CLAIMS

Invocation of guarantee

The Banks may invoke the guarantee in respect of eligible credit facility if the following conditions are satisfied.

a. The guarantee is in force.

b. The lock in period of 18 months from either the date of last disbursement of the loan to the borrowers or the date of payment of guarantee fee whichever is later.

c. The amount due and payable to the bank in respect of the credit facility has not been paid and the dues have been classified by the lending institution as NPA

d. The loan facility has been recalled and the usual recovery proceedings have been initiated. In case of recovery under SARFAESI Act, taking possession of the property under section 13(4) of the Act is construed as ***initiation of legal action.*** (SME/ADV/497/2014-15 dt.01.07.2014)

e. In respect of loans sanctioned on or after 01.01.2013, initiation of legal proceedings as a pre-condition for invoking of guarantees shall be waived for credit facilities **upto Rs.50,000 /-** subject to the bank taking a decision for not initiating legal action and filing claim under the Scheme.

f. As per modified CGS If the account has become NPA after lock- in period, claim should be made within one year (2 years in case of loans sanctioned on or after 01.01.2013) from the date of NPA. If the account has become NPA within the lock-in period, the claim should be made within one year (2 years in case of loans sanctioned on or after 01.01.2013) from the date of expiry of lock-in period. The lending institution may invoke the guarantee in respect of credit facility within a maximum period of 3 years from the NPA date or lock-in period whichever is later, if the NPA date is on or after 15/03/2018.

g. **"Amount in Default"** means the **principal and interest amount outstanding** in the account(s) of the borrower in respect of **term loan** and **amount of outstanding working capital facilities (including interest) as on the date of the account becoming NPA or the date of lodgment of claim application whichever is lower** or such of the date as may be specified by CGTMSE for preferring any claim against the guarantee cover subject to a maximum of amount Guaranteed.

h. The trust shall pay 75% of the guaranteed amount within 30 days. The trust will pay interest on the eligible claim amount at the prevailing Bank rate for the period of delay beyond 30 days. The Balance 25%of the guaranteed amount will be paid on conclusion of recovery proceedings by the Bank, i.e.as soon as the decree in respect of the civil suit is awarded.

i. In case of loans sanctioned on or after 01.01.2013, the balance 25 % of the guaranteed amount will be paid on conclusion of recovery proceedings by the MLI or after 3 years of obtention of decree of recovery, whichever is earlier.

j. MLIs, however, should undertake to refund any amount received from the unit after payment of full guaranteed amount by CGTMSE.

Form required to be submitted to invoke claim; Claims up to Rs. 20 lacs	Annexure I
Claims above Rs. 20 lacs	Annexure I & Documents as per Annexure II along with Declaration and Undertaking

(Annexures to our cir No.SME/ADV/393/2013-14 d.23.09.2013)

a. Nodal / operating offices of MLIs will submit only a single Declaration & Undertaking (D & U), duly signed and stamped, for the single / multiple claims lodged by it on a particular day. D & U covers all the claims lodged by it on particular claim date. (SME/ ADV/ 472 /2014-15 dt 21.04.2014).

b. D & U is required to be generated from the system. A scanned copy of the said duly stamped and signed D & U must be invariably sent immediately to CGTMSE by email at "claimdeclaration@cgtmse.in"

11. **Relaxations in Guidelines for lodgment of claims under CGTMSE scheme for Restructured Accounts** (SME/ADV/489/02.06.2014)

CGTMSE has permitted to exclude the time period **from the identification of the MSE unit as sick through rehabilitation process and till the unit is subsequently found non-viable** for invocation of guarantee and the **assumed NPA date for claim purposes would now be taken as the date when the unit is subsequently found non-viable**. All other guidelines remain unchanged.

12. Recovery & OTS

The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Trust in all the ways open to it as it might have exercised in the normal course as if no Guarantee had been furnished by the Trust. The lending institution should intimate the Trust before entering into any compromise or arrangement, which may have the effect of discharge or waiver of personal guarantee(s) or security.

13. Closure of account

The date of closure of guaranteed accounts should be informed then and there by Banks to CGTMSE. Once the request is approved by CGTMSE, Closure DAN (Demand Advice Notice) can be generated and the DAN amount is to be passed on to CGTMSE. On receipt of DAN amount, the account will be marked as 'CLOSED' in the records of CGTMSE. Otherwise, ASF even after closure will be claimed.

14. Recovery after settlement of CGTMSE claim (CGTMSE ltr t.24.02.2015)

Subsequent to receiving claim amount form CGTMSE, the entire recovery made in respect of those accounts needs to be passed on to CGTMSE, immediately upon recovering the amount, after deducting the legal expenses/other expenses incurred by the bank.

If any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate which is 4% above Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days. (CGTMSE cir No.110/2015-16 dt. 12.02.2016).

CGTMSE would refund the share of amount to Banks in the ratio of net loss incurred, only after receipt of entire recovery.

15. Settlement of second / final installment

The settlement of second / final installment will be considered on conclusion of recovery, irrespective of the sanction date of the credit facility. With regards to conclusion of recovery proceedings, following four scenarios as applicable and certified by the concerned authority of the MLI is considered as conclusion of recovery proceedings provided minimum period of 3 years from the date of settlement of first claim has been lapsed.

- If legal action is initiated only under SARFAESI Act and whatever assets available were sold off and the amount is remitted to the Trust. Also, the borrower is not traceable and the Networth of the Personal Guarantor is not worth pursuing further legal course.

- If amount is recovered through sale of assets under SARFAESI and no other assets are available and legal action is taken under any forum such as RRA, Civil Court, Lok Adalat or DRT where there is no further means to recover the money from the borrower and the Networth of the Personal guarantor is significantly eroded.

- If no assets are available and the borrower is absconding, and the Networth of the Personal guarantor is significantly eroded.

- If no assets are available and the legal action is withdrawn as the borrower is absconding and it may not be worth pursuing legal action.

As per CGTMSE, for loans sanctioned on or after 01/01/2013, the balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution or after three years of obtention of decree of recovery, whichever is earlier. However, in cases where the legal action has been initiated under SARFAESI Act or RRA, the MLIs may be allowed to lodge 2nd claim after the lapse of three years from date of action under Section 13(4) of SARFAESI Act and the date of Recovery Certificate issued by the Tehsildar respectively subject to following confirmation from the MLIs:

a. Personal Guarantees have been invoked and no further recovery is possible.
b. No tangible secured assets have been left for disposal and no further recovery is possible.
c. The entire recoveries made in the account have been duly indicated in the 2nd claim application/have been passed on to CGTMSE.

16. Subrogation of rights and recoveries on account of claims paid

The lending institution shall furnish to the Trust, the details of its efforts for recovery, realizations and such other information as may be demanded or required from time to time. The lending institution will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Trust. The Trust shall not exercise any subrogation rights and that the responsibility of the recovery of dues including takeover of assets, sale of assets, etc., shall rest with the lending institution.

In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.

Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate which is 4% above Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

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Links:

1. https://www.cgtmse.in/files/Master_Circular_01.pdf
2. http://online.iob.in/RecordCenter/Circulars/CGTMSE%20RECENT%20MODIFICATIONS%20IN%20THE%20SCHEME.pdf
3. http://online.iob.in/RecordCenter/Circulars/ADV%20358%20%2018-19%20-%20CGTMSE%20-%20MODIFICATIONS.pdf
4. http://online.iob.in/RecordCenter/Circulars/MASTER%20CGTMSE%20CIRCULAR%20NO_346-20.03.2019.pdf

CREDIT GUARANTEE COVER FOR RETAIL TRADE ADVANCES UNDER MUDRA UPTO RS.10.00 LAKH WITH CREDIT GUARANTEE FUND FOR MICRO UNITS (CGFMU)

(Cir-ADV/7/2016-17, Dep- SME, 13.01.2017)

- Credit Guarantee Fund for Micro Units (CGFMU) is the Trust Fund set up by Government of India, managed by NCGTC as a trustee, with the purpose of guaranteeing payment against default in Micro Loans extended to eligible borrowers by Banks/ NBFCs/ MFIs/ Other Financial Intermediaries.

- The CGFMU Trust has come into being on March 30, 2016, where in Govt. of India, through Ministry of Finance the settlor of the Trust and NCGTC is the Trustee.

- Retail Trade advances up to Rs. 10.00 Lakh shall be covered under CGFMU by creating a portfolio of advances.

- Apart from Retail trade advances, Overdraft Facility of Rs10000/-, sanctioned under PMJDY accounts shall be eligible to be covered under CGFMU.

- CGFMU Is available on a portfolio of advances extended to Micro Units.

Credit Guarantee Coverage

- It is based on the amount in default, in respect of credit facility/ies extended by the Lending Institutions.
  A. First Loss to the extent of 5% of the crystallized portfolio of the MLI, will be borne by the MLI and therefore, will be excluded for the claim.

  B. Out of the balance portion, the 'extent of guarantee' will be to a maximum extent of 50% of 'Amount in Default' in the portfolio.

Credit Guarantee Fee

- For availing the guarantee coverage, the Member Lending Institution shall pay guarantee fee as under

  a. During the base year (year of portfolio built-up) – Guarantee fee will be paid on the sanctioned amount corresponding to the outstanding balance of the quarterly built up balance of the portfolio of micro loans for the full year or the broken period i.e. till March 31 of the subsequent year, as the case may be, and the Guarantee will be valid upto the end of that financial year. It may be noted that for such sanctioned cases which have been cancelled/repaid/pre-paid/taken over during the currency of

Prepared by: Shri Abhishek Arya
Vetted by : Shri PadamJeet Dahiya

the portfolio, no guarantee fee shall be charged for such sanctioned cases in the portfolio and no guarantee cover would be applicable. Guarantee fee would be charged on the sanctioned amount from the date of first disbursement till end of March 31.

b. During subsequent years - The guarantee fee will be paid on the sanctioned amount corresponding to the outstanding balance (including on accounts which have turned NPA) of the crystallized portfolio during the currency of the portfolio and Guarantee will be valid upto the end of that financial year. Guarantee fee with respect to NPA accounts in the portfolio would continue to be paid till lodgment of claim for such accounts, at a rate specified by the Fund on the amount or fee based on risk based pricing / such other amount on such reference dates or specified rate set by the Fund from time to time.

Note:

- Guarantee fee would be charged at the Standard Basic Rate (SBR) of 1% of sanctioned amount for the initial years. Subsequently risk based guarantee fee structure would be applicable.
- For term loans a provision for cancellation of unavailed sanction has been allowed once during the lifetime of the Portfolio.
- With regards to limits, the modified sanctioned limit

✓ **Applicability of risk based Guarantee Fee Structure over and above SBR**

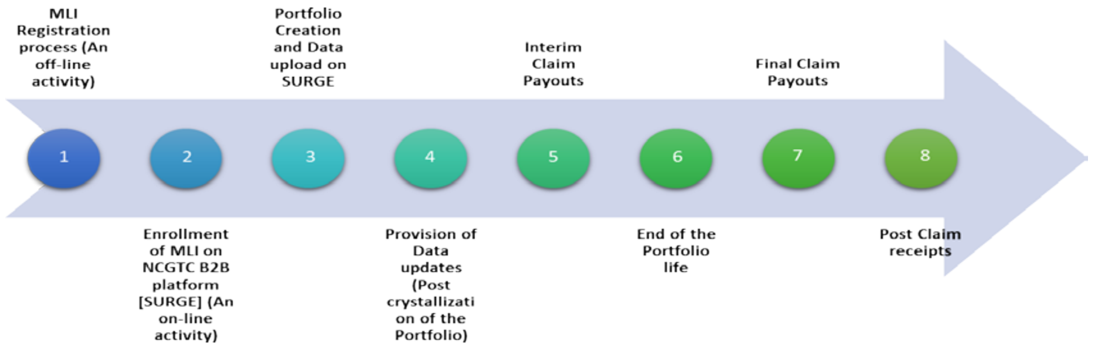
Type of MLI	Credit Ratings	NPA ratio	Claim Pay-out Ratio
PSU Bank/RRBs/Co-operative Banks	X	√	√

$$\text{NPA \%} = \frac{\text{Total sanctioned amount of all NPA accounts\# (of all prior portfolio)}}{\text{Cumulative sanctioned amount of Guarantee issued till date (of all prior portfolio)}} \times 100$$

$$\text{Claim Payout Ratio} = \frac{\text{Cumulative claims settled as on reference date}}{\text{Cumulative *receipts as on reference date}}$$

#Such NPA accounts identified for loss settlement.
**Receipts include all the receipts in mode of guarantee fees & recoveries from the MLI.*

Typical Chronology of events in CG process/Activities involved



Risk Based Guarantee Fee components

Scheduled Commercial Banks (SCBs)

Standard Basic Rate (SBR) of 1.00% of sanctioned amount ; and

Risk premium on NPAs in guaranteed portfolio		Risk premium on Claim Payout Ratio	
NPA Percentage	Risk Premium	Claim Payout Ratio	Risk Premium
0-2%	Nil	0-2%	Nil
>2-3%	5% of SBR	>2-3%	5% of SBR
> 3-6%	10% of SBR	> 3-6%	10% of SBR
>6-9%	15% of SBR	>6-9%	15% of SBR
>9-12%	20% of SBR	>9-12%	20% of SBR
>12-15%	25% of SBR	>12-15%	25% of SBR

1. The Guarantee Fee for all MLIs shall be reviewed each year based on Credit Rating / Grading and Claim payout ratio of previous financial year. Accordingly, revised updated fee structure will be applicable for all fresh cases.

2. The total claim payout ratio would be capped at 15% of the original sanctioned guarantee limit with a view to ensure equitable distribution of benefits and sound credit management by MLIs.

The Fee structure has in-built incentive / rebate for “No Claim Bonus”. However, as in initial years, say first 2-3 years, since NPA / claims history would not have been established, risk premium for NPA / claim payout ratio shall be calculated in the same scale corresponding to credit rating / grading. The premium rates / weights proposed may be changed by Management Committee based on market conditions / practices / support from Government of India.

Invocation of guarantee

I. The lending institution may invoke the guarantee in respect of the 'amount in default' out of the crystallized portfolio of micro loans, subject to the condition of first loss guarantee, after 1 year from the date of crystallization of the portfolio and thereafter, at the end of every financial year.

II. The MLI shall furnish a statutory auditor/management certificate confirming that the amount due and payable to the lending institution in respect of the micro loan has not been paid and the dues have been classified by the lending institution as Non-Performing Asset. Provided that the lending institution shall not make or be entitled to make any claim on the Fund in respect of the said micro loan if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by the Fund. The certificate shall also mention the percentage of the amount in default borne by the MLI towards first loss.

III. The claim should be preferred by the lending institution in such manner and within such time as may be specified by the Fund in this behalf.

IV. The Fund shall pay eligible claim amount on preferring of claims by the lending institution, within 60 days, subject to the claim being otherwise found in order and complete in all respects. The Fund shall pay to the lending institution interest on the eligible claim amount at the prevailing Bank Rate for the period of delay beyond 60 days. On a claim being paid, the Fund shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned.

V. The lending institution shall be liable to refund the claim released by the Fund together with penal interest at the rate stipulated by the Fund, if such a recall is made by the Fund in the event of deficiencies having existed in the matter of appraisal / renewal / follow-up / conduct of the micro loan or where lodgment of the claim was more than once or where there existed suppression of any material information on part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Fund, from the date of the initial release of the claim by the Fund to the date of refund of the claim

Interim Claim pay-out

- Interim claim pay-outs will be carried out in Currency year 2 & Currency year 3 (3rd & 4th year of Portfolio life).
- In other words, the lending institution may invoke the guarantee in respect of the 'amount in default' out of the crystallized portfolio of micro loans, subject to the condition of first loss guarantee, after 1 year from the date of crystallization of the portfolio and thereafter, at the end of every financial year.
- Claims will be paid out on interim basis on interim loss assessment subject to

Prepared by: Shri Abhishek Arya
Vetted by : Shri PadamJeet Dahiya

such loss being more than 5% of the crystallized Portfolio. The pay-outs are interim in nature as the overall loss scenario in the Portfolio will be known only after the end of the 4th year.

End of the life of the Portfolio

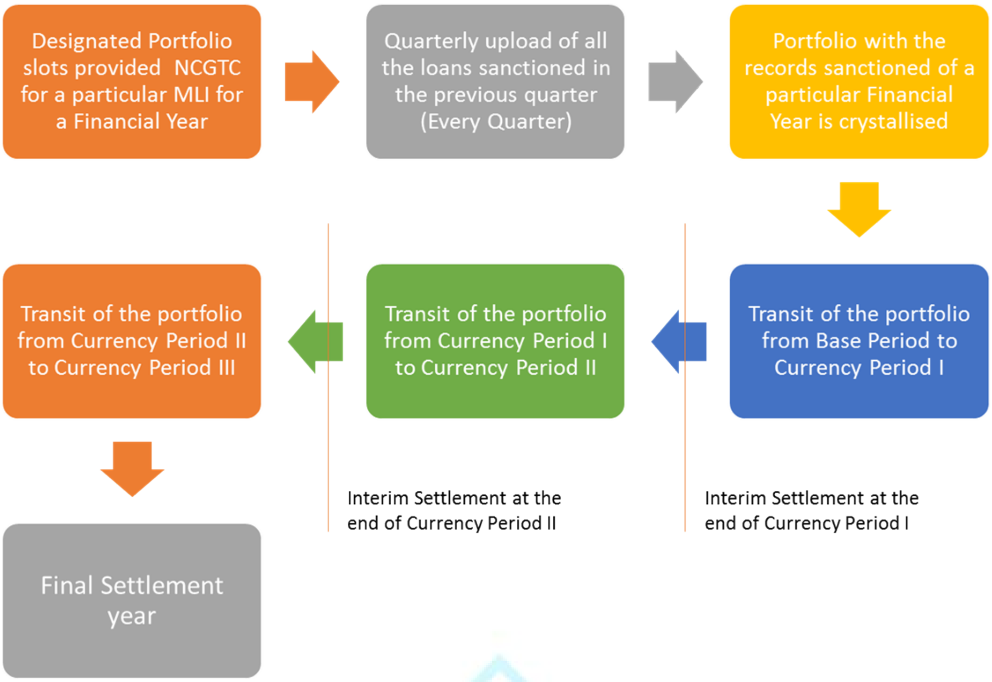
- The portfolio will be reviewed every year after the base year for any claims payable by the fund. The 5th year is the liquidations and settlement year based the overall loss in the portfolio.
- The portfolio has a life of 4 years (Base Year + 3 years).
- The loss will get crystallized in the 5th year and corresponding accounts will get identified. Any recovery in the Portfolio for identified accounts post settlement, will need to be reimbursed to the guarantor only in excess of the first loss amount and in the ratio of 50:50
- **An Illustrative Snap-Shot of Portfolio Life Cycle:**
- Life Span of the Portfolio (FY 2017-2018)

Life Span of the Portfolio (FY 2018-2019)

Final Claim Pay-out

- The final claim pay-out would be made during the 5th year of the Portfolio life cycle (i.e. after the end of Portfolio life).
- The overall loss in the Portfolio will will be based on the amount in default identified in respect of the loss accounts (defined as NPA for a continuous period of 6 months) and the guarantee cover would be 50% of second loss (after considering 5% first loss)
- First 5% of the crystallized Portfolio would be the threshold amount for considering first loss cover to be borne by the MLI.
- The total claim pay-out ratio would be capped at 15% of the crystallised portfolio limit with a view to ensure equitable distribution of benefits and sound credit management by MLIs.
- For arriving at the final settlement, the interim settlements (if any) made in the Portfolio would be assessed and after assessing the total loss in the Portfolio (net of first loss of 5% and subject to claim pay-out cap of 15%), the net payment would be settled for the Portfolio.

Transition of the Portfolio through its life cycle:



- **Illustration 1**: If the crystallized portfolio is to the tune of Rs.100 (Considering sanction of eligible cases), and the Loss (Amount in Default) is to the tune of Rs.5, the same would be within the 1st loss threshold and would get absorbed by the MLI .If it works out to Rs.20 then NCGTC would bear Rs.7.5 (being 50% sharing of Rs.15, viz Rs.5).
- **Illustration 2:** If the crystallized portfolio is to the tune of Rs.100 (Considering sanction of eligible cases), and the Loss (Amount in Default) is to the tune of Rs.5, the same would be within the 1st loss threshold and would get absorbed by the MLI .If it works out to Rs.40 then NCGTC would bear Rs.15 (being 50% sharing of Rs.35, (maximum cap of Rs.15).

Post Claim Receipt

- Every amount recovered and due to be paid to the Fund shall be paid without delay, and if any amount due to the Fund remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Fund by the lending institution at the rate stipulated by the Management Committee for the period for which payment remains outstanding after the expiry of the said period of 30 days.
- Where subsequent to the Fund having released a sum to the lending institution towards the amount in default in accordance with the provisions contained in this scheme, the lending institution recovers money subsequent to the recovery proceedings initiated by it, the same shall be deposited by the lending institution with the Fund, after adjusting towards the legal costs incurred by it for recovery of the amount.

Subrogation of rights and recoveries on account of claims paid

- The lending institution shall furnish to the Fund, the details of its efforts for recovery, realizations and such other information as may be demanded or required from time to time.
- Every amount recovered and due to be paid to the Fund shall be paid without delay, and if any amount due to the Fund remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Fund by the lending institution at the rate stipulated by the Management Committee for the period for which payment remains outstanding after the expiry of the said period of 30 days.

Credit Guarantee Scheme for Stand Up India (CGSSI) -for the loans sanctioned under Stand Up India Scheme

(ADV/ 112 / 2017-18, Dt 21.06.2017, Dep SME)

<table>
<tr><th>S. No</th><th>Particulars</th><th></th></tr>
<tr><td>1.</td><td>Name of Sponsoring Agency</td><td>National Credit Guarantee Trustee Company (NCGTC)</td></tr>
<tr><td>2</td><td>Salient features of Credit Guarantee Scheme for Stand Up India (CGSSI)</td><td>A. The Credit Guarantee will be available for all loans conforming to the norms of Stand Up India Scheme over Rs.10 Lakh & up to Rs.100 Lakh inclusive of Working Capital, to a single borrower particularly for SC/ST/Women (relatively excluded sect ion s of population) for setting up of Greenfield enterprises without any Collateral security and / or third party guarantees.

B. The Maximum interest rate to be charged by a Member Lending Institution (MLI) on Stand Up India loans should not in any case, more than 3% p.a. over the MCLR

C. Guarantee fee is 0.85% p.a. (Standard Base Rate) of the sanctioned loan amount plus Risk premium based on NPA level in the portfolio of the Bank and the details are given in Annexure.

D. The Guarantee cover would be available as below

<table><tr><th>Loan Amount</th><th>Guarantee Cover</th></tr><tr><td>Above Rs. l 0.00 Lakh and upto Rs.50.00 Lakh</td><td>80% of amount in default, subject to a maximum of Rs. 40.00 Lakh</td></tr><tr><td>Above Rs.50.00 Lakh and upto Rs.100.00Lakh</td><td>Rs.40.00 Lakh (plus) 50% of amount in default above Rs.50.00 lakh, subject to overall ceiling of Rs.65.00 Lakh of the amount in default.</td></tr></table></td></tr>
<tr><td></td><td>The claim would be settled as</td><td>1. 75 % of the guaranteed amount will be paid on preferring of eligible claim by the Bank, within 30 days, subject to the claim being otherwise found in</td></tr>
</table>

	under	order and complete in all respects. 2. The balance 25% of the guaranteed amount will be paid on conclusion of recovery proceedings by the Bank
	Interest Rate	The Interest Rate to be charged by the Member Lending Institution should be the lowest applicable rate for the category (as per rating) and should not in any case, be more than 3% p .a . Over the Base Rate (MCLR) + tenor premium, if any, for the loan".
	Responsibilities of lending institution under the Scheme	1. The lending institution shall evaluate Stand Up India credit facilities in accordance with the guidelines issued by Reserve Bank of India / the Fund and conduct the account(s) of the borrowers with normal lending prudence 2. The lending institution shall collate all its outstanding eligible Stand Up India credit facilities extended against sanctions effected at the end of a quarter (quarter ended March, June, September and December) into a batch and ensure to submit the information required by NCGTC for giving guarantee cover with regard to the Stand Up India borrowal account. 3. All accounts which have turned NPA within the batch and for which claim has not been lodged have been included in the batch on which the guarantee fee is payable.
	Guarantee Fee	1. For availing the guarantee coverage, the Member Lending Institution shall apply for guarantee cover in respect of credit proposals sanctioned in the quarter April - June, July - September, October - December and January - March prior to expiry of the following quarter viz. July - September, October - December, January - March and April - June respectively. All such sanctioned cases which have been disbursed (fully or partially) would only be eligible for applying for guarantee cover in quarterly batches 2. The Member Lending Institution shall pay a risk based guarantee fee of the sanctioned amount Guarantee fee is 0.85% p.a. (Standard Base Rate) of the sanctioned amount plus Risk premium based on NPA level in the portfolio.

1. Risk Premium on NPAs in Guaranteed portfolio		2. Risk premium on claim payout Ratio	
NPA Percentage	**Risk Premium**	**Claim Pay out Percentage**	**Risk Premium**
0-5%	SR	0-5%	SR
>5- 10%	10% of SR	>5 - 10%	10% of SR
> 10 - 15%	15% of SR	>l 0 - 15%	15% of SR
>15 - 20%	20% of SR	>l 5 - 20%	20% of SR
20%	25% of SR	20%	25% of SR

3. Such fee shall be paid on pro-rota basis for the first and last year and in full for the intervening years on the credit facility sanctioned (comprising term loan and/ or working capital facility) within 16 days* from the end of the quarter in which the credit facility was sanctioned (subject to parameters prescribed as above) or renewed.
4. The MLI would need to furnish a Management Certificate within 10 days from the end of the quarter, after which, a Credit Guarantee Demand Advice Note [CGDAN] would be issued by NCGTC within 3 day of receipt of Management Certificate and subsequently, the guarantee fee shall be payable within 3 days from the issue of CGDAN

5. All cases within the batch for which the guarantee fee has been paid by MLI, would be covered under the credit guarantee scheme subject to the credit facility within the batch being eligible under the Stand Up India Scheme.

6. Guarantee fee with respect to NPA accounts in the batch would continue to be paid till lodgment of claim for such accounts.

7. Provided further that in the event of non - payment of Guarantee Fee within the stipulated time or such extended time that may be agreed to by NCGTC on such terms, liability of the Fund to guarantee such credit facility would lapse in respect of those credit facilities against which the Guarantee Fee are due and not paid.

		8. In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee, such deficiency / shortfall shall be paid by the eligible lending institution to the Fund together with interest on such amount at a rate of 4% over and above the Bank Rate. Any amount found to have been paid in excess would be refunded by the Fund. 9. The guarantee fee once paid by the lending institution to NCGTC is non - refundable, except under certain circumstances like- a. Excess remittance, b. Remittance made more than once against the same Stand Up India credit facility, and c. Annual guarantee fee not due
	GUARANTEES	
	Extent of the guarantee	1. The Fund shall provide guarantee cover to the extent of 80% of the amount in default for credit facility above Rs.10 lakh and upto Rs. 50 lakh, subject to a maximum of Rs.40 lakh. 2. For credit facility above Rs. 50 lakh and upto Rs.100 lakh - Rs.40 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.65 lakh of the amount in default
	CLAIMS	
	Invocation of guarantee	1. The lending institution may invoke the guarantee in respect of Stand Up India credit facilities within a maximum period of two years from the date of NPA, if NPA is after lock - in period or within two years of lock-in period, if NPA is within lock-in period, after the following conditions are satisfied a. The guarantee in respect of that credit facility was in force at the time of account turning NPA b. The lock - in period of 18 months from the date of commencement of guarantee cover in respect of credit facility covered, has elapsed c. The amount due and payable to the lending institution in respect of the Stand Up India

		credit facility has not been paid and the dues have been classified by the lending institution as Non-Performing Asset. d. The Stand Up India credit facilities has been recalled and the recovery proceedings have been initiated under due process of law against the borrower(s) / co - borrower(s). 2. The claim should be preferred by the lending institution in such manner and within such time as may be specified by the Fund in this behalf. 3. The Trust shall pay 75 per cent of the guaranteed amount on preferring of eligible claim by the lending institution, within 30 days, subject to the claim being otherwise found in order and complete in all respects. The Trust shall pay to the lending institution interest on the eligible claim amount at the prevailing Bank Rate for the period of delay beyond 30 days. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution. On a claim being paid, the Trust shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned. 4. In the event of default the lending institution shall exercise its rights, if any, to take over the assets of the borrowers and the amount realised, if any, from the sale of such assets or otherwise shall first be credited in full by the lending institutions to the Trust before it claims the remaining 25 per cent of the guaranteed amount. 5. The lending institution shall be liable to refund the claim released by the Trust together with penal interest at the rate of 4% above the prevailing Bank Rate, if such a recall is made by the Trust in the event of serious deficiencies having existed in the matter of appraisal / renewal / follow - up / conduct of the credit facility or where lodgement of the claim was more than once or where there existed suppression of any material information on part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Trust, from the date of the initial release of the claim by the Trust to the date of refund of the claim.
	Subrogation of	

	rights & recoveries on account of claims paid	A. The lending institution will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Trust. The Trust shall not exercise any subrogation rights and that the responsibility of the recovery of dues including takeover of assets, sale of assets etc., shall rest with the lending institution. B. C. In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated. D. Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate which is 4% above Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

Criterion	Existing CGTMSE Coverage MSME Loan	Proposed NCGTC Coverage for Stand Up India Scheme (CGSSI)
Eligibility	Available for 1. Manufacturing 2. Service	All MSME Loans conforming to the norms of Stand Up India Scheme over Rs. 10 Lakh and upto Rs. 100 Lakh particularly for SC/ST/Women(relatively excluded sections of population) for setting up of Greenfield enterprises of

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Vetted by : Shri PadamJeet Dahiya

<table>
<tr><td></td><td></td><td></td><td>1. Manufacturing
2. Service
3. Traders</td></tr>
<tr><td></td><td>Guarantee Premium</td><td>For the loan above Rs5 Lakh and up to Rs 200 lakh AGF varies from 1+RP (Risk premium) to 1.80 + RP, as per the loan amount for Service and manufacturing and AGF is 2+RP for retail loan up to 1 cr.</td><td>Risk based guarantee fee of the sanctioned amount ranging from 0.85% p.a. (Std Base Rate) of the sanctioned amount + Risk based on NPA level of the portfolio.</td></tr>
<tr><td></td><td>Extension of the Guarantee</td><td>
<table>
<tr><td>Loan Amt</td><td>Loan up to Rs 5 Lacs</td><td>Up to Rs 50 Lacs</td><td>Up to Rs 200 Lacs</td></tr>
<tr><td>Micro</td><td>85 %</td><td colspan="2">75 %</td></tr>
<tr><td>Women & NER</td><td colspan="2">80%</td><td>75 %</td></tr>
<tr><td>Others</td><td colspan="3">75%</td></tr>
<tr><td>Retail</td><td colspan="3">50%</td></tr>
</table>
</td><td>For the credit facility above Rs 10 lakh & up to Rs50 lacs @ 80% of the amount in default subject to maximum of Rs 40 Lakhs.
For the credit facility above Rs 50 lakhs and up to 100 lakhs @Rs40 lakhs +50% of the amount in default for the loan amount above Rs50 lakhs subject to overall ceiling of Rs65 Lakhs</td></tr>
</table>

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Vetted by : Shri PadamJeet Dahiya

CREDIT GUARANTEE FUND SCHEME FOR EDUCATION LOANS (CGFSEL).

1. **INTRODUCTION**

2. **Title and date of commencement**

(i) The Scheme shall be known as the Credit Guarantee Fund Scheme for Education Loans (CGFSEL).

(ii) It shall come into force from the date of notification by the Government of India.

3. **Loan Limit**

The maximum loan limit under this scheme is Rs 7.5 lakh without any collateral security and third party guarantee. However, the Fund reserves the right to revise the loan limit as and when required.

4. **Interest Rate**

The Interest Rate charged by the Member Lending Institutions for education loans to be covered under CGFSEL should be maximum up to 2% p.a. over the Base Rate. However, the Fund may revise such ceiling from time to time keeping in view the prevailing interest rate scenario, base rates of lending institutions and RBI's Credit Policies.

5. **Margin**

Upto Rs. 4 lakh		**Nil**
Above Rs. 4 lakh:	**Studies**	
	in India	**5%**
	Studies Abroad	**15%**

2. SCOPE AND EXTENT OF THE SCHEME

6. **Guarantees by the Fund**

(i) Subject to the other provisions of the Scheme, NCGTC undertakes, in relation to Education Loans up to Rs 7.5 lakh extended to an eligible borrower by a Member Lending Institution (MLI) which has entered into the necessary agreement for this purpose with NCGTC, to provide guarantee against default in repayment of education loans extended by the lending institutions.

(ii) NCGTC reserves the right to accept or reject any proposal referred to it by the lending institution which otherwise satisfies the norms of the Scheme.

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7. Education Loan eligible under the Scheme:

(i) The Fund shall cover education loans extended by Member Lending Institution(s) to an eligible borrower as per IBA scheme, on or after entering into an agreement with NCGTC without any collateral security and/or third-party guarantee, provided that the lending institution applies for guarantee cover in respect of education loans so sanctioned within such time period and as per the procedures prescribed by NCGTC for the purpose.

(ii) The lending institution applies for guarantee cover in respect of education loans disbursed in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June, respectively.

(iii) as on the material date,

(a) there are no overdues in respect of the account to the lending institutions and/or the loan has not been classified as a Non-Performing Asset (NPA) in the books of the lending institution, and/or

(b) the activity of the borrower for which the credit facility was granted has not ceased; and / or

(c) the credit facility has not wholly or partly been utilized for adjustment of any debts deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from NCGTC.

(iv) The Fund may, at its discretion, approve/frame a list of educational institutes and/or their courses, loans for which the guarantee cover will be available, or the Fund may also notify the categories of educational institutions/courses for which the guarantee cover shall not be available.

8. Education Loans not eligible under the Scheme :

The following Education Loans shall not be eligible for being guaranteed under the Scheme: -

i. Any Education Loan in respect of which risks are additionally covered by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity, to the extent they are so covered.

ii. Any Education Loan, which does not conform to, or is in any way inconsistent with, the provisions of any law, or with any directives or instructions issued by the Central Government or the Reserve Bank of

India, which may, for the time being, be in force.

iii. Any Education loan which has been sanctioned by the lending institution with interest rate of more than 2% over the Base Rate of the lending institutions in cases where Base Rate is applicable.

9. Agreement to be executed by the lending institution

A Member Lending Institution shall be entitled to a guarantee in respect of eligible Education Loan granted by it, after it has entered into an agreement with NCGTC in such form as specified by NCGTC.

10. Responsibilities of lending institution under the scheme:

I. The lending institution shall evaluate and sanction Education Loan in accordance with the IBA Model Educational Loan Scheme for pursuing higher studies in India and abroad and conduct the account(s) of the borrowers with normal banking prudence and due diligence.

II. The lending institution shall ensure to submit the information required by NCGTC for giving guarantee cover with regard to the Education Loan borrowal account.

III. The lending institution shall ensure that the loan covered under credit guarantee shall be non- dischargeable.

IV. The lending institution shall ensure linkage of every education loan with Aadhar number and register the borrower's/co-borrower's name with an appropriate credit information bureau.

V. The lending institution shall closely monitor the borrower's account and follow up for repayment.

VI. The lending institution shall ensure that the guarantee claim in respect of the Education Loan given to the borrower is lodged with NCGTC in the form and in the manner and within such time specified by NCGTC in this regard and that there shall not be any delay on its part to notify the default in the borrower's account which shall result in the Fund's facing higher guarantee claims.

VII. The payment of guarantee claim by NCGTC to the lending institution does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower with applicable interest. The lending institution shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of education loan owed to it and initiate such necessary actions for recovery of the outstanding amount, including such action as may be advised by NCGTC.

VIII. The lending institution shall comply with such directions as may be issued by NCGTC, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a credit guarantor, as NCGTC may deem fit and the lending institution shall be bound to comply with such directions.

IX. The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Fund in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Fund. The lending institution shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Fund as the guarantor. In particular, the lending.institution should intimate NCGTC while entering into any compromise or one-time settlement arrangement. Further, the lending institution shall secure for the Fund or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to publish the defaulted borrowers' names and particulars by NCGTC.

3. GUARANTEE FEE

11. Guarantee Fee

A. For availing the guarantee coverage, the Member Lending Institution shall pay Annual Guarantee Fee (AGF) of 0.50% p.a. of the outstanding amount as on the date of application of guarantee cover, upfront to the Fund within 30 days from the date of Credit Guarantee Demand Advice Note (CGDAN) of guarantee fee. All subsequent AGFs would be calculated on the basis of the outstanding loan amount as at the beginning of the Financial Year. However, the Fund reserves the right to charge different guarantee fees in future for different educational loans depending on their risk rating/risk profile.

B. The procedure for collection of guarantee fee under the scheme shall be as under:

   a. The demand on MLIs for the AGF in respect of fresh guarantees would be raised upon approval of guarantee cover. The guarantee start date would be the date on which proceeds of the AGF are credited to Trust's Bank account. The AGF shall be calculated on pro-rata basis for the first and last year and in full for the intervening years on the outstanding loan amount at the beginning of the financial year. In the latter case, the AGF shall be paid by the MLI within 30 days i.e. on or before April 30, of every year.

C. Provided further that in the event of non-payment of AGF within the stipulated time or such extended time that may be agreed to by NCGTC on such terms, liability of the Fund to guarantee such credit facility would lapse in respect of those credit facility against which the AGF are due and not paid,

D. In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee, such deficiency / shortfall shall be paid by the eligible lending institution to the Fund together with interest on such amount at a rate of 4% over and above the Bank Rate. Any amount found to have been paid in excess would be refunded by the Fund. In the event of any representation made by the lending institution in this regard, NCGTC shall take a decision based on the available information with it and the clarifications received from the lending institution. Notwithstanding the same, the decision of NCGTC shall be final and binding on the lending institution.

E. The amount equivalent to the guarantee fee will be borne by the Member Lending Institution.

F. The guarantee fee once paid by the lending institution to NCGTC is non-refundable, except under certain circumstances like -

(a) Excess remittance,

(b) Remittance made more than once against the same Education loan, and

(c) Annual guarantee fee not due.

4. GUARANTEES

12. Extent of the guarantee

The Fund shall provide guarantee cover to the extent of 75% of the amount in default. The Fund reserves the right to modify the same. The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the Education Loan.

5. CLAIMS

13. Invocation of guarantee

(i) The lending institution may invoke the guarantee in respect of Education loan within a maximum period of one year from date of NPA, if NPA is after lock-in period or within one year of lock-in period, if NPA is within lock-in period, after the following conditions are satisfied:

a. The guarantee in respect of that credit facility was in force at the time of account turning NPA.

b. The lock-in period of 12 months from either the end of period of moratorium of interest or the date of commencement of guarantee cover in respect of loan covered, whichever is later, has elapsed. As per IBA Education Loan Scheme, the moratorium is course period + 1

year. Further, servicing of interest during study period and the moratorium period till commencement of repayment is optional for students.

c. The amount due and payable to the lending institution in respect of the Education loan has not been paid and the dues have been classified by the lending institution as Non-Performing Assets. Provided

that the lending institution shall not make or be entitled to make any

d. claim on NCGTC in respect of the said Education loan if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by NCGTC.

e. The credit facility has been recalled and the recovery proceedings have been initiated under due process of law.

ii. The claim should be preferred by the lending institution in such manner and within such time specified/to be specified by NCGTC in this behalf.

iii. NCGTC shall pay 75 per cent of the guaranteed amount on preferring of eligible claim by the lending institution, within 30 days, subject to the claim being otherwise found in order and complete in all respects. NCGTC shall pay to the lending institution interest on the eligible claim amount at the prevailing Bank Rate for the period of delay beyond 30 days. The balance 25% of the guaranteed amount will be paid after obtaining a certificate from the Member Lending Institution (MLI) that all avenues for recovering the amount have been exhausted. On a claim being paid, NCGTC / the Fund shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned.

iv. In the event of default, the lending institution shall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall first be credited in full by the lending institutions to NCGTC before it claims the remaining portion of the guaranteed amount.

v. The lending institution shall be liable to refund the claim released by NCGTC together with penal interest at the rate of 4% above the prevailing Bank Rate, if such a recall is made by NCGTC in the event of deficiencies having existed in the matter of appraisal / renewal / follow-up / conduct of the Education loan or where lodgment of the claim was more than once or where there existed suppression of any material information on the part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Fund, from the date of the initial release of the claim by NCGTC to the date of refund of the claim.

vi. The Guarantee Claim received directly from the branches or offices other than the designated Office/Branches of Lending Institutions will not be entertained.

vii.

14. Subrogation of rights and recoveries on account of claims paid:

i. The lending institution shall furnish to NCGTC, as and when required by NCGTC, the details of its efforts for recovery, realizations and such other information. NCGTC shall not exercise any subrogation rights and the responsibility of the dues shall rest with the lending institutions.

ii. In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Fund or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which, a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.

iii. Every amount recovered and due to be paid to NCGTC shall be paid without delay, and if any amount due to NCGTC remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to NCGTC by the lending institution at the rate which is 4% over and above the Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

FEATURES OF CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTES (CEGSSC)

(Master/77/2015-16, Date 01.12.2015 Dep- Agri & Rural Initiative- SC/STs Credit Cell)

Sl. No.	Particulars	Details
1	Name of Sponsoring Agency	Department of Social Justice and Empowerment, Ministry of Social Justice and Empowerment.
2	Nature of Scheme	Central Sector Scheme.
3	Structure of the Scheme	Member Lending Institutions (MLIs) for extending Term Loans or Composite Terms Loans to SC entrepreneurs engaged in Small and Medium Enterprises. The fund shall be the base to provide Guarantees to the MLIs who will be induced/ encouraged to finance scheduled caste entrepreneurs at reasonable rates
4	Name of Asset Management Company/(AMC) Nodal Agency	IFCI Ltd
5	Duration of the Fund	In a block of 7 years from the date of implementation with provision to review and extend the scheme for further blocks of 7 years from each corpus set up date, depending upon the expected deliverables from and /success of the Scheme, which may be reviewed annually by Ministry of Social Justice & Enpowerment (MSJ&E) based on the MIS received from IFCI from time to time.
6	Closings under the Fund	It will be an open ended scheme, on first cum first serve basis for Member Lending Institutions (MLIs), till available corpus with IFCI parked in No Lien Account by GoI is exhausted.
7	Availability Period	30 days from the date of first disbursement, subject to furnishing of sanction letter and proof of disbursement by the MLI, on first come first served basis.
8	Guarantee Period	Initially 1 year, which can be renewed at the expiry of each year for the entire loan period with a maximum tenure of 7 years, subject to timely payment of renewal fee by MLIs in whose favour the Guarantee is extended.
9	Cost involved in the	Cost to MLIs: Guarantee fee @1% per annum (exclusive of applicable taxes) on the loan amount for the First Year and then annual renewal fees @1% per annum (exclusive of

Prepared by: Shri Abhishek Arya
Vetted by : Shri PadamJeet Dahiya

	Scheme	applicable taxes) of the outstanding Guarantee commitment/obligation, towards renewal of the Guarantee to be paid by MLIs at the beginning of each Financial Year, i.e. 01st April every year. Cost to GoI and MLI in case of Women Entrepreneurs: To encourage the women entrepreneurs under the scheme upfront fees for women entrepreneurs will be charged at a lower rate. IFCI shall charge 1.00% instead of 1.50% from GoI and 0.75% p.a. instead of 1.00% p.a. from MLIs for SC women entrepreneurs.
10	Approximate number of projects to be Financed	The Scheme has the potential to cover around 110 SC entrepreneurs within a period of 1 year from date of implementation of the Scheme out of the first utilization of Rs.200 Crore corpus set up by GoI in the No Lien Account with IFCI

1. Eligibility Criteria to be considered by MLIs:

I. Small and Medium Enterprises, projects/units being set up, promoted and run by Scheduled castes in manufacturing and services sector ensuring asset creation out of the funds deployed in the unit, which are not covered under any State/Central Government Subsidy/Grant Scheme shall be considered;

II. Registered Companies and Societies having more than 75% shareholding by Scheduled Caste entrepreneurs/promoters/

III. members with management control for the past 12 months;

IV. Registered Partnership Firms having more than 75% shareholding with Scheduled Caste Partners for the past 12 months;

V. none of the partners should be below the age of 18 years.

VI. Documentary proofs of being SC will have to be mandatorily submitted by the entrepreneurs/promoters/partners/society

VII. members at the time of submitting the proposals;

VIII. The Scheduled Caste promoter(s)/Partners/Society members shall not dilute their stake below 75% in the company/enterprise during the currency of the Loan.

IX. To be eligible for Guarantee Cover under the Scheme, the banks/FIs shall submit to IFCI a copy of the valid sanction letters issued to Scheduled Caste beneficiary/enterprise/company/firm/society.

2. Amount of Guarantee Cover: The Amount of guarantee cover will be as mentioned below:

Category	Parameters	(Rs. in crore)		
	Loan Amount	0.25 to 2.00	More than 2.00 upto 5.00#	More than 5.00#
	Amount of Guarantee Cover	80% of the sanctioned facility	70% of the sanctioned facility	60% of the sanctioned facility

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Registered Companies	Guarantee Obligation	80% of the amount in default subject to maximum of amount of guarantee cover	70% of the amount in default subject to maximum of amount of guarantee cover	60% of the amount in default subject to maximum of amount of guarantee cover
	Minimum Cover Available	0.20	1.60	3.50
	Maximum Cover Available	1.60	3.50	5.00
Registered Partnership Firms and Societies	Amount of Guarantee Cover	60% of the sanctioned facility		
	%age of Guarantee Cover of the Loan Amount	60% of the amount in default subject to maximum of amount of guarantee cover		
	Minimum Cover Available	0.15		
	Maximum Cover Available	5.00		

3. **Scheme Details (Indicative): Details of the Credit Enhancement Guarantee Scheme are as follows**

Sl. No.	Particulars	Details
1.	Corpus of Scheme	Initially the Government of India will provide corpus of Rs.200 crore to IFCI to carry out the Scheme which will be maintained under "No Lien Account" by IFCI as per directions of Ministry of Social Justice & Empowerment, Government of India.
2.	Eligibility	The Small and Medium Enterprises promoted and run by Scheduled Caste entrepreneur, which are not covered under any other State/Central Government Subsidy/ Guarantee Schemes.
3.	Sector covered under Scheme	The borrower engaged in Manufacturing/Trading/Service sector may be considered for financial assistance by MLIs.
4.	Type of Borrower	Registered Companies having more than 75% shareholdings with Scheduled Caste promoter(s) for the past 12 months having management control in the hands of SC entrepreneurs/promoters. Registered partnership Firms having more than 75% shareholdings with Scheduled Caste partner(s) for the past 12 months having management control in the hands of SC entrepreneurs partners. Society registered under Society Act, and carrying approved business as per the prevailing policy of Bank/FIs, having more than 75% shareholdings with Scheduled Caste member(s) at least for the past 12 months having management control in the hands of SC entrepreneurs/SC members. The Scheduled Caste promoters of Companies would be given precedence vis-a-vis Registered Partnership firms and Registered Societies. The Scheduled Caste Promoter(s)/ Partner(s)/members shall not dilute

		his/her/their shareholdings/equity during the currency of the loan.
5.	**Amount of Guarantee Cover**	Maximum amount of Rs.5.00 crore.
6.	**Tenure of Guarantee**	Maximum 7 years or repayment period whichever is earlier. However. initially the loan shall be guaranteed for 1 year and renewed at yearly intervals subject to payment of annual renewal fee and satisfactory loan conduct and satisfactory loan review certification by MUs at the time of renewal
7.	**Maximum Guarantee Coverage**	Maximum amount of Rs.5.00 crore. The term 'Loan' shall cover Term Loan / Composite Term Loan granted to SC Enterprises by MLIs.
8.	**Guarantee Obligation**	"Amount in Default" means the principal and interest amount outstanding in the account(s) of the borrower in respect of term loan and amount of outstanding working capital facilities (including interest), as on the date of the account becoming NPA, or the date of lodgment of claim application whichever is lower, subject to maximum of the amount of guarantee cover.
9.	**Security for MLIs**	Asset created from Loan, and pledge of promoters' shareholdings in the assisted company/firm/society.
10.	**Margin**	Applicable margin to be insisted as per the type of credit sanctioned. There is no relaxation in the margin norm under the Scheme
12.	**Terms of Guarantee:**	IFCI shall issue Guarantee to the MLIs on terms and conditions, as detailed in this Scheme document. MLI shall furnish sanction letter, the proof of disbursement and guarantee fee within 30 days of first disbursement of loan. In order to enforce expeditious implementation of the scheme and have a professional approach, IFCI shall retain absolute rights to cancel the Token and allocate the earmarked funds for other SC beneficiary (ies) under the scheme, in case intimation of final sanction from MLIs, accompanied by final sanction letter(s) and sanction terms, is/are not received at IFCI's Counter within 30 working days from the date of registration/ date of issuance of Token. Guarantee will be issued on first come first serve basis, till the available fund (the current corpus proposed being Rs. 200 crore) after debiting fee by IFCI is exhausted. The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the term credit in respect of term credit / composite credit subject to payment of annual renewal fee within the time frame defined in this Policy / Scheme document.

13.	Loan	The guarantee shall be extended for availing Term Loan or Composite Term Loan facility granted by MLIs.

14.	Guarantee Devolvement	The letter of intimation of invocation/claim of the guarantee received from MLIs (along with sufficient grounds for invocation) by IFCI, shall be first sent to the Ministry of Social Justice and Empowerment (MSJ&F) by IFCI within 7 (Seven) working days from the date of receipt of invocation intimation at IFCI's counter, for their comments/objections (if any) to the payment of invoked guarantee. For objection(s) raised, if any, by MSJ&E, clarification will be sought from MLIs on objection(s) so raised and the verdict of MSJ&E, post receipt of clarification from MLIs to MSJ&E's objection(s) shall be final and binding on all parties. In case no response is received from MSJ&E within 15 working days from the date of receipt of invocation notice at IFCI's counter, it would be construed as deemed NOC from MSJ&E and claims shall be settled by IFCI without further waiting for response from MSJ&E within a maximum period of 30 days from the date of receipt of claim from MLI by IFCI.
15.	Repeat Credit Enhancement	In case of satisfactory track record and post liquidation of the First facility under the scheme, the benefits of Guarantee under the scheme may be extended to such SC Entrepreneurs/Enterprises for repeat finance, in order to incentivize and inculcate healthy credit culture amongst the ultimate beneficiaries.
16.	Lock-in Period	The guarantee cover will have a lock-in period of 12 months from the date of last disbursement. No claim made under the guarantee shall be entertained by IFCI if the account becomes NPA within the lock in period.
17.	Credit facilities not eligible under the Scheme	1. Any credit facility which has been sanctioned by the lending institution/MU against collateral security and/ or third party guarantee. 2. Any credit facility which has been sanctioned by the lending institution/MU with interest rate more than 3% over the applicable rate of the lending institution/MU.

Prepared by: Shri Abhishek Arya
Vetted by : Shri PadamJeet Dahiya

PRADHAN MANTRI MUDRA YOJANA (PMMY)

- Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister on April 8, 2015 for providing loans up to 10 lakhs to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY.
- These loans are given by **Commercial Banks**, **RRBs**, **Small Finance Banks**, **MFIs** and **NBFCs**.
- The borrower can approach any of the lending institutions mentioned above or can apply online through this portal www.udyamimitra.in .
- Under the aegis of PMMY, MUDRA has created three products namely **'Shishu'**, **'Kishore'** and **'Tarun'** to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth.
    - ✓ Loans up to Rs. 50000/- (Sishu)
    - ✓ Loans from Rs. 50001/- to Rs. 5.00 lakh (Kishore)
    - ✓ Loans from Rs. 500001/- to Rs. 10.00 lakh (Tarun)
- Micro Units Development and Refinance Agency LTD is a financial institution set up by government of India for development and refinancing of Micro Units. Micro units are the units where the investment in plant and machineries is up to Rs. 25.00 lakhs in case of Manufacturing units and investment in equipment up to Rs. 10.00 lakh in case of service units.
- The overdraft amount granted up to Rs. 10000/- in PMJDY accounts are also classified under Mudra loans.
- Mudra loan is extended for a variety of purposes which provides income generation and employment creation in Manufacturing, Services, Retail and **Agri. Allied Activities.**
- All Branches should have a separate MUDRA help desk counter inside the branches.
- Monitoring of PMMY progress at the State level will be done through SLBC forum and at National level by MUDRA/Department of Financial Services, Government of India. For this purpose, MUDRA has developed a portal, wherein the Banks and other lending institutions directly feed their achievement details which are consolidated by the system and reports are generated for review.

- Any individual including women, proprietary concern, partnership firm, private limited company or any other entity are eligible applicant under PMMY loans, whose loan requirement is up to 10 lakh.
- All loans (Non-farm sector) whether working capital or term loan up to a limit of **Rs.10.00 lakhs given to the Micro Enterprises** under any scheme form part of MUDRA loans under PMMY.
- Branches not to accept any collateral security as per the extant guidelines of Reserve Bank of India for loans under MUDRA scheme.
- A common application devised by IOB and adopted by all the banks is available in our banks' internet & intranet. (SME/ADV/602/2015-16 dt. 11.08.2015).
- **MUDRA DEBIT CARD SCHEME:**

  Eligibility: Micro Units in non-corporate sector engaged in non-farm activities for income generation. For proprietary units the cad is issued in the individual name of proprietor. For partnership firm the card shall be operated by one of the partners authorized by the firm. Necessary authorization to be obtained from the firm. Only one card will be issued to the firm.

  The borrower account should be new one and should be eligible loan under Mudra scheme.

  Card Limit: 20% of the working capital loan limit.

  Other Features:

  1. Card is issued for working capital use only.
  2. Card is linked to cash credit account of the borrower.
  3. A new CC account is opened under CC-MSME scheme where no manual debit is allowed. Central office by default generate debit card for these accounts and send to the branches.
  4. The cards are issued under Rupay Brand only.
  5. Only one card is issued for each account even if the firm is having more than 1 partners.

6. Card is issued free of cost for the 1st year however from 2nd year onward annual fees of Rs. 100+ GST will be charged at the beginning of the year.

7. Cards can be used in ATM, E Com & PoS as below:

Type of A/c	Maximum loan limit	Maximum card limit	Daily Limit		
			ATM Cash	PoS	E Com
Shishu	50000/-	10000	2000	1500	1500
Kishore	500000	100000	20000	10000	20000
Tarun	1000000	200000	20000	40000	40000

Card should not be used in the jewellery shops and also for Mutual Fund Transactions.

8. **Repayment**: This card limit will be repaid as per the repayment Programme fixed for the total credit facility in such a way that the repayment for the term loan component will start first. **First 80% of repayment will go towards term loan** component and the remaining 20 % will go towards liquidation of the card limit on reducing DP on monthly basis. But interest in the account is to be serviced as and when debited.

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DIFFERENT CREDIT SCHEMES UNDER SME

Name	IOB SME Advance Term loan Sanction scheme	IOB MSE PLUS	IOB MICRO ONE (Modified)
Target Group	Existing SME borrowers with good track record	Micro and Small enterprises engaged in manufacturing/service activities which are eligible for classification under MSE sector as per MSMED Act 2006, and which are eligible for CGTMSE Cover.	MICRO ENTERPRISES (only new connections under Micro Sector and the scheme is not applicable to existing borrower clients)
Purpose	A standby credit facility exclusively for SME borrowers to enable them to meet urgent requirements to buy machinery / equipment whenever that may arise in near future. The borrower is required to make an advance estimate of the term loan requirement for purchase of machinery during next one year period and can apply for the same at the time of submission of renewal proposal. Loan can be availed whenever requirement arises by submitting invoice of the machinery/ equipment to be purchased.	Construction/ purchase of work sheds/ factory premises Acquisition of plant and machinery/ equipment Working Capital needs.	ONLY NEW UNITS seeking credit facilities with investment norms satisfying micro & small units
Quantum	10% of original cost of existing plant and machinery or cost of machinery to be purchased less stipulated margin or Rs.25 lacs whichever is the least.	MAXIMUM LOAN Rs.100 Lacs	Maximum Rs.50.00 lacs (Cash Credit + Term Loan with a ceiling of Rs.22.50 lacs for Term Loan, can be granted separately or combined)
Rate of Interest	As applicable to MSME loan based on RLLR	As applicable to working capital facility for MSE from time to time.	As applicable to MSME loan based on RLLR
Security	As applicable to SME advances	Prime: Assets created out of loan Collateral : NIL	Prime: Assets created out of loan Collateral : NIL
Margin	As applicable to other SME advances	For shed: 30% For plant & machineries : 15%	15% for Working Capital and 25% for Book debts & Term Loan
Repayment	As applicable to SME term loan	5 to 10 years (including holiday period) depending on the project.	84 EMIs for Term Loan (for combined facility as well) Cash Credit to be renewed annually

Prepared By: Smt Shipra Pandey and Shri Subhajit Ghosh
Vetted by: Shri Chiranjit Chandra and Shri Sumit Mukherjee

Holiday period	As applicable to SME term loan	Moratorium of 6 to 18 months depending on the project	As applicable to SME term loan
Priority status	Yes	Yes	Yes
Discretion	Overall limits sanctioned including advance term loan should be within the discretionary powers of the sanctioning Authority.	Per borrower limit or maximum specified in the scheme whichever is lower.	Per borrower limit or maximum specified in the scheme whichever is lower.
FINACLE Scheme Code	No Specific Scheme code assigned	CCMSE TLMSE	SMIC
Remarks	CGTMSE cover may be sought for eligible accounts Ref. Cir. ADV/219/ 2008-09 dt. 05.12.2008	We may accept average DSCR of 1.75 with minimum DSCR of 1.5 in any year. Loan should be compulsorily covered under CGTMSE Single documentation for entire amount Ref. Cir: ADV/ 521/ 2010-11 Dt: 11.02.2011	To be covered under CGTMSE Scheme and the fee to be borne by the borrower Processing charge: Upto Rs. 10.00 lacs .... Rs. 1000/-; Above Rs.10.00 lacs and upto Rs.50.00 lacs ... Rs. 5000/-; (for both CC&TL) Ref. Cir: ADV/ 160/2012-13 Dt: 04.04.12

Name	SANJEEVINI	IOB SME Equi-P scheme (Margin Money Assistance Scheme)	IOB ENGINEER
Target Group	Qualified / Registered individual Medical Practitioners recognized by Indian Council of Medical Research, including Dental Surgeons, Polyclinics etc	All MSME units, new and existing facing shortfall in promoter's contribution (margin money) for capital investments. (Proprietorship, Partnership and Limited Companies)	Civil Engineers (Individuals upto 65 yrs of age) Proprietorship Concern. Partnership Firm. Partnership with Limited Liability.
Purpose	To set up new hospital/nursing home or for acquiringequipments for an existing hospital/ nursing homes/ working capital requirement for purchase of equipments/ ambulances, vans/cars etc	To meet the shortfall in promoters contribution for starting a new unit or for expansion of the existing unit	To construct office premises To purchase furniture & fixtures, fittings and office equipments such as computers, printers, plotters, books & Other accessories etc. To Purchase Centering sheets, Spans, props, Column box etc., To purchase Constructional Machineries like J.C.P Rollers, Vibrators, Mixer Machines, drillers, earth Rammers, Other equipments, etc.,
Quantum	Max. Rs.5.00 crores. WC not more than 20% of Project cost	Is restricted to 10 % of the project/capital cost or Rs 50 lacs whichever is lower	Maximum eligible amount depending up on the category , requirement on case to case basis.
Rate of Interest	Upto Rs. 100 Lacs RLLR +1.80% Rs. 100 Lacs to Rs. 500 Lacs RLLR+2.30%	As applicable to MSME loan based on RLLR	As applicable to SME advances. A reduction of 0.50 % on the applicable rate if collateral coverage is 100% or above.
Security	Prime:Hyp. of equipments &/mortgage of Immovable property Collateral: Min. 50% of loan amount	PRIME: The SME Equi-P term loan will be secured by extending our charge on the fixed assets acquired out of regular term loan CGTMSE : as applicable to other Micro and Small Enterprises. Personal guarantee of Partners/ Directors as the case may be.	Prime 1. Term Loan : Asset acquired out of the loan 2. WC : Stocks and assignment of book Debt / Receivables upto 120days Collateral : Security may be obtained for loans above Rs.10 Lakhs if not covered under CGTMSE . However in deserving cases branches may consider loan upto Rs.100 Lakhs with CGTMSE coverage.
Margin	Equipments-15-25% Construction-25-30%	Being a soft loan, the eligible amount will be funded 100 % by the bank.	As applicable to SME finance
Repayment	TL-5-7 years-maxi.10 years	Spread over 10 years for new units and 9 years for existing units including the holiday period.	Maximum of 7 years (should not exceed the age limit of 72 yrs of the borrower) in equal Monthly Installments including moratorium period of 3 months.

			For construction upto 10 yrs with initial moratorium upto 12 to 18 months only.
Holiday period	Up to 2 yrs	Holiday period of 2 years for new units and not more than 12 months for existing units.	3 months/12 to 18 months
Priority status	As per MSME classification	Yes. depends on investment	Yes as per MSME service Priority sector classification
Discretion	As per the guidelines issued by CSSD	As per SME finance	Per borrower limit or maximum specified in the Scheme whichever is lower.
FINACLE Scheme Code	SSANJ	SEQI	SENG
Remarks	Proc. Charge: as per the extant of guidelines Upfront fee: 50% of applicable charges Ref: SME/ ADV/ 411 / 2013-14 dt: 11.11.13	Upfront fee 1 % of the loan amount or Rs 10000 whichever is lower. For new units, due diligence report from CRISIL/Dun & Bradstreet is compulsory. Ref. SME/ADV/331/2013-14 dt.19.04.2013	Members of Civil Engineers Association Affiliated to the federation of All Civil Engineers Associations of the respective State. Should not be RBI Defaulters List. CIBIL report should be satisfactory. Processing Charges: 0.25 % of loan amount subject to a minimum of Rs.5,000/- Ref. SME/ADV/133/2011-12 dt.13.01.2012

Name	IOB SAGARLAKSHMI	IOB SME INSTA FUND	IOB's ARTISAN CREDIT CARD SCHEME
Target Group	Women who are engaged in processing of fish into dry fish, fish feed and other fish based products. Indi./Proprietary/Partnership firm.	Existing Micro/Small/ Medium enterprises customers	All existing artisans borrowers enjoying credit limit upto Rs. 2 lacs and having satisfactory dealings/artisans involved in production/manufacturing process- artisans who have joined to form SHGs-Beneficiaries of Govt. sponsored loans are not eligible
Purpose	Sorting, grading, drying, processing and selling / dry fish / dried and packed fish-Fish and fishery product processing: shell craft production Fish fast food counters, Breeding and selling of decorative fish for aquarium. Contract cleaning of fish markets. Project cost can also include Insulated fish boxes, Deep Freezer, Electronic weighing balance, equipment for dressing, packaging, utensils for value addition, stove, cooking gas, Civil work of the outlet etc.	To meet working capital requirement of an Micro/Small/ Medium Enterprises unit enjoying credit facilities with the Bank to execute additional /bulk orders over and above the regular orders (for both manufacturing & Service units)	To provide adequate and timely assistance to meet the investments and working capital requirement in a flexible & cost effective manner in Rural and urban areas.
Quantum	Maximum Rs.10,00,000 By way of working Capital / Term Loan. Loans for agri purposes upto 1 lac may be covered under Agri, 1-10 lacs as Micro Enterprise/ Retail trade	Based on Credit rating & Period of Satisfactory Banking Relationship. 50% or 30% (for SME 1&2 and SME 3&4 respectively) of the existing working capital with the cap of Rs 5.00 Cr	Based on Nayak committee recommendation i.e 20% of the anticipated turn over for Working capital requirement & term loan component subject to a maximum of Rs. 2 lacs.
Rate of Interest	Based on classification viz. agri/SME /trade and nature of limit viz. TL/WC	1% over and above the stipulated rate	As applicable to MSME loan based on RLLR
Security	Prime: Assets created by using the loan and margin amount. COLLATERAL: Nil – To be covered under CGTMSE/ CGFMU Guarantee Scheme wherever eligible	The current assets created out of the loan should be hypothecated /charged to us. Existing collateral should be charged as security for the insta fund.	Hypothecation of assets financed-No need to submit stock statement and other financial statements-Group insurance for beneficiaries who are registered with Development Commissioner @ 60: 40 premium paid by Govt & Beneficiary
Margin	Up to Rs. 50,000 : Nil More than Rs.1,00, 000 : 15 – 25%	Applicable system margin as applicable to respective limits	Upto Rs. 25000/- No margin ;Above Rs. 25000- as per RBI guidelines/Bank's policy

Prepared By: Smt Shipra Pandey and Shri Subhajit Ghosh
Vetted by: Shri Chiranjit Chandra and Shri Sumit Mukherjee

Repayment	Within 5 years in monthly installments including initial holiday period not exceeding 3 months.	Maximum 6 months with the option to extend it for another 6 months on merits or till the current credit facilities are due for Review/renewal.	Revolving CC-term loan component attracts repayment schedule
Holiday period	Not exceeding 3 months.	NA	-
Priority status	Yes	As per MSME classification	Priority
Discretion	Per borrower limit or maximum specified in the scheme whichever is lower.	Depends on rating, requirement, grade of branch head etc. Ref cir.No.SME/ ADV/ 412 / 2013-14 dt 11.11.2013	As applicable to Priority Sector advances
FINACLE Scheme Code	No separate scheme code assigned	INST	--
Remarks	PROCESSING CHARGES Up to Rs. 1.00 lac - Nil Above Rs. 1.00 lac to Rs 10 lacs – 1 % upfront for TL and Rs 200 per lac for working capital. Loans under PMEGP also can be sanctioned under this scheme Circular No. ADV / 41 / 2011-12 Dt.18.07.2011	MSME account rated SME 1/2/3 should have banking relationship for 1 year whereas for SME 4 rated account 3 year. Only SME 1/2 rated accounts can be sanctioned at branch level RLCC – SME 3 and above, over and above branch discretion, Limit sanctioned by RO/ ZO/ CO/ MCB SME 4 and below – Next layer of authority i.e. for branch sanction- RLCC and so on	Card validity three years-require renewal No fee for renewal/fresh Circular ref : ADV/228/2003-04 dated 12.06.2003 issued by Priority Credit (SL) Dept.

Name	IOB GENERAL CREDIT CARD (IOB – GCC)	IOB SME RICE MILLS PLUS	IOB SME MAHILA PLUS
Target Group	All individuals who are in need of non- farm entrepreneurial credit, which is eligible for classification under priority sector credit, like - artisans, weavers, fishermen, rickshaw owners, self employed persons etc	Proprietary, Partnership, Pvt limited Company, Individual (running rice mills on own basis) – investment in plant & machinery upto Rs.10 Cr Existing borrower can be considered only at the time of next renewal/review of limit.	Qualified women (minimum graduate) - age group of 21 to 60 yrs. (SME/ADV/355/2013-14 dt.10.06.2013) Either a Proprietorship Concern or a partnership with women in the lead Pvt. Ltd companies with woman as the MD/or a Director in a key position Existing units fully managed by a woman entrepreneur
Purpose	The initial investment in fixed assets and /or working capital requirement /recurring expenditure of the borrower is to be taken as the base for fixing limit – sanctioned as CC & TL	To meet financial requirements of rice mills, Poha Mills and Dal Mills. To set up new rice mills and to acquire existing rice mills. Purchase of new & second hand machineries etc. Import of new machines including installation, electrical fittings, fixtures and other equipments etc	To set up mfg/service units Under Micro or small enterprises To upgrade units/ purchase of Machineries/ Equipments/ Computers etc. Fresh and additional working capital limits
Quantum	Maximum of Rs. 1,00,000/-	TL for construction/purchase of machinery incl second hand & also for import of machineries WC – as applicable for MSME sector. If unit carries only job work then no WC Assessment of Aggregate Credit limit (FB+NFB) 1. Less than Rs. 2 crores – Nayak Committee 2. Rs.2 crores and above – MPBF second method	Composite loan upto Rs 2 crores for a Manufacturing enterprise Composite loan upto Rs 1 crore for a Service enterprise
Rate of Interest	As applicable to MSME loan	As per MSME loan/ RAM rating based on RLLR	As per MSME finances based on RLLR
Security	No Security	Prime: Assets acquired out of loan amount & Collateral Security to cover 75% of the Banks exposure other than for plant & machinery	Prime: Term Loan – Assets acquired out of loan CC – Stocks and assignment of book debts/ Receivables upto 120 days Collateral – No collateral/ third party guaranty for loans upto 100 lacs and to be covered under CGTMSE guarantee scheme Above Rs. 100 Lacs, at least 50% collateral cover Third Party guarantee optional above Rs. 100 Lacs
Margin	Up to Rs.50000 – NIL Above 50000 – 10 to 15%	For stock: 25%, Book debts: 35% (for debt upto 150 days & 50% for 151 days to 180 days) & TL: 25%	As per extant guidelines for lending to MSE sector.

Repayment	TL : max 5 years CC: generally for 3 years subject to annual review	TL: up to 7 yrs including holiday period. Moratorium period Interest to be funded for new units	CC: To be renewed annually TL:10 years for construction 7 years in Equal Monthly Instalments in case of machineries
Holiday period	Based on earnings	Max.12 months for term loan	New unit: 12 months; others 3 months, Interest to be serviced
Priority status	Yes	Yes – under MSME	Yes under MSME
Discretion	Per borrower limit or maximum specified in the scheme whichever is lower.	Per borrower limit or maximum specified in the scheme whichever is lower.	Similar to MSME
FINACLE Scheme Code	--	TL- Other/ TL-TCD or CC-PUB/ CC- MSME with IOB Scheme code as RICE MILL	SMAH
Remarks	No cheque book is issued No Renewal fees Coverage under CGTMSE wherever eligible SME/ADV/ 461 / 2013-14 dt 06.03.2014	Processing charges: Rs.200 per lac + ST with a maximum of Rs.2,00,000/-. Ref: Cir. ADV/ 549/ 2014-15 Dt: 10.02.2015 Deviations not to be entertained by Branches/ RO	Rs 200 per lac both for WC and TL with a maximum of Rs 20000 Ref: ADV/ 271 /2012-13 dt 23.11.2012

Name	Financing to Budding Entrepreneurs - MOU with Bharatiya Yuva Shakti Trust (BYST)	Financing TVS Auto Rickshaws and Commercial Three Wheelers – MOU with TVS Motor Company Limited (TVSM)	IOB Bounty
Target Group	As per eligibility under MUDRA/ Stand Up India/ MSME, All categories of Entrepreneurs. Loan can also be sanctioned under any specific credit scheme such as IOB Micro One, IOB SME Mahila Plus etc.	As per Eligibility under MUDRA / MSME Individuals /Sole Proprietors, business activity should have potentials to Service and repay the proposed facility	ATMs/Cash Dispenser Vendors/ Manufacturers/ Suppliers who are in operation for more than 3 years in the field of installation & maintenance of ATMS/Cash Dispensers
Purpose	Any manufacturing or service activity which can be classified under Micro and small category for which CGTMSE/ CGSI/ CGFMU guarantee cover is available	For purchase of New Auto Rickshaws and Commercial Three Wheelers manufactured by M/S TVS Moto Co. Ltd.	Term Loan for ATMs/Cash Dispensers (installed & maintained by Vendors) under transaction cost model
Quantum	Term Loan/ WC or a combination of both upto Rs. 50 Lakhs	85 % of Invoice value (Cost of Vehicle + Road Tax+ Insurance+ Registration Charges+ Body Building Cost+ Meter Cost + Accessories)	75% on the total cost of machine including cost of preparation and erection of the site subject to a maximum of Rs 4.50 Lacs per machine
Rate of Interest	As per bank rate applicable to MSE loans	As per bank rate applicable to MUDRA/MSME loans based on RLLR	As per bank rate applicable to MSME loans based on RLLR
Security	Prime: Assets created out of loan Collateral: NIL All loans must be covered under CGTMSE/ CGSSI/ CGFMU as the case may be	Charge over the vehicle (Asset created out of Bank`s finance) No collateral Security. All loans are to be covered under (CGTMSE) Guarantee Scheme	The Loan will be secured by hypothecation of ATM/Cash Dispenser The receivables of the Vendor to be charged to the Bank. In case, the amount is not directly received from the Sponsor Bank through Escrow Account, Collateral equivalent to the loan amount to be obtained by the Branch in the form of liquid/immovable properties. Personal Guarantee of the Directors in their individual capacity must be obtained.
Margin	Upto 50000 – Nil Above 50000 – 15% or as applicable to the scheme under which finance made	15 % of the On-Road Price as per the Pro-forma Invoice of the Dealer.	25% on the total cost of machine including cost of preparation and erection of the site
Repayment	Between 5-7 years	Upto 60 Months	Maximum 60 months
Holiday period	Maximum 12 months	3 months	6 moths

Priority status	Yes	Yes	Yes
Discretion	As per discretionary power of respective branches	As per SME finance	Sanction of Loan can be considered only at the Regional Office Level
FINACLE Scheme Code	**As per the Scheme of Finance**	**SL MUD, Tie Up Under MOU (Drop Down Menu) – Select TVS Motor Company Ltd**	**No separate scheme code assigned**
Remarks	50% processing charges and up front charges waived. Our Bank has entered a MOU with BYST presently valid upto 01.01.2020 TAT – 2 weeks for loan upto 10 lacs and 4 weeks for loan above 10 lacs Sanction letter to be given in presence of BYST Ref: ADV/ 227/18-19 dt. 30/04/2018	CGPAN/ AADHAAR No. must be obtained Upto Rs. 50000 no processing Charges, Above Rs. 50000 and upto Rs. 2 Lacs – 1.20% + GST MoU is valid for a period of 3 years from the date of signing i.e. from 06.03.2018 to 05.3.2020 Ref: ADV/224/2018-19 dt. 30.04.2018	Processing charge as applicable to fund based advances Loan amount upto Rs. 1crore can be covered under CGTMSE Estimate to be approved by panel engineer No objection letter from Working capital banker of Seller of ATN/ Cash Dispenser AMC copy for the machine shall be obtained Ref: ADV/205/2012-13 dt. 17.07.2012

Name	IOB SME ADD ON	IOB SME KANAKA	IOB SME CONTRACTOR
Target Group	Existing SME borrowers with good track record, whose existing credit limits are sanctioned by RO/ZO/CO, are eligible	New/Existing Micro and Small Enterprises engaged in the processing of Cashew nuts with OR without Export.	Individuals, Prop / Partnerships / Pvt Ltd Companies / Ltd Companies. The applicant contractor needs to be registered with Central Govt/ state Govt authorities
Purpose	For purchase of Plant and Machinery, Transport Vehicles, Car etc.,	To meet the capital & WC requirement of new/ Existing Micro and Small Enterprises engaged in the processing of cashew nuts.	For executing contract works
Quantum	Cost of Plant & Machinery/ Equipment, vehicle to be purchased less stipulated margin OR Rs.25 lacs /borrower in a yr OR Discretion of Br Manager under the scheme, which is less.	Eligible amount as per assessment	Above Rs.10.00 Lacs subject to a max Rs. 500.00 Lacs (FB + NFB) in the form of CC/Bills/TL/LG/LC etc.
Rate of Interest	As applicable to existing borrower account.	As per bank rate applicable to MSME loans based on RLLR	As per bank rate applicable to MSME loans based on RLLR
Security	Prime: Hypothecation of assets created out of loan. Collateral: Existing collateral securities to be extended for the fresh loan also	Prime: TL: Exclusive charge on existing & future – fixed assets CC: Exclusive charge on existing & future – current assets LC : document to title to goods Collateral: Upto Rs. 1 crore under CGTMSE or min. 80% of total for exposure above Rs. 1 crore. In case borrower offers collateral below Rs. 1 Crore 0.25% concession in ROI is permissible.	TL: Hyp of assets purchased out of TL. WC: Hyp of stock (construction raw materials), consumable stores, Book Debts (not more than120 days) Coll by way of immovable property/ liquid securities having FSV/ market value not less than 120% of limit sanctioned (FB + NFB).
Margin	As per existing sanction/guidelines applicable to the borrower (15% to 25%).	TL: 15%; for purchase of land 50% CC: 25% on stocks and receivables upto 120 days; LC:25% as deposit margin	For NFB: SME-1 to SME -3 rated borrowers: LG - Fin – Min 15 % ; Per - Min10 % All others : As per SME Policy
Repayment	As per SME finance	TL: max. 7 yrs including holiday period CC : subject to annual renewal	CC: as any other limit TL: max. 5 yrs
Holiday period	As per SME finance	As per assessment	3 to 6 months depending on the need

Prepared By: Smt Shipra Pandey and Shri Subhajit Ghosh
Vetted by: Shri Chiranjit Chandra and Shri Sumit Mukherjee

Priority status	As per SME finance	Yes. As per MSME classification	As per SME finance
Discretion	Br Mgrs in Scale I, II, III – 50% of their per borrower discretion Scale IV & above – 25 % of their per borrower discretion	Per borrower discretion	Per borrower discretion
FINACLE Scheme Code	SADON	No separate scheme code assigned	SCON
Remarks	More than one loan can be sanctioned to the same borrower subject to total loan amount not exceeding the discretionary powers under the scheme, during the year DSCR needs to be worked out assuming that sales and profitability are maintained at previous year's level. Ref: ADV/409/2013-14 dt. 11.11.2013	Rating : Upto Rs.2.00cr: CRR Model Above Rs.2.00cr: CRISL RAM External Bank loan rating: As applicable Subsidy: as per directions of the agency Ref: ADV/413/2013-14 dt. 11.11.2013	For SME-1 to SME -3 rated borrowers: Upfront fee for TL – 50% of appl rate Proce Fee for TL and CC– 75% of appl rate For others -- As per prevailing guidelines Circular ref : ADV/410/2013-14 dated 11.11.2013

Name	IOB - CA	MOU with M/s ATUL Auto Ltd., For Financing 3-Wheelers/ Commercial Vehicles	IOB SME EASY
Target Group	Chartered Accountants & Practicing Cost and works accountants individually / jointly or Proprietorship concern or a Partnership Firm/Partnership with Limited Liability registered with ICAI, engaged in the profession of Accounting/Audit etc.,	Individuals, Proprietorships, Partnerships, limited Liability Partnerships, limited Companies, Trusts and Societies.	MSME Units (Incl Mfg, Service, Prof./Self Employed/retail trade under Micro and Small Sector as per RBI directives/ bank norms) having Sole Banking Arrangement with our bank. Individual /Proprietary /partnership /Corporate under sole banking (No business loan with other bank)
Purpose	Purchase Car, construction of office premises, acquire ready built office premises, cover cost of land and construction, purchase furniture & fixture, fittings and office equipments, computers, Books and other accessories, etc., towards working capital and financing receivables	Finance for purchase of Auto Rickshaws and Commercial Three Wheelers manufactured by M/s Atul Auto Ltd	Working capital requirements, acquisition of machineries/ equipments /construction, For meeting short term operational expenditure like payment of bonus etc.
Quantum	Varies from Rs.10 Lacs to Rs 125 Lacs depending on the category.	85% of On-Road Price (As per Pro-forma Invoice)	Min. above Rs. 10 Lakhs and Max upto Rs. 5 Crore (Both FB and NFB)
Rate of Interest	As per bank rate applicable to MSME loans based on RLLR	As per bank rate applicable to MSME loans based on RLLR	Applicable as advised by BOD from time to time. If FSV of the immovable prime security is 200% and above a concession of 0.50% can be given.
Security	No collateral security up to Rs.10 Lacs. Collateral security may be taken for loans above Rs.10 Lacs, if not covered under CGTMSE guarantee scheme.	Prime: Hypothecation of the vehicle; Collateral : NIL upto Rs. 10 Lacs Loans upto 10 Lacs to be covered under CGTMSE	Prime: Land/bldg/TD/LIC.(incl 3rd party) Residual value of immovable residential property accepted if the security is not backing MCC limit. 125% of FSV to be earmarked for the existing exposure. Collateral: stock/assets acquired by loan
Margin	Term Loan - 20%, Working Capital - 25%;	15% of the On-road price as per the proforma invoice of the dealer	LIC:10%; KVP/IVP 20%; Tern dep: 10%; Imm- 30%in non rural & 40% in rural (FSV)

Repayment	Maximum of 10 years by EMI (Including Moratorium period),	Upto 84 months (7 years)	TL: max 84 months incl holiday period Cash Credit: On demand
Holiday period	Initial Moratorium 18-24 months	3 months , interest servicing	Upto 18 months
Priority status	Yes as per Priority sector guidelines of service sector	Yes	Yes & under MSME
Discretion	Per borrower limit or maximum specified in the scheme whichever is lower.	Per borrower discretion	As per delegated powers advised by CO from time to time
FINACLE Scheme Code	SCA	MIS code Tab; Tie up under MOU Select MOU – ATUL AUTO LTD from drop down	CCESY SEASY
Remarks	Processing charge: 0.25% of loan amount subject to a minimum of Rs.5000/- To be covered under CGTMSE upto 10 lacs. Above 10 lacs CGTMSE subject to non-availability of security. No prepayment charges Circular ref : ADV/499/2010-11 dated 14.12.2010	Processing charges upto Rs. 50000 Nil, above Rs. 50000 to Rs. 5 Crore @ 1.20% + GST. Documentation chgs above Rs. 2 Lakhs Rs. 500 MOU valid upto 04.02.2021 Ref: SME/ADV/ 334 / 2018-19 Dt. 08.02.2019	Agri/ quarry lands not to be accepted Assessment of loan is based on the requirements as per turnover method (25%), 30% as the case may be in case of digital sales, after satisfying margin norms TL 75% of invoice subject to a max of value of prime security less margin No CGTMSE cover Pre-release confirmation from RO/concurrent auditors, branches without Con. Audit headed by scale IV and above pre release not required Pro. chgs: Rs.400/lac or part for CC & NFB; 1% upfront fee for TL No discretion to allow excess over the limit sanctioned Borrower should not be under SMA2 MSME/ADV/415/2019-20 dt.18.10.19

Name	IOB SME 300-DAILY	IOB MSME JEWEL LOAN	IOB-GST EASE
Target Group	Individuals, Proprietary and partnership concerns running Micro and Small units engaged in Manufacturing / Services / Retail Trade Sectors. Sole banking account holder and savings bank should be ceded with AADHAAR and enrolled for DBT. Borrower(s)/ Partner(s) should be of age group 18 years to 65 years	Applicants running Small units engaged in Manufacturing / Services / Retail Trade Sectors and having full KYC complied SB/ CD account with us	Existing Clients- MSMEs(Mfg/Ser/Tr)/ Mid/ Large Corporate Individual/Prop./Partnership/ LLP/ Co. Above accounts with satisfactory credit record of 2 years and coming under the purview of GST
Purpose	To meet all business needs including WC requirements and to take up income generating activities / Self Employment.	Short term requirement to meet all business needs including WC requirements and to take up income generating activities / Self Employment	Financing in delay of Input Tax Credit in form of Working Capital Demand loan
Quantum	Loan upto Rs. 50000 (Individual/ Prop.) & upto Rs. 1 Lac (Partnership) for 1st Loan (max) Loan upto Rs. 1 Lac (Individual/ Prop.) & upto Rs. 2 Lac (Partnership) for 2nd Loan (max) Simple Assessment considering upto 4 Recycle period as per our MSME policy	Min- No ceiling ,Max- Rs. 5 Lakhs Advance value per gram with fineness of 22 to 24 carat fineness (as advised by ARID from time to time)	Three Months input tax credit not exceeding 20% of the specific existing FB Working capital facility with a Minimum of Rs. 1 Lac and Max of Rs. 500 Lacs. If there is no input tax claim the applicant is not eligible under the scheme
Rate of Interest	Presently RLLR +2.80% (Includes Strategic + Risk Premium)	Upto Rs. 2 Lacs – RLLR + 0.80% Above Rs. 2 Lacs – RLLR + 2.05% (Includes Strategic + Risk Premium)	Applicable ROI as per latest rating obtained without considering any concession if any already extended
Security	Prime : Hypothecation of assets created out of the loan Collateral : Nil , Should be covered under CGTMSE/CGFMU	Gold ornaments / jewellery pledged Collateral : Nil	Prime: Hypothecation of all chargeable current assets of the borrower/ Hypothecation of assets purchased (Computers/ software, furniture etc.) for implementation of GST Collateral: Already Existing collateral Guarantee: Extension of existing personal / corporate guarantee; Eligible accounts to be covered under CGTMSE/ CGFMU/ CGSSI/ ECGC

Margin	Minimum 10% of the project cost	Margin included in the lending rate	25% of stocks and book debts
Repayment	12EMI, to be converted to a specified amount for daily collection (rounded off to next Rs. 10) considering 25 day in month. Payment to be made from 5th day of disbursement	Maximum repayment period 12 months. Bullet payment without moratorium payable within a maximum period of 12 months.	6 equal monthly installment or on receipt of input tax whichever is earlier
Holiday period	Maximum One month	NIL	3 months
Priority status	Yes	Yes	Depends on the type of applicant/ guidelines
Discretion	As the maximum loan is Rs. 2 Lacs all branch managers are vested with the discretionary power to extend the loan	As per extant guidelines/ delegated powers	Branch/ RLCC/ ZLCC can sanction 20% of the existing FBWC limit or 20% of respective per borrower limit – whichever is less
FINACLE Scheme Code	LAA - Retail trade – 33130 (CGFMU) Mfg/ service – 33131 (CGTMSE)	JL SME- LAA- 33132	GSTES
Remarks	Loan to be disbursed in 2 stages, first upto 60% then 40% after a gap of one month and receiving at least 20 daily remittances Eligible for 2nd loan on closure of 1st loan & after a min. gap of 6 months from date of 1st loan Product more viable to BC attached branches and BC commission 1% on total recovery Processing charges- upto Rs. 50,000/- NIL, above 0.50%. Doc. Chgs 0.25% min Rs. 500 for all loans Ref: ADV/84/2016-17 dt. 03.03.2017	If the loan is closed prematurely within 6 months Rs.500/- as Handling Chgs Appraiser commission Rs.5 per thousand subject to min. of Rs. 100/- and max. of Rs.500/- as per the prevailing guidelines LTV of 75% shall be maintained throughout the tenure of loan. Cir. Ref : ADV/133/2017-18 dt. 19.08.2017	No overdue/ should not be in SMA1/SMA2 category No excess/ adhoc during tenor of the loan All irregularities in Inspection reports rectified Latest satisfactory CIBIL report to be generated Min rating- IOB5 under RAM/ IOB4 under CRRM Top 10 invoices from the borrower to be verified Input credit to be verified with GSTR3 return Cir. Ref. ADV/404/2019-20 dt. 17.09.2019

AGRICULTURAL ADVANCES – SOME POINTS

The limit for collateral and margin free agricultural loans is Rs.1.60 lakhs.

1. **Minor Irrigation** (ARID/MASTER/53/2014-15 Date : 25.06.2014)

A. **Quantum of Finance**: **No maximum ceiling**. Unit cost may be as recommended by the DCC (District consultative committee) or as per NABARD approved unit costs.

B. **Water level trends**: There are **four** categories in which the long term water level trends are computed, namely
- **'Safe'** areas which have ground water potential for development,
- **'Semi-critical'** areas where cautious ground water development is recommended,
- **'Critical'** areas and **'Over-exploited'** areas where groundwater cannot be tapped.

C. Types of irrigation:

1. **Surface irrigation** Running or impounding water over the surface and allowing it to saturate the soil to some depth.
2. **Sprinkle irrigation** Spraying water into the air and allowing it to fall on to plants and soil as simulated rainfall.
3. **Drip irrigation** Dripping water on to a fraction of the ground surface so as to infiltrate it into the root zone.
4. **Subsurface exuders** Introducing the water directly into the root zone by means of porous receptacles.
5. **Sub-irrigation** Raising the water-table from below (in places where the groundwater is shallow and controllable) so as to moisten the root zone by capillary action

D. Repayment

- **Digging of well/Drilling of bore well** - 9 years with 23 months gestation period - to be paid half yearly or annually according to the cropping pattern. Holiday period Interest to be serviced or capitalized depending on the availability adequate income during the holiday period.
- **Purchase of electric motor /pump set** - 7 to 9 years are to be paid half yearly or annually according to the cropping pattern.
- **Laying of pipelines** - 6-8 years are to be paid half yearly or annually according to the cropping pattern.
- **Sprinkler/Drip Irrigation systems** - 7 to 9 years are to be paid half yearly or annually according to the cropping pattern.

E. Valuation certificate on Agri landed property:
- Valuation from **Village Revenue Official** for Agrl. landed property upto **Rs.5.00 lacs.**

Prepared by: Shri Rajasekar N
Vetted by: Shri Bikas Kumar Sah

- Valuation certificate from Panel valuer for Agrl. lands valued above
  Rs.5.00 lacs
- Valuation Report from 2 panel valuers for loans valued more than Rs.5.00 crores)

2. **Horticulture** (ARID/ Master/54/2014-15 dt.25.06.2014)

- **Greenhouse technology** provides crops, particularly horticulture crops with a controlled and favorable environment to grow in all seasons
- **Broader classification of Horticulture**
  a. Pomology: Cultivation of Fruits like Mango, Citrus, Guava, Litchi, Papaya etc.
  b. Olericulture: Cultivation of vegetables
  c. Floriculture culture: cultivation of flowers like roses, jasmine, gladiolus, tube rose etc.
  d. Plantations: Cocoa, Coconut, Rubber, Coffee, Tea etc.
  e. Spices: Pepper, Cardamom, Vanilla etc.
  f. Medicinal & Aromatic plants: Aloevera, Rosemary, Saffron etc

3. **Dairy farming** (ARID/ MASTER/55/2014-15 Date : 25.06.2014)

a. Feed requirements of animals

- The rate of feeding depends on the body weight and milk yield of the animal
- The feed requirements are about 25 kgs. of green fodder, 5 kgs of dry fodder and 1 kg of concentrate feed per animal per day.
- In addition the feed requirement during the lactation period is about 1 kg of concentrate feed for every 3 litres of milk produced per cow.
- In the case of buffalo, one Kg of concentrate feed is required for every 2.5 litres of milk produced.

b. Housing of cattle

The minimum economic size of a dairy unit should be at least 2 milch cattle, purchased at an interval of 4 - 6 months in between.
Dairy cattle require a minimum floor space area of about 40 sq.ft. per adult animal. Calves below one year of age require 12 sq.ft.and older calves require 24 sq.ft. of floor space

c. Repayment

1. The loan is to be repaid in sixty monthly instalments. Dairy business starts yielding income immediately after purchase of milch cattle, the repayment of loan instalment can start after one month from the date of purchase of milch cattle.
2. Maximum period 72 months (including maximum holiday period of 6-12 months) if advances are provided for two batches of improved breed of animals, construction of sheds and purchase of equipment.

d. Subsidy: NABARD is encouraging setting up Dairy units by providing subsidy under "Dairy Entrepreneurship Development Scheme" (DEDS)

4. Dairy Entrepreneurship Development Scheme (DEDS)

- **Eligibility:** Farmers, individual entrepreneurs, NGOs, companies, groups of unorganized and organized sector etc. Groups of organized sector include self-help groups, dairy cooperative societies, milk unions, milk federations etc.

- **Subsidy:** Back ended capital subsidy @25% of the project cost for general category and @33% for SC/ST farmers. The component wise subsidy ceiling will be subjected to indicative cost arrived at by NABARD from time to time.

- **Components** that can be financed, indicative unit cost and pattern of assistance are given below

S. No	Component	Unit Cost	Pattern of assistance
i	Establishment of small dairy units with crossbred cows/ indigenous descript milch cows like Sahiwal, Gir, Rathi etc / graded buffaloes upto 10 animals	Rs 5.00 lakh for 10 animal unit -minimum unit size is 2 animals with an upper limit of 10 animals.	25% of the outlay (33 .33 % for SC / ST farmers,) as back ended capital subsidy subject to a ceiling of Rs 1.25 lakh for a unit of 10 animals (Rs 1.67 lakh for SC/ST farmers,). Maximum permissible capital subsidy is Rs 25000 (Rs 33,300 for SC/ST farmers)for a 2 animal unit.
ii	Rearing of heifer calves – cross bred, indigenous descript milch breeds of cattle and of graded buffaloes – upto 20 calves	Rs 4.80 lakh for 20 calf unit minimum unit size of 5 calves with an upper limit of 20 calves	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 1.20 lakh for a unit of 20 calves (Rs 1.60 lakh for SC/ST farmers). Maximum permissible capital subsidy is Rs.30,000 (Rs.40,000 for SC/ST farmers) for a 5 calf unit.
iii	Vericompost (with milch animal unit To be considered with milch animals and not separately)	Rs 20,000/-	25% of the outlay (33.33 % for SC / ST farmers)as back ended capital subsidy subject to a ceiling of Rs 5,000/- (Rs 6700/- for SC/ST farmers,)
iv	Purchase of milking machines / milk testers/ bulk milk cooling units (upto 2000 lit capacity)	Rs 18 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 4.50 lakh (Rs 6.00 lakh for SC/ST farmers).
v	Purchase of dairy processing equipment for manufacture of indigenous milk products	Rs 12 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 3.00 lakh (Rs 4.00 lakh for SC/ST farmers).

vi	Establishment of dairy product transportation facilities and cold chain	Rs 24 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 6.00 lakh (Rs 8.00 lakh for SC/ST farmers).
vii	Cold storage facilities for milk and milk products	Rs 30 lakh	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 7.50 lakh (Rs 10.00 lakh for SC/ST farmers).
vii	Establishment of private veterinary clinics	Rs 2.40 lakh for mobile clinic and Rs1.80 lakh for stationary clinic	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 60,000/- and Rs 45,000/- (Rs 80,000/- and Rs 60,000/- for SC/ST farmers) respectively for mobile and stationary clinics
ix	Dairy marketing outlet / Dairy parlour	Rs 56,000/-	25% of the outlay (33.33 % for SC / ST farmers) as back ended capital subsidy subject to a ceiling of Rs 14,000/-(Rs 18600/- for SC/ST farmers).

5. **Farm Mechanization Scheme** (ARID/ MASTER/ 52 /2014-15 Date : 12.06.2014)

Financing for Purchase of Farm machinery like, Tractors/ Power Tillers/ Combined Harvesters /Mini Tractors.
Farm implements/equipment/tools either Tractor drawn, Power tiller drawn or independently operated for various farm operations etc.

Land Requirements

- **For Tractors**
  - ✓ **35 HP & Less** - At least **4 acres** of land having perennial irrigation facilities or corresponding acreage of other categories of land under the concerned State land ceiling Act (SLCA).
  - ✓ **Above 35 HP** - At least **6 acres** of land having perennial irrigation facilities or corresponding acreage of other categories of land under the concerned State land ceiling Act (SLCA).
  - ✓ **Minimum Accessories/ Tools/ implements- for Tractors**: At least 3 implements should also be purchased along with tractor (disc plough, mould board plough, cultivator, cage wheel or rotavator & trailer etc.,) to ensure that the tractor is put to maximum and economical use. However, if the applicant is already having these implements, this may be relaxed after verification

- **For Power Tillers(10-15 HP)**

  Minimum acreage is **6 acres land** with perennial irrigation source or corresponding acreage of other categories of land under the concerned State land ceiling Act (SLCA)

- **Combine Harvesters**

- ✓ It is used for harvesting, threshing and winnowing operations of crops, mainly in paddy and wheat. These operations are undertaken simultaneously. This machinery helps to speed up the operations, i.e., harvests normally 8 to 10 acres of crop in a day.
- ✓ Following custom service per combine harvester Should be available;
- ✓ Minimum cropped area of 500 Ha(1250 acres) of Wheat &300 Ha(750 acres) of Paddy in Wheat-Paddy rotation Region or
- ✓ Minimum cropped area of 300 Ha(750 acres) of Paddy per harvesting season in Paddy-Paddy crop rotation Region

- **Repayment**
  - ✓ **Tractors** - The loan should be repaid within a period of 9 years in half yearly/Annual instalments depending upon the cropping pattern periodicity of Income generation based on harvesting season.
  - ✓ **Power Tiller** - The loan should be repaid within a period of 7 years.
  - ✓ **Other machinery/equipment** - The repayment period may be fixed between 3 to 7 years depending upon the cropping pattern, life of machinery/equipments, repayment capacity etc
  - ✓ **Combine Harvester** - The loan amount should be repaid within a maximum period of 7 years in half yearly instalments coinciding with the seasons of harvest.
  - ✓ **Renovation/Repairs of Tractors** - Repayment period should not exceed five years and the repayment schedule should be fixed depending on the nature of repairs, life of machine, repayment capacity etc.
- **Minimum use :**
  - ✓ **Tractors**: Generally the applicant should be in a position to demonstrate that the tractor will be put to use at least for 1000 working hours in a year inclusive of custom service.
  - ✓ **Power Tillers**: It shall be ensured that the power tiller will have a minimum of 600 hours of productive work in agriculture per year on own farm or both on own farm and on custom service.
  - ✓ **Power Thresher:** A minimum of 315 Hours of use per annum
  - ✓ **Power Sprayer:** A minimum of 250 Hours of use per annum

6. Equity grant and Credit Guarantee Fund Scheme for Farmer Producer Companies by Small Farmers' Agri-Business Consortium (SFAC)

Small Farmers' Agri-Business Consortium{SFAC), Department of Agriculture and Cooperation, Government of India is implementing two schemes viz., Equity grant Fund and Credit Guarantee Fund to support the Farmer Producer Companies. These funds are in operation since 2013-14. On analysis, it is observed that the level of participation of our Bank in the Credit Guarantee cover provided by SFAC is poor and warrants immediate action by the branches and the Controlling Offices.

Equity grant Fund - It is a grant granted to Farmer Producer

Prepared by: Shri Rajasekar N
Vetted by: Shri Bikas Kumar Sah

Companies(FPC) by SFAC to the equity contribution of their shareholder members in the FPC subject to fulfillment of certain terms and conditions.

Credit Guarantee Fund - SFAC provides credit guarantee cover to the eligible lending institutions to enable them to provide collateral free credit to FPCs by minimizing their lending risks in respect of loans not exceeding Rs100 lakh.

Following are the key features of the scheme.

- Collateral free loans to FPCs upto Rs 100 lakh.
- Maximum cover is 85% of the limit sanctioned or Rs 85 lakh whichever is lower.
- Claims settled up to 85% of the default amount.
- The minimum shareholders in FPC should be 500 of which 33% should be small, marginal and tenant farmers.
- Bank has to enter MOU/ Agreement with SFAC with the details of FPC for participating in the Credit Guarantee Cover.

7. Financing Beekeeping Activities

- For adoption of scientific bee keeping, an economically viable unit would include 50 bee colonies, each of 8 frame bees, beehives, supers and other accessories, beekeeping equipments etc.
- Approximate investment of Rs.2.20 lakhs to Rs.2.50 Lakhs is required to set up an economically viable unit.
- Subsidy at the rate of 40% limited to Rs.88,000/- for an economically viable unit is being made available under MIDH under the component "Pollination support through beekeeping" for trained poor farmers/landless laborers/ villagers/deprived categories in rural areas.

8. Pradhan Mantri Kisan Sammon Nidhi (PM-Kisan)

- ✓ Under this scheme, vulnerable landholding farmer families having cultivable land **upto 2 hectares,** will be provided direct income support at the rate of **Rs. 6,000 per year**
- ✓ Under no Circumstances, the money transferred from PM-Kisan scheme should be adjusted against any outstanding loan.
- ✓ This money is meant for specific purpose and cannot be made available for Loan adjustment.
- ✓ The farmers must have unqualified right to withdraw this amount after it has been transferred to his account.
- ✓ There should be no denial from withdrawal on account of any outstanding adjustment.

JOINT LIABILITY GROUPS (JLGs)

1. **Objectives**
   - To augment flow of credit to tenant farmers cultivating land either as oral lessees or sharecroppers and small farmers who do not have proper title of their land holding through formation and financing of JLGs.
2. **Definition of JLG**
   - A Joint Liability Group (JLG) is an informal group comprising preferably **of 4 to 10 individuals** coming together for the purpose of availing bank loan either singly or through the group mechanism against mutual guarantee.
   - Generally, the members of a JLG would engage in a similar type of economic activity. In certain groups, the members may prefer to undertake different type of economic activities as well.
3. **Selection Criteria for JLG**
   - Members should be of similar socio economic status and background carrying out farming activities and allied activities and who agree to function as a Joint Liability Group.
   - Branches can take effort to promote and finance JLGs on a cluster basis for agriculture as well as activities allied to agriculture and non-far activities.
   - The members should be residing in the same village / area and should know and trust each other well enough to take up joint liability for Group / Individual loans.
   - JLG should **not be formed** with members of the **same family** and more than one person from the same family should not be included in the JLG.
   - There is a need for a very active member of the group to ensure leadership role and ensure the activities of the JLG. The selection of a good / able / active leader for the JLG is an essential need which will ultimately benefit all the JLG members.
4. **Savings by JLGs**
   - The JLG is intended primarily to be a credit group.
   - Therefore savings by the JLG members is **voluntary.**
   - However, if the JLG chooses to undertake savings as well as credit operations through the group mechanism, such groups should open a savings account in the name of JLG with atleast **2 members** authorised to operate the account on behalf of the group, by way of resolution.
5. **Incentive for promotion of JLGs. (Bhoomi Heen Kisan)**
   - **NABARD** grant assistance to Branches and other JLG promoting Institutes (JLGI) for formation, nurturing and financing of new JLGs.
   - The present assistance is **Rs.2,000** per JLG
   - RBI has suggested Banks to consider the option of entering into a Tripartite Agreement with NABARD and other JLG promoting Institutes (JLPI) where they shall take the onus of extending credit

support to JLGs and NABARD shall provide grant assistance to the JLPIs for promotion and nurturing of JLGs.

- The incentive will be available to the branch if they use our own staff or BC/BF as their JLPI. The incentive shall be linked with the financing of the JLGs
- The incentive amount shall be released in **three instalments** as indicated below;
  - ✓ **First instalment** of Rs.l,OOO would be released after disbursement of loan by the branch
  - ✓ **Second instalment** of Rs.500 would be released **after one year** from the date of loan disbursement subject to the certification by the financing branch that the loan repayment is regular/without default by all the individual members of the JLG (in case of Model 'A' type JLG)/JLG as a group (in case of Model 'B' type JLG).
  - ✓ **Third instalment** of Rs.500 would be released **after the end of second year** from the date of loan disbursement subject to similar certification from financing branch as above. In case of short term loans/KCC/GCC, it will be available if the facility has been renewed by the bank during the year and is regular.
- It may be noted here that the incentive for promotion of JLGs shall be available only in cases where prior approval has been taken from NABARD for promotion of JLGs

6. Credit Linkage

Branches can finance JLGs by adopting any of the following models:-

Model A: Financing Individuals in the Group:

- The group would be eligible for accessing **separate individual loans** from the financing Branch.
- The JLG would prepare a credit plan for its individual members and an aggregate of that is submitted to the Branch.
- The individual members of JLG would be eligible for loan after the Branch verifies the individual members' credentials.
- All members would jointly execute one inter-se document (making each one jointly and severally liable for repayment of all loans taken by all individuals in the group).
- Branch could assess the credit requirement, depending on the crops to be cultivated, available cultivable land and credit absorption capacity of the individual.
- However, there has to be mutual agreement and consensus among all members about the amount of individual debt liability that will be created.

Model B: Financing the Group:

- The JLG would consist preferably of **4 to 10 individuals and function as one borrowing unit.**
- The group would be eligible for accessing one loan, which could be combined credit requirement of all its members.
- The quantum of credit **need not be linked** to groups' savings as in the case of SHGs**.**
- **The credit assessment of the group could be based on the available**

cultivable area by each member of the JLG/activity to be undertaken for farm sector, off-farm sector or non-farm sector.

- All members would jointly execute the document and own the debt liability jointly and severally.
- Any change in composition of the group will necessitate obtaining a new document.

7. Purposes of loan

JLG members may be financed for **crop production**, **consumption**, **marketing**
and other agricultural /non-agricultural purposes.

8. Type of Loan

Branches may consider cash credit, short-term loan or term loan depending upon the activity and purpose of Loan.

9. **Maximum amount of loan** is restricted to **Rs.50,000** per individual, under both the above models A & B.

10. Rate of interest:

As applicable to the category of advance for which financed.

11. Security

No collateral may be insisted upon. It may be ensured that the mutual guarantee offered by the JLG members is obtained.

12. Personal Accident Insurance

All the farmers are to be covered under Personal Accident Insurance Scheme (PAIS).

13. Documents;

Model A: Financing individuals in the group: Introduction form, application- cum-appraisal form, mutual guarantee & DPN

Model B: Documents as applicable to SHG may be adopted.

14. Classification:

Loan for agriculture purpose: Under Agriculture (groups of individual Small and Marginal farmers directly engaged in Agriculture and Allied Activities, provided banks **maintain disaggregated data** of such loans).

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Ref:Master cir ARID/ADV/63/2014-15 dt.06.12.2014

JEWEL LOAN FOR PURPOSE OTHER THAN AGRICULTURE

Margin:

As per the extant guidelines, Central office is notifying the advance rate for the per gram of gold ornament from time to time by keeping *25%* margin on the monthly average rate of 22 carat jewellery of Indian Bullion and Jewellery Association(IBJA). As the rate of Gold ornament is inclusive of margin, no further margin should be deducted from the net weight of the gold ornaments.

From the gross weight of the gold ornaments, all sort of extraneous matters like wax, string, fastenings, precious stones, moisture, dust etc. must be deducted/reduced **on a liberal scale** to arrive at the net weight.

Once the net weight of the gold ornaments so arrived at, there **should not be any further deduction on the plea of margin,** either by the appraisers or by the branches.

The net weight is to be multiplied by the per gram advance rate of corresponding fineness, as advised by our department, so as to arrive at the quantum of the loan to be sanctioned.

A. **Loans not exceeding Rs.5.00 lakh** (ADV/555/2014-15 dt.07.03.2015)

1. The amount of loan sanctioned (irrespective of the number of loans) should not exceed Rs 5.00 lakh at any point of time.
2. The period of the loan shall not exceed 12 months from the date of sanction.
3. Interest will be charged to the account at monthly rests but will become due for payment along with principal only at the maturity.
4. Banks should prescribe a minimum margin to be maintained in case of such loans and accordingly, fix the loan limit taking into account the market value of the security (gold ornaments), expected price fluctuations, interest that will accrue during the tenure of the loan etc.
5. The account would be classified as Non-Performing Asset (sub-standard category) even before the due date of repayment, if the prescribed margin is not maintained.
6. Banks shall recognize interest income on such loans in their profit and loss account only on collection.
7. Such loans shall also be governed by other extant norms pertaining to income recognition, asset classification and provisioning which shall be

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Vetted by: Shri Bikas Kumar Sah

applicable once the principal and interest become overdue.

B. Other loan accounts

That is;

1. Loan exceeding Rs.5 lakh
2. tenor beyond 12 months
3. Prescribed margin not maintained
4. The interest will be charged on monthly basis
5. All loans granted under Jewel Loan -Others against pledge of jewels with limit above Rs.5 lakhs are to be repaid in monthly installments [both Principal and Interest) with **pre-fixed EMI** as is being done in all other Retail Loans.
6. The tenor of the loan shall not exceed 35 months from the date of sanction.
7. Interest charged on monthly rests.
8. Wherever the interest is **not recovered periodically** the account will be classified as Non-Performing Asset (Sub-standard category) even before the due date of repayment.

C. Advance against gold coins

- Branches are permitted to extend Agricultural Jewel Loans and Jewel Loans for other purposes including Jewel Loans to staff against pledge of gold coins.

- Gold coins are of **24 carat fineness** sold by **Banks only**.

- All the coins offered for loan should be appraised properly as done in case of other jewel loans. Branch should take an undertaking from the borrower that he / she has no objection to the gold coins being taken out of the sealed packets for the purpose of appraisal and is fully aware that the coins cannot be repacked.
- Reserve Bank of India has instructed that the weight of the coin(s) does not exceed **50 grams** per customer for advances against security of specially minted gold coins

(ARID/ADV/345/2013-14 dt.30.05.2013)

Commission to Jewel appraisers for appraising and Re-appraising of Jewels

1. **Commission to Jewel appraisers:** The rate of Jewel appraisal charges to be paid by the customer at the time of sanction of Jewel Loan is revised to **Rs.5/- per Rs.1000 of loan with minimum of Rs.100/-** and

maximum of Rs.500/- per loan.

2. **Commission for re-appraisal of Jewels:** The re-appraisal charges for verifying Jewel packets in other Branches by the appraiser has been revised to the following 3 slabs based on the number of packets to be re-appraised in the Branch:

I. Re-appraisal upto **100 packets** in the Branch - **Rs.10/- per packet** with a minimum of **Rs.500/-.**
II. Re-appraisal of **more than 100 and up to 250 packets** in the Branch - **Rs.5/- per packet** with a minimum of **Rs.1000/-.**
III. Re-appraisal of **more than 250 packets** in the Branch: **Rs.3/-** per packet with a minimum of **Rs.1250/-.**

IOB SWARNALAKSHMI - New Jewel Loan Scheme exclusively for Women

Salient Features of the IOB Swarnalakshmi Scheme		
1	Target Group	Individual women who own Jewellery and having savings/current account in our Bank.
2	Purpose	To meet domestic needs i.e. non-productive purpose. However, it should not be for any speculative purpose.
3	Quantum of Loan	Maximum Loan amount per borrower- Rs. 5 Lacs, irrespective of number of loans.
4	End-use verification	Not required as the loan is sanctioned for non-productive purpose.
5	Repayment	Loan to be repaid within a period of 12 months as bullet payment - both principal and interest due for payment at the end of the term. Interest will be charged at monthly rests but will become due for payment along with principal at the maturity
6	Free Insurance	Accidental insurance coverage under PMSBY: This scheme provides one-time free accidental insurance cover of Rs.2 Lacs under PMSBY to individual women borrowers. The borrower should not have existing PMSBY

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Vetted by: Shri Bikas Kumar Sah

		insurance coverage. The age of the borrower should be between 18 to 70 and has to give the consent and application under standard format of PMSBY to join the scheme. The premium will be reimbursed for one time only (first time) at the time of availing Jewel Loan under IOB Swarnalakshmi Scheme. Subsequent renewal harges have to be borne by the borrower and no reimbursement will be done by the Bank for such renewal premium.

SELF HELP GROUP [SHG]

SHG is a homogenous group of rural poor, voluntarily formed to save small amounts out of their earnings, which is convenient to all the members and agreed upon by all to form a common fund/ corpus of the group to be lent to the members for meeting their productive and emergent credit needs.

Reserve Bank of India has recognized the concept of Self- Help Groups for rural lending as a part of routine activity of banks and declared lending to Self Help Groups as a component of Priority Sector Advances under loans to weaker sections. **NABARD provides 100% refinance** for advances under Bank-SHG linkages.

1. Promotion of SHGs

SHG may be organized in a village or cluster of villages either by reputed Voluntary Agencies (VAs), Non-Governmental Organizations (NGOs) or at the initiative of Banks. Normally, the promoting VAs/NGOs provide training, extension and support facilities to the group and its members.

2. Thrift and Credit Concept

- SHGs create their own fund/corpus with the thrift received from members.
- SHGs meet the smaller consumption and emergent needs of members from the common fund generated from the savings of members.
- SHG members with greater savings potential may be allowed to park their surplus fund within the group in the form of voluntary savings over and above the compulsory savings mandated in the group and a suitable accounting system may be started in the SHG for this purpose. (ARID/ADV/ 245/2012-13 dt.04.10.2012)
- Voluntary savings can be reckoned in two ways;

  a. not forming a part of the group corpus

  b. As a part of group corpus and utilized for intra group lending.
- In case of (a), it will also be reckoned for assessing the quantum of loan to the group from bank. However, it is desirable that the additional savings by group members does not entitle the concerned members to seek proportionately higher dosage of credit for themselves.

The SHGs should have freedom to decide as to whether the voluntary savings by members of the group are eligible for proportionate share in the interest income or dividend from the group

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Vetted by: Shri Jeetendra Kumar Panda

3. Characteristics of SHG

- The membership of the group should preferably be between 10-20 and should not exceed 20 at any time.
- The members should preferably have a homogenous background and interest.
- The group should function in a democratic manner allowing free exchange of views and participation by members.
- The groups should maintain simple records, viz. Minutes Book, Membership Register, Savings registers and Credit Registers.
- The group should devise a code of conduct for themselves, viz. periodicity and the amount to be saved by every member, purpose for which loan can be given, rate of interest to be paid/charged on savings/credit to members, etc.

4. Grading of SHGs / Linking of SHGs

- Besides looking into the characteristics of SHGs there is a need for a system to grade the SHGs for the purpose of establishing credit linkage with the bank.
- The SHGs scoring more than 90 points can be selected without any reservation.
- SHGs scoring 60-89 points have to be selected with caution. SHGs scoring less than 60 points are not suitable for linkage.

5. **Separate category:** Loan granted to SHGs are reported under the head **'Advances to SHGs'.**

6. Our Bank Lending Norms

a. Credit dispensation

- Financing can be done directly to the SHG or through the sponsoring NGO/VA.
- The group should have an active existence of atleast 6 months and must have successfully undertaken savings and credit operations for credit linkage. It is not necessary that the Savings Bank Accounts should have been opened 6 months prior to credit linkage

➢ While grading, the SHG should score more than 60 points.

The banker should be convinced of the genuineness of the group formation and its objectives.

b. **Quantum of Loan:** sanction of limits to SHGs under Direct linkage only by way of Cash Credit facility, other than those exempted, as per the following eligibility norms: -

Type of loan	I Dose	II Dose	III Dose	IV Dose	V Dose
1	2	3	4	5	6
Cash credit facility	4 times of savings/ corpus subject to a maximum of Rs.2,25,000/-	8 times of savings/ corpus subject to a maximum of Rs.4,00,000/-	10 times of savings/ corpus subject to a maximum of Rs.5,50,000/-	10 times of savings/ corpus subject to a maximum of Rs.7,50,000/-	10 times of savings/ corpus subject to a maximum of Rs.10,00,000/-

- Cash Credit limit shall be sanctioned in the ratio of 1:10 of their expected savings after 5 years subject to a maximum of Rs.10.00 lacs.
- The members inter-se will get a term loan from the group

c. **Eligibility:**

- SHGs who are linked to banks and having regular savings at least for six months are eligible for I dose.
- SHGs who have taken loan once and repaid promptly are eligible for II dose. There should be minimum of 12 months from the date of availment of I dose to avail II dose of loan.
- SHGs who have taken loans twice and repaid promptly are eligible for third and subsequent doses of finance
- There should be minimum of 18 months from the date of availment of II dose of finance to avail 3rd dose and likewise subsequent doses also.
- A SHG is eligible for loan under MCP after it has already taken loan twice basing on the savings /corpus and repaid the loans promptly

d. **Margin**: There is no margin for loans granted to SHGs

Security: The SHGs may not be in a position to offer any collateral security. However, the assets created out of our finance should be hypothecated.

Term loans:

Term loans can be sanctioned only for the following purposes:

a. In those Govt. schemes which have back ended subsidy and release of subsidy is contingent on repayment of term loans, the SHGs can be

granted term loans.

b. **Term loans can also be given to SHGs in cases where the SHGs undertake group activity and the Bank loans are taken to undertake that activity.**

7. **Discretionary powers:**

   i. Loans to SHGs for **economic activity** can be sanctioned at branch level subject to scheme norms and activity wise delegations under Agriculture & Priority Sector (CSSD/ADV/335/2013-14 dt. 26.04.2013).

   ii. Direct lending to SHGs (not linked to economic activities) subject to compliance of loan to savings ratio, as given in cir No. CSSD/ADV/593/2015-16 dt.06.07.2015.

8. Common SB account opening forms and Loan documentation forms (by IBA) are attached to cir No ARID/ADV/575/2015-16 dt.29.04.2015.

9. **JBY – Janashree Bima Yojana** is a low cost insurance available both for **beneficiaries and their spouse** which shall take care of repayment in case of unforeseen eventualities to the beneficiaries.

10. All women SHG members financed by our Bank shall be necessarily covered under Janashree Bima Yojana (JBY).

11. **IOB-SHG Family Insurance"** - Life Insurance Cover to Members of Self Help Groups (SHG) and Spouse

    This is a socially relevant scheme, which will enhance goodwill for the Bank

    a. **Type of cover**: Group Term Insurance Cover

    b. **Eligibility**:

       ❖ Persons in the age group of 18 to 59 years are covered who are engaged in specified occupation like milk produces, construction workers, farm labourers etc.

       ❖ They should be members of a Self Help Group and the SHG should have account relationship with us. The SHG may or may not have availed loan facility from us.

       ❖ A member can take only one cover under the policy. Multiple covers through different SHG is not allowed.

    c. **Documents required:** The insured i.e., the SHG member has to sign a simple proposal form which contains a self-declaration of good health. No other document is required from the insured.

    d. **Premium payable**: Annual premium is Rs.200/- of which Rs.100 will be paid by the individual member and the remaining Rs.100 will be subsidised from the Social Security Fund of Government of India. The husband of SHG member can also be covered for death benefit of Rs.10,000/- for additional premium of Rs.40/-

e. **Period of Cover**: For a period of 1 year from the date of receipt of premium by the branch

f. **Issue of Policy**: Individual policies will not be issued but a Master Policy in the name of the Bank will be issued.

g. **Benefits to the Insured**: The insured under the scheme will get the following benefits:

- Natural death of insured, the nominee will get Rs. 30,000/-
- Death due to accident, the nominee will get Rs. 75,000/-
- Total Permanent disability due to accident, the amount payable is Rs. 75,000
- Partial permanent disability due to accident, the amount payable is Rs. 37,500/-
- Members' children studying between 9th and 12th standard are eligible for scholarship of Rs.300/- per quarter, provided the student passes the final examination. This facility of Shiksha Sahayog Yojana is available for a maximum of two children per family.
- On death of husband of the member an amount of Rs.10,000/- is payable for an additional premium of Rs.40/-.

h. **Scholarship Claims**: Apart from life cover the scheme also provides for scholarship for children of the insured SHG member studying between class 9th and 12th provided the student passes the annual examination.

- The number of scholarships is restricted to 15 % of the total number of members and will be given to the poorest of the poor as certified by the Branch Manager of the Bank.

12. <u>Debt swap scheme for SHGs</u>

As a measure of inclusive growth, banks have been advised by RBI/NABARD to implement Debt Swap Scheme to provide Institutional Credit to the indebted farmers and SHG members to repay loans taken from private money lenders.

Lending to SHG members (who are not engaged in agricultural activities) to prepay loan to non-institutional lenders against appropriate collateral or group security will be classified as Micro Credit under Priority Sector.

The Debt Swap scheme should be implemented in service area villages only.

a. Objective:

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Vetted by: Shri Jeetendra Kumar Panda

The objective of the scheme is to facilitate the members of SHGs to liquidate their outstanding debts with non-institutional lenders (money lenders) through bank linkage and replacement of high cost loans with bank finance.

Eligibility

- All the eligible SHGs may be financed & this scheme may be taken up in one service area village of each branch.
- Existing members of Self Help Groups (SHGs), who are linked to banks, accessed bank loans and promptly repaying & also those SHGs, who are linked to Banks and yet to take loans from banks.
- New SHGs, which have completed at least 6 months of the existence with regular savings and internal lending.

In case the SHG member is having dealings with other Bank, loans under Debt Swap scheme should not be extended to such borrowers who have multiple bank borrowings.

b. Assessment of outside debt & loan amount

i. Existing SHGs

Regular loan limit: Eligibility as per the corpus and (or) Micro Credit Plan- MCP

(Note: Micro Credit Plan includes the following components.)

1. Investment credit needs for economic activities.
2. Social needs like Health, Education, marriage, house repair etc., which is subject to maximum of 10%of investment credit needs as calculated above.

Debt swap scheme: 50% of the eligible loan amount as calculated above (or) to the extent of debt whichever is lower, as additional term loan.

Total limits of both the regular loan and additional loan as detailed above are subject to maximum of Rs.5 lakhs per SHG.

ii. New SHGS

Debt swap: 50% of the eligible loan amount or to the extent of debt whichever is lower, as additional term loan.

Total limits of both the regular loan and additional term loan as detailed above are subject to maximum of Rs.2.5 lakh per SHG.

The loan is given to SHGs only (Not to the individual members directly).

c. Mode of payment/disbursement

- SHGs should prepare a micro credit plan and submit the same along with application & statement of debts obtained by individual members. Based on the MCP, and debt statement Branch Manager may take decision regarding the quantum of loan.
- Resolution from the Group declaring outside debts.
- The sanctioned amount towards the debt should be directly paid to the money lender.
- Every member should be informed of the sanction particulars.
- Branch Manager has to satisfy about the existence of outside debt.
- After availing the loan, the group has to ensure that the repayment of outside debts taken by its members is liquidated and further a declaration to that effect to be furnished to the Branch. Wherever possible, the documentary evidence for payment of outside debt to be handed over to the Branch and payment will be made to the creditors.

Margin: No margin.

Security: Hypothecation of Book debts/assets created out of loan.

- No collateral security upto Rs.5.00 lakhs per group. However if the SHG member(s) have already given collateral security to the moneylender, such underlying security will be taken while taking over of such debts under the scheme.
- Above Rs.5.00 lakhs as per usual norms.

Repayment:

Repayable in 3 to 5 years in monthly instalments with gestation period of 6 months (Depending on the activity of the SHGs). Longer repayment period for SHGs is proposed after considering the income generation of SHGs.

Insurance coverage:

Individual Self Help Group members may be covered with Janashree Bima Policies, which covers their life OR Individual Self Help Group members may be covered with Swasthya Bima Policies, which covers their health.

Other terms

- KYC norms must be strictly adhered to.
- SHGS to be evaluated periodically.
- Applicable processing charge to be collected

13. Other loan schemes for SHGs

a. Loans under NRLM Scheme

b. Loan under NULM Scheme

c. Loan under PMEGP

Prepared by: Shri Padamjeet Dahiya
Vetted by: Shri Jeetendra Kumar Panda

PMEGP (PRIME MINISTER'S EMPLOYEMENT GENERATION PROGRAM)

Objective: For generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas launched on **01.04.2008**

Implementing Agency: Khadi and Village Industries Commission (KVIC) as the single nodal agency at the National level. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centers (DICs) and banks.

Activities: Manufacturing and service

Project cost :
The maximum cost of the project / unit admissible under manufacturing sector **is Rs.25 lakhs.**
The maximum cost of the project / unit admissible under business / service sector is **Rs.10 lakhs.**
Project cost includes capital expenditure (other than land) and one cycle of working capital. Project without capital expenditure not eligible.

Eligibility conditions:

Borrowers: Individuals, SHGs, Charitable Trusts, Institutions under Societies Registration Act.1860, Production Co-operative Societies

Age:

- individual above 18 years,
- no income ceiling,
- 8th standard pass only for Rs10lac and above(manufacturing),Rs5lacs & above(service)project.
- Assistance only for new projects sanctioned under PMEGP. Existing units who already enjoying any Govt. assistance not eligible.
- Only one person from one family eligible for subsidy.

Identification of beneficiaries

- Will be done at the district level by a Task Force consisting of representatives from KVIC / State KVIB and State DICs and Banks.
- The Task force would be headed by the District Magistrate /Deputy Commissioner / Collector concerned

- EDP training mandatory to attend after sanction of loan.

Quantum and nature of finance assistance:

Categories of beneficiary	Beneficiary contribution (margin money)	Rate of subsidy (urban)	Rate of subsidy (rural)
General category	10%	15%	25%
Special category(SC/ST/OBC/Women/minorities/ex-servicemen/physically handicapped/North East Region/hill and border areas)	5%	25%	35%

Nature of finance:

- can be CC, Term loan or Composite loan
- Working Capital component should be utilized in such a way that at one point of stage it touches 100% limit of Cash Credit within three years of lock in period of Margin Money and not less than 75% utilization of the sanctioned limit.
- If it does not touch aforesaid limit, proportionate amount of the Margin Money (subsidy) is to be recovered by the Bank / Financial Institution and refunded to the KVIC at the end of the third year
- Repayment of term loan :3 to 7years

Subsidy:
Lock in period is 3 years. It should be kept as term deposit for 3 years. No interest to be paid on deposit and no interest is charged on loan on equivalent amount. Only after 3 years it can be adjusted. In case the Bank's advance goes "bad" before the three-year period due to reasons beyond the control of the beneficiary, the Margin Money (subsidy) will be returned to KVIC along with interest. In case any recovery is effected subsequently by the bank from any source whatsoever, such recovery will be utilized by the bank for liquidating their outstanding dues. (as per latest circular on PMEGP)

Collateral Security:
Exempted up to Rs.10.00lac. Credit Guarantee Scheme of Ministry of MSME is also available for PMEGP units to facilitate entrepreneurs for collateral security free loans

The activities under Negative list

- Items/ activities banned by Government of India or Competent Government Authorities will automatically be treated as items under negative list of PMEGP.
- Items now kept under Negative list are as follows:
- Any Industry /business connected with **meat (slaughtered)** i.e. processing , canning and / or serving items made of it as food, production
- /manufacturing or sale of intoxicant items like beedi/pan/cigar/cigarette etc.

any hotel or dhaba or sales outlet serving liquor, preparation / producing tobacco as raw materials, tapping of toddy for sale.

- Any industry/business connected with **cultivation of crops/ plantation** like Tea, Coffee, rubber etc. sericulture (cocoon rearing), horticulture floriculture, animal husbandry like like Pisciculture, piggery, poultry, Harvester machines etc.
- **Manufacturing of Polythene carry bags of less than 20microns thickness** and manufacture of carry bags or containers made of recycled plastic for storing, carrying, dispensing or packing of food stuff and any other item which causes environmental problems.
- **Industries such as processing of Pashmina Wool and such other products** like hand spinning and hand weaving, taking advantages of Khadi Programme under the purview of certification rules and availing sales rebate.
- **Rural transport** except auto rickshaw in Andaman & Nicobar Islands, house boat, Shikara and Tourist Boats in J & K and cycle Rickshaw.

Time norms for disposal of application:

Credit limits	**Time norms for disposal**
Limit up to Rs. 5.00 Lakhs	Within 2 weeks from the date of receipt of applications complete in all respects and supported by necessary documents
Limit Above Rs.5.00 Lakhs & up to Rs.25.00 Lakhs	Within 4 weeks from the date of receipt of applications and complete in all respects and supported by necessary documents
Above Rs.25.00 lakhs	Within 8 weeks from the date of receipt of applications provided the application is complete in all respects and is accompanied by documents.

- Under PMEGP scheme online applications will be mandatory and no manual applications will be allowed.

- Guidelines for second financial assistance under PMEGP for expansion of the existing successful PMEGP/MUDRA Units

Objective:

To cater needs of entrepreneurs for bringing new technology so as to modernize the existing unit and to enhance the productivity/capacity of existing units assuring additional wage employment.

Quantum and nature of financial assistance:

Categories of beneficiary	Beneficiary contribution	Rate of subsidy(of project cost)
All categories	10%(of proposed expansion/upgradation cost)	15%(20% in NER and hill states)

Maximum cost of project under manufacturing for upgradation is Rs100.00lacs and for service/trading sector is Rs25.00lacs

Eligibility:

- All existing units financed under PMEGP scheme whose margin money claim has been adjusted and first loan fully paid in stipulated time
- Unit should be making profit for last 3 years
- Registration of Udyog Aadhar memorandum is mandatory
- 2nd loan should lead to additional employment

KVIC will remain as single national level nodal agency

DEENDAYAL ANTYODAYA YOJANA (DAY) NATIONAL RURAL LIVELIHOOD MISSION(NRLM)

Ministry of Rural Development, Govt of India launched NRLM (Aajeevika),by restructuring SGSY Scheme, w.e.f. April 1,2013.

Objective: To promote poverty reduction

Eligibility conditions:

Affinity-based women SHGs of 10-20 persons (more than 70% should be BPL or rural poor), For difficult areas, groups with disabled persons and groups formed In remote tribal areas, min 5 persons, Men can also be members only for groups of persons with disabilities & other special categories like eiders, trans-genders, men and women.

Registration

SHG is an Informal group. The registration is not mandatory. Federations of SHGs formed at village level, cluster level or at higher levels are to be registered under appropriate Acts.

Financial Assistance:

1. Revolving Fund (RF):

To strengthen capacity and build a good credit history. RF is available if

1. SHG is in existence for a minimum period of 3-6 months
2. (2) SHG follows 'Panchasutra' — regular meetings, regular savings, regular internal lending, regular recoveries & maintenance of proper books of accounts.
3. SHGs did not receive any RF earlier.

RF is available as corpus, with a min of Rs. 10,000 and max of Rs. 15,000 per SHG.

2. Community Investment Support Fund (CIF):

It is used to give loans to SHGs and/or to undertake common/collective socio-economic activities. CIF is to be provided to SHGs in the Intensive blocks and routed through the Village level/ Custer level Federations. CIF will *be* maintained in perpetuity by the Federations.

Interest Subvention:

It is available to cover difference between Weighted Average Interest Charged (WAIC as specified by Ministry of Finance) and 7% (max 5.5%), on loans to women SHGs, for a maximum or Rs3 lac per SHG, in two ways:

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- In 250 identified districts, banks will lend to all the women SHGs @7% upto an aggregated loan amount of Rs3 lac. Claims to be sent on HY basis accompanied by certificate from Statutory Auditors.
- The SHG's will get additional Interest subvention of 3% on prompt payment reducing the effective rate of Interest to 4%. Claims are to be sent on yearly basis accompanied by certificate from Statutory Auditors. Canara Bank is Nodal Bank for operation of scheme and PSB & private banks with CBS are eligible. Claims are to be sent on quarterly basis.

In the remaining districts, the banks will lend at their respective lending rate applicable to SHGs. All women SHGs under DAY – NRLM, will be eligible for interest subvention on prompt payment to the extent of difference between the lending rates and 7% for the loan up to Rs. 3, 00,000 subject to maximum of 5.5 % or as prescribed by the MORD. This part of the scheme will be operationalized by SRLMs.

Capital Subsidy:

No capital subsidy is available

Role of banks:

Banks to open savings bank account with proper KYC

Lending norms:

The eligibility criteria

- SHG should be in active existence for minimum 6 months as per the book of accounts of the SHG's
- SHG should be practising 'Panchasutras'.
- SHG should be qualified as per grading norms fixed by NABARD.
- Existing defunct SHGs are eligible If revived and continue to be active for a min period of 3 months.

Loan amount: is through repeat doses as under,

a) 1st year: 6 times of proposed corpus during the year or Rs 100,000 whichever Is higher.
b) 2nd year: 8 times of existing corpus and proposed saving during the next 12 months or Rs.2 laths, whichever is higher.
c) 3rd year: Min Rs 3 lakhs, based on Micro credit plan prepared by SHGs & appraised by Federations / supporting agency and the previous credit history.
d) 4th year onwards: Min Rs. 5 lakhs or higher in subsequent doses.

TL can also be sanctioned year-wise for similar amount, dose-wise I.e 1st, 2nd, 3rd and 4th dose.

Purpose of loans:

For meeting social needs, high cost debt swapping and taking up sustainable livelihoods by members or any viable common activity started by the SHGs. Additional loan can be sanctioned even if the previous loan is outstanding.

Repayment schedule;

1st dose: 12-18 instalments'

2nd dose : 18-24 months.

3rd dose: Monthly/ Quarterly /half yearly, between 24-36 months.

4th dose: Monthly/quarterly /half yearly, between3 to 6 years

Security and Margin:

Not to be taken for loan up to Rs.10 lakhs. No lien should be marked against savings bank account of SHGs and no deposits should be insisted while sanctioning loans.

Defaulters:

Willful defaulters should not be financed.

Post credit follow-up

Bank branches may observe one fixed day In a fortnight so that staff can go to field and attend meetings of SHGs and Federations.

Sub-committee

SLBCs shall constitute a sub-committee on SHG-bank linkage to meet once a month.

Reporting

- Branches to furnish report to LDM every month.
- Banks to provide a State-wise consolidated monthly report on Progress made on NRLM to RBI/NABARD.
- NABARD to submit monthly report to NRLM,
- LBR returns: Existing procedure of submitting to be continued duly furnishing correct code.
- State-wise consolidated report on the progress on NRLM to RBI at quarterly intervals within 15 days,

Community based recovery mechanism:

One sub-committee may be formed at village/cluster/ block level, to provide support to banks to ensure proper utilisation of loan, recovery etc. Its members from each village level federation and project Staff, to meet once in a month (Chairman -Branch Manager).

DEENDAYAL ANTYODAYA YOJANA (DAY) NATIONAL URBAN LIVELIHOOD MISSION (NULM)

The scheme launched by Ministry of Housing and urban Poverty Alleviation replaced SJSRY w.e.f. 24.09.13 at all district HQs and cities with population of 1 lac or more.
Component 4 (Self-employment program), is relevant for banks.

COMPONENT 4: SELF-EMPLOYMENT PROGRAM

Target group: Underemployed/ unemployed urban poor for setting up manufacturing, servicing and petty business units.

Target

I. Women beneficiaries minimum 30%,
II. SCs and STs in ratio of their % In city/town population,
III. Differently abled - 3%,
IV. Minority communities 15%.

Selection of Beneficiary :
By ULB, SHGs, Area Level Federations (ALFs) or beneficiaries directly or Banks.

Education and Training: No minimum educational qualification. Appropriate training must before loans for special skill activities. ULB to arrange Entrepreneurship Development Program for 3-7 days.

Procedure for Interest subsidy.:
After disbursement. the bank branch will send details to ULB on a monthly basis, to be settled quarterly. SLBC's can evolve alternate procedure. If claims are not settled up to 6 months
SLBC can stop the scheme temporarily and give claim settlement to Lead District Bank.

Sub-Component

A. Individual Enterprises (SEP-I)-Loan & Subsidy

- Age: Minimum 18 Years.
- Project Cost (PC): Maximum Rs.2 lac.
- Collateral security: Nil, Banks can seek CGTMSE.
- Repayment period: 5 to 7 Years after initial moratorium of 6-18 months.

***Margin money: No margin money should be taken for loans up to Rs.50000/-and for loans ranging from Rs. 50,000/- to Rs.10.00lakhs, preferably 5% margin should be taken and it should not be more than**

Prepared by: Shri Padamjeet Dahiya
Vetted by: Shri Jeetendra Kumar Panda

10% of project cost in any case.

Sub-Component

B. Group Enterprises (SEP-G) - Loan & Subsidy

- A SHG or members of an SHG or a group of urban poor can avail the subsidised loans,
- Eligibility: Group should have min 3 members with a minimum of 70% members from urban poor families.
- Age: All members min 18 years.
- Project Cost (PC): Maximum Rs.10 *LAKH*.
- Loan: Project cost less margin of beneficiary.
- Margin: No margin money should be taken for loans up to Rs.50000/-and for loans ranging from Rs. 50,000/- to Rs.10.00lakhs, preferably 5% margin should be taken and it should not be more than 10% of project cost in any case.
- Collateral security: Nil. The banks can seek CGTMSE.
- Repayment: 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks.

Procedure for Sponsoring of Applications;

- Beneficiary can submit applications to sponsoring agency (ULB) at any time.
- Task force at ULB level will conduct interview of beneficiaries and recommended cases to banks for further processing. Time frame for processing of 15 days.
- Chief Executive Officer/ Municipal Commissioner of ULB will be chairman of the Task force. Members will include LDM and representative from bank, district industry centre.

Sub-Component

C. Interest Subsidy on SHG Loans (SHG-Bank Linkage)

- No capital subsidy is available.
- Banks (With CBS platform} can get interest subvention for all loans promptly paid loans @difference between interest rate charged by bank and 7% p.a.
- Additional 3% subvention is provided to all Women SHGS (WSHGs), that repay their loan promptly.
- For SHG bank Linkage, banks are to open Savings Bank Account of registered or unregistered SHGs (promoting habit of savings among members), These SHGs may be sanctioned Savings Linked Loans (saving to loan ratio of 1:1 to 1:4) In case of matured SHGs, loans may be given beyond the limit of 4 times the savings, as per the discretion of the bank.

Scheme Funding: Centre and States in the ratio of 75:25.

*For Arunachal Pradesh, Assam , Manipur Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Jammu' & Kashmir, Himachal Pradesh and Uttarakhand, this ratio will be 90:10.

DIFFERENTIAL RATE OF INTEREST(DRI)

Eligibility:

- Individuals whose family income does not exceed Rs. 18000/- p.a. in Rural Areas and Rs 24000/ pa in Urban & Semi Urban areas.
- Individual whose land holding does not exceed 1 acre of irrigated and 2.5 acres of unirrigated land,
- No ceiling for SC/ST engaged in agri & allied activities.
- People engaged in Cottage and Rural Industries.
- Physically handicapped pursuing gainful occupation.
- Orphanages and women's home.
- State owned corporations /cooperative societies including State corporations for Supreme Court/ST's / Co-operative societies, Large sized Adivasi Multipurpose co-operative societies for Tribal Areas.

Purpose of loan
For productive activities, pursuing higher education for indigent students, purchase of artificial limbs, hearing aids, wheel chairs by physically handicapped.

Amount
Max Rs.15000. For physically handicapped, additional loan of Rs.5000 for artificial limbs / braille typewriter. Loan up to Rs.20000 for housing to SC/ST and under Indira Awas Yojana.

Target
Min 40% to SC/ST beneficiaries
2/3rd to be routed through rural and semi urban branches

Classification
Weaker section advances

Subsidy/margin
No subsidy. No margin.

Interest
4% pa simple interest

Security
Hypothecation of assets created out of bank loan. No collateral security.

Repayment
Depending upon income generated. **Max 5 years** including grace period up to 2 years depending upon the type of activity and income generation.

SCHEME FOR REHABILITATION OF MANUAL SCAVENGERS(SRMS)

- Scheme launched under prohibition of employment as Manual Scavengers and their Rehabilitation Act 2013 by modifying the earlier scheme 2007.
- Scheme implemented by National Safai Karamchari Finance and Development Corp under Ministry of Social Justice.
- Manual Scavengers and their dependants irrespective of their income are eligible (min age 18 years)

- **Training**: Beneficiaries to be provided 2 years training with stipend @ Rs.3000 per month.

- **Cash Assistance**: Identified persons (one from each family) eligible for cash assistance of Rs.40000/-(withdraw able in monthly instalment of Rs.7000/)

- **Max Loan Amount**: Rs.10 lac(in case of sanitation related projects, the loan amount is Rs.15 lac)

- **Repayment**:

  Project up to Rs.5 lac : 5years
  Project above Rs.5 lac : 7years
  *(including moratorium period of 2 years)

- **Rate of Interest**:

  Project up to Rs.25000: 5%(4% for women)
  Project above Rs.25000: 6%

- **Back Ended Capital Subsidy**:

Project Cost	Rate of Subsidy
Up to Rs.2 lac	50% project cost
>Rs.2lac to Rs.5lac	Rs.1 lac + 33.3% of project cost above Rs.2lac
>Rs5 lac to Rs.10 lac	Rs.2 lac + 25% of project cost above Rs.5 lac
>Rs.10 lac to Rs15 lac	Rs.3.25 lac

- Full amount of loan shall be disbursed including amount of subsidy
- In case of misuse, borrower is liable to repay back the subsidy amount @9% per annum interest.

Prepared by: Shri Padamjeet Dahiya
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PMAY

Pradhan Mantri Awas Yojana- Housing for all(Urban):

Mission and Duration: “Housing for all” mission for Urban Area by 2022

Objective: to address the housing requirement of urban poor

Eligibility:

- The beneficiary family should not own a pucca house (Pucca house: an all-weather dwelling unit either in his/her name or in name of any member of his family in any part of India)
- House should be in the name of of female head of household or in the joint name of male head of household and his wife, and only in cases when there is no adult female member in the family, the house can be in name of male member of the household
- Interest subvention is available only to those borrowers who has not availed any other benefit from other Govt Schemes.
- All statutory Towns as per census 2011 will eligible for coverage under this scheme.

Beneficiary:

The beneficiary family will comprise Husband, wife and unmarried children. An adult earning member (irrespective of marital status can be treated as a separate household)

Age limit:

Maximum 70 years at the end of repayment (as applicable for regular housing scheme)

Loan Amount: As per eligible amount based on the income norms

Margin:

Loan Amount	Margin
Up to Rs.30 lakh	10%
Above Rs 30lakh and up to Rs75 lakh	20%
Above Rs.75 lakh	25%

Disbursement of Loan:

Disbursement to be made not more than 4 instalments depending upon progress of construction as subsidy will be released to the Bank by NHB in maximum 4 instalments.

Take home Pay: 40% norms to be satisfied (**in case of husband and spouse, if both are employed ,40% norms to be seen only in case of prime borrower and net**

income of spuse shall be added to arrive at repayment capacity and fix quantum of loan)

Credit linked subsidy scheme

Parameter	**CLSS for Economically Weaker section/Low income group**		**CLSS for middle income group**	
	EWS	**LIG**	**MIG I**	**MIG II**
ANNUAL HOUSEHOLD INCOME(Rs per annum)	Up to Rs. 3 lakh	Above Rs3 lakh and upto Rs.6 lakh	Above Rs.6 lakh and upto Rs.12 lakh	Above Rs12 lakh and up to Rs.18 lakh
Annual income furnished above should not be exceeded to be eligible under this scheme				
Interest subsidy(% per annum)	6.5%	6.5%	4%	3%
Maximum loan tenure considered for interest subsidy	20years	20years	20years	20years
	Loan tenure can be more as per our scheme up to 30years,but for subsidy calculation, the tenure is restricted as 20years or tenure of the loan whichever is lower.			
Eligible housing loan amount for interest subsidy	Rs.6 lakh	Rs.6lakh	Rs.9 lakh	Rs.12 lakh
	The amount shown here is the amount up to which the loan is eligible for subsidy. However the actual loan can be more as per eligibility.			
Dwelling Unit Area(area enclosed within walls)	30 sq. m	60 sq. m	160 sq. m	200 sq. m
	The beneficiary, at his/her discretion, can build a house of larger area but interest subvention would be limited to the eligible housing loan amount for interest subsidy based on the category			
Processing Charges per sanctioned application up to eligible amount will be paid by NHB	Rs.3000/-	Rs.3000/-	Rs.2000/-	Rs.2000/-

	Actual processing charges above the eligible loan amount for subsidy, should be charged and recovered from the borrower

Requirement of obtention of NOC: To ensure that beneficiaries do not take advantage of more than one component of Govt Schemes Bank should take NOC from State/UT Govt or designated agencies of the State/UT for the list of beneficiaries being given benefits under credit linked subsidy.

Balance transfer-case of non-eligibility:

In case of borrower has taken housing loan and availed interest subvention under the scheme but later on switches to another bank, such beneficiary will not be eligible or claim benefit of interest subvention again.

GOVERNMENT SPONSORED SCHEMES

Name	Weavers Credit Card	Poultry Venture Capital Fund (Subsidy)
Implementing Agency	Banks	NABARD
Objective of the scheme	providing adequate and timely assistance to the weavers to meet their credit requirements	to encourage poultry farming activity especially in non-traditional States and provide employment opportunities in backward areas.
Target Group	All weavers and ancillary workers involved in weaving activities	Farmers, individual entrepreneurs, NGOs, companies, cooperatives, groups of Un-organized and organized sector which include Self Help Groups (SHGs), Joint Liability; Groups (JLGs) etc.
Purpose	Working capital & for purchase of tools and equipment required for carrying out weaving activity	For setting up layer units, broiler units etc.
Quantum	Max. Rs.2.00 lacs	Varies depending on the species, purpose etc. Ref .NABARD circular No. Circular No. 124 / ICD - 27 / 2011 dt.30.06.2011 address banks
Amount of subsidy	Margin money of Rs.4200 available form GOI	Capital subsidy - 25% of outlay (33.33 % for SC and ST entrepreneurs and North Eastern areas including Sikkim)
Rate of Interest	As applicable to SME advances. Interest charged by the bank over & above 6% is available as int. subvention (cap 7%)	Cash credit : BR + 1.25% Term Loan : BR + 1.50%
Security	Prime: Hypothecation of assets created out of loan amount; No collateral	Prime security: Hypothecation of assets created out of loan amount Collateral: as decided by the bank/RBI guidelines.
Margin	20% of the project cost subject to a max of Rs.1 0,000 available as margin money	For loans up to Rs. one lakh, banks may not insist on margin as per RBI guidelines. For loans above Rs. 1.00 lakh : 10% (minimum)
Repayment	The credit card would be valid for 3 years' subject to an annual review by the bank.	Repayment Period will depend on the nature of activity and cash flow and will vary between 5- 9 years.

	Regular payments	
Holiday period	as assessed by branch	may range from 6 months to 1 year
Priority status	Yes	Yes
Discretion	branch	As per other agri finances (Per borrower limit)
Remarks	A Photo Weaver Credit Card (WCC) indicating sanctioned limit and validity period will be issued CGTMSE available. AGF will be borne by GOI (SME/ ADV 531/2014-15 dt.05.11.2014)	NABARD would provide refinance assistance to commercial banks. The capital subsidy will be back ended with minimum lock-in period of 3 years.

SUBHAGRUHA – HOUSING LOAN SCHEME

Purpose:

- Term loan for acquisition / construction of new flat or a house and for purchase of old house/ flat. (In case of purchase of old house/flat it should not be more than **25 years old**).
- Loans under the scheme may also be sanctioned for additional rooms/ first floor/ Second floor on the already owned houses.
- Second/ additional loans may also be sanctioned to the existing borrowers under the scheme for construction of additional rooms/ floors on the already built houses.
- Second loan for purchase / construction of second house also can be given under the Scheme.
- Loans shall be considered for purchase of plot also subject to the loan quantum for such purpose **does not go beyond 30%** of the total loan amount sanctioned and the house to be constructed **within 2 years** from the date of **purchase of plot.**

Eligibility:

- Individuals/group of Individuals and individual members of Cooperative society. Individuals who have regular and independent Source of Income from Agriculture/ Profession/ Trade business etc. and through employment.
- In case of applicants belonging to salaried class he should be in the line of employment **at least for 2 years** and in case of persons in business it may be reduced/ waived depending on the income of the individual.
- The maximum age of the applicant at the time of availing loan may be considered **up to 60 years**.
- In case of applicants having crossed the **age of 55 years**, his/ her spouse or other legal heir should be included as co-obligant. However the entire loan should be liquidated before the first applicant attains the age **of 70 years**.
- Borrower, who wants to let out the house he purchases, on rental basis on account of his posting outside the headquarters or because he has been provided accommodation by his employer, is also eligible to avail the loan under the Scheme.
- **The Subhagruha Pre approved home loan** (RBMD/ ADV/ 524/2014-15 dt. 30.09.2014)

- ✓ Provides provisional sanction of Home Loan limits to the customers before finalization of the property which enables them to negotiate with the Builder/Seller confidently.
- ✓ The loan eligibility will be assessed on the basis of income of the applicant.
- ✓ Non-refundable processing fee as applicable to the Home Loan will be collected at the time of sanction, under our terms and conditions with the margin requirements
- ✓ Pre-approved loan arrangement letter (PLAL) will be valid for a period of **3 months**
- ✓ Minimum Loan amount: **Rs. l0 Lacs Quantum of finance.**

- There is no upper ceiling.
- 50% norms are followed for arriving at the eligible amount. Regional Managers are empowered to sanction housing loan under 40% norms.
- In case of Business people and other High Net worth Individuals with higher monthly income, Loan quantum shall be arrived, based on their standard of living in proportion to their monthly income, prudently.
- The following points shall be considered by Branches /RO for all the housing loan schemes, including NRI housing loan, under quantum of finance; (RBMD/ADV/568/2015-16 dt. 10.04.2015)

Gross monthly income of business and salaried class customers	Loans can be considered with net take home pay (after taking in to account the proposed EMI and all other deductions including that of savings nature) not less than
Rs.75,000 and below Rs.1 lakhs	40% of the gross pay
Rs.1.00 Lac and below Rs.5.00 Lacs	30% of the gross pay
Rs.5.00 Lac and above	15% of the gross pay

- **Maximum Loan Amount:**

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by : Shri Kolappan

The maximum loan amount has to be arrived based on the lowest of the following:

A. LTV (Loan to Value) ratio as per RBI guidelines

B. Loan quantum arrived based on the income eligibility/Take Home Pay norms

C. Loan amount applied for.

The applicable LTV ratio w.e.f 07.06.2017 for granting home loans is as given below:

Loan Amount	LTV ratio
Up to Rs 30.00 lakhs	90%
Above Rs 30.00 lakhs and up to Rs 75.00 lakhs	80%
Above Rs 75.00 lakhs	75%

With regard to the term "value" in Loan to Value ratio, the following amount is to be considered as VALUE:

<u>Arrival of quantum of loan for New House/Flat based on LTV ratio</u>

The value of the property to be purchased shall be arrived based the **lower of the following values:**

(i) Cost of the house/flat mentioned in agreement to sale. However Stamp duty, Registration charges and other documentation charges, which are not realizable in nature will not be included in the value of the property/agreement to sale for arriving at the loan eligibility

AND

(ii) **Current Fair Market** value as per the latest valuation report

<u>Arrival of Quantum of loan for Old House/Flat based on LTV ratio</u>

The value of the property to be purchased shall be arrived based on the **lower of the following values:**

(i) Cost of the house/Flat mentioned in agreement to sale

AND

(ii) Forced sale value as per the latest valuation report

However, stamp duty, Registration charges and other documentation charges has been permitted to be added to the cost of the house/dwelling unit for the purpose of calculating LTV ratio in cases where the total project cost of the dwelling unit does not exceed Rs 10.00 lakhs

- In case of Husband and wife, if both are employed, 40% norms should be seen only in case of the Prime borrower and net income of the spouse shall be added to arrive at the repayment capacity and to fix quantum of loan. However this norm cannot be applied for any other relations.
- Stamp duty, registration and other documentation charges should not be included in the cost of the house property, where the cost of the house to be financed is more than **Rs.10 lacs**.

Repayment:-

- Loan should be repaid within a maximum period of **30 years** including the maximum holiday period.
- Repayment period shall be permitted up to the age of **70 Years**. However incase of employed persons it may be ensured that adequate documentary evidence is produced in support of additional income/ pension /income from other sources to meet the installment commitments.
- Loan is repayable in equated Monthly installments and interest Charged during holiday period at monthly rest has to be serviced.
- However in order to facilitate the borrowers who are close to their retirement years and are currently earning good income, the branches may fix a higher EMI till their retirement period and shall re-fix the EMI at the time of their retirement in such a way that the **40% norms** shall be maintained in the post retirement income also.
- Similarly, in case of any lump sum payment made by the borrowers towards part payment of the loan, the EMI shall be re-fixed on the outstanding of that date at the request of the borrower. Form 378 to be obtained afresh at such times.
- **Subhagruha Housing Loan - Cash Credit** (RBMD/ ADV/ 524/2014-15 dt. 30.09.2014)
  - ✓ Our SB/CD customers, who maintain a minimum balance of Rs. 5000 with regular transactions in the account OR who maintain their salary account with us are eligible to avail Housing loans with us as Cash Credit limit

- ✓ The Drawing Power of the CC limit, equal to the monthly EMI (Principal plus Interest) will be reduced every month as diminished drawing power
- ✓ Credits into the account will be permitted only after release of the loan amount/first disbursal
- ✓ ATM-Debit card and E See banking facilities are also allowed in the account, after full disbursal of loan amount and completion of required formalities such as, creation of mortgage, etc.
- ✓ Staff members are also eligible provided Cash-credit DPN loan is not availed.

Holiday period:

- A maximum of **18 months** from the date of disbursement of first installment of loan or completion of construction whichever is earlier.
- For purchase of old house/old flat, holiday period of **3 months** may be allowed.

Margin:-

- Margin requirement is based on LTV ratio as given below;

Loan amount	LTV ratio	Margin
Up to 30 lacs	<=90 %	10 %
Above 30 lakhs & up to 75 lacs	<=80 %	20 %
Above 75 lakhs	<=75 %	25 %

Branches shall maintain LTV ratio and shall not exceed the prescribed margin for loan sanctioned. In case LTV ratio is higher for any reasons, immediately steps are to be taken to bring under prescribed limit.

- The **stamp duty, registration and other documentations charges** are to be borne by the borrower and cannot be included under Margin, if the loan amount exceeds ₹ 10lakh.
- In case of loans for construction of house on already owned plot, **cost of such plot shall be reckoned as margin .**The value of such plot to be reckoned as given in the Sale Deed of the land purchased or the ruling guideline value **whichever is less**.
- However value of properties/plots obtained through Gift Deed / Partition Deed / Settlement Deed or by any such means shall not be considered as Margin.

Rate of Interest:

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by : Shri Kolappan

- As per the circular issued by CSSD from time to time. All Housing Loan interest rates are now linked to Bench Mark rate RLLR.

- Whenever there is change in the Interest Rates, branches should re-fix the EMI subject to it does not fall below the present EMI amount. Branches should also advise their borrowers and co-borrowers about the change and obtain acknowledgements from them.

Penal interest

- 2% over the prescribed rate should invariably be charged for the amount of default / delay in payment of installments for the overdue period.

Processing Charges: - (subject to waiver by bank from time to time)

- At 0.50% of the loan amount with a maximum of Rs.20000 for loans up to 75 lakhs.
- At 0.50% of the loan amount with a maximum of Rs.25000 for loans above 75 lacs.

Security:

- Immovable property to be financed must be mortgaged only with our Bank. The land should be in the name of the applicant or jointly with his/ her spouse / close relatives (Co-obligant).

- Loans can also be considered even if the land is in the name of any close relatives. However the loans should be granted jointly, where the **earning member will be the Prime borrower** and the land owner will be the co borrower.

- The mortgage details should be registered under CERSAI also as per the extant guidelines.

Valuation of property:-

- In case of new house/flat allotted by DDA/ Housing Boards and other central/ State Government Agencies (original purchase/ first buyer), separate third party valuation **need not be** insisted upon.

- In other cases like Second hand house or flat / flats purchased from Private builders/ construction on owners plot etc., estimate report at the time of sanction of loan and valuation report at the time completion / possession, from our approved valuer should be obtained at borrowers cost.

- Age of the house / flat should not generally exceed **25 years**. Regional Managers are given discretion in cases where the age of the building exceeds 25 years provided our approved valuer has certified about the quality and soundness of construction. The certificate should also indicate the probable left over life span of the building, sufficiently covering the proposed repayment period.

Insurance:-

- The Property should be insured for the full value of its superstructure for the risk of fire and other hazards including earthquake with bank clause during the currency of loan and the original policy should be held with the bank.

Prepayment Charges:

- No Prepayment charges to be collected on any loans closed prematurely.

Takeover of loans:-

- Branches are permitted to take over housing loans accounts from other banks as well as reputed housing Finance institutions such as HUDCO, LIC housing Finance Ltd and other reputed intermediaries in the housing finance market in the public/ private sector, provided it satisfies the following
  - ✓ The accounts to be taken over are regular and are in the standard category and performing assets
  - ✓ The repayment period to be fixed by us should not exceed the original repayment period stipulated by the institution, which has sanctioned the original loan.
  - ✓ The proposal for takeover of housing loan accounts branches should obtain prior permission from Regional Offices for takeover of loans. Credit decision is that of the branches based on the discretionary powers given to various layers of authority.
  - ✓ The restrictions on taking over of housing loan accounts from Nidhi Companies benefit funds and other NBFCs will continue to be in force.
  - ✓ Proposals involving taking over of housing loan accounts from cooperative housing societies will have to be referred to General Managers for prior clearance /permission.
  - ✓ Details of NBFCs who can be considered as other reputed intermediaries based on their valid credit rating:
    (Cir: MISC/618/2019-20 dated 05.09.2019)

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by : Shri Kolappan

S. no	Name of NBFC
1	Bajaj Housing Finance Limited
2	GIC Housing Finance Limited
3	Housing Development Finance Corporation Limited
4	LIC Housing Finance Limited
5	Mahindra Rural Housing Finance Limited
6	Shriram Housing Finance Limited
7	Sundaram BNP Paribas Housing Finance Limited
8	Tata Capital Housing Finance Limited
9	PNB Housing Finance Limited

- ✓ Branches are permitted to takeover housing loans from these NBFCs after ensuring adequate KYC, Due diligence and acceptability of relative properties as per our extant guidelines.

Other conditions

- Loans must be granted either by the branch nearer to the permanent residence of the borrower or nearer to the location of the property proposed to be financed.
- In case the borrower fails to construct a house within the stipulated time on the plot purchased using the bank loan, the loan amount disbursed up to date must be recovered at **commercial rate of interest from the date/s of disbursements**. An Undertaking letter from the borrower accepting to repay the loan with commercial rate of interest in case of failure to construct the house to be obtained before disbursement of loan
- The borrowers must be advised to bring in proportionate margin before release of each stage of loan. The proceeds are to be paid to the Contractor/builder/ supplier of materials by way of Demand Draft or in any other electronic mode of payment as far as possible against their acknowledgement/ receipts/ bills.
- In cases where the applicant owns a plot/land and approaches the bank for a credit facility to construct a house, a copy of the sanctioned Plan approved by the competent authority in the name of the person applying for such credit facility must be obtained by the bank.
- An affidavit – cum undertaking letter must be obtained from the person applying for such credit facility that;

- ✓ He shall not violate the sanctioned plan and construction shall be done strictly as per the sanctioned plan.
- ✓ It will be the sole responsibility of the executants to obtain completion certificate within 3 months of completion of construction failing which the bank shall have the power and the authority to recall the entire loan with interest costs and other usual charges.

- An architect appointed by the bank must also certify at various stages of construction of building that;

  - ✓ the construction of building is strictly as per the sanctioned plan and
  - ✓ Also certify at a particular point of time that the completion certificate of the building issued by the competent authority has been obtained.

- When loan is granted for purchase of built up house/ flat it is mandatory for the borrower/s to declare by way of an affidavit cum undertaking that the built up property has been constructed as per the sanctioned plan and or building bye laws and as far as possible has a completion certificate also.

- An architect appointed by the bank must also certify at various stages of construction of building that the construction of building is strictly as per the sanctioned plan and also certify at a particular point of time that the completion certificate of the building issued by the competent authority has been obtained.

- An architect appointed by the bank, must also certify before disbursement of loan that the built up property is strictly as per the sanctioned plan and/ or building bye laws.

- No loan should be granted in respect of those properties which fall in the category of unauthorized colonies unless and until they have been regularized and development charges are paid.

- Further no loan should be sanctioned in respect of properties meant for residential use but which the applicant intends to use for commercial purposes and declare so while applying for loan.

- In case of loans availed jointly by **resident** and **non-resident Indians**, it has to be treated as loan under Subhagruha Scheme only.

- If loan is granted in the names of more than one borrower, the asset creation must be in the names of all the borrowers.

Loan to Staff members

- All the terms and conditions mentioned in the Scheme will be applicable to Staff members also who avail the loan under the Subhagruha Scheme, provided their Pension and other fixed income (like rent, income/pension of spouse, etc.,)are sufficient to make good the loan installment for which documentary evidences are to be produced by them.
- The loans granted to the staff members should be recovered in proportionate EMI from their monthly salary. However the monthly installment under this loan need not be reckoned for arriving member's 40% net income for availing other staff loans by them from the Bank.
- Besides authorization letter for deduction of proportionate loan installments from their monthly salary, the applicants should also submit a letter of undertaking for recovery of the entire outstanding in the loan account from their terminal benefits in the event of death/ pre-mature retirement / termination etc during the currency of the loan.
- Loans under Subhagruha scheme to the staff members, whether as prime borrower or as co borrower, are to be sanctioned **by RLCC only**, even if the loan amount falls within the discretionary powers of the branch.
- Loans under the Scheme are to be availed at the Salary Drawn branch only.
- Branches/Regional Offices need not insist for prior clearance from Industrial Relations department, Central Office for loan availment by staff members under Subhagruha Housing loan scheme.
- However the sanctioning authorities shall mark a copy of their sanction endorsement of the loan granted to our staff members under the above scheme, marking to Industrial Relations Department, central office and Personnel Administration Department clerical/ Supervisory section, as the case may be for placing the same in the respective members' personal files.
- Banks are advised that disbursal of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing project/houses and upfront disbursal should not be made in cases of incomplete/under-construction/green field housing projects.

  But in cases of projects sponsored by Government/Statutory Authorities, they may disburse the loans as per the payment stages prescribed by such authorities, even where payments sought from house buyers are not linked to the stages of construction, provided such authorities have no past history of non-completion of projects (RBI Cir dt. 05.03.2015).

Direct Selling Agents and Housing Loan counselors

To improve competitive edge in the market to enable Branches/Regional Offices the following lead sourcing agents have been introduced in the bank:

1. Housing Loan Counselors………….. (Individual DSAs)

2. Direct Selling Agents ……………….. (Non individuals like firms and companies etc)

Their scope of empanelment is limited to sourcing new housing loans/takeover of housing loans only. HLCs are strictly refrained from sourcing other loans/products of our bank.

Scope of DSAs/HLCs is limited to only sourcing of Housing Loans. They are not eligible for any commission from sourcing any other product of our bank other than housing loans. However, staff loans Top Up loans, Home Improvement Loans for existing Housing Loan borrowers are exempted from scope of DSAs/HLCs.

Staff/Ex-staff's are not eligible to become HLCs.

Commission is payable for loan only above 10 lacs.

There is no restriction in geographical area for operation of HLC/DSA

The role of HLCs/DSAs is limited to the sourcing of proposals only. KYC verification, due diligence, pre-sanction survey, appraisal, documentation, disbursement and post sanction survey in respect of Home Loans are to be done by the branches.

Builders' Payout/Project Approval:

Regional Offices have been advised to maximize Project Tie up with Builders and it is expected that the bank should tie up with every Builder for all ongoing projects of major builders in all cities. Regional offices can extend payout to Sales Executive of Builder who has sourced Housing Loan for the bank or Builder directly. Maximum payment is restricted to 0.25% or Rs 50000.00 per loan, either severally or jointly to Sales Executives of Builders/Builders. **(Cir: ADV/410/2019-20 dated 01.10.2019)**

SUBHAGRUHA GEN-NEXT HOUSING LOAN

Subhagruha Gen Next Housing loan provides 20 % higher loan amount than that of normal Home Loan eligibility to salaried employees of Private Sector Companies/MNCS/Government Undertakings/PSUs & the Government employees subject to maintenance of stipulated LTV ratio and necessary margin requirements.
Eligibility: Age between 21 to 45 years. Minimum Net Monthly income should be Rs 30000/- (expected rental from the proposed property should not be included in the monthly income of the borrower).
Holiday/Repayment period: An initial holiday period up to 36 months shall be permitted under the scheme. However, loan tenor should not go beyond 30 years including the holiday period and the age of the borrower should not exceed 70 years at the time of last installment of the loan.

This product is applicable to the staff members also who wish to avail loan under Subhagruha Scheme for purchase of properties.

Note: Additional limit of 20% must not erode LTV as per RBI requirements.

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by : Shri Kolappan

SUBHAGRUHA FOR AIR FORCE PERSONNEL

Target group: The applicants should be in service Indian Air Force personnel who are members of Air Force Group Insurance Society(AFGIS)

Purpose: Acquisition/construction of a new flat or a house. The age of the old house/flat should not be more than 25 years. Loans for additional floor/rooms construction also permitted.

Sanction of the loan: The loans are to be primarily sanctioned from R.K.Puram branch,Delhi as a one stop solution,though other branches may also extend the loan if the applicants desire so,as given below:

	Scenario 1	Scenario 2
Place of working	Anywhere in India	Anywhere in India except Delhi/NCR
Place of property to be purchased	Delhi/NCR	Anywhere in India except Delhi/NCR
Availment of loan through	R.K.Puram Branch,Delhi	Any IOB branch

Quantum of loan: No ceiling. Quantum to be fixed taking into account the age and repayment capacity of the applicant/co applicant.Minimum take up pay norms of 30 % applicable.
Margin,security,holiday period and rate of interest are as applicable to Subha Gruha loan.

Repayment: Maximum 30 years. The repayment should be permitted up to the age of 57 years.Repayment upto 70 years of age permitted if documentary evidence is produced in support of additional income/pension/deposit income from other sources to meet the installment commitments.

NRI HOME LOAN SCHEME

Purpose of Loan:
(a) For purchase or construction of a residential house or flat
(b) For repair or renovation of existing residential house or flat.

Eligible persons: A NRI/PIO holding Indian passport or passport of any other country except Pakistan and Bangladesh is eligible for the loan.

Quantum of Loan: No ceiling. For repairs and renovation: Rs 5.00 lakhs.
Rate of interest: As advised by CSSD from time to time. Presently the rate of interest is linked to bench mark RLLR.

Margin:

- ✓ Up to Rs 30.00 lakhs: 10%,
- ✓ Above Rs 30.00 lakhs up to Rs 75.00 lakhs: 20%
- ✓ Above Rs 75.00 lakhs: 25%

Loan repayment period:
- For purchase/construction: maximum 180 months.
- For repair and renovation: maximum 60 months

Holiday period:
- Purchase: 6 months
- Construction: 12 months
- Repair and renovation: 3 months

Security:
Immovable property to be financed must be mortgaged only with our Bank. **The land should be in the name of the applicant or jointly with his/ her spouse / close relatives** (Co-obligant). The applicant should have a clear and marketable title over the property to create a valid mortgage.

Registered Memorandum of deposit of title deeds has to be done as advised by Law Department in the states wherever applicable. EC Post Memorandum is to be obtained .The mortgage details should be registered under CERSAI also as per the extant guidelines.

Other conditions:
The loan proceeds should not be credited to NRE/FCNR account. The repayment should be out of fresh foreign inward remittance or by debit to NRE/NRO/FCNR account of the borrower in India. If the property is rented, the entire rental income should be credited to the loan account every month even if the amount is higher than the installment amount. If the rental income is less than the installment prescribed, the shortfall should be received by fresh foreign inward remittance or by debit to NRE/NRO/FCNR account of the borrower in India.

IOB GHARONDA

Our Prime Minister envisioned housing for all by 2022 during the event of our Nation completing 75 years of Independence, the mission was launched as "**Housing for All by 2022**". The mission initially addressed the housing requirement of urban poor including slum dwellers by providing credit linked capital subsidy (CLSS) through banks which have signed MOU with Central Nodal Agency (NHB) for promoting affordable housing for Economically weaker section (EWS) and Low income groups (LIG) through credit linked subsidy. From 01.01.2017 the scheme was extended to middle income group (MIG-1 & MIG -2). Our bank has also launched a separate product incorporating all the features of PMAY by the name" **GHARONDA**".

1. **Terms and conditions:**
    a. Beneficiary should not own a pucca house in his/her name in any part of India.
    b. Houses should be in the name of female head of her household or in joint name of male head of household and his wife. In cases of homes without women the house can be in the name of male members.
    c. Interest subvention is available only for borrowers who have not availed any other benefits from the government.
    d. All statutory towns as per 2011 census will be eligible for coverage under this scheme.
    e. For identification of category of beneficiary an individual loan applicant will have to submit self attested certificate/affidavit.
    f. Max age limit 70 during closure of loan.
    g. Preference may be given to women (widows, single working women) and persons belonging to SC/ST/OBC with disability and transgender
    h. Take home pay for single borrower – 50%; in case of husband and wife are both employed 40% norms will be seen in case of prime borrower alone for fixing of loan quantum. Same not applicable to other relations.
    i. Immovable property financed will have to be mortgaged with our bank. Registered memorandum of title deeds in applicable states as advised by Law Department.
    j. Transfer of Balance from one bank to another is not eligible or claim benefit of interest subvention again.
    k. **NOC (No objection certificate)** is to be obtained from Government or designated agencies of States/UT for giving benefits.
    l. Pan and Aadhar to be linked to the account.
    m. Margin requirements, Repayment period same as Subhagruha.

2. **Credit linked Subsidy scheme:**

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by : Shri Kolappan

Parameter	EWS	LIG	MIG-1	MIG-2
Beneficiary	A beneficiary family will comprise of husband, wife, unmarried sons and or unmarried daughters. Adult earning member will be treated as separate household			
Annual household income	Up to 3.00 lakhs	Above 3.00 up to 6.00 lakhs	Above 6.00 up to up to 12.00 lakhs	Above 12.00 up to up to 18.00 lakhs
Annual household income not to exceed this threshold limit				
Maximum loan tenure subsidy considered	20 years	20 years	20 years	20 years
Interest subsidy	6.5%	6.5%	4.00%	3.00%
The NPV of the interest subsidy will be calculated at discount of 9%				
Eligible housing loan interest subsidy	6.00 lakhs	6.00 lakhs	9.00 lakhs	1200 lakhs
Maximum amount for which subsidy is considered				
Dwelling unit carpet area	30 sq.m	60 sq.m	160 sq.m	200 sq.m
Beneficiary at his/her discretion can build a house of larger area but interest subvention would be limited to eligible housing loan amount for interest subsidy based on category.				
Processing charges	3000/-	3000/-	2000/-	2000/-
Maximum amount of reimbursement by NHB. Only the difference is to be collected from the customer at rate of 0.50%(maximum of 20000/-)				

Note: Interest subsidy will be credited upfront to the loan account of the beneficiaries through lending institutions resulting in reduced EMI.

3. Subsidy Claim Procedure:

a. Subsidy will be provided by NHB, claim details will have to be filled in web portal.
b. Subsidy will be released in a maximum of four installments.
c. Subsidy will be credited to the borrowers account upfront and EMI will be calculated on the net remaining amount.

Prepared by: Shri Rajeev Kumar Puthalath
Vetted by : Shri Kolappan

SUBHA GRUHA TOP UP LOAN

Purpose of loan: For any purpose other than for speculation in the form of Home equity loan. Home equity loans are often used to finance major expenses such as home repairs, medical bills, or college education.

Eligible persons: All Home Loan borrowers with a minimum satisfactory repayment of 24 months after completion of moratorium period

Quantum of Loan: Minimum: Rs 50000.00 Maximum: Rs 2.00 crores

Margin: Permissible Loan amount is to be calculated at 75% of present Forced Sale Value (FSV) at the time of availment of Top up loans less the outstanding in the Housing Loan.

Repayment and Holiday period: Repayment period to be in line with and up to the underlying Home Loan account. No Holiday Period

Rate of interest: As advised by Banking Operations Department from time to time.

Security: Either equitable mortgage of the house/ flat, which is under renovation/ repair and the land or any other immovable property in the name of the borrower and unencumbered with a market value twice the loan amount.

Other conditions: Up to two Home Equity Loans shall be allowed to exist together. The EMI is to be fixed separately for the Top up loans and documents to be taken accordingly. EMI must be fixed for each loan separately and not to be clubbed. And the EMI for the original Housing Loan cannot go below the originally committed installment amount.Wherever F 417 is not obtained for the original loans, especially loans granted prior to the year 2006, F417 is to be obtained for the Top up loans. Registration of memorandum is subject to the extant guidelines of the respective States and as advised by our Legal Services Dept.,from time to time.

HOME IMPROVEMENT SCHEME

Purpose of the loan: For meeting expenses for repair/renovation/ up gradation of existing house/ flat. (Ex., Painting, building a compound wall, flooring / tiling, replacement of doors / windows, wiring, etc.)

Eligible persons: Individuals (Salaried class, Business people, professionals) owning at least a flat in his/her name.

Quantum:

- ✓ Minimum: Rs 0.25 lakhs
- ✓ Maximum: Rs 15.00 lakhs

Margin: 50 % of Market value of the property

Repayment and holiday period: Maximum 120 EMI with a holiday period of 3 months subject to maximum age of 60 years

Rate of interest: As advised by CSSD from time to time. Presently the rate of interest is linked to bench mark RLLR.

Security: Either equitable mortgage of the house/flat, which is under renovation/repair and the land or any other immovable property in the name of the borrower and unencumbered with a market value twice the loan amount

Other conditions:
For salaried class: (1) must be in confirmed service in a reputed organization. (2) Take home pay not less than 50%(c) should have balance of service equal to or more than the repayment period (d)Proof of any other source of income
For self employed: (a) Should be in the same line of business for a minimum period of 3 years (b) should be an IT assessee

(Ref: **Master Circular** : ADV/359/2009-10 dated 21.12.2009)

HOME DECOR SCHEME

Purpose of Loan: To furnish the house / flat with drawing room furniture, Kitchen equipment, air conditioners, room coolers, curtains, cots, sink, bath tubs, show case, cupboards, carpets etc. except consumer durables. The scheme aims at a package to furnish the entire house. Applicant's share in the cost of repairs, renovation of the apartment and also cost of development of common area of the apartment are covered under this scheme.

Eligible persons: Individuals in employment, business, self-employed professionals who own a house / flat in their name or in the name of their spouse subject to:
a. Person in employment must be in confirmed service.
b. Those in business must have standing in the line of business / activity for 3 years.
c. If the house / flat are in the name of close relatives like father, brother etc., and loan can be considered in joint names.
d. Applicant should not be more than 55 years of age at the time of application.

Quantum of Loan:
1. Five times the gross monthly income or Rs. 2.00 lakhs whichever is less if third party guarantee is offered.

2. Ten times the gross monthly income or Rs.10.00 lakhs whichever is less if collateral equal to the loan amount is offered.

Margin: 25% of the total cost of furnishing/ cost of repairs, renovation, development of the apartment. Margin to be kept as deposit till closure of loan.

Repayment and Holiday Period: Maximum 72 EMI with no holiday period subject to maximum age of 60 years.

Rate of Interest: As advised by CSSD from time to time. Presently the rate of interest is linked to bench mark RLLR.

Processing Charges: 0.50 % of the loan amount, maximum of 20000/-.

Security:
Loan up to Rs. 2.00 lakhs:

i) Hypothecation of items purchased under the loan in the case of furnishing the house.
ii) Suitable third party guarantee from a person drawing salary at least equal to the salary/monthly income of the applicant.
iii) In case the house / flat is mortgaged to another Bank / Institution, no lien letter from the Bank / Institution is to be submitted for the items hypothecated to our Bank/renovations undertaken.

b) Loan > Rs. 2.00 lakhs and up to Rs.10.00 lakhs:
i) Hypothecation of items purchased under the loan.
ii) Mortgage of the house / flat which is being furnished. The value of the property should be at least equal to the loan amount. (Or) Mortgage of any house / flat with value at least equal to the loan amount.
iii) In case Home Décor loan is sought for a house / flat which is already mortgaged to another Bank / Institution, no lien letter from the Bank / Institution is to be submitted for the items hypothecated to our Bank,
in addition to the security as mentioned above under (a)I, ii, iii.

Other conditions: Quotation / estimate for the items to be purchased to be obtained. The property offered should be free from encumbrances. Legal opinion and valuation should be obtained from our approved lawyer and valuer respectively and verified. As for as possible, loan amount should be released direct to the contractor / dealer / association / society / service provider / seller.

VIDYA JYOTHI EDUCATIONAL LOAN SCHEME

A. Eligibility of Student:

- ✓ Should be an Indian National
- ✓ Should have secured admission to higher education course in recognized institutions in India through Entrance Test/ Merit Based Selection process after completion of HSC (10 plus 2 or equivalent).
- ✓ In the states where there is no common entrance test (CET) the applicant must secure 60% (in case of SC/ST students 55%) marks in the qualifying examination as Cutoff marks.
- ✓ Wherever common entrance test (CET) is absent for securing admission to post graduate courses/research programmes, employment and reputation of institution concerned should be the criteria.
- ✓ Eligibility of such PG courses may be ascertained from the "Webometrics" Website by the Branches, which give indicative list of reputed universities and loans may be granted accordingly.
- ✓ The student applicant should not be in gainful employment.
- ✓ In case of admission to any Deemed university, documentary evidence with regard to conduct of any Common Entrance Test and selection through Merit based Process must be obtained by the Branches.

B. Eligible courses of Study:

I. Studies in India: (Indicative list)

- ✓ Approved courses leading to graduate/post graduate degrees and PG diplomas conducted by recognized colleges/ universities recognized by UGC/ Govt. / AICTE/AIBMS/ICMR etc.
- ✓ Courses like ICWA, CA, CFA etc.
- ✓ Courses conducted by IIMs, IITs, IISc, XLRI, NIFT, NID etc.
- ✓ Regular Degree/Diploma courses like Aeronautical, pilot training, shipping, etc. approved by Director General of Civil Aviation/Shipping if the course is pursued in India
- ✓ Approved courses offered in India by reputed foreign universities.
- ✓ Other job oriented courses leading to technical/ professional degrees, post graduate degrees/P.G diplomas offered by recognized institutions.
- ✓ Nursing courses pursued under Management Quota. (However, the funding is restricted to fee structure as approved by the State

Government or regulatory body).

Courses not considered:

- Vocational/skill development study courses, off-campus courses and on-site/partnership programmes are not eligible for loan under the IBA scheme.
- Courses offered by Open University and distance education program are **not eligible**.
- Certified courses are not eligible.
- Course should be of education nature not mere training.

II. Studies abroad:

- ✓ Graduation: For job oriented professional/ technical courses from reputed universities.
- ✓ Courses offered by reputed universities.
- ✓ Post graduation: MCA, MBA, MS, etc.
- ✓ Courses conducted by CIMA- London, CPA in USA etc.
- ✓ Degree/Post graduate diploma courses like aeronautical, pilot training, shipping etc provided these are recognized by competent regulatory bodies in India/abroad for the purpose of employment in India/abroad.
- ✓ PG diploma from reputed universities also eligible.

C. Pilot training courses are eligible

- ✓ Basic qualification is (10 plus 2) with 60% equivalent (Maths & physics minimum 50%)
- ✓ Minimum age 17 years

D. Expenses considered for loan

i. Fee payable to college/ school/ hostel

ii. Examination/ Library/ Laboratory fee

iii. Travel expenses/ passage money for studies abroad

iv. Insurance premium for student borrower, if applicable

v. Caution deposit, Building fund/refundable deposit supported by Institution bills / receipts (subject to a max. of 10% of entire tuition fee).

vi. Purchase of books/ equipments/ instruments/ uniforms (subject to a max. of 20% of tuition fee)

vii. Purchase of computer at reasonable cost, if required for completion of the course (subject to a max. of 20% of tuition fee)

viii. Any other expense required to complete the course - like study tours, project work, thesis, etc. (subject to a max. of 20% of tuition fee)

E. Quantum of finance:

Need based finance is to be worked out as per expenses eligible above with applicable margin and within the following ceilings.

Minimum amount (both Inland & overseas)	Rs.7.50 Lakhs
Studies in India	Rs.30.00 Lakhs
Studies overseas	Rs.40.00 Lakhs

- Loans in excess of Rs.10 lakhs qualify for interest subsidy under Central Sector Interest Subsidy Scheme for amount up to 10 lakhs only.

F. Margin:

Studies in India	5%
Studies overseas	15%

✓ Scholarship/ assistantship to be included in margin.

✓ Margin may be brought-in on year-to-year basis as and when disbursements are made on a pro-rata basis.

G. Security:

- Co-obligation of parents together with tangible collateral security of suitable value, along with the assignment of future income of the student for payment of installments.
- Wherever the land/ building are already mortgaged, the unencumbered portion can be taken as security on second charge basis provided it covers the required loan amount.
- Liquid Securities offered for loans need not necessarily be belonging to the joint borrower (co-obligator),i.e third party securities can be accepted.
- In case the loan is given for purchase of computer, the computer has to be hypothecated to the Bank.

H. Interest:

- Simple interest to be charged during the repayment holiday/Moratorium period.
- From 1.10.2019 the rate of interest for education loans are linked to RLLR (Repo Linked Lending rates)

Vidya Jyothi (customer)	RLLR + spread	8.00 + 3.20 i.e 11.20%
Vidya Jyothi (Staff)	RLLR + spread	8.00 + 1.90 i.e 9.90%

Note: kindly refer rates issued by CSSD before fixing interest rates.

- Penal interest @ 2% to be charged for the overdue amount and overdue period.
- 1% concession if interest is serviced during the study period and subsequent moratorium period prior to commencement of repayment will continue.
- The Interest concession of 0.5 % given to the girl students at the time of disbursement of loan includes wards of staff.
- Concession 0.50% to Children of War widows and Handicapped soldiers subject to rate not falling below Base Rate and pension accounts are routed through us.
- Servicing of interest during study period and the moratorium period i.e. till commencement of repayment is optional for students.
- Accrued interest to be added to the principal amount borrowed while fixing EMI for repayment.

I. **APPRAISAL/ SANCTION/ DISBURSEMENT**:

- Applications shall be through online mode only (www.vidyalakshmi.co.in)
- Receipt of application will have to update in our intranet site and the same to be updated periodically regarding present position.
- Normally, sanction/rejection will be communicated within 15 days of receipt duly completed application with supporting documents.
- There is **no service area approach** for education loan. Any local arrangement of segregation of wards do not bind student applicant.
- No Loan applications to be rejected without being referred to the next higher Authority / Controlling Office.
- In the absence of any permanent address, loans to be considered by obtaining a **declaration letter** from the borrower parent to intimate the Bank about change of address, if any without fail.
- In the normal course, while appraising the loan the future income prospects of the student will be looked into. However, where required, the means of parent / guardian could also be taken into account to evaluate re-payment capability.

J. Repayment

Holiday/ Moratorium period	Course period + 1year
Repayment period	Up to 15 years

- If the student is not able to complete the course within the scheduled time, extension of time for completion of course may be permitted for a maximum period of 2 years.
- If the student is not able to complete the course for reasons beyond his control, sanctioning authority may at his discretion consider such extensions as may be deemed necessary to complete the course.
- In case the student discontinues the course midway, appropriate repayment schedule will be worked out by the bank in consultation with the student/parent
- The accrued interest during the holiday period is to be added to the principal and arrive at the EMI for repayment.

K. FOLLOW UP/TRACKING

- Branches are advised to contact college / university authorities to send the progress report to the bank at regular intervals in respect of students who have availed loans.
- In respect of studies abroad, the branches are advised to insist on the student borrower to provide the **Unique Identification Number (UIN)**/ Identity card and note the same in the office records to enable the bank to track the students studying abroad. The UID number issued by UIDAI is to be captured in Bank's system.
- Branches should ensure the loan is reflecting in CIBIL data. This can be seen in Business Intelligence (IOB ONLINE) which shows data rejected by CIBIL.

L. PROCESSING CHARGES

- No processing / upfront charges can be collected on Educational Loan for studies in India.
- For Study abroad 0.57 % processing charges may be collected while considering the loan. The fee would however, be refunded upon the student taking up the course.

M. CAPABILITY CERTIFICATE

- Branches are advised to issue the capability certificate for students going abroad for higher studies.
- For issuing the certificate, financial and other supporting documents may be obtained from the applicant.

N. Minimum Age

- There is no specific restriction with regard to the age of the student to be eligible for education loan.

O. Top up loans

- Banks may consider top up loans to students pursuing further studies within the overall eligibility limit, if such further studies are commenced during the moratorium period of the first loan.
- The repayment of the loan will commence after the completion of the second course and further moratorium period, as provided under the scheme.

P. Disposal of loan application

- Loan applications have to be disposed of in the normal course within a period of 15 days, but not exceeding the time norms stipulated for disposing of loan applications under priority sector lending.
- No application for educational loan received should be rejected without the concurrence of next higher authority.

Q. Co- Obligator

- The Co-obligator should be Parent(s)/ guardian of the student borrower.
- In case of married person, the co-obligor can be spouse or the Parent /Parents in law.
- However, if the joint borrower has a loan account with the bank and the loan is treated as non-performing asset the bank may, as a prudent measure insist on a joint borrower acceptable to the bank, in case of adverse credit history of the parent/guardian of the student.

R. Additional Points to note:

- Teacher Training/Nursing/B.Ed. courses will be eligible for education loan provided the training institutions are approved either by the Central Government or by State Government and such courses should lead to Degree or Diploma course and not to Certification course.
- It is not uncommon for students to take up part-time jobs as permitted by the institutions where they are studying to part fund their education. So they will not be taking loan for meeting entire cost of studies. Branch / RO may sanction loan for meeting part cost as requested by students in such cases.
- Requests received from NRIs can be considered if student is Indian passport holder and they meet other eligibility requirements. However, it would be necessary to accept as security any collateral which is enforceable in India.
- The student loan will not be affected by any change in asset classification of any separate bank borrowing of the joint borrower.

LIQUIRENT

- Liquirent scheme was introduced during the year 2000 with a view to provide loans against **future rent receivables.** Sanctioning of loan is based on current lease agreement.
- The unexpired period of the current lease, as per the agreement, should not be less **than 36 months**
- It is to be noted that merely because the lease agreement provides for extension of lease beyond the current lease period, the renewal period of the lease should not be automatically taken in to account for arriving at the loan amount.
- The quantum of loan will be arrived at after reducing the advance rent and TDS if any.
- The repayment period will be fixed corresponding to the number of month's rent (including the renewal period) taken in to account for arriving at the loan amount, subject to a **maximum of 120 months**.
- **Interest rates:**

Liquirent tenor	Interest rate	Effective ROI
Up to 36 months	MCLR + 2.70	11.20
Above 36 months	MCLR + 3.20	11.70

Note: For latest interest rates refer circulars issued by CSSD periodically

- **Security**
  - ✓ For loans **up to Rs. 2 Lakhs-** Future Rent Receivables is charged to the Bank
  - ✓ For loans **above Rs. 2.00 Lakhs**, in addition to the rent receivable, the property which is leased out/let out should be mortgaged.
  - ✓ In case, this property is already encumbered, any other immovable property the value of which is one and half times **(150%)** the loan amount should be mortgaged or NSC,KVP, IVP, LIC (Surrender Value) equivalent amount should be offered as Collateral security
- **Quantum of loan:**
  - ➢ Maxi. 70% of rent receivables for the unexpired lease period less tax deductible at source and rent advance taken if any subject to maximum 120 months.
  - ➢ Margin @ 30%.

- **Calculation of loan amount**

Rental for unexpired lease period up to max of 120 months	A
Less: TDS @ 22.67%	B
Less: Rental advance received as per agreement	C
Net rentals = A – (B+C)	D
Less: Margin @ 30%	E
Max loan based on discounted value of net rentals	F
Loan amount (Lessor of)	**E or F**

The Liquirent loans are granted to Lessor(s) against the rent receivables (Securitization of rent receivables) on building property let out by way of term loans only. Liquirent are classified based on type of **lease agreements.** Whenever the following two conditions are fulfilled the same in considered as Non-CRE.

- The lease agreement between the Lessor and lessee has a lock-in-period which is not shorter than the tenor of the loan.
- Lease deed does not contain any clause which allows downward revision in the rentals during the period.

Advance cannot be considered if Land lord and tenant are associates/subsidiaries/ relatives. Deviations should be placed before MCB for consideration and sanction.

EASY TRADE FINANCE

Target group: Individuals/proprietary/partnership/ Private Limited Company concerns engaged in Retail Trade.

1. **Purpose**: To meet the working capital needs and also term loan needs viz. buying a shop, showcase, and equipment and in general for setting up/running a shop or office or any other contingent requirements relating to the business of retail trade.

2. **Amount of loan:**

The minimum finance under the scheme will be Rs.100000/-. Maximum loan under working capital and term loans put together should not exceed as given below:

Location	Fund Based	Non Fund Based
Metro branches	Rs. 300 lakhs	Rs.150 lakhs
Urban branches	Rs. 300 lakhs	Rs.150 lakhs
Semi-Urban branches	Rs. 150 lakhs	Rs. 50 lakhs
Rural Branches	Rs.30 lakhs	Rs.10 lakhs

RLCC can sanction Fund based limit up to Rs 3.00 Crore & NFB 1.50 Cr under the above scheme irrespective of the category of branches on merits of the case.

3. **Security**

a. The advance should be fully secured by immovable property and / or liquid assets such as Life policies of LIC of India and Private insurance companies approved by IRDA, NSC/IVP/KVP/Term Deposits etc.

b. Rural properties in general should not be accepted as collateral security.

c. However, residential property in growing sub urban areas adjoining to Metro and Urban centres, found to be rural but highly marketable can be taken up with Central Office on a case to case basis

4. **Margin on Security**

Liquid securities

S.No	Security	Margin
1	Life policies	10% of the surrender value
2	NSC/IVP	20% of the advance value
3	KVP	20% of the face value
4	Term deposit	10% of the advance value

Immovable properties:

S.No	Location of the property	Margin
1	Metro/Urban centres	30% of the forced sale value
2	Semi-Urban centres	40% of the forced sale value
3	Rural centres	50% of the forced sale value

5. Interest Rates:

Easy trade finance CC & TL	One year MCLR + 2.75%	11.25

Note: For latest interest rates refer circulars issued by CSSD periodically.

6. Assessment of finance

a. For TL – 75% of invoice amount.

b. For WC- 25% in case of non-digital & 30% of digital turnover

a. **a** and **b** put together should not exceed the area specific limit subject to Forced sale value of immovable property less margin and value less margin in the case of liquid securities.

b. Term will be repayable in maximum 48 monthly installments

Other features/conditions:

- If a client has more than one unit and he applies for the facility under this scheme, the total liability need not be taken into account for determining area specific limit provided different securities / properties are offered as collateral for each unit.

7. **Advantages to customers**:

- Customers can avail finance for both working capital and term loan requirement under one scheme.
- They are relieved of botheration of having to submit periodical stock statement, financial statements and the insurance of stock is also not insisted.

RETAIL CREDIT SCHEMES

Name	Clean loans	Clean loans in the form of CC	CLEAN LOAN TO LIC AGENTS
Target Group	Employees in Government, Public sector undertakings, reputed private firms, companies etc., in confirmed service	Permanent employees of state & central government/PSU/Government aided institution, universities (Not deemed universities) having their salary account with us. Entry age is 25 years Exit age is 55 years Gross salary of Rs. 50000/- and above are only eligible. Salary to be compulsorily routed through proposed CC account. Minimum service of 5 years to be completed.	Minimum experience of LIC agents should be 5years. Average yearly income/commission should be Rs 84,000/- per annum (past 3 years' average) or LIC agent should be an IT assesee. Not to exceed 55years
Purpose	Any domestic needs including any social/financial commitments other than for speculation purpose.	Any domestic needs including any social/financial commitments other than for speculation purpose.	For financial/social/professional purpose. For professional purpose, under MSE Loans
Quantum	Upto 20/15/10 times of salary or Rs. 15.00 lac whichever is lower as per the 4 groups given in circular	Up to 5 times of gross monthly salary or Rs. 5.00 lakhs(whichever is less)	10 times of average commission receipt per month with a maximum of Rs. 10.00 lakhs
Rate of Interest	As per the latest interest rate	As per the latest interest rate guidelines	As per the latest interest rate guidelines

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	guidelines		
Security	Single third party guarantee whose salary is equal or more than that of the borrower OR Joint guarantee of two guarantors whose gross salary put together exceeds the gross salary of the borrower	Single or two guarantees whose salary put together exceeds the borrowers gross monthly salary	Single or two guarantees whose income put together exceeds the borrower'saverage monthly commission.
Margin	Nil	Nil	Nil
Repayment	Max. 60 months.	CC to be renewed once in every three years. Limit expiry date should not be later than the borrower's age of 55 years.	Max.60 months
Holiday period	Nil	Nil	Nil
Roll Over facility	On repayment of 50% of the loan amount through regular repayments, fresh limit can be considered and the fresh loan proceeds must be used to pre close the existing loan outstanding. No two clean loans should stand in the name of the borrower at any point of time.	-----	…………
Priority status	No	No	No for other than professional purpose

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Vetted by : Smt Shipra Pandey and Shri Subhajit Ghosh

Discretion	JM1-0.20lacs, MM-II – 0.50 lacs MM-III – Rs.2 lacs, SM-IV – 5 lacs & AGM/DGM : Rs.15 lacs As per scale of branch head.	JM1-0.20lacs, MM-II – 0.50 lacs MM-III – Rs.2 lacs, SM-IV and above – 5 lacs As per scale of branch head.	JM1-0.20lacs, MM-II – 0.50 lacs MM-III – Rs.1 lacs, SM-IV – 5 lacs & AGM/DGM : Rs.10 lacs As per scale of branch head.
Remarks	Processing charge : as per BOD circular Branches should obtain certain undertaking in lieu of undertaking letter from the employer to recover the dues from the terminal benefits of the employees – as given in the circular: Ref Master cir No.RBMD/ ADV/372/2019-20 dated 03.06.2019& cir no ADV/62/2014-15 ISSUED BY RBMD. Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	□□□Entry age is 25 years Exit age is 55 years Gross salary of Rs. 50000/- and above are only eligible. Salary to be compulsorily routed through proposed CC account. Minimum service of 5 years to be completed. Ref Master cir No. RBMD/ ADV/372/2019-20 dated 03.06.2019 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	ECS Mandate for monthly instalment Term loan or CC with reduced drawing power every month. Ref Master cir No.RBMD/ ADV/62 /2014- 2015 dt 30.09.2014 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018

Name	IOB-Surya	IOB-Akshay	Sahayika
Target Group	"IOB SURYA" (Scheme A – For Individuals, Scheme B – For Others) Scheme A: All Individuals satisfying 50% take home pay norms. Scheme B: Institutions like Educational Institutions, Hospitals, Hotels/Restaurants, etc subject to norms.	Personal borrowers in their individual capacity Corporates/business concerns not eligible.	Confirmed salaried persons with 40% take home pay (including other income), professional, self-employed and Businessmen with 3 years standing in the field and IT assesse.
Purpose	To purchase off grid renewable solar energy equipment in India as under: □Solar Cookers □Solar Heaters □Home/Indoor Lighting Systems	Advance against LIC policies	To meet any social and financial commitments. End Use not verified
Quantum	Scheme A (For Individuals): Minimum of Rs 30,000/- and Maximum of Rs 10.00 Lacs i.e. 85% on the project cost which includes cost of the system, accessories, transportation & installation. Scheme B (For Institutions): Minimum amount of Rs 1.00 Lac and Maximum of Rs 10.00 Lacs i.e. 80% on the project cost which includes cost of the system, accessories, transportation & installation.	90% of the surrender value	Max : Rs. 10.00 lakhs.
Rate of Interest	As per the latest interest rate guidelines	As per the latest interest rate guidelines	As per the latest interest rate guidelines

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Vetted by : Shri Shipra Pandey and Shri Subhajit Ghosh

Security	• For Loan up to Rs 1 lac, Hypothecation of Solar Energy Equipment's (financed by Bank) along with third Party Guarantee to be insisted. • For Loan above Rs 1 Lac, 100% Collateral security to be obtained in any form as under. Mortgage of land /House/flat. Security in the form of LIC policy/ NSC/ Term Deposits, etc. However third Party Guarantee is not to be insisted as the loan issecured by 100% collateral for loan above Rs 1 Lac.	Endowment policy with profit/money back policy of LIC/PLI/ policies of Pvt insurers approved by IRDA	NSC, KVP, LIC.
Margin	Scheme A (For Individuals): 15% of the project cost. Scheme B (For Institutions): 20% of the project cost.	10% of surrender value	NSC/KVP/Units :25% Life policies : 10%
Repayment	Maximum up to 5 years without holiday period	Maxi.48 EMI	Max: 60 EMI
Holiday period	Nil	Nil	Nil
Priority status	No	No	NO
Discretion	JM1-1.50lakh, MM-II – 3.00 lakh MM-III – Rs.5 lakh, SM-IV – 8 lakhs & AGM/DGM : Rs.8 lakh, RLCC-Rs.10.00 lakhs As per scale of branch head.	JM1-1.00lakh, MM-II – 2.00 lakh MM-III – Rs.3.00 lakh, SM-IV – 4 lakhs& AGM/DGM : Rs.375/750 lakh, RLCC/C.O - no ceiling	JM1-1.00lakh, MM-II – 2.00 lakh MM-III – Rs.5.00 lakh, SM-IV – 10 lakhs & AGM/DGM : Rs.10 lakh As per scale of branch head

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Vetted by : Shri Shipra Pandey and Shri Subhajit Ghosh

		As per scale of branch head.	
Remarks	We may extend interest concession of 0.50% to our Housing Loan borrowers whose accounts are regular and prompt Wherever Subsidy is available, Branch should claim the subsidy from the respective authority and credit the same to the respective loan account of the borrower. An Undertaking letter from the borrower must be obtained for the same. Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	ADV/113/dt 21.5.2002 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	Note: if property is offered as security then the loan should be considered under LAP. Adv/360/2009-10 dated 21.12.2009 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018

Name	Festival Loan for IOB-pensioners	Pushpaka	LAP (Loan against mortgage of property)
Target Group	IOB Pensioners only. IOB Family pensioners are not eligible.	Individuals – in employment, business, self employed professionals. Firms, Companies & NRIs are also eligible	Individuals with gross monthly salary of Rs. 30000/- for salaried class(minimum of 2 years of service) and minimum net annual income has to be Rs. 1.50 lakhs after the deduction of proposed EMI for self employed Age: 20 to 60 yrs Maximum age to repay is 70 years.
Purpose	To celebrate festival. To be sanctioned once in a calendar year only.	To purchase new/old car (not older than 5 years). New 2 wheelers.	For any social/financial commitment /acquiring assets (other than for speculative purpose)
Quantum	One month pension amount (previous month pension amount to be taken as quantum of loan). Instalment amount, including that of Pensioners' loan, if any, availed should not exceed 50% of the monthly pension	New car : 90% of the cost of the vehicle Old cars : 75% of the market value of the vehicle without any ceiling. 2 wheelers : 90% of the cost of the vehicle	Max. Rs.200.00 lacs Should comply with 50% norms – RLCC can go upto 40% norms Can be granted even as CC with reducing DP

Prepared by: Shri Chiranjit Chandra and Shri Sumit Mukherjee
Vetted by : Shri Shipra Pandey and Shri Subhajit Ghosh

Rate of Interest	As per the latest interest rate guidelines	As per the latest interest rate guidelines	As per the latest interest rate guidelines
Security	Overall liability of the IOB Pensioner (outstanding under Pension Loan and Festival Loan to be granted fresh) should not exceed Rs.2.00 lac for those not over 65 years of age and Rs.1.00 lac for those who are over 65 years of age. No security	Hypothecation of vehicles. For NRIs, a suitable guarantee from Resident Indian, acceptable to the Bank	Equitable mortgage of immovable property Wherever liquid assets (LIC/IVP/KVP/UTI are taken as security the loan should be considered under Sahayika scheme only.
Margin	No margin	New car : 10% : Old car : 25% Two wheeler : 10%	Immovable – 50% of FSV of the immovable property
Repayment	Repayable out of pension amount in 10 EMI, irrespective of age group	Max. 84 emi for new car &for old car maxi. (84 months – age of car should not go beyond 8 yrs at the time of closure) (last instalment). Two wheelers : 72 months	Loan amt- Upto Rs. 50 lacs-84 months (maximum) Above 50 lacs- 120 months (maximum)
Holiday period	NIL	Nil	No holiday period
Priority status	NO	Advances granted to medical practitioners for an amount up to Rs.10 lacs. Others : No	No

Discretion	Branch discretion	Car-JM1-7.50lakh, MM-II – 10.00 lakh MM-III – Rs.20.00 lakh, SM-IV – 100 lakhs & AGM/DGM : Rs.100 lakh Two-wheel- JM1-0.75lakh, MM-II – 1.00 lakh MM-III – Rs.2.00 lakh, SM-IV – 5.00lakhs & AGM/DGM : Rs.10/15lakh As per scale of branch head	JM1-5.00lakh, MM-II – 15.00 lakh MM-III – Rs.35.00 lakh, SM-IV – 50.00 lakhs & AGM/DGM : Rs.100/200 lakh As per scale of branch head
Remark	Documentation:As applicable to Pensioners' Loan Scheme and an undertaking letter to pay the festival loan in 10 EMI to be obtained. Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	While giving to firms, this should not be linked with other borrowings. Commission up to 1% of the sanctioned amount subject to a max ofRs75000 per lead upto 10 leads and from 11th lead onwards 1% of the sanctioned amount without any ceiling. DSE commission of Rs. 2000/- per loan irrespective of the no of leads. Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018 Adv/282/18-19 dated 04.10.2018(extended)	Loan may be considered against self-occupied /let out residential /vacant property For let out property the maximum lease period should be only three years. Ref: ADV/526/2014-15 DATED 30.09.2014 issued by RBMD. ADV/110/2017-18 dated 13.06.2017 issued by Retail Banking department. Adv/371/2019-20 dated 03.06.2019 issued by retail banking division Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018

Name	IOB - PASSION	Reverse Mortgage Loan	AMMA TWO WHEELER
Target Group	Any individual with a proven skill in any specific field like Arts, Sports, Music, Dance, Painting, Photography, Gardening, etc., who has taken it as their CAREER (age group 10 yrs to 25Yrs) Any Individual who wants to pursue such art as a HOBBY (age group between 25 yrs to 50yrs)	Applicant should be a Senior Citizen having completed 60 years ofage. Joint loans with spouse is possible provided the first named applicant is a Senior Citizen and the age of the spouse is not below 55 years Applicant must be the owner of a self- acquired, self-occupied residentialproperty (House or flat) located in India with clear and transferable title, free from any encumbrance.	Beneficiaries will be identified by the respective selection committee appointed by government of Tamil Nadu.
Purpose	For purchase of articles like, sports kits, music instruments, painting materials, cameras, Sewing Machines etc. and also coaching fee	For upgradation, repair, renovation or extension of the house property Medical expenses or maintenance offamily. Supplementing pension or any otherincome. Meeting any otherneed.	New two wheelers gearless/auto geared whose engine capacity should not exceed 125cc
Quantum	90% of the cost of articles, coaching fee with a maxi of Rs.3.00 lacs	depend on market value of the property, age of the borrower and the rate of interest prevailing MinRs.5lac&Max: No ceiling (mly inst.<50000	Max. Rs.70000.00
Rate of Interest	As per the latest interest rate guidelines	Fixed Rate of Interest at Base Rate +1.00% subject to reset every 5 years.	1Yr. MCLR+3.00 % Int. to be charged net of subsidy portion

Security	Hy. of assets created & collateral/TP guarantee	Registered Memorandum of deposit of title deeds of the house (residential) property against which the loan is granted. Commercial property will not be accepted as security. 10% less than marketvalue	Hypo. Of vehicle purchased
Margin	10%	75% of market value of the propertyfor calculation of loanamount Of this, only 45% isreleased	NIL
Repayment	Max.60 months	Loan period : Max. 15years The loan will become due for recovery and payable six months after the death of the last survivingspouse	Max. 60 months
Holiday period	No holiday period	NA	NA
Priority status	No	No	Yes
Discretion	JM1-0.20 Lakh, MM-II – 0.50 lakh MM-III – Rs.1 lakh, SM-IV – 2.00lakhs& AGM/DGM : Rs.3.00lakh, As per scale of branch head.	JM1-NIL, MM-II – NIL MM-III – Rs.30.00 lakh, SM-IV – 50.00 lakhs & AGM/DGM : Rs.100 lakh, As per scale of branch head.	Per borrower limit or maximum specified in the scheme whichever is lower.
Remarks	Staff members are not eligible to avail the scheme As term loan Assets to beinsured No prepaymentcharges Processing charges – asusual Ref: RBMD/ADV/525/2014-15	obtain Life Certificate during November every year as is done in the case ofpensioners Declaration on sound mind The borrower will have the option forforeclosure Bank s have the option for	Subsidy of Rs.25000 or 50% of cost of vehicle which is less Documentation as per pushpaka loan Selection by DLSC in rural/urban area, in Chennai- Selection committee of corporation.

	dt:30.09.2014 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	forcedclosure Lump sum payment is restricted only formedical expenses. Ref Circular ADV/188/2012-13 DATED 06.06.2012 issued by RBMD & circular Ref no RBMD/ /2011-12 dated 08.08.2012. Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018

Name	IOB - Royal	IOB PERSONAL LOAN SCHEME	Special Personal Loan to HNI/VIP clients
Target Group	High net worth individuals / Self employed Professionals like Doctors, CAs, Engineers, Architects and salaried employees of select Public and Private limited Companies, Higher Judiciary Officials, Professors of Colleges / Universities, High end IT employees, etc. Min salary/disclosed income : Rs.75000/month	All individuals with regular income and repayment capacity in particular professionals and self-employed persons whose income is above Rs 5000/- per month including spouse income. The maximum age limit of the applicant before which loan to be liquidated is 60years	All individuals with regular income and repayment capacity in particular professionals and self- employed persons whose income is above Rs 75000/- per month including spouse income. The min age – 25Yrs & max age limit before which loan to be liquidated is 60 years. If employed - completed 2 years of Service in the same Organization.
Purpose	Fulfilling all financial aspirations, whether it is for a dream holiday or any marriage expenses or any of their social / financial commitments.	Purchase of consumer durables. Consumer durables include all electrical and electronic items, wooden andmetal furniture	Purchase of consumer durables. Consumer durables include all electrical and electronic items, wooden and metal furniture, combo of household articles
Quantum	Maximum Loan Limit of Rs. 15.00 lakhs. (Quantum to be assessed	10 times the gross monthly salary of the applicant or 90% of the cost of	Max. upto Rs.25 lacs 50% norms including income of spouse;

Prepared by: Shri Chiranjit Chandra and Shri Sumit Mukherjee
Vetted by : Shri Shipra Pandey and Shri Subhajit Ghosh

	according to the 50% norms)	the article/s whichever is less. Max.5 lakhs Income of spouse can be taken while Arriving at loan amount.	RLCC has the discretion to sanction upto 40% of gross pay.
Rate of Interest	As per the latest interest rate guidelines	As per the latest interest rate guidelines	As per the latest interest rate guidelines
Security	No security / Guarantee required	Hyp of the article purchased out of the loan. Recovery undertaking or salary routing or A suitable third party guarantee should also be provided.	Loans upto Rs.15 lacs: Hypothecation of Assets created Above Rs.15 lacs : hyp plus TP guarantee/collateral security
Margin	NIL	10 % on the cost of the article/s to be purchased	10 % on the cost of the article/s to be purchased
Repayme nt	From 12 to 84 months	Maximum of 60 months	From 12 to 72 months
Holiday period	No holiday period	No holiday period	No holiday period
Priority status	NO	No	No
Discretion	Scale 1 to IV- NIL AGM- Rs.10.00 Lakhs DGM- Rs.15.00 Lakhs	JM1-0.50 lakh, MM-II – 1.00 lakh MM-III – Rs.2 lakh, SM-IV – 5 lakhs& AGM/DGM : Rs.5 lakh, RLCC-Rs.5.00 lakhs As per scale of branch head.	JM1-1.00 lakh, MM-II – 2.00 lakh MM-III – Rs.3 lakh, SM-IV – 5 lakhs & AGM/DGM : Rs.15/25 lakh, RLCC-Rs.25.00 lakhs As per scale of branch head.

Remarks	In the form of Cash Credit with monthly reducing DP balance and to be reviewed once in a year or as Demand Loan with EMI obtaining Postdated cheques/ S.I/ECS Processing Charges of Rs. 200/- per Lakh subject to a maximum of Rs.1000/-. Ref: ADV/ 187 /2012-13 dt :06.06.2012 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	Processing charge: As per BOD cir; No concession The Loan Outstanding may be covered under our "Loan Secure" policy Scheme with the consent of the borrower 40% norms (only for the primeborrower) ADV/ 395/2013- 14 dt.10.10.2013 & RBMD/ADV/437/ 2013-14dt.04.01.2014 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018	ECS mandate for monthly instalment Processing charge : asper Personal loan scheme RBMD/ADV/ 523/2014-15dt.30.09.2014 Adv/337/2013-14 dated 07.05.2013 Adv/266/2018-19 dated 16.08.2018

KISAN CREDIT CARD (KCC) SCHEME

- The **Kisan Credit Card** has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner.
- The scheme is under implementation in the entire country by the vast institutional credit framework involving Commercial Banks, RRBs and Cooperatives.
- All KCCs are **Smart Card cum Debit Cards.**
- The scheme is implemented in association with **National Payment Corporation of India Ltd**
- These cards should be enabled for use at ATMs, Point of Sale (PoS) Terminals at Merchant Establishments and Micro ATMs with Business Correspondents.
- ATM enabled **Rupay** Kisan Card are issued to all the new KCC accounts

A. Objectives/Purpose

- Kisan Credit Card Scheme aims at providing adequate and timely credit support from the banking system under a single window to the farmers for their cultivation& other needs as indicated below:

I. Short Term credit limit portion

a. To meet the short term credit requirements for cultivation of crops

b. Post harvest expenses

c. Produce Marketing loan

d. Consumption requirements of farmer household

e. Working capital for maintenance of farm assets and activities allied to agriculture like dairy animals, inland fishery etc.

II. Long Term Credit limit portion

Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.

B. Eligibility

a. All Farmers – Individuals / Joint borrowers who are owner cultivators

b. Tenant Farmers, Oral Lessees & Share Croppers

c. SHGs or Joint Liability Groups of Farmers including tenant farmers, share croppers etc.

C. Fixation of credit limit/Loan amount

Limits are to be fixed separately for **Farmers Other than marginal farmers** and depend on crop pattern.

I. Farmers other than Marginal farmers:

1. For farmers raising single crop in a year

a. The short term limit to be arrived for the first year:

Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest/ household / consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance, PAIS & asset insurance.

b. Limit for second & subsequent year:

First year limit for crop cultivation purpose arrived at as above plus 10% of the limit towards cost escalation /increase in scale of finance for every successive year (2nd , 3rd, 4th and 5th year) and estimated Term loan component for the tenure of Kisan Credit Card, i.e., five years.

2. For farmers raising more than one crop:

- **Short term credit**: The limit is to be fixed as above depending upon the crops cultivated as per proposed cropping pattern for the first year and an additional 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year). It is assumed that the farmer adopts the same cropping pattern for the remaining four years also. In case the cropping pattern adopted by the farmer is changed in the subsequent year, the limit may be reworked.

- **Term loans for investments towards land development**, minor irrigation, purchase of farm equipments and allied agricultural activities. The banks may fix the quantum of credit for term and working capital limit for agricultural and allied activities, etc., based on the unit cost of the asset/s proposed to be acquired by the farmer, the allied activities already being undertaken on the farm, the bank's judgment on repayment capacity vis-a-vis total loan burden devolving on the farmer, including existing loan obligations

- **The long term loan** limit is based on the proposed investments during the five year period and the bank's perception on the repaying capacity of the farmer

D. **Maximum Permissible Limit:** The short term loan limit arrived for the **5th year plus the estimated long term loan requirement will be the Maximum Permissible Limit** (MPL) and treated as the Kisan Credit CardLimit.

Fixation of Sub-limits for other than Marginal Farmers:

 Short term loans and term loans are governed by different interest rates. Besides, at present, short term crop loans Up to Rs.3 lakh are covered under Interest Subvention Scheme/Prompt Repayment Incentive scheme. Further, repayment schedule and norms are different for short term and term loans.

Hence, in order to have operational and accounting convenience, the card limit is to be bifurcated into separate sub limits for short term cash credit limit cum savings account and term loans.

- Drawing limit for short term cash credit should be fixed based on the cropping pattern and the amounts for crop production, repairs and maintenance of farm assets and consumption may be allowed to be drawn as per the convenience of the farmer.
- In case the revision of scale of finance for any year by the district level committee exceeds the notional hike of 10% contemplated while fixing the five year limit, a revised drawable limit may be fixed and the farmer be advised about the same.
- In case such revisions require the card limit itself to be enhanced (4th or 5th year), the same may be done and the farmer be so advised.
- For term loans, installments may be allowed to be withdrawn based on the nature of investment and repayment schedule drawn as per the economic life of the proposed investments.
- It is to be ensured that at any point of time the total liability should be within the drawing limit of the concerned year.
- Wherever the card limit/liability so arrived warrants additional security, the branches may take suitable collateral as per our bank norms

II. For Marginal Farmers:

A flexible limit of **Rs.10,000 to Rs.50,000 be provided (as Flexi KCC**) based on the land holding and crops grown including post-harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investments like purchase of farm equipments, establishing mini dairy/backyard poultry as per assessment of Branch Manager without relating it to the value of land.

The composite KCC limit is to be fixed for a period of **5 years** on this basis. Wherever higher limit is required due to change in cropping pattern and/or scale of finance, the limit may be arrived at as explained for other farmers.

Disbursement Short term Credit

- The short term component of the KCC limit is in the nature of revolving cash credit facility. There should be no restriction in number of debits and credits.
- The drawing limit for the current season/year could be allowed to be drawn using any of the following delivery channels.

  a. Operations through branch

  b. Operations using Cheque facility

c. Withdrawal through ATM / Debit cards

d. Operations through Business Correspondents and ultra thin branches

e. Operation through PoS available in Sugar Mills/ Contract farming companies etc., especially for tie-up advances

f. Operations through PoS available with input dealers

g. Mobile based transfer transactions at agricultural input dealers and mandies.

Long term credit

- The long term loan for investment purposes may be drawn as per installment fixed.

E. Validity /Renewal

- The Kisan Credit Card should be **valid for 5 years** subject to an annual review.
- The review may result in continuation of the facility, enhancement of the limit or cancellation of the limit / withdrawal of the facility, depending upon increase in cropping area / pattern and performance of the borrower.
- When the bank has granted extension and/or re-schedulement of the period of repayment on account of natural calamities affecting the farmer, the period for reckoning the status of operations as satisfactory or otherwise would get extended together with the extended amount of limit.
- When the proposed extension is beyond one crop season, the aggregate of debts for which extension is granted is to be transferred to a separate term loan account with stipulation for repayment in installments.
- The scheme provides fixation of scale of finance for the first year and subsequent increase for every successive year. Therefore documentation will be done **only for maximum limit** so that there is no need for fresh documentation during the validity of account.
- Within the sanctioned limits the withdrawal limit may be fixed each year as per the scale of finance. The maximum limit can be up scaled on the basis of approximate future need but not **above 125%** of the present need.
- The DPN and related documents should be taken for such higher amount but actual disbursement will be as per current need
- **Rate of Interest(ROI):**
  - ✓ ROI will be linked to MCLR Rate
  - ✓ However, if Government supported interest subvention is provided for any component of the limit, the rate of interest may be fixed accordingly.

F. Repayment Period:

- The repayment period may be fixed by banks as per the anticipated harvesting and marketing period for the crops for which a loan has been granted.

Prepared by: Shri Venkataramana Robba
Vetted by : Shri Susobhan Mahata

- The Term loan component will be normally repayable **within a period of 5 years** depending on the type of activity / investment as per the existing guidelines applicable for investment credit.
- Financing Banks, may at their Discretion, provide Longer Repayment period for Term Loan depending on the type of Investment.

G. Margin:

For crop loans, no separate margin need be insisted as the Margin is in-built while fixing the Scales of Finance. For term loan component, our existing margin norms will be followed.

H. Security:

Security will be applicable as under:

- Hypothecation of crops up to **card limits of Rs. 1.60 lakh** as per the extant RBI guidelines.
- With tie-up for recovery: Branches may consider sanctioning loans on hypothecation of crops **up to card limit of Rs.3.00 lakh** without insisting on collateral security for the Sugar mill tie up loans.
- For short term production credit, collateral security may not be insisted up to aggregate loan limit of Rs.3.00 lakhs for the existing- agriculture borrowers with satisfactory track record of 2 years in our Bank
- Collateral security may be obtained in all other cases which do not fall under the above.
- In States where branches have the facility of on-line creation of charge on the land records, the same shall been sured.

I. Other features:

- Interest Subvention/Incentive for prompt repayment as advised by Government of India and / or State Governments. Branches will make the farmers aware of this facility.
- Crop insurance Pradhan Mantri Fasal BimaYojana is **mandatory** (RBI Cir dt.17.03.2016).
- The KCC holder should have the option to take benefit of Assets Insurance, Personal Accident Insurance Scheme (PAIS), and Health Insurance (wherever product is available and have premium paid through his KCC account). Necessary premium will have to be paid on the basis of agreed ratio between bank and farmer to the insurance companies from KCC accounts.
- One time documentation at the time of first availment and thereafter simple declaration (about crops raised / proposed) by farmer from the second year onwards.

No Processing fee should be charged up to a card limit of Rs.3.00 lakh.

- Farmers to be provided with KCC Short Term sub-limit cum SB account so as to allow credit balance in KCC-cum-SB accounts to fetch interest at savings bank rate.
- The extant prudential norms for income recognition, asset classification and provisioning will continue to apply for loans granted under revised KCC Scheme.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

Objective of the Scheme:

Pradhan Mantri Fasal Bima Yojana (PMFBY) aims at supporting sustainable production in agriculture sector by way of

- Providing financial support to farmers suffering crop loss/damage arising out of unforeseen events
- Stabilizing the income of farmers to ensure their continuance in farming
- Encouraging farmers to adopt innovative and modern agricultural practices
- Ensuring flow of credit to the agriculture sector which will contribute to food security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from production risks.

Coverage of Farmers:

- All farmers who have been sanctioned Seasonal Agricultural Operations (SAO) loans from Financial Institutions (FIs) (i.e. loanee farmers) for the notified crop(s) season would be covered compulsorily.
- The Scheme is optional for non-loanee farmers.

Coverage of Crops

I. Food crops (Cereals, Millets and Pulses),

II. Oilseeds

III. Annual Commercial / Annual Horticultural crops.

In addition for perennial crops, pilots for coverage can be taken for those perennial horticultural crops for which standard methodology for yield estimation is available.

Coverage of Risks and Exclusions:

- **Prevented Sowing/Planting/Germination Risk:** Insured area is prevented from sowing/ planting/germination due to deficit rainfall or adverse seasonal/weather conditions.

- **Standing Crop (Sowing to Harvesting):** Comprehensive risk insurance is provided to cover yield losses due to non-preventable risks, viz. Drought, Dry spell, Flood, Inundation, widespread Pests and Disease attack, Landslides, Fire due to natural causes ,Lightening, Storm, Hailstorm and Cyclone.
- **Post-Harvest Losses:** Coverage is available only upto a maximum period of two weeks from harvesting, for those crops which are required to be dried in cut and spread / small bundled condition in the field after harvesting against specific perils of Hailstorm, Cyclone, Cyclonic rains and Unseasonal rains.
- **Localized Calamities:** Loss/damage to notified insured crops resulting from occurrence of identified localized risks of Hailstorm, Landslide, Inundation, Cloud burst and Natural fire due to lightening affecting isolated farms in the notified area.
- **Add-on coverage for crop loss due to attack by wild animals:** The States may consider providing add-on coverage for crop loss due to attack by wild animals wherever the risk is perceived to be substantial and is identifiable. Detailed protocol and procedure for evaluation of bids will be issued separately by GOI in consultation with Ministry of Environment and Forest and GIC Re. The add-on coverage will be optional for the farmers and applicable notional premium will be borne by the farmer, however the State Govts may consider providing additional subsidy on this coverage, wherever notified. The actuarial premium rates for add-on coverage should be sought in the bid itself from the Insurance Companies, however the add-on actuarial premium rate will be considered separately and shall not form part of evaluation of L1.
- **General Exclusions:** Losses arising out of war and nuclear risks, malicious damage and other preventable risks shall be excluded.

- State **Govts./UTs ,in consultation with SLCCCI, can exclude any of the aforesaid perils listed above which is not prevailing in their State/UT**

- **Yield loss damage for localised calamities and post harvest losses will be assessed on the basis of individual insured farm level and hence lodging of loss information by farmer/designated agencies is essential. For remaining risks losses are due to widespread calamities. Hence lodging of information for claims by insured farmers / designated agencies for such wise spread calamities is not essential. Claims will be calculated based on the loss assessment report/average yield submitted by concerned State Govt.**

Submission of UID (AADHAAR) by farmer: Aadhaar has been made mandatory for availing Crop insurance from Kharif 2017 season onwards. Therefore, all banks are advised to mandatorily obtain Aadhaar number of their farmers and the same applies for non-loanee farmers enrolled through banks/Insurance companies/insurance intermediaries.

Premium Rates and Premium Subsidy

Season	Crops	Maximum Premium payable by farmer (% of Sum Insured)*
Kharif	All food grain and Oilseeds crops (all Cereals, Millets, Pulses and Oilseeds crops)	2.0% of SI or Actuarial rate, whichever is less
Rabi	All food grain and Oilseeds crops (all Cereals, Millets, Pulses and oilseeds)	1.5% of SI or Actuarial rate, whichever is less
Kharif and Rabi	Annual Commercial/ Annual Horticultural crops	5% of SI or Actuarial rate, whichever is less
	Perennial horticultural crops (pilot basis)	5% of SI or Actuarial rate, whichever is less

Seasonality Discipline

S.No	Activity	Kharif	Rabi	Action to be taken by
1	Start of enrolment of farmers for the season(as per crop calendar)	From 1st April	From 1st October	All Stakeholders
2	Cut-off date for intimation of change of insured crop by the loanee farmer	2 working days prior to cut-off date for debit/collection of premium from farmers	2 working days prior to cut-off date for debit/collection of premium from farmers	Farmers/Bank
3	Cut-off date for receipt of Applications of farmers/debit of premium from farmers account (loanee and non- loanee) by all stakeholders including banks/PACS/CSC / insurance	Upto last date of enrolment of farmers as notified by States for notified crop(s) or up to 15th July* for Kharif season	Upto last date of enrolment of farmers as notified by States for notified crop(s) or up to 15th December* for Rabi season	Banks/PACS/ CSC/ insurance agent/online enrolment by farmers etc.

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Vetted by : Shri Susobhan Mahata

	agent/online enrolment by farmers etc. Note: *This is indicative only and district wise crop calendar will be the final basis to arrive at cut off date			
4	Cut-off date for electronic remittance of premium along with consolidated Declarations to respective Insurance Company and uploading of details of individual covered farmers on crop insurance Portal by Bank branches (CBs/ RRBs/DCCBs/PACs), followed by SMS to all insured farmers from Portal	Within 15 days of cut-off date for enrolment of farmers/debit of premium for both loanee and non- loanee farmers i.e. 31st July for Kharif and 31st Dec for Rabi		Banks/Portal
5	Cut-off date for CSCs/Banks/Intermediary to correct/update the paid application intimated by ICs on Crop Insurance Portal	Within 7 days from the date of intimation by ICs		CSCs/Banks/ Intermediary

Declarations/ proposals and debited premium received by Insurance Companies from the Banks/ PACS after the cut-off date shall be summarily rejected and the liability, if any, for such declarations shall rest with the concerned bank.

AGRICULTURE – CREDIT SCHEMES

1. IOB AGRI TRANSPORT YOJANA :

1. NATURE OF ACTIVITIES THAT CAN BE FINANCED	Purchase of 2 wheelers(Motor Bikes/Scooters/Mopeds etc.), 3 wheelers (Goods vehicle), 4 wheelers like cars, SUVs, Jeeps,pickup Trucks & Trucks etc.
2. VEHICLES THAT CANNOT BE ACCOMMODATED WITHIN THIS SCHEME	Tractors/Power Tillers/ Combined Harvesters which are classified under Farm Mechanisation scheme), Second hand vehicles of 2 & 3 wheelers &Second hand vehicles of 4 wheelers which are over 3 yrs old.
3. PURPOSE	Commuting to farm,Transport of inputs /material/Produce to and from farm and market survey etc.
4. TARGET GROUP/ELIGIBLE CUSTOMERS	Farmers having financially viable income,involved in Agriculture & allied activities.
5. LIMIT/QUANTUM OF FINANCE Loans up to 1.60 Lac loans above Rs.1.60 lac	entire cost of vehicle as per quotation (i)90% of the cost for New vehicles (ii)75% of the cost for second handvehicles(4 wheelers) -With no ceiling
6. MARGIN UP TO Rs.1.60 lacs Above Rs.1.60lacs	NIL 10 % for New & 25 % for Second Hand Vehicles.
7. SECURITY: UP TO Rs.5.00 lacs Above Rs.5.00 lacs	Hypothecation of Crops & Vehicle to be purchased. Along with Prime Security, suitable Tangible Collateral Security to be obtained.
8. REPAYMENT	2 Wheelers- Maximum 5 years Other Vehicles- Maximum up to 10 years-Depending on the repayment capacityand cropping pattern

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Vetted by : Shri Susobhan Mahata

2. IOB KRISHI SAMRIDI

1. PURPOSE	To Provide Agriculture Term Loans for Farm Credit including Allied Activities, Agri Infrastructure and Ancillary Services.
2.TARGET GROUP	Farmers (either individual or group), Proprietorship, Partnership or Corporate
3.QUANTUM OF LOAN	Project Cost less Margin (or) 90 % on our Bank's Deposit / Surrender Value of LIC / Face Value of NSC/KVP (or) 70 % of FSV of the landed Properties in Metro / Urban / Semi Urban (or) 60 % of FSV of the landed Properties in Rural areas whichever is less subject to Minimum Rs.1 lac & Maximum Rs.25 lac
4.Margin	15 % to 25 % at the discretion of the Branch
5. PRIME SECURITY	Hypothecation of Assets Created out of loan
6. COLLATERAL SECURITY	Term Deposit of our Bank – 90 % of value Life Policies – 90 % of Surrender Value NSC / KVP – 90 % of Face Value Immovable Property – 70 % of FSV of the landed Properties in Metro / Urban / Semi Urban / 60 % of FSV of the landed Properties in Rural areas. Property should be Nonagricultural land / Building .
7. REPAYMENT PERIOD	7 to 9 years with Holiday period of 3 to 18 Months – Annually / Half yearly / Quarterly / Monthly depending up on Cropping Pattern and type of activity. Food & agro processing units Holiday period can be extended up to 36 Months
8. END USE VERIFICATION	For loans up to Rs.3 lacs exclusively backed by liquid Securities , simple declaration from the borrower is sufficient and for others physical verification of End Use is required.

3. **IOB URBAN HORTICULTURE** :

1.PURPOSE	To extend Retail credit facility on easy terms for raising Kitchen Gardens, Flower Gardens, Small Orchards, Roof Gardens and landscaping
2. ELIGIBILITY FOR INDIVIDUALS	1. Should possess independent house having at least 500 sq. ft. of open space for gardening, for raising roof garden, similar area of open unencumbered roof space must be available. Area between 500 to 1000 sqft may be considered as 1000 sqft 2. Should have regular source of income. Salaried persons, Professionals and business men with regular source of income are to be covered under the scheme. 3. Salary certificates of employees and income tax assessment orders of other individuals should be obtained.
3. ELIGIBILITY FOR INSTITUTIONS	Corporate Clients, Privately owned schools, offices, guest houses, hospitals, hotels, Proprietary or Partnership firms, Trusts and Societies etc. 1. They should be having account and satisfactory relationship with us. 2. They should have at least 1000 sq. ft of open space for gardening. Parking space and play areas should not be counted as garden spaces. 3. Borrowing institution should have ownership or long term lease (at least 5 years) on the property.
4.Limit/Quantum of Finance/Assessment	Minimum Maximum Individuals – Rs. 33000 Rs.2.50 Lac Corporates - Rs. 1 Lac Rs.25.00 Lac Assessment: Unit Cost: Rs.33000/-per 1000 sq. Ft Less Applicable Margin.
5.Margin	For Loans Up to Rs.1.60 Lac-No margin. For Loans Above Rs.1.00 Lac-15% Margin.
6. Security: Prime: Collateral/ Guarantee:	Hypothecation of Plants & Garden equipment. For loans up to Rs.1.60 Lac –Collateral security waived For Loans Above Rs.1.60 Lac- **i.** For Employees: Undertaking from Employer for routing salary through Branch backed by standing instructions. **ii.** For Other Individuals: Third party Guarantee of an individual with adequate worth not less than

	Borrower. **iii.** For Institutions: Collateral security valued at least 50% of the loan amount besides personal guarantee of Partners/Trustees/Promoters(Directors) **iv.** For Retired IOBians : Standing instructions for deduction of EMIs pension being routed through the Branch. At least one legal heir should be a co-obligant /guarantor for the loan.
7.Repayment Schedule	Repayable in 3 years in monthly EMI without holiday.
8.Other Features	1. Scheme is not meant for commercial Horticulture, for which a separate scheme is available. 2. Tenants residing in private rented houses should not be financed. However owners can be financed even if they are not staying in the house. 3. Finance under the scheme can be extended by Rural/Semi-Urban/Urban & Metro Branches. 4. Should not be defaulters in any financial institutions. 5. KYC compliance of Borrowers to be ensured.

4. **IOB Warehouse Receipt Finance Scheme**

1.Purpose	Finance Either as Cash Credit or Short term loan against the pledge of Ware house/Cold storage receipts (Warehouse Receipts) issued by 1. Government ware house Corporations viz., FoodCorporation of India Ltd. (FCI), Central WarehousingCorporation (CWC), National Agricultural CooperativeMarketing Federation of India Ltd (NAFED), State Government Undertakings like AP StateWarehousing Corporation etc. 2. Approved private warehouses
2. Target groups	1. Individual Farmers (including Members of SHG/JLGs where the Branch has disaggregated data on loans to individual members)/Corporates/Farmers' producer companies of individual farmers/Partnership firms and co-operatives of farmers engaged in agricultural& allied activities. 2. Processors/commission agents/ mandis in semi urban & rural areas/Established traders with license & VAT registration. 3. Agro & food processing units. 4. The borrower/s should be established in dealingin the commodity with a good market Reputation.
3. Acceptable produce	1. Perishable goods are not eligible. 2. Produce with high price fluctuations to be avoided unless there is 100% collateral cover. 3. Borrower should have clear title for the commodity.
4. Warehouse Receipt	1. Loan should be granted only against **Original Warehouse Receipt only.** 2. Disbursal is subject to physical inspection & verification of genuineness of the receipt. 3. Branch should hold the original Warehouse Receipt duly discharged and ensure that pledge is created in the system in case of pledge of commodities.
5. Quantum of loan	75% of the value of the produce subject to a maximum amount of Rs. 50 Lac (except cotton and rubber**)**. Loan amount to be assessed on the following lines. 1. The limit has to be arrived at 75% of the

	assessed value of the commodity. The value has to be based on the a) Market rate b) Minimum support price & c) value recorded in the Warehouse receipt- whichever is least. 2. The borrowers who are enjoying crop loans with us can also avail the facility. However, the crop loan should be closed from the proceeds of the loan against Warehouse Receipt.
6. Margin	25% of the value of the goods by considering (i) prevailing market rate (ii) value in the Warehouse Receipt (iii) Min. support price – whichever is least.
7. Repayment schedule	The period of loan should be less than the shelf life of the commodity subject to a maximum of 12 months. In one lump sum before 12 Months or in stages
8. Security	Primary: Pledge of Warehouse receipt endorsed in our favor and our name registered in the books of the warehouse. Collateral security & Guarantee of third party: Based on the quantum of loan and antecedents of the borrower.
9. Other important features:	Total finance at any point of time against private warehouse receipts of any single warehouse should not exceed Rs.500.00 Lac. Any excess over this limit would require prior approval of Central Office.

5. **BHUMILAKSHMI** :

1.Purpose	The purpose of the scheme is to provide finance for purchase of land to the Small and Marginal Farmers / Share croppers / Tenant farmers to possess andcultivate land. Hence it is a pre-condition that the purchased land should be used for cultivation alone. They can also be financed forpurchase of fallow and waste land for developing them forcultivation or for using for other allied activities
2.Eligibility	Small and marginal farmers, Share croppers / Tenant farmers. Total land owned by the borrowers including the land to bepurchased under the scheme should not be more than 5 acres of un- irrigated land or 2.50 acres irrigated land.
3.Quantamum of Loan	It will depend on the valuation of the land to be purchased and also the development cost subject to ceiling of Rs. 10.00 lakhs
4.Margin	Up to loan amount of Rs.1.60 Lac : - NIL Loan amount exceeding Rs.1.60 Lac : - minimum **10%**
5.Security	The land purchased out of the bank finance and mortgaged infavour of the bank will form the security for the loan from borrowers. Branches may temporarily take separate collateral security ifmortgage of the purchased land in favour of the Bank is delayed
6.Repayment	Loan may be repaid within 12 years in half yearly / yearly instalmentsincluding a maximum moratorium period of 24 months. Themoratorium period may be fixed taking into account the gestationperiod of the project and cash flow

Prepared by: Shri Venkataramana Robba
Vetted by : Shri Susobhan Mahata

6. IOB-KISAN TATKAL SCHEME

1.Purpose	Providing instant credit to existing KCC Holders for meeting emergency requirement for agricultural purposes. Single transaction Term Loan in addition to KCC limit
2.Eligibility	Borrowers should be either individual or groups (not exceeding 4 farmers) , Only existing KCC holders are eligible , Sound track record of at least two years is a pre requisite
3.Quantamum of Loan	Minimum : Rs.1000 /- &Maximum : 50% of KCC limit or 25% of Annual Income or Rs.50,000/- whichever is less
4.Security	Existing security (ies) obtained for KCC should continue.
5.Repayment	Within 3 years in half yearly/annual instalments. The Kisan Tatkal loan is to be cleared in full while enhancing KCC limit subsequently.

7. BHOOMI SHAKTI :

1.Purpose	To provide financial assistance to women for allactivities under Agriculture
2.Eligibility	Women Farmers, comprising of the following: (a) Women having farmland in their own names (b) tenant farmers, if the tenant is a woman
3.Terms & Conditions	**The terms and conditions / norms of lending like Mode of Assistance,Quantum of Loan, Margin, Security, Repayment Period, and DiscretionaryPowers are common in all respects with the normal loans under Agriculture and Allied Activities except the following concessions:** **a) INTEREST RATE** 4% if granted under DRI All other cases – 0.5% less than applicable rate for limits up to Rs.50, 000. 0.25% less than applicable rate for limits above Rs.50, 000. **b) OTHER CHARGES:** Processing Charges, Upfront Fee and Mortgage Charges arewaived for all loans granted under this Scheme

8. IOB SAGARA LAKSHMI

1.Purpose	Sorting, grading, drying, processing and selling / dry fish / dried and packed fish. Fish and fishery product processing: smoked and dried fish breaded andbattered fishery products, fish silage preparation and shell craft production. Fish fast food counters, processed fish vending stalls with requisiteequipment, Breeding and selling of decorative fish for aquarium Contract cleaning of fish markets.
2.Eligibility	Women who are engaged in processing of fish into dry fish, fish feed andother fish based products. Loan can be availed as an individual/ Proprietary/Partnership firm.
3.Quantamum of Loan	Maximum Rs.10,00,000 (Rupees Ten Lakhs only)Loans for agri purposes upto Rs 1.00 lac may be covered under Agri Loans .Loans above 1.00 lacs and upto Rs 10 lacs may be considered as Microenterprise/Retail Trade where the advance can becovered under CGTMSE.
4.Margin	Up to Rs.50 000 : Nil More than Rs.50 000 : 15 – 25%
5.Security	PRIME: Assets created by using the loan and margin amount. COLLATERAL: Nil – To be covered under CGTMSE Guarantee Scheme wherever Eligible. As loans are meant for Fish and Fisheries Products Processing, the same could be covered under CGTMSE.
6.Repayment	Within 5 years in monthly instalments including initial holiday period notexceeding 3 months.

9. AGRI CLINIC :

1.Purpose	To provide gainful employment to agriculture graduates to set up Agri-clinics, Agri- Business centers for input supply and services to needy farmers.
2.Eligibility	Agricultural graduates/graduates in Subjects related to agriculture like Horticulture, animal husbandry, fisheries , dairy, veterinary, poultry, pisciculture and other allied activities
3.Quantamum of Loan	Maxi. Project cost Rs.20 lacs for individuals &Rs. 100 lacs for Group of 5 Entrepreneurs.
4.Margin	UptoRs. 5 lacs –Nil > 5 lacs 15-25%
5.Security	Upto Rs.5 lacs-Nil > 5 lacs- Collateral/guarantee
6.Repayment	5-10 years depending upon the activity

10. **JOINT LIABILITY GROUP** :

1.Purpose	JLG Members can be financed for Crop Production / Consumption / Marketing / any agricultural / Non agricultural Purposes.
2.Eligibility	Informal Group of 4 to 10 SF/MF/Share croppers and landless laborers/SC/ST. All are of similar economicstatus engaged in agricultural activity. **Model A** – Financing **Individuals** in the group **Model B** – Financing **the Group** for requirement of all the members. Loans may be CC, Short term or Term loans depending on thepurpose.
3.Quantamum of Loan	Maximum of Rs. 50,000/-per member under both Models A & B.
4.Margin	NIL
5.Security	Hypothecation of assets purchased out of loan. No collateral Security. Mutual Guarantee by the JLG Members to be obtained.
6.Repayment	Depending upon the activity

11. **TERM LOAN AGAINST SECURITY OF GOLD ORNAMENTS**:

1.Purpose	For investment activities namely land development, minor irrigation, purchase of agricultural machinery etc. and also activities allied to agriculture (dairy, sheep, goat, fisheries, duck rearing, honey bee rearing)

2.Eligibility	Agriculturists, tenant farmers, landless labourers engaged in agriculture and allied activities subject to the usual norms and procedures applicable to these advances
3.Quantamum of Loan	The quantum of loan will be arrived keeping in view (a)the maximum assessable loan for the jewels pledged, (b)the actual credit requirement for the proposed investment operations, (c) repayment capacity of the Borrower, and (d)the amount of income that may be generated from out of the investment, WHICHEVER IS LESS **Maximum Rs.10.00 lac**
4.Margin	15% to 25%.
5.Repayment	In monthly/quarterly / half yearly or annual instalments with a max period of 36 months. Subject to value of jewels covers the outstanding at any point of time.
6.Security	Pledge of gold ornaments
7.Others	Upto Rs.3 lacs : Simple Declaration from the borrower. Beyond that, physical verification of end use should be done as pernorm.

TAKE OVER OF BORROWAL ACCOUNTS:

Explanatlon:

a) If the borrowal account with the existing bankers is liquidated out of advances extended by us, it is to be treated astakeover.

b) All other cases will not be treated as take over.

c) In the cases of working capital finance through consortium or multiple Banking, increasing our share as well as taking over of the share of other Bank or induction of our bank by taking over of the share of other bank shall . not be reckoned as takeover of the advances from other Banks.

d) When a bank does **Down Selling** of part amount of the loan of a borrower, and our bank takes the exposure, the same shall not be construed as "take over", subject to that bank maintains a hold position till maturity of the loan

e) **Accounts Closed Within 3 Months:** If the applicant approaches the Bank within 3 months after closing the account with the other Bank, though it is not treated as takeover, credit report. should be obtained from that Bank in the format prescribed by RBI and to be processed as regular proposal. (Take over norms are not applicable).

Before taking over an account, credit information from the transferor Bank shall be obtained as per the prescribed format. However, for retail advances like housing loans, Pushpaka, Sahayaka, Home Improvement Scheme etc., credit report may be obtained with only relevant columns pertaining to Retail loans.

f) In case of takeover of housing loans from reputed Banks and Housing Finance Companies, where the credit . opinion is not forthcoming/or not sub·mitted in the standard format of RBI, sanctioning authorities from the level of RLCCs and above and branches with prior approval of Regional Office may accept such credit opinion/waive obtention of credit opinion after satisfying themselves about the asset quality and account status by cross verifying with the statement of account and sanction letter issued by the financing institution. This may be resorted to only in exceptional cases.

Norms / Crlterla for takeover of Borrowal accounts:

- Banks may take over borrowal accounts from Banks, Financial Institutions/Agencies.
- Only borrowdl accounts which are standard and performing during the past one year shall be taken over. No NPA account shall be taken over. Even SMA-2 account should not be taken over. Such accounts can be taken over in exceptional circumstances only with the prior approval of MCB.
- Takeover of account should not be below BBB (if externally rated).

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Vetted by : Shri Praveen Kumar

- No borrowal accounts shall be taken over from any Bank where any of our ED or MD&CEO has work d earlier. In case, any such cases arise to be taken over, the proposals need to be put up to the Board with specific reasons justifying the need for taking over the accounts.
- Account should have recorded cash generation/ profit for the preceding two years out of three years unless the account is not in operation for three years and business conditions should indicate improvement in profitability.
- Companies that are established recently, all precautions that are being taken, while extending credit facilities to a new borrower will be taken for takeover. The project should not be in the implementation phase at the time of takeover of the loan. In other words, it should have commenced commercial production and surpassed the .breakeven level and the moratorium period for repayment of the loan should be over. The repayment of the loan proposed to be taken over should not have been rephased by the existing FI / Bank after commencement of commercial production.

Take Over with enhancement/ fresh or additional faclIltles:

- RLCC and above are vested with powers to take over borrowal accounts from other lenders within their single/ group borrower limits.
- Takeover of account should not be with any enhancement. Enhancement of limits shall be considered only after completion of 6 months of satisfactory conduct. However, under exceptional cases, enhancement can be considered only at Central Office by HLCC (ED) & above.

Other Criteria:

A. Proper due diligence including pre-Inspection visit to the premises of the customer shall be conducted before the account is considered for taken over.
B. The financial benchmarks stipulated for sanctioning credit facilities, in the normal circumstances, will be adhered to & deviations in exceptional cases will be justified in the note put up for sanction.
C.
D. Before taking over an account, credit information from the transferor Bank shall be obtained as per the prescribed format. No waiver Is permitted (except for retail advances as mentioned above).
E.
F. The reasons for shifting over to our bank will be mentioned in the appraisal note.
G. Independent market enquiries, oral /written, will be made and recorded in the appraisal note.
H. Satisfactory credit report on the borrow.er/promoters from any credit rating

agency or any credit information provider like CIBIL.

I. Statement of accounts of the erstwhile bank generated from Internet Banking in the presence of Credit Officer/Branch Manager can also be accepted. Such statement of accounts, at least for t e last 6 months, shall be studied and commented upon in the appraisal note.

J. The genuineness of statement of account, credit sanction, credit reports given by the existing Bank shall be verified by personal visit to the existing Bank by the Branch Head himself.· However, in AGM/DGM headed branches, genuineness of statement of account, the verification shall be done by Officers not below the rank of Scale IV. In the absence of Scale IV officer in the Branch, it has to be necessarily verified by the Branch Head only. Such verification shall be recorded on such statements /sanctions/ reports under full signature of the Branch Head and the Officer who has verified the same with his authority.

K. The financial discipline of the borrower shall in no way be compromised at the time of take over and their credit requirements are to be independently assessed.

L. Bank shall take over accounts ·without any dilution in securities/margin offered to the other Bank. Powers are delegated to select authorities for approval of deviations in this regard. Refer Revision in Financial Discretionary powers 2015, Para 1.6 Sanction of Limits to Hurdle Rate Accounts for sanctioning authorities)

M. Powers are delegated to select authorities for financing additional facilities in the case of take over accounts.

N. While taking over of the account the remaining repayment period shall not be extended. No waiver shall be permitted at any level for this.

O. m) The formalities such as fresh documentation, transfer of securities etc. are to be expeditiously completed.

Interest Rate & Other Concession:

1. The concessionary facilities like interest rate and other charges can be extended only in extremely deserving cases with specific reasons recorded in writing by the appropriate authorities. Branches/ROs/ZOs sould refer to the latest Financial Discretionary Power circular (or any other latest issued circular) for the parameters to be complied for Interest concession,
2. In the case of taken-over accounts where sanctioning authorities- have already considered concession in pricing /charges etc. at the time of takeover, generally no further concession can be considered till completion of one year from the date of sanction. However, the next

Prepared by: Shri Arindam Das
Vetted by : Shri Praveen Kumar

immediate higher authority can consider any further concession including interest/charges on case-to-case basis and on merits.

Reporting/Monitoring:

a) Whenever borrowal accounts are taken over, the details of the taken over accounts shall be grouped and highlighted, in the report submitted to the higher authorities under relative CAF returns.

b) Regional Office/Central Office shall call for the details of accounts taken over at quarterly intervals in the prescribed format and shall review the accounts for a period of two years from the date of take over.

c) All taken over borrowal ae:counts with total exposure of Rs. 5 Crore and above sanctioned by any authority are subject to Credit Compliance Audit as per Credit Risk Management policy.

d) When the takeover account becomes a quick mortality (accounts that become NPA within a year of its sanction is treated as quick mortality), the staff accountability shall be examined thoroughly.

e) Credit Verticals at CO shall place a review note on all taken over accounts sanctioned by RLCC and above, to MCB half yearly. The review should cover all taken over accounts during the past 3 years with cutoff date 31st March.

Takeover of Housing loans

Branches are permitted to take over housing loans accounts from other banks as well as reputed housing Finance institutions such as HUDCO, LIC housing Finance Ltd and other reputed intermediaries in the housing finance market in the public/ private sector, provided it satisfies the following

- ✓ The accounts to be taken over are regular and are in the standard category and performing assets
- ✓ The repayment period to be fixed by us should not exceed the original repayment period stipulated by the institution, which has sanctioned the original loan.
- ✓ The proposal for takeover of housing loan accounts branches should obtain prior permission from Regional Offices for takeover of loans. Credit decision is that of the branches based on the discretionary powers given to various layers of authority.
- ✓ The restrictions on taking over of housing loan accounts from Nidhi Companies benefit funds and other NBFCs will continue to be in force.

- ✓ Proposals involving taking over of housing loan accounts from cooperative housing societies will have to be referred to General Managers for prior clearance /permission.
- ✓ Restructured loans are not to be taken over from earlier institution.

TAKEOVER OF HOUSING LOANS FROM NBFCS AND HFCS

Following is the list of **"other reputed intermediaries"** based on their valid credit rating from where take over of housing loan is premissible. Details of a few well rated NBFC are given below:

S.No	Name of NBFC
1	Bajaj Housing Finance Limited
2	GIC Housing Finance Limited
3	Housing Development Finance Corporation Limited
4	LIC Housing Finance Limited
5	Mahindra Rural Housing Finance Limited
6	Shriram Housing Finance Limited
7	Sundaram BNP Paribas Housing Finance Limited
8	Tata Capital Housing Finance Limited
9	PNB Housing Finance Limited

Branches are permitted to takeover Housing Loans from these NBFCs after ensuring adequate KYC Compliance, Due Diligence and acceptability of relative properties as per our extant guidelines. This is also to inform that existing restrictions on taking over of housing loon accounts from Nidhi companies benefit funds and other NBFCs will continue to be in force.

DELEGATION OF POWERS TO SANCTION ADHOC IN WORKING CAPITAL CREDIT LIMITS

GENERAL

In as much as the credit limits are assessed based on the projections furnished by the applicant/borrower, the branch should not entertain any request for Adhoc limits. However, in case of genuine need, the Branch Head shall satisfy himself on the need and recommend for sanction of Adhoc limit based on reassessment of the credit requirement. A Due Diligence Report to be submitted by the Branch Head with recommendations and definite action plan of the borrower for adjustment of the Adhoc

DELEGATION OF POWERS FOR GRANTING ADHOC LIMITS

Branch Heads do not have powers to sanction Adhoc limits. RLCCs and above shall sanction Adhoc limit upto 20% of the limit in working capital credit facilities sanctioned by any layer of authority including MCB or 20% of their respective delegated authority (per borrower limit), whichever is lower.

In case of Miscellaneous Cash Credit and Easy Trade Finance accounts, Adhoc shall not be permitted if the maximum amount of limit based on the Forced Sale Value of the prime security is sanctioned. However, in cases where there is surplus available in the FSV of the security offered after deducting the margin stipulated under the Scheme of finance, including the Adhoc limit sought, Adhoc limit shall be permitted upto 20% of the limit or upto the surplus DP available, whichever is lower, by HLCC (GM) and above within their delegated authority.

***The discretionary powers for the branch Managers for sanctioning Adhoc credit facilities for MSME borrowers shall be as per Kapoor committee recommendations.** (LPD2019 page 57)

(http://online.iob.in/RecordCenter/Circulars/Circular%20on%20LPD%202019.pdf)

CONDITIONS FOR GRANTING ADHOC LIMITS:

A. Adhoc limits shall be extended only in respect of performing accounts in working capital credit facilities after proper appraisal and following the normal guidelines.
B. Adhoc shall be considered only in accounts for which regular review/ renewal has been made. Accounts under lapsed sanctions or where Short Review has been done shall not be eligible of Adhoc.
C. Adhoc shall be permitted only for accounts with rating equivalent to IOB-1 to IOB-5 for Priority Sector advances and **IOB-1 to IOB-4** for Non Priority advances.

D. Wherever External Rating is available and valid for any account, Adhoc shall be permitted only if the same is of investment grade notwithstanding the internal rating of the account.

E. Adhoc shall be permitted only after 120 days from the date of sanctioning of the regular credit facilities including restructured limits.

F. Adhoc limits can be granted only once in a financial year for an account, not exceeding 90 days.

G. Excess and Adhoc cannot be allowed simultaneously in the same facility.

H. Adhoc can be granted subject to acceptance in writing by the borrower that the outstanding under Adhoc facility will be reduced gradually at least 15 days prior to the due date so that the Adhoc will get adjusted fully on the due date.

I. In respect of borrowers under multiple / consortium banking, periodical information on the account must be exchanged as per extant guidelines.

J. Documentation / extension of mortgage, modification of charge will be compulsory for Adhoc limits. However, extension of mortgage need not be made if Adhoc limits are granted for bills purchasing / discounting limits which are of self-liquidating nature.

K. Adhoc limits shall be allowed to MSME borrower as per Kapoor Committee recommendation outside the purview of the above guidelines (Cir ADV/27/2018-19, Dep – CSSD, Dt 10.09.2018)

REPORTING OF ADHOC LIMITS

1. Adhoc limits granted should be reported to authorities who have sanctioned the regular limits.
2. Zonal Office shall report in CAF 1-A the details of Adhoc limits sanctioned to the Credit Monitoring Dept., Central Office.
3. A system generated exception report on Adhoc permitted by the Branches in the Region shall be generated and verified by the Credit Monitoring Dept. at Regional Office on daily basis to ensure that unauthorized Adhoc has not been permitted in any of the accounts in the Region

(http://online.iob.in/RecordCenter/Circulars/REVISION%20OF%20DELEGATED%20POWERS%20(FINANCIAL).pdf)

GRANTING OF TEMPORARY EXCESS

DELEGATION OF POWERS FOR ALLOWING TEMPORARY EXCESS

A. GENERAL:

Excess in working capital credit facilities shall be permitted as an exception and only under special/urgent circumstances and in very genuine cases.

B. DELEGATION OF POWERS FOR GRANTING TEMPORARY EXCESS:

a) Branch Heads and Regional Heads do have powers to allow excess in any account. Zonal Heads and above are empowered to permit excess subject to strict compliance of the following norms. (Adv/27/2018-19, Dep- CSSD, Dt 10.09.2018)

b) Excess can be considered only in working capital credit facilities for any account with Internal Rating equivalent to **IOB-1 to IOB-5**. <u>The Credit Rating as well as the Sanction should be in force for permitting the excess</u>.

c) In case of working capital limits where adequate Drawing Power is not available no excess shall be allowed.

d) In case of Miscellaneous Cash Credit accounts and Easy Trade Finance, no excess shall be permitted, if the maximum amount of limit based on the Forced Sale Value of the prime security is sanctioned. However, in cases where there is surplus available in the FSV of the security offered after deducting the margin stipulated under the Scheme of finance, Excess shall be permitted. Excess shall be allowed upto 10% of the limit (i.e. specific facility) sanctioned to a borrower by any layer of authority (including MCB) or 10% of the delegated powers of the authority permitting excess, under per borrower limit, whichever is lower, for a period not exceeding **5 working days** subject to availability of adequate drawing power. Excess shall be allowed a maximum of **Four times** in a **calendar year** and **only once in each quarter**.

e) Wherever adequate Drawing Power is available, the excess shall be allowed upto 10% of the limit (i.e. specific facility) sanctioned to a borrower by any layer of authority, including MCB, or 10% of the delegated powers of the authority permitting excess, viz. Zonal Head and above, under per borrower limit, whichever is lower, for a period not exceeding 5 working days subject to availability of adequate drawing power.

f) However, the total excess permitted under various working capital limits for a borrower shall not exceed 10% of the delegated powers (of the authority permitting the excess) under per borrower limit.

g) In Cash Credit account, Excess may be allowed only once in a month not exceeding a maximum period of 5 days. Excess shall be allowed a maximum of **Four times** in a **calendar year** and **only once in each quarter**

h) With regard to other working capital limits such as Packing Credit, Bills, LC, etc., the excess shall be allowed **twice** in a calendar year to be adjusted within a maximum period of 30 days (as against 5 days allowed for CC account) in each occasion. Thus, the maximum number of days for which excess can be allowed in a calendar year will be 60 days. If the accounts come within limit before 30 days, the same shall be construed as one occasion and next excess shall be allowed in the next quarter only.

i) Excess allowed against uncleared effects shall not be treated as excess. However, if the uncleared cheque is returned and results in excess such excess shall be treated as excess and the account shall not be allowed to remain in excess for more than 5 days.

j) Forced excess in the cash credit account due to LG invoked or LC devolved will be construed as excess after 15 days from the date of LG invocation or / and LC devolvement.

C. REPORTING OF EXCESS:

A. All the excesses allowed by the Branch Manager with the prior permission of the Zonal Head have to be reported on the same day to the Zonal Office in CAF-XS format for confirmation with a copy to Regional Office. Zonal Office shall ensure that all these excess have the concurrence of the Zonal Head.

B. Excess allowed / permitted by Zonal Heads beyond their delegated powers in credit limits sanctioned under CO Powers should be reported to the Credit Monitoring Dept., Central Office for monitoring in CAF-XS format with a copy to the respective Credit Verticals at Central Office for information.

C. A system generated exception report on excesses permitted by the Branches in the Region shall be generated and verified by the Credit Monitoring Dept. at Regional Office on daily basis to ensure that unauthorized excess has not been permitted in any of the accounts in the Region.

D. All excess drawings allowed and reported in CAF-XS are to be confirmed or otherwise disposed of by the Zonal Office within 10 days of allowing excess.

E. Excess confirmed/ratified by Zonal Heads, and above within their respective powers, in respect of MCB sanctions shall be reported to MCB for information.

F. If excess granted by the various authorities under their delegated powers are not adjusted within the due date, such unadjusted excess should be reported to sanctioning authorities for their information. In respect of MCB sanctions, such reporting shall be done, wherever the outstanding unadjusted excess is Rs.5 crore and above.

G. In respect of the excess drawings arising on account of the following, reporting is not needed:

1. Monthly interest debited and unrecovered for a fortnight. However, it should be ensured that such monthly interest debited is collected promptly.
2. Interchangeability permitted by competent sanctioning authority.
3. The period for which Adhoc limit granted by the competent authority.

JOINT RESPONSIBILITY FOR LOANS AND ADVANCES

A. It is primarily the responsibility of the Branch Managers to ensure the safety of all the advances of their branches.

B. Appraisal of proposals

- ✓ First Line Manager of the branch, Second Line Manager in charge of advances and the officer who had prepared the proposal will be jointly responsible for the appraisal content of the proposal.
- ✓ The **Officer / Authority sanctioning** the proposal would be responsible for adhering to the norms prescribed under the delegated "Discretionary Powers", Loan Policy Document, Credit Risk Management Policy, Credit Policy of the Bank,
- ✓ All parties including the guarantors to a borrowal account should be subjected to **KYC procedure and due diligence**. Failure to do so, will attract joint responsibility of First Line Manager, Second Line Manager in charge of Advances Department and the officer who had prepared the proposal.
- ✓ All the business proposals shall be prepared by an officer attached to advances department and signed by him along with the Second Line Manager in charge of advances department and the First Line Manager.
- ✓ In a branch where no separate advances officer is functioning and the portfolio is looked after by the Second Line Manager , that fact should be recorded in the proposal itself.
- ✓ It is the responsibility of the **officials at branch and at Regional Office**, who prepared /authorized such projections and calculations, to ensure its correctness, in the preparation of Joint Appraisal Memorandum. The official in the Advances department in the branch and the junior level officials at the credit department of Regional Office, who prepared and checked such calculations/projections in the Joint Appraisal Memorandum, shall be held jointly responsible for the lapses, if any.
- ✓ The first line manager of the branch and the Regional Head concerned **shall not be accountable** for lapses in calculations, projections in the Presentation of Joint Appraisal Memorandum.
- ✓ For this purpose the First Line Manager should clearly mention in the periodical office order, the portfolios of each Supervisory Staff in the branch and get their acknowledgement thereon.

- ✓ The office order book should be in the custody of the First Line Manager of the branch. Failure to do so will attract sole responsibility of the Branch Manager.
- ✓ For AGM/DGM headed branches, the proposals beyond the discretionary powers of Scale IV officer are to be routed through approval grid.
- ✓ Newly recruited officers who are under probation or with a service of less than two years are not asked to recommend/process loans, unless it forms part of their learning process. This is line with the instructions of Ministry of Finance, GOI. (Transient Series File (F) Circular No.79/2015- 16 dated 16.12.2015)
- ✓ Subsequently thru an e_mail dt.20.02.2016 from GM(HRDD), it is clarified that that the confirmed officers (less than two years of service) who are posted as second line in a branch may process the loans (with the guidance of first line manager) due to exigencies of services.
- ✓ Bank authorities and their decisions with regard to sanction of loans should not be influenced by third parties e.g., Chartered Accountants, Advocates, Valuers etc (CSSD/ADV/627/2015-16 dt.28.12.2015).

C. Disbursement and Post-Sanction Monitoring

The Officer / Branch Manager will be accountable for the lapses committed by him for;

a. Disbursing credit facility in gross non-compliance of sanction terms and conditions,

b. Non Obtention of the relevant loan documents including mortgage documents for the credit facility or improper execution of the documents so obtained

c. Non creation of charge on the hypothecated/mortgaged assets with the relevant authorities i.e Registrar of Companies, Registrar of Assurances, CERSAI etc as applicable.

d. Non coverage of the credit facilities under the credit insurance/guarantee schemes of ECGC/CGTMSE or any other such agencies as per the terms of sanction.

e. Not caring to conduct physical inspection of stock and Securities to ensure end use verification.

f. Not reporting the default in the account to relevant agencies i.e. ECGC/CGTMSE etc. within the prescribed time or not lodging the claim with such agencies within the prescribed time thereby making the account/credit facility ineligible for getting the claim from such

Prepared by: Shri Pankaj Kumar Mohanty
Vetted by : Shri Padamjeet Dahiya

agencies.

g. Allowing frequent excesses in the account beyond delegated powers without proper justification of not reporting the same immediately and / or not reporting the same to higher authorities. Merely reporting the same does not absolve the officer granting the excess. Ratification by appropriate authorities should be available.

h. Allowing excesses in lapsed limits without renewal and review.

i. Having committed such other grossly negligent acts, which exposed bank to grave risk.

D. Compliance with the Terms and Conditions of the Sanction Endorsement

- The certificate of compliance with the Terms and Conditions should be submitted by the branch within 30 days from date of sanction for all advances sanctioned by Regional Office / Central Office to Credit Department at Regional Office keeping a copy for branch records along with the documents.

- For branch sanctioned facilities, the certificate of compliance will be kept with the loan documents for verification by the inspectors.

- In case, on receipt of the sanction endorsement from RO/ CO, the branch feels that certain conditions could not be fulfilled, branch should take up with Regional Office for amending / waiver of such conditions, giving proper reasons and supported by documents to that effect.

- Pending a decision on such representation, the loan / facility should not be released.

- Conditions if any, given in the pre-release clearance / observations by the next level of sanctioning authority should be addressed to as though forming part of the sanction.

- No advance / loan can be released by the branch (other than branch discretion) without the submission of the certificate of compliance to Regional Office.

- The certificate of compliance with the Terms and conditions shall be signed by the First Line Manager of the branch, Second Line Manager in charge of advances department and the officer who has prepared the proposal / the officer who is disbursing the facilities. The certificate should be without any qualifying clauses.

- In case any deficiency is noted at a future date in complying with the Terms and conditions, all the three officials noted above shall be jointly responsible.

E. Documentation

- No loans or advances shall be released without obtaining proper documents, complete in all respects.
- The Second Line Manager of the branch in charge of the advances department should give a certificate to the Branch Manager **before disbursement of loans/ advances** that all the relevant documents for releasing the facility have been obtained, duly filled in and completed and signed by the Executants in the capacity intended.
- This certificate should be obtained **by First Line Branch Manager** in respect of each loan/ advances from the Second Line Manager of the branch in charge of the advances department or in his absence from the advances department officer who is authorised to release the facility.
- If the branch is manned by only one Manager, the Manager should himself send the certificate to Credit Department, Regional office keeping the copy with the documents.
- First Line Branch Manager **should not disburse the loan** /credit facility without obtaining this certificate.
- If such a certificate is not submitted by the Second Line Manager and the First Line Manager authorises release of loan/ facility, then the First Line Manager will be solely responsible for deficiencies in documentation.
- In case of any non-co-operation by the Second Line Manager or the advances department officer as the case may be, the First Line Manager should file a report with Regional Office that because of non-co-operation by the Second Line Manager / Advances Department Officer in obtaining this certificate, he had authorised the release of the loan / credit facility.
- A copy of such reporting should be held with the documents and be made available to visiting officials from Regional Office / Inspectors.
- If such a report had been filed, then the Second Line Manager will also be jointly responsible for deficiency in documentation.

F. Reporting

- Documentation Execution Register with perforated sheet should be maintained by branch as per instructions in force. The perforated sheet should be sent along with the appraisal note, sanction endorsement to Credit Monitoring Department, Regional office along with CAF–1 control return.
- Failure to do so, will attract joint responsibility of the First Line Manager, Second Line Manager in charge of Advances Department and the officer who had prepared the proposal / officer who had disbursed the

loan / facility.

G. Vetting of documents

- For limits **over Rs.1 Crore and upto Rs.10 Crores** the documents have to be vetted by Lawyers in Bank's approved panel and certified by Second line officers at branches before release of limits. A certificate to this effect should be kept with the documents**.**
- **For limits above Rs.10 Crores and upto Rs.50 Crores** the documents have to be vetted by Lawyers in Bank's approved panel and certified by Second line officers at Branches. The certificate regarding vetting has to be sent to Regional Office, based on which Regional Office will permit release of limits. Only on receipt of confirmation from Regional Office the limits can be released.
- **For limits above Rs.50 Crore**, the documents have to be vetted by Lawyers in Bank's approved panel and certified by Second line officers of the branch and the same is to be sent to the Zonal Office who will permit release of the limits. Only on receipt of such confirmation from Zonal Office the limits can be released.
- In case any branch releases the limit without vetting of documents as above, the First Line Manager of the Branch, the Second Line Manager in-charge of advances department and the Officer who had released the limits will be jointly held responsible in case of any deficiency in documentation.

H. Disbursement of loans

- Disbursal of the loan proceeds should always be in favour of the supplier with authority so obtained from the borrower, unless specifically authorised in the sanction.
- In case any advance is remitted by the borrower to the supplier, suitable evidence should be verified and branch should be satisfied about such remittance. In case of Cash Credit accounts and Packing Credit Loans also, the end use verification should be done to ensure that payments have been made to the suppliers only.
- All loan vouchers should be countersigned by the First Line Branch Manager and the Second Line Manager in charge of advances department along with the officer releasing the loan.
- Any withdrawals of more than Rs.5 lakhs from Cash Credit accounts or Current Accounts where Packing Credit loan proceeds are credited (if specifically permitted) should be countersigned by the First Line Manager of the branch and the Second Line Manager in charge of the advances dept along with the cash credit / current account

department officer ensuring that such withdrawals are made only for creation of working capital assets as envisaged in the business proposal.

- Subsequently if it is found that no assets had been created or funds had been diverted for purposes other than the purpose for which the loan / facility had been sanctioned, the First Line Manager, the Second Line Manager in charge of advances department and the officer who had permitted such withdrawals will be held jointly responsible.

- In case any non co-operation is experienced by the First Line Manager from the Second Line Manager or officers in charge of the departments on the verification of end use of funds , the First Line Manager should report such issues to Regional Office and make available a copy of such reporting to visiting officials / inspectors. In such a case, all the three officials as mentioned above would be held jointly responsible.

- In case such a reporting is not done by the First Line Manager, he would be
   solely responsible for end use verification.

I. Inspection of security assets

- The inspection of the property should be jointly carried out by the Branch Manager and Second Line Manager in charge of advances department or the officer who had made the proposal.

- The Pre-inspection report and F 337 should be signed by the Branch Manager and the official who had accompanied the Branch Manager.

- In case of any lacunae in the property taken as security, both of them would be jointly held responsible.

J. Monitoring of Accounts

- Monitoring should be done through verification of debits made in the account, periodical inspection of stocks as per laid down procedure, perusing the periodical stock statements, continuous surveillance statements, prompt renewal of the account, adequate and live insurance policies, Registration of charge with the Registrar of Companies, adherence to the terms and conditions given in the sanction endorsement, periodical review of the account for the changing market conditions etc.

- At a future date if any deficiency is noted in the monitoring of the account, the First Line Manager, the Second Line Manager in charge of advances department and the officer who is assigned to handle this particular account will be held jointly responsible.

- For any indiscriminate or unauthorized excesses and delayed submission of excess reports, the First Line Manager, The Second Line Manager in charge

Prepared by: Shri Pankaj Kumar Mohanty
Vetted by : Shri Padamjeet Dahiya

of advances department and the officer who is assigned to handle the particular account(s) will be held jointly responsible.

K. Single man branches

- ✓ In the case of single man branches, Branch Manager will be solely responsible in the operational areas detailed as above.
- In case the limits are not renewed/reviewed in time, our bank decided to fix accountability on the person responsible for non-review/renewal of limits (cir letter No.CrMD/2/02014-15 dt.27.01.2015).

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Prepared by: Shri Pankaj Kumar Mohanty
Vetted by : Shri Padamjeet Dahiya

CREDIT COMPLIANCE AUDIT (CCA)

Master Circular Ref Link -> Click here

The earlier Loan Review Mechanism(LRM) and Credit Audit (CA) has been merged and the CALRM is renamed as Credit Compliance Audit (CCA).

CCA is with regard to the guidelines of RBI to have and meaningful Credit monitoring system/ Credit mitigation tool covering the following:

a. Compliance with loan policy guidelines.
b. Quality of appraisal
c. Detection of EWS and sickness at an early stage.
d. Adeqacy of supervision, Monitoring and control.
e. Asset Quality.

Coverage of Borrowal accounts under CCA:

All domestic advances with exposure of Rs. 50 lacs (both Fund Based and Non Fund Based) and above, sister/ associate concerns of these borrowal accounts, irrespective of the loan amount and 2% of accounts between Rs.25 lacs to Rs. 50 lacs are to be subjected to CCA.

The following are the exceptions:

a. Loan against liquid securities like deposits/Government Securities etc.
b. Standalone term loans where the project is complete and allowed to run off.
c. All Non Performing Accounts.

In respect of Overseas Centers all borrowal accounts with exposure of Rs.1 crore and above except the following are subjected to CCA.

a. Loan against deposits/ Government Securities
b. All Non Performing Accounts.

Periodicity:

CCA is conducted once in a year for all eligible accounts. However, in case of fresh limits/enhanced limits sanctioned, it shall be conducted within two months from the date of first disbursement.

Who Shall Audit:

Where branches are covered under Concurrent Audit, the Concurrent Auditor of that particular branch will be assigned for conducting the CCA.

The branches which were not covered under Concurrent Audit, the assignment of CCA is as follows:

a. Concurrent Auditor of the nearby branches
b. In particular center, if no concurrent auditor or ex-staff team is available, then the Chartered Accountants from the RBI panel maintained by Inspection Department, CO shall be assigned with the CCA.
c. Ex staff taken for Branch Audit.
d. In respect of Overseas Centers, the procedure for allotment, conduct and reporting format of CCA will be advised separately.

Reporting:

The CCA once allotted should be conducted within 15 days of allotment, and the report is to be submitted in the revised CCA format.
The revised CCA format is available as annexure in the circular no : Master/ 018/2018-19 dated 05.05.2018 Click Here

10 parameters are covered in the reports such as:

Financials	Pre-sanction & appraisal	Credit Risk rating	Documentation	Consortium
multiple banking, Conduct of account	Project under implementation	Unit Visit	Non-fund based exposure	Early warning signals

Reviewing:

Loan Size in Rupees	Reporting	Reviewing
Upto 20 crore	Concurrent Auditor of branch/ ex-staff from the panel/ CA from RBI panel, maintained at CO.	Committee at Zonal office
Rs. 20 crore and above and loan sanctioned by Zos/CO		GM's committee at CO

a. Reviewing authority at ZO will be headed by the concerned GM, zonal office.
b. The review committee at CO will be consisting GM's of Credit monitoring dept, Risk Management dept, Inspection dept.
c. LRMD, CO and Zos to follow up with the sanctioning authority, Regional office and branches for compliance of audit findings.
d. High risk accounts to be reviewed on quarterly basis whereas Moderate Risk and Low risk accounts are to be reviewed Half yearly and Yearly respectively.

e. For accounts of Rs. 25.00 crore and above a review note to be put to Audit committee of the board every half year so as to appraise the findings as well as compliance of findings.
f. Risk score to be captured in Finacle along with date of Audit.

Follow up:

For loan exposures up to Rs. 20 crores, concerned ZO should follow up and for exposure more than Rs. 20 crore LRM department, CO will follow.

CREDIT MONITORING

The success of credit administration depends largely on efficient appraisal of credit proposals and constant post-disbursement monitoring. Monitoring and follow up should be an ongoing process. Deficiency in appraisal or laxity in monitoring results in quick mortality of the advances. For maintaining the quality of advances the monitoring process is more important.

A second grade appraisal followed by first grade monitoring can still help the account to be healthy whereas a first grade appraisal followed by second grade monitoring will definitely end up as a problem.

Monitoring of credit should not be done in isolation. It is a wholesome exercise which has to be carried out with the help of a good information system, financial statements, physical verification, adequate internal systems, corroboration, test checks, surprise checks, third party consultations, newspaper and magazine reports and other sources available.

In our bank, various monitoring tools are available as follows:

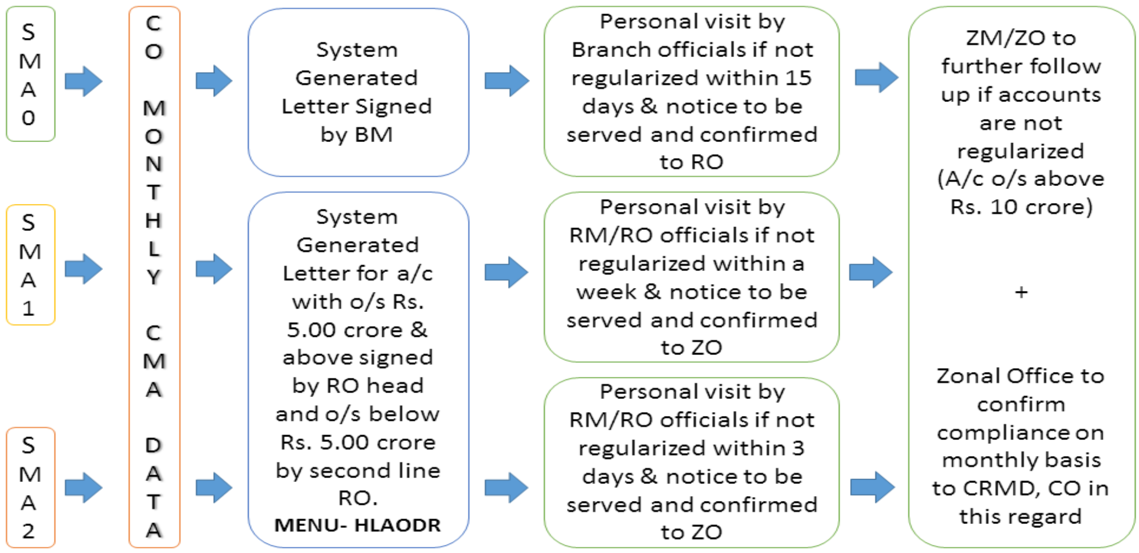
1. ERI Statement
2. Regular submission of Continuous Surveillance Statement (CSS).
3. Regular submission of stock statements.
4. Ensure 100% renewal/ review of Borrowal accounts with credit limit of Rs. 1 Lakh and above.
5. Verification of securities pledged/ mortgaged to the Bank.
6. Conducting regular inspection of borrowing units.
7. Follow the system of internal inspection of branches.
8. Taking immediate action on concurrent audit reports and RBI ·inspection reports etc.
9. Conducting Stock Audit /Credit Audit.
10. Monitoring under Special Mention Account norms through SMA portal.
11. Monitoring of SMA-2 accounts and uploading of CRILC SMA return to RBI.

Besides the follow up action, recovery of small value irregular accounts is initiated through Private Call Center and utilising services of visually impaired staff at regional office through software named JAWS.

Prepared by: Shri Jeetendra Kumar Panda
Vetted by : Shri Abhishek Arya

SMA account follow up:

SMA 0 Borrowers: For all SMA 0 accounts, system generated letters should be sent to the borrowers by Branch officials followed by personal visits if repayment is not forthcoming within 15 days.
SMA 1 &2 Borrowers: For all SMA I & 2 accounts, system generated letters should be emanated by Regional head /Regional office officials concerned followed by personal visits if repayment is not forthcoming within a week. Zonal Head/Zonal Office officials are to further follow up if the accounts with outstanding 10 crores and above are not regularized.
Every month, Zonal Offices are to advise compliance to Credit Monitoring Department, Central office in this regard.



Colour Coding in Business intelligence:

Utility is provided in business intelligence in IOB online where status of irregular accounts as last date of previous month is made available on 1st day of the month with contact number and outstanding details. SMA0/SMA1/SMA2 accounts are colour coded as Yellow, Orange and Red respectively.

Online SMA account allocation to staffs for follow up:
Bank has developed an online portal where Regional office allocates all SMA accounts to the staffs of the concerned branch for follow up and updating there.

In order to implement effective monitoring of accounts the following follow-up measures have been brought in:

SMA1 & SMA2, Rs. 50 lakhs and above accounts	Followed up by CO, CRMD dept
SMA1 & SMA2, Rs. 20 lakhs to Rs. 50 lakhs accounts	Followed up by ZO
SMA1& SMA2, below Rs. 20 lakhs and all SMA 0 accounts above Rs. 20 lakhs	Followed up Regional Office

- The following reports have to be generated on 1st date of every month by Branches/ROs/Zos for follow up:
    - ERI report in Finacle Server
    - SMA Report in Business intelligence
    - SINPA report in IOB online- Branch/RO/CO
    - Cash Credit limit expired accounts Report in Finacle report server.

Review of Loan sanctions made by each authority:

- The sanctions made by one authority are to be reviewed by next layer of higher authority. So the sanctioning authority has to send CAF1A report every month with the scrutiny sheet mentioned in the Circular no- 496/2018-19 dated 18.01.2019
- Sanctions made by branches are to be reviewed by Regional Offices and Sanctions made by RLCC are to be reviewed by ZLCC (GM).
- All credit sanctions made by ZLCC(GM) are to be reported in the following month to Credit monitoring Dept, Central office.
- The observations based on the review are communicated to branches/ Regional offices/Zonal Offices for taking necessary corrective action at the initial stage itself.

Review/Renewal of Borrowal account:

- All the credit limits are renewed / reviewed at least once in a year.
- Review/Renewal of borrowal accounts sanctioned will be ensured within 3 months from due date.
- The Bank shall review the progress of review /renewal of borrowal accounts on quarterly basis. All the credit limits are renewed/reviewed at least once in a year.
- Secured term loans/Demand Loans granted for approved purposes, against various securities such as gold ornaments. NSC/LIC policies/ Resurgent India Bonds/ IMDs etc. are allowed to run off and once sanctioned by the authority, they are not subject to renewal/review. However, if cash credit facility is

sanctioned against the above security, renewal of the limit has to be done once in a year.

- Term loan accounts are to be reviewed periodically by the authority under whose powers the drawing power amount falls at the time of review. However, the review should be made at least once in a year. All Retail Term Loans up to Rs. 25.00 Lacs are exempted from Annual Review.
- All mortgaged property shall be physically inspected before review/renewal of limits and encumbrance certificate to be obtained once in three years.
- All existing and new housing loans with sanctioned limits of Rs. 25.00 Lacs and above, including NPA accounts to be reviewed once in 3 years.
- Staff Loans are exempted from Review/Renewal.
- The review of standalone term loans sanctioned by various authorities (including MCB) shall be placed only to the concerned authority under whose powers the drawing power falls, as on the date of review. The review on standalone term loans for term loan limits of above Rs 5 lakhs and Rs 5 lakhs & below shall be made in the respective prescribed formats.

Extension of Expired limit/Short review & Renewal Proposal (SRRP):

- Whenever there is delay in submitting renewal proposal due to genuine reasons, system of short review is in place for a period of six months from the date of expiry of the previous sanction. Such short reviews shall be put up to the sanctioning authorities concerned and will be resorted to **only once** between two regular sanctions.
- If a sanctioning authority extends the limit for a period of 6 months only on a full-fledged proposal due to certain adverse features, then such review will be treated as a renewal and not as a review.
- If the Branch submits a complete renewal proposal before expiry of the existing limits or before the expiry of the extended period of the limits, branch will be in order in continuing the existing facilities till a decision is taken by the sanctioning authority. The action of the branch concerned in having continued the expired limits shall be deemed to have been approved till a decision is taken by the

sanctioning authority. Sanctioning authorities shall ensure renewal of the facilities expeditiously.

Revalidation of sanction:

- Credit Sanctions (including term loans) are valid for six months from the date of sanction. Unless availed within this period, they require revalidation by sanctioning authority. Sanctions by MCB can be considered for revalidation by CAC and for others by the respective authority that has sanctioned the loan.
- Revalidation of limit per se will not change the due date for next renewal. However, if the revalidation is done with proper re-appraisal of the credit proposal that was originally sanctioned, the due date for next renewal may be arrived at based on such revalidation.

- **The Continuous Surveillance Statement (CSS)** is to be collected every month from Branches in respect of borrowal accounts with fund based working capital limits of Rs. 1 crore and above. This helps to monitor the account at Central Office/Zonal Office/Regional Office. The statement is thoroughly scrutinized and adverse features noticed are communicated to Branches for rectification.

Revamping of LRM and Credit Audit:

- Loan Review Mechanism an "off-site" audit process and Credit Audit an "on-site" audit process was introduced in our Bank in tune with the "Guidance Note on Risk Management" by Reserve Bank of India. These two systems were revamped and merged together as CALRM. Further, the above CALRM Audit was renamed as CREDIT COMPLIANCE AUDIT. (details discussed separately in other chapter)

Stock Audit:

- Inspection Department Identifies accounts eligible for stock audit and ensure conduct of stock audit for these accounts.
- Inspection Department maintains list of professionals (Chartered Accountants &Cost Accountants) and assigns stock audit every year to these professionals.

ITD, Central Office shall furnish the list on or before 3nd working day of November every year. The procedure is as follows:

a. The borrowal accounts having working capital facilities (FB & NFB} outstanding of Rs. 5 Crores and above as on 31st Oct every year is eligible for stock audit.

b. The following are excluded from the list

- Cash Credit - Staff
- Cash Credit - ETF
- Cash Credit – Miscellaneous
- Cash Credit – Deposits

- The stock audit envisages exemption of stock audit for following accounts:
  - NPA accounts where stocks, receivables not available as security.
  - Consortium accounts where we are only a member and where stock audit is conducted by leader bank or other member banks after getting confirmation from such banks.
  - Public sector undertakings
  - Cases where stock audit is conducted where other banks under multiple banking arrangement and report is not older than 6 months.
- Hence the stock audit is to be conducted within One month from the date of assignment.
- A timeline of One month shall be allowed for submission of stock audit report after concluding the audit. The report is to be submitted in the specified format and now made in online.
- Thus the stock audit report Is to be submitted within 2 months from the date of assignment.

Compulsory Audit:

- As RBI has left to the discretion of banks to fix a suitable cut off limit with reference to the borrowing entity's overall exposure on the banking system in respect of compulsory audit of borrowal accounts, it has been decided that all borrowers with credit limits of above Rs. 25 lakhs from the banking system should get themselves audited compulsorily by Chartered Accountants.
- Submission of financial Statements by individual agricultural borrower for availing agricultural advance(s) for less than Rs 50 lakhs are waived.

Unit/Go-down Inspection:

- The inspection of go-down/unit should be carried out meticulously as per terms of sanction. for both fund based and non-fund based facilities. Normally for all advances unit inspection will be conducted on monthly basis.
- In deserving cases, sanctioning authorities can take a view on the periodicity of the inspection, depending upon the nature of the activity, and can relax periodicity of the unit inspection after duly documenting the reasons.
- In the case of consortium, where our Bank is leader, the periodicity of unit visit can be fixed as per the above guidelines. In cases where our Bank is not the leader, the Bank will fall in line with the leader of the consortium.

Submission of QIS/ CMA data:

- Submission of QIS forms I, II & III is discontinued. In all cases where working capital limits are Rs 2 crores and above CMA data will be called for, along with audited balance sheets.

Auditor's Certificate:

- Whenever the borrower is advised to produce auditor's certificate by the Bank, during the course of dealing with the borrower in respect of finance made to them, such auditor's certificates should be obtained from the Auditor who has originally audited and certified the books of accounts of the concern/firm/ company.

  Deviation can be allowed as follows:

Sanctioning Authority	Authority to permit deviation
Up to RLCC	ZLCC
ZLCC & HLCC(GM)	HLCC (ED)
HLCC (ED), CAC, MCB	CAC

- To ensure that the borrowing firms are making payments of their statutory dues in time, strictly in compliance of the provisions of the relevant statutes, the following guidelines of RBI shall be followed.

  "A certificate shall be obtained from the borrower's auditors on an annual basis stating that all statutory dues, Including EPF dues have been paid by the borrower".

(No waiver for Obtention of auditor's certificate is allowed at any level).

Guidelines for operations in NPA account showing signs of revival:

- Due to some genuine and unforeseen circumstances which are beyond their control, borrowers may suffer losses. This will lead to their accounts becoming NPA In those cases, where borrowers are willing to revive the business activities, Bank will allow operations in the NPA account, not only to help them to revive their business but also to reduce their dues in NPA accounts. The guidelines to be followed are as follows:
  - ✓ The holding on operations will be a temporary affair
  - ✓ In order to speed up the decision making process with regard to allowing holding on operations in NPA accounts, Branch Managers are permitted to allow operations in NPA accounts (irrespective sanctioning authorities of these loan accounts) under report to Regional Office and Sanctioning Authority.
  - ✓ Branch to discuss with the borrower in detail and ascertain the status of their firms.
  - ✓ Unit should be a going concern.
  - ✓ While allowing holding on operations in NPA accounts, the exposure in such accounts will not be allowed to go above the level of outstanding as on the date of allowing such holding on operations.
  - ✓ Branch to explore the possibility of deducting a cut back of 10% from each credit coming into the account for recovering the overdue instalments /interest in the NP A account. This will be entirely depending on the circumstances of each case. Recovery of interest already charged and not serviced will be considered in phases. Besides, instalment payment will also be scheduled gradually within say, next month or so. Though, in NP A accounts, interest is not applied, branch will take into account the notional interest to be charged and discuss with the borrower about recovery thereof in phased manner.
  - ✓ Within a period of three months of allowing operations, a view is to be taken in its entirety about future course of action and the manner in which further

recoveries have to be effected, by way of rehabilitation/restructuring or by filing suit / action under SARF AES! Act 2002.

- ✓ Such decision to allow operation should be reported to Regional Office and Sanctioning Authority.

Quick Mortality:

- ➢ The Bank will classify accounts that become NPA within a year of its sanction as quick mortality. Annual review of such accounts will be done.

Central Repository of Information on Large Credits (CRILC)

- ➢ RBI has set up the CRILC to collect, store and disseminate data on all borrowers' credit exposures including Special Mention Accounts (SMA 0, 1 & 2) having aggregate fund-based and non-fund based exposure of 5 crore and above.
- ➢ The CRILC-Main Report shall be submitted on a **monthly basis** (Earlier it was quarterly basis). In addition, the lenders shall submit a weekly report of instances of default by all borrowers (with aggregate exposure of ₹ 5 crore and above) by close of business on every Friday, or the preceding working day if Friday happens to be a holiday.
- ➢ CRILC main report consists of 4 sections such as 1) Exposure to Large Borrowers (Global Operation), 2) Reporting of technically/prudentially written off accounts (Global Operation), 3) Reporting of balance in current account (Global Operation), 4) Reporting of non-cooperative borrower (Global Operation).

Special Mention Accounts – Stressed Accounts

- ➢ As per the RBI guidelines, before a loan account turns into NPA, banks are required to identify incipient stress in the account by creating three sub-categories under Special Mention Account (SMA) as below:
  - a) SMA-0 Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress.
  - b) SMA-1 Principal or interest payment overdue between 31-60 days.
  - c) SMA-2 Principal or interest payment overdue between 61-90 days

Cut-off limit fixed by RBI for such categorization is Rs.5 cr and above

Reporting of SMA – 2 to CRILC:

Prepared by: Shri Jeetendra Kumar Panda
Vetted by : Shri Abhishek Arya

a) Banks need to report their SMA-2 accounts and JLF formations on a weekly basis at the close of business on every Friday. If Friday happens to be a holiday, reporting is to be done on the preceding working day of the week.

b) Crop loans are exempted from such reporting

REVITALIZING DISTRESSED ASSTES-JOINT LENDERS' FORUM AND CORRECTIVE ACTION PLAN:

- RBI have announced revised frame work on resolution of stressed assets, in view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC).
- The extant Instructions on resolution of stressed assets such as Framework of Revitalizing Distressed Assets, Corporate Debt Restructuring Scheme {CDR}, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme, (SOR), Change in Ownership outside SDR and Scheme for Sustainable Structuring of Stressed Assets {S4A} **stands withdrawn**. Accordingly, the Joint Lenders' Forum (JLF) as an institutional. mechanism for resolution of stressed accounts also **stands discontinued**.
- However, the revised framework is not applicable for the following:
    - ✓ The revival and rehabilitation of MSMEs as defined under 'The Micro, Small and Medium Enterprises Development Act, 2006 shall continue to be guided by the instructions contained in RBI circulars as amended from time to time. ·
    - ✓ Restructuring of loans in the event of natural calamity shall continue to be as per the directions contained in the RBI Master Directions, as amended time to time.

Our Bank is having board approved separate policy on Resolution of Stressed Assets-Revised Frameworks amended from time to time. Highlights of the policy is mentioned below:

- Bank shall identify incipient stress in loan accounts, immediately on default by classifying the stressed assets as Special Mention Accounts (SMA).
- Default means non-payment of debt when whole or any part or instalment of the amount of debt has become due and payable is not repaid by the debtor or the corporate debtor, as the case may be. For revolving facilities like

cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

- Any borrowal account showing signs of above stress/difficulty, such accounts will be reviewed for necessary corrective action by concerned credit verticals at RO/ZO/CO and put up to sanctioning authority for further course of action/Resolution However, asset classification of such borrowal accounts will be based on the IRAC norms.

SMA 0 accounts: As soon as the account appearing under SMA 0, Bank will make efforts for recovery of overdues in order to bring the account out of SMA status. This is applicable for all sole banking, consortium accounts whether our Bank is leader or member and Multiple Banking accounts.

SMA 1 & 2 accounts: If any account appears/categorized as SMA 1 (where default is more than 30 days) Bank shall impress the borrower to pay the overdues immediately. In spite of efforts if the account is not regularized, Bank shall go for Resolution Plan in order to bring the account out of stress. In case the account is under

Sole Banking	Wherever our Bank is the sole lender, joint meeting with borrower & guarantor to be conducted at Regional Office along with Branch Manager and discuss the issues /stress in the unit. Identify the stress is temporary/persisting. Accordingly, necessary Corrective Action to be taken to bring the account out of stress.
Consortium Banking/ Multiple banking where our bank is member	Apart from getting the account regularized, the leader or major lender to be contacted for convening consortium meeting along with borrower for necessary action if the stress is persisting. Resolution Plan to be discussed thoroughly with proper mandate and timeline for implementation.
Consortium Banking where our bank is leader	Convene consortium meeting deliberate /discuss the stress/overdue for Resolution Plan necessary corrective action, whether any delay/loss of time.

Resolution Plan: The Resolution Plan may involve any actions/plans/reorganization including, regularization of the account by payment of all overdues by the borrower entity, sale of the exposures to other entities/investors, change in ownership, or restructuring.

Restructuring would normally involve

1. Modification of terms of the advances / securities, which may include, among others, alteration of repayment period/ repayable amount / the amount of instalments /rate of interest;
2. Roll over of credit facilities;
3. Sanction of additional credit facilities
4. Enhancement of existing credit limits and
5. Compromise settlements where time for payment of settlement amount exceeds three months.

Apart from the above, if the Bank at any time identifies fraud/willful defaulter/ non cooperative and in case no viable Resolution Plan is available or there is no consensus among lenders on Resolution Plan, Bank shall initiate recovery action like filing suit, invoke personal/corporate guarantee(s) or file application with NCLT under IBC.

Time line for Implementation:

Activity	Timeline
Identification of stressed asset (SMA 0)	T
Vigorous follow-up with the borrower for regularisation	T + 15
Arranging for Consortium Meeting, discussion and finalization of strategy for Resolution Plan	T + 30
Preparation of Resolution Plan, execution of inter-Creditor Agreement	T + 60
Finalisation of RP with fine tuning (including conduct of TEV study, if required and Forensic Audit, etc.	T + 90
Obtention of RP 4 rating from two approved CRAs for the residual debt	T + 120
If RP involves CIM, Bid Process to be completed (including inviting EOI, due diligence on the successful bidder, etc.)	T + 150
Approval from lenders	T + 180
Approval from other regulatory and licensing agencies, if required	T + 190
Execution of documents, including creation of security charge, perfection of securities, etc. conversion of debt into equity, CIM	T + 200

procedures etc.,	
Complete implementation of the RP in the bank's records	T +210
T = Date of default (i.e. 1" day on which the interest/ instalment falling due for payment). If the account is already under SMA 2 {already 60 days over), then the above process has to be accelerated so that the RP is implemented within the next 100 days {i.e. within the timeline of 180 days from the date of default). **To start with the above process of rp as per prudential framework of rbi is applicable for borrowers with aggregate exposure of rs.2000 crore & above from lenders with reference date 07.06.2019 and for rs. 1500 crs to less than rs. 2000 crs is 01.01.2020**	

Inter-Creditor agreement:

During the Review Period of thirty days, the lenders may decide on the resolution strategy, including the nature of the Resolution Plan, the approach for implementation of the Resolution Plan etc., The lenders may also choose to initiate legal proceedings for · insolvency or recovery.

In case where Resolution Plan is to be implemented, all lenders shall enter into an Inter-creditor Agreement (ICA) during the above said Review period, to provide ground rules for finalization and implementation of Resolution Plan in respect of borrowers with credit facilities from more than one lender.

Our Bank is one of the signatories of Inter Credit Agreement drafted for the purpose of

finalization and implementation of Resolution Plan. However, RBI circular stipulates the

following:

1. Any decision agreed by lenders representing 75% by value of total outstanding of credit facilities (FB+NFB) and 60% of lenders by number shall be binding upon all the lenders.
2. Provide for rights and duties of majority lenders, duties and protection of rights of dissenting lenders, treatment of lenders with priority in cash flow/differential security interest etc,
3. Resolution Plan shall provide for payment not less than the liquidation value due to the dissenting lenders. (Liquidation value would mean the estimated realizable value of the assets of the relevant borrower, if such borrower were liquidated as on the date of commencement of the Review Period.

Wherever our Bank is the member of consortium, Bank will follow up with other Banks/leader of the consortium for initiating the process of Resolution.

Rating Agencies:

Resolution Plan involving restructuring/change in ownership in respect of large accounts i.e. accounts with aggregate exposure of Rs. 100 Crs and above shall require independent credit evaluation (ICE) of the residual debt by Credit Rating Agencies (CRA). While accounts with aggregate exposure of Rs. 500 Crs and above require two ICE rating and others shall require one ICE rating. RBI vide their communication dt. 21.05.2018 authorised the following CRAs for undertaking ICEs in respect of Resolution Plans.

i) Brickwork Rating India P Ltd
ii) CARE rating LTD
iii) CRISIL Ltd
iv) India Rating and Research Pvt LTD
v) SMERA ratings LTD (upto 2000 crore only)

Cases of frauds/wilful defaulter:

Borrowers who have committed frauds/malfeasance/willful default will remain ineligible for restructuring. However, in cases where the existing promoters are replaced by new promoters, and the borrower company is totally delinked from such erstwhile promoters /Management, we may take a view on restructuring of such accounts based on their viability, without prejudice to the continuance of criminal action against the erstwhile promoters/management.

Wilful Default: (Master/48/2019-20 dated 09.10.2019)

A 'wilful default' would be deemed to have occurred if any of the following events is noted:

i) The unit has defaulted in meeting its payment/ repayment obligations to the lender even when it has the capacity to honour the said obligations.
ii) The unit has defaulted in meeting its payment / repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.

iii) The unit has defaulted in meeting its payment/ repayment obligation to the lender and has siphoned off the funds so that the funds have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.

iv) The unit has defaulted in meeting its payment/ repayment obligation to the lender and has also disposed off or removed the movable fixed assets or immovable property given for the purpose of securing a term loan without the knowledge of the bank / lender.

Diversion of funds, referred above, would be construed to include any one of the undernoted occurrences:

i) utilization of short-term working capital funds for long-term purposes not in conformity with the terms of sanction;

ii) deploying borrowed funds for purposes / activities or creation of assets other than those for which the loan was sanctioned;

iii) transferring borrowed funds to the subsidiaries / Group companies or other corporates by whatever modalities;

iv) routing of funds through any bank other than the lender bank or members of consortium without prior permission of the lender;

v) investment in other companies by way of acquiring equities / debt instruments without approval of lenders;

vi) shortfall in deployment of funds vis-à-vis the amounts disbursed / drawn and the difference not being accounted for.

Siphoning of funds, referred above, should be construed to occur if any funds borrowed from banks / FIs are utilised for purposes un-related to the operations of the borrower, to the detriment of the financial health of the entity or of the lender. The decision as to whether a particular instance amounts to siphoning of funds would have to be a judgment of the lenders based on objective facts and circumstances of the case.

Guarantors: where a banker has made a claim on the guarantor on account of the default made by the principal debtor, the liability of the guarantor is immediate. In case, the said guarantor refuses to comply with the demand made by the creditor/banker, despite having sufficient means to make payment of the dues, such guarantor would also be treated as a wilful defaulter. This would apply only prospectively and not to cases where guarantees were taken prior to 09.09.2014.

Debarment from financial assistance -Wilful defaulters

Entrepreneurs/promoters of Companies where diversion of funds, siphoning of funds, misrepresentation, falsification of accounts and fraudulent transactions have been identified by other Banks/FIs will be debarred from institutional finance for a period of **5 years** from the date the name of Wilful Defaulter is disseminated in the list of Willful Defaulters by RBI.

Publication of photos, names and addresses of borrowers and their dues to the Bank in newspapers (Master/48/2019-20 dated 09.10.2019)

The following shall be the Criteria based on which the Competent Authority delegated by the Board will decide on Publishing of the Photographs of the Wilful Defaulters:

i) Borrower/ Guarantor is declared as a Wilful Defaulter in accordance with the Extant guidelines of the bank.
ii) The outstanding dues to the bank should be Rs. 25.00 lakhs and above at the time of deciding to publish photographs.
iii) Account should not be a closed account or an account assigned to ARC.
iv) There is no OTS proposal of the borrower/ guarantor pending for sanction at Bank's end.
v) There is no OTS sanction which is in force or which has not lapsed.
vi) There is no stay/ restrain from any court/ any competent forum for publication of photograph of wilful defaulter.
vii) In the state where the borrower/ guarantor ordinarily resides/ carries on business, there is no moratorium/ embargo/ any other special circumstances preventing publication of photographs of wilful defaulter.
viii) Borrower/guarantors whose photos to be published should be alive.

Competent Authority to decide on publication of photo of wilful defaulters as below:

Account with Book outstanding (in Rs.)	Layer of authority
Up to Rs. 20.00 crore	RLCC

Above Rs. 20 crore & up to Rs. 40 crore	ZLCC
Above Rs. 40 crores	HLCC (GM)

Non-Cooperative Borrowers (RBI Cir dt. 22.12.2014)

i) A non-cooperative borrower is one who does not engage constructively with his lender by defaulting in timely repayment of dues while having ability to pay, thwarting lenders' efforts for recovery of their dues by not providing necessary information sought, denying access to assets financed / collateral securities, obstructing sale of securities, etc. In effect, a non-cooperative borrower is a defaulter who deliberately stone walls legitimate efforts of the lenders to recover their dues.

ii) The cut off limit for classifying borrowers as non-cooperative would be those borrowers having aggregate fund-based and non-fund based facilities of Rs.50 million from the concerned bank/FI.

iii) A non-cooperative borrower in case of a company will include, besides the company, its promoters and directors (excluding independent directors and directors nominated by the Government and the lending institutions).

iv) In case of business enterprises (other than companies), non-cooperative borrowers would include persons who are in-charge and responsible for the management of the affairs of the business enterprise.

v) Banks/FIs will be required to report information on their non-cooperative borrowers to CRILC under CRILC-Main (Quarterly Submission).

vi) Boards of banks/FIs should review on a half-yearly basis the status of non-cooperative borrowers for deciding whether their names can be declassified as evidenced by their return to credit discipline and cooperative dealings.

vii) Banks are required to make higher provisioning as applicable to substandard assets in respect of new loans sanctioned to such borrowers as also new loans sanctioned to any other company that has on its board of directors any of the whole time directors/promoters of a non- cooperative borrowing company or any firm in which such a non- cooperative borrower is in charge of management of the affairs.

viii) For the purpose of asset classification and income recognition, the new loans would be treated as standard assets.

Red Flagged Accounts (RFA): (Circular No- ADV/235/2018-19 dated 19.04.2018)

- A Red Flagged Account is one, where suspicion of fraudulent activity is thrown up by the presence of one or more Early Warning Signals. Bank cannot afford to ignore such Early Warning Signals (EWS), but has to use it as a trigger to take a call to Red Flag an account or not, after analysing the details available with the bank. The threshold for RFA is an exposure of **Rs. 50 crores** or more (both fund and non-fund based) to a particular borrower at the level of the bank, irrespective of lending arrangement.
- All accounts beyond Rs.500 million classified as RFA or 'Frauds' must also be reported on the CRILC data platform together with the dates on which the accounts were classified as such.
- The modalities for monitoring of loan frauds below Rs.500 million thresholds is left to the discretion of banks.
- Banks have to constitute Fraud Monitoring Group (FMG) or any other for the purpose immediately.

Incentive for Prompt Reporting:

- In case of accounts classified as 'fraud', banks are required to make provisions to the full extent immediately, irrespective of the value of security.
- However, in case a bank is unable to make the entire provision in one go, it may now do so over four quarters provided there is no delay in reporting.
- In case of delays, the banks under Multiple Banking Arrangements (MBA) or member banks in the consortium are required to make the provision in one go in terms of the said circular. 'Delay', would mean that the fraud was not flashed to CFMC, RBI or reported on the CRILC platform, RBI within a period of one week from its;
  - i) classification as a fraud through the RFA route which has a maximum time line of six months or
  - ii) detection/declaration as a fraud ab initio by the bank as hitherto.

RESTRUCTURING OF ADVANCES

General Guidelines & Instructions of RBI (RBI Circular DBR.No.BP.BC.101/21.04.048/ 2017-18 dated 12.02.2018)

Restructuring would normally involve modification of terms of the advances securities, which would generally include:

1. Alteration of repayment period
2. Repayable amount
3. The amount of instalments
4. Rate of interest
5. Roll over of credit facilities
6. Sanction of additional credit facility
7. Enhancement of existing credit limits
8. Compromise settlements where time for payment of settlement amount exceeds three months.

- **Those accounts classified under "Standard", "Sub-standard" and "Doubtful" categories can also be restructured.**

Withdrawal of extant instructions

The extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) **stand withdrawn with immediate effect.** Accordingly, the Joint Lenders' Forum (JLF) as an institutional mechanism for resolution of stressed accounts **also stands discontinued**. All accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework.

General Guidelines

1. 'Default' means non-payment of debt when whole or any part or instalment of the amount of debt has become due and payable and is not repaid by the debtor or the corporate debtor, as the case may be.
2. For revolving facilities like cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.
3. Aggregate exposure under the guidelines would include all fund based and non-fund based exposure with the lenders.
4. Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower.
5. The residual debt of the borrower entity, in this context, means the aggregate debt (fund based as well as non-fund based) envisaged to be held by all the lenders as per the proposed Resolution Plan (RP).

6. Lenders are free to file insolvency petitions under the IBC against borrowers even before the expiry of the timelines, or even without attempting a RP outside IBC.
7. During the period when the RP is being finalised and implemented, the usual asset classification norms would continue to apply. The process of re-classification of an asset should not stop merely because RP is under consideration.

Asset Classification

In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant asset classification norms.

Conditions for Upgrade

Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the lenders may be upgraded only when all the outstanding loan / facilities in the account demonstrate 'satisfactory performance' (i.e., the payments in respect of borrower entity are not in default at any point of time) during the 'specified period'.

For the large accounts (i.e., accounts where the aggregate exposure of lenders is ₹ 1 billion and above) to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better) as at the end of the 'specified period' by CRAs accredited by the Reserve Bank for the purpose of bank loan ratings.

While accounts with aggregate exposure of ₹ 5 billion and above shall require two ratings, those below ₹ 5 billion shall require one rating. If the ratings are obtained from more than the required number of CRAs, all such ratings shall be investment grade to qualify for an upgrade.

In case satisfactory performance during the specified period is not demonstrated, the account shall, immediately on such default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh RP and demonstration of satisfactory performance thereafter.

Provisioning Norms

Accounts restructured under the revised framework shall attract provisioning as per the asset classification category as laid out as per existing norms. However, the provisions made in respect of accounts restructured before the date of the circular dated July 1, 2015 under any of the earlier schemes shall continue to be held as per the requirements specified therein.

Additional Finance

Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for up-gradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

Income recognition norms

Interest income in respect of restructured accounts classified as 'standard assets' may be recognized on accrual basis and that in respect of the restructured accounts classified as 'non-performing assets' shall be recognised on cash basis.

In the case of additional finance in accounts where the pre-restructuring facilities were classified as NPA, the interest income shall be recognised only on cash basis except when the restructuring is accompanied by a **change in ownership.**

Change in Ownership (RBI Circular no. DBR.BP.BC.No.41/21.04.048/2015-16 dated 24-09-2015)

In case of change in ownership of the borrowing entities, credit facilities of the concerned borrowing entities may be continued/upgraded as 'standard' after the change in ownership is implemented, either under the IBC or under this framework. If the change in ownership is implemented under this framework, then the classification as 'standard, shall be subject to the following conditions:

i. Banks shall conduct necessary due diligence in this regard and clearly establish that the acquirer is not a person disqualified in terms of Section 29A of the Insolvency and Bankruptcy Code, 2016.
ii. The new promoter shall have acquired at least 26 per cent of the paid up equity capital of the borrower entity and shall be the single largest shareholder of the borrower entity.
iii. The new promoter shall be in 'control' of the borrower entity as per the definition of 'control' in the Companies Act 2013 / regulations issued by the Securities and Exchange Board of India/any other applicable regulations / accounting standards as the case may be.

For MSME (RBI Circular DBR.No.BP.BC.18/21.04.048/2018-19 dated 01.01.2019)

With a view to facilitate meaningful restructuring of MSME accounts {MSME as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006} that have become stressed, it has been decided to permit a one-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in the asset classification, subject to the following conditions:

1. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹250 million as on January 1, 2019.
2. The borrower's account is in default but is a 'standard asset' as on January 1, 2019 and continues to be classified as a 'standard asset' till the date of implementation of the restructuring.

3. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration.
4. The restructuring of the borrower account is implemented on or before March 31, 2020.

A restructuring would be treated as implemented if the following conditions are met:

i. all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities are completed by all lenders; and
ii. The new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.
iii. A provision of 5% in addition to the provisions already held, shall be made in respect of accounts restructured under these instructions. Banks will, however, have the option of reversing such provisions at the end of the specified period, subject to the account demonstrating satisfactory performance during the specified period as defined at paragraph 5 below.

Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms. As per extant IRAC norms. Such an account may be considered for up gradation to ‘standard’ only if it demonstrates satisfactory performance during the specified period.

As per extant IRAC norms. Such an account may be considered for upgradation to ‘standard’ only if it demonstrates satisfactory performance during the specified period.

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VALUATION OF LAND AND BUILDING

Based on the model SOP of IBA (vide their letter dated 16.11.2018), our policy Document on valuation of properties was revised and the same was approved by the Board on 12.09.2019.

Policy for Valuation of Properties (whether accepted as Prime or Collateral for the exposures) and empanelment/renewal of Approved Valuers/Other than those required under companies Act 2013.

1. Guidelines:

1.1. Fixed Assets often comprise the significant portion of the total Assets of the Bank. Again in the total Assets, major portion of our Bank's Assets Portfolio constitute advances for which immovable properties are taken as either prime or collateral security. The immovable properties are mortgaged to the Bank for securing the advances either primarily or collaterally. The immovable properties are also owned by the Bank. **The immovable properties may be broadly classified as**

1. Land and Buildings
2. Plant and Machinery, movable as well as embedded to the ground
3. Furniture & Fixtures
4. Stocks and Trade
5. Agriculture Land

2. Definitions:

The definition of certain terminologies used in the Policy Document are as follows:

I. Property: Property means

i) Immovable property

ii) Movable property

iii) Any debt or any right to receive payment of money whether secured or unsecured.

iv) Receivables whether existing or future

v) Intangible assets, being know-how, patents, copyright, trademark, license, franchise or any other business and commercial rights of similar nature.

I. **Fixed Assets** – Fixed Asset is an Asset held with the intention of being used for the purpose of producing or providing goods or services and not held for sale in the normal course of business.

II. **Fair Market Value** – is the price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and are not under any compulsion to transact.

The term "Fair Market Value" as used herein, may also be defined as being the amount, in terms of money, at which the property would be exchanged in the current real estate market, allowing a reasonable time to find a purchaser, as between a willing buyer and a willing seller, both having reasonable knowledge of all relevant facts, and with equity to both.

The terms of sale, whether favorable or unfavorable, would be the price of the property if it were offered for sale in the open market. It is further assumed that title to the property is good and marketable, and that it would be transferable without unreasonable restrictions.

III. **Gross Book Value** of a Fixed Asset is its historical cost or other amount substituted for historical cost in the books of account or financial statements. When the amount is shown net of accumulated depreciation is termed as net book value.

IV. Realizable value will be 85% of the Fair Market Value of the immovable property.

3. Coverage of the Policy:

The Policy covers the following aspects

- Valuation of properties (prime and collateral) accepted as security for our Bank's exposure.
- Systems and procedures, norms, terms and conditions, records, etc. for empanelment / renewal of approved Valuers for different classes of Assets, viz.,

  1. Immovable properties (land and buildings)
  2. Plant and Machinery
  3. Agricultural and Farm Lands
  4. Stock and Trade
  5. Coffee/Tea Plantation, etc.
  6. Jewellery, Precious Stones and Ornaments, etc.
  7. Others (Automobiles, Electronics, Information Technology, Aeronautics, Metallurgy, etc.)

4. General Guidelines on Valuation:

4.1 The valuation should always be got done by an empanelled independent valuer i.e. the valuer should not have a direct or indirect interest in the asset being valued.

4.2 All the necessary / relevant papers / documents should flow directly from the Branch to the valuer & vice versa without routing the same through the borrower / guarantor concerned.

4.3 The Valuation Report to be submitted by the valuers stand invariably contains the Fair Market Value, the Book Value, guideline value i.e. Government fixed value and the Distress Value of the property being valued. However, for the purpose of determining the present value of the property mortgaged / to be mortgaged, the Fair Market Value should be taken into consideration. Also in the case of Plant & Machinery, Fair Market Value to be accepted for valuation purposes. The valuer should mention Book value i.e. sale deed value and year in his report.

4.4 A declaration should necessarily be obtained from valuers with every valuation Report as per the prescribed format along with a signed copy of the Model code of conduct for valuer as given with the Circular no. BOD/Misc./1643/2019-20 dated 14.10.2019.

4.5 Two independent valuations are to be obtained from the panel valuers in cases Where the value of any particular property (ies) is Rs.5.00 crores and above.

4.6 Properties mortgaged / Fixed Assets hypothecated are to be got revalued at least once in 3 years.

4.7 **Further, following modalities should also be adhered to**

4.7.1 As soon as the valuation reports are obtained, it should be verified and ensured that they contain all the details. Blanks and cursory reports should not be accepted. Further, all the columns in the format of valuation reports should be duly filled in with remarks and finding of the valuer and if column is not applicable then a notation to that effect should be made. **A valuation report containing blanks and delete/ erase should not be accepted.**

4.7.2 As a measure of strengthening the Due Diligence of the applicable primary/ collateral securities which are Land & Building/Land in nature/Plant & Machinery/Other tangible assets, valuers to include photograph of owner with the property in the background, in their port submitted to Branches.

4.7.3 For easy identification of the applicable primary/collateral securities which are Land & Building/Land in nature/Plant & Machinery/Other fixed tangible assets, valuers to mention longitude/latitude and co-ordinates of the properties in the valuation report. If possible, screenshot (in hard copy) of Global Positioning System (GPS)/Various Applications (Apps)/Internet sites (eg. Google earth)/etc. is to be included in the valuation report.

4.7.4 In the column pertaining to valuation in the format where valuer is required to mention the prevailing market rate another column should be added and details /reference of at least two latest deals/transactions with respect to adjacent properties in the areas will have to be mentioned. **Valuation reports without those details should be returned to the valuer for resubmission.**

4.7.5 Valuation Report must contain specific views / comments on the impending threat If any, of **Road Widening, Take-over of property for public service purposes, Sub-merging, attracting provisos of Coastal Regulatory Zone (CRZ), Symmetry shape, nearby dumping yard, Railway side property, long term tenancy, Erection of high voltage wire etc.**

4.8 **Guidelines for valuation of land applicable to all proposals including Real Estate proposals are as detailed below:**

i. The acquisition cost as per registered sale deed may be considered **as cost of land/ Force sale Value whichever is less** if acquired within immediate preceding one year.
ii. If the land is acquired / purchased **beyond preceding one year**, 85% of the fair market value assessed by the Bank's approved valuer should be taken as value of the land.

4.9 Valuation Report/s by empanelled valuer/s in consortium / Multiple Banking Arrangement (MBA) account may be accepted, which are undertaken as per IBA suggested SOP.

4.10 Branches/Offices to ensure that **residual age of the immovable property should be at least 5 years more than the tenure of the loan.**

4.11 Valuation report must contain whether land is **free from water log, land locked or not, four Wheeler approach is available with property or not**, Property is properly **Demarcated or not** and whether property is **directly approachable, marketable or not.**

- **Agricultural and Farm Land**

  In the case of Agricultural Advances for more than Rs.5.00 Lakhs or above, the valuation should be done by a competent person who satisfies the norms for approved valuer.

- **House Properties (Land and House Buildings/Flats, etc.)**

The following obligations casts on the part of the bank as follows:

✓ All empanelment's of valuers shall be done in accordance with the provisions of this document and its amendments from time to time.
✓ All instructions to the valuer are to be given by the bank in writing.

- ✓ Supportive documents, wherever possible, shall be provided to the valuer before the valuation work begins. Any other document will have to be procured by the valuer and sufficient time for the same will be provided and cost of procurement of such documents shall be reimbursed by the Bank.
- ✓ In case of valuations under SARFAESI Act, provisions under the Act have to be followed.

- ✓ In case of SARFEASI, the work is assigned to those valuers who are registered as valuer under section 34AB of the wealth tax act 1957 for the purpose of wealth tax act.

Where ever the value of the property is more than Rs.5.00 crore, two valuers of **Category A or B** may be appointed in order to get the valuation done. In case the difference in the valuation arrived at by both the valuers is not more than 10 percent, the lower value of the two, should only be accepted. In case the difference is more than 10 percent, then, a third valuer will be engaged at the cost of borrower and of the three valuations, lowest would be taken as the notional fair market value of the property.

- **Properties other than House (Land and Commercial Buildings/Industrial Sheds, etc.):**

1. For all advances, valuation is required to be done by the Approved Valuer, in addition to the Desk Top Valuation and revalued once in three years preferably by different valuer/(s).
2. Valuation Report of building on completion should be held. The loan should be released in stages, and work done certificate is to be obtained from the builders in addition to Desk Top Valuation and Valuation by our Approved Valuer(s).

Common for all three Categories-**Agriculture and Farm Land/House Properties (Land & House Building/Flats, etc.)/Properties other than House (Land & Commercial Buildings/Industrial Sheds, etc.)**

A. If the value of any single property mortgaged in favour of our Bank exceeds Rs.5.00 crores and above, two valuation reports are required to be obtained from two different Approved Valuers. Where several properties are mortgaged second valuation is to be made only for the single property whose value exceeds Rs.5.00 crores. If the variation in the two valuations is not more than 10%, the lower value of the two, should only be accepted. If the variation is more than 10%, a third valuer will be engaged at the cost of borrower and of the three valuations, lowest would be taken as the notional fair market value of the property.

B. In all NPA accounts (irrespective of the limits/outstanding), the valuation of property is required to be done in once in three years. In case of OTS/OCS, the guidelines laid down in the Recovery Policy in force, shall be followed. The fees of the valuer in such cases may be paid to the debit of P&L A/c if the same cannot be recovered from the borrowers.

- **Plant and Machinery**

Any acquisition of second hand Plant and Machinery should be valued by reputed valuer from bank's panel. Valuation of Plant and Machinery (new or existing) may be insisted upon by the sanctioning authority, if required. Such valuation report should contain:

1. Name of the manufacturer, year of manufacture and original invoice value.
2. Present working condition of the machinery and the utility value.
3. Approximate replacement value of the machinery.
4. Technology involved whether it is contemporary or obsolete.
5. Approximate residual life of the machinery.
6. Details like required manpower, power consumption when compared to similar machinery.
7. Approximate scrap value under forced sale.
8. Approximate replacement value for similar productivity.

5. Empanelment of approved valuers:

5.1 Criteria for Empanelment of Valuers-In order to ascertain the value of properties for any of the above purposes, banks and FIs shall appoint external independent valuers for undertaking valuations. The empaneled valuers shall carry out valuation of different types of assets as under:

(i) Land and Building

(ii) Plant & Machinery

(iii) Stocks and Trade

(iv) Agriculture Land

a) **Educational Qualifications and Previous Work Experience:** It is necessary that a valuer possesses proper educational qualifications which make him competent to carry out the task of valuation of securities. In addition, relevant work experience is also important.

I. Valuation of Land & Building / Real Estate:

From 01.01.2020, for fresh empanelment, preferably, academically qualified valuers possessing following qualifications in valuation of Land& Building / Real Estate may be empanelled.

- ✓ Post Graduate degree in valuation of **real estate** from a recognized university i.e. the universities established under State or Central Acts **with 2 years' experience in valuation of real estate.**

However, Bank can consider Valuers having the Post Graduate degree in Valuation (Master degree in Valuation) for empanelment depending upon the availability of Valuers with such qualifications.

The educational qualifications for empanelment as valuers of Land & Building / real estate till 31.12.2019 shall be as the details mentioned in the Circular no.-BOD/MISC/1643/2019-20 dated 14.10.2019 para 8.1.I.

II. Valuation of Plant and Machinery:

Educational qualifications and experience for Empanelment as Valuers of plant & machinery:

From 1.1.2020, **for fresh empanelment** preferably, academically qualified valuers possessing following qualifications in valuation of plant & machinery shall be empanelled.

- ✓ Post Graduate degree in valuation of plant & machinery from a recognized university i.e. the universities established under State or Central Acts with 2 years' experience in valuation of plant & machinery.

However, Bank can consider Valuers having the Post Graduate degree in Valuation (Master degree in Valuation) for empanelment depending upon the availability of Valuers with such qualifications.

The educational qualifications for empanelment as valuers of plant & machinery till 31.12.2019 shall be as the details mentioned in the Circular no.-BOD/MISC/1643/2019-20 dated 14.10.2019 para 8.1.II.

III. Valuers of Agricultural land

Educational qualifications and experience for Empanelment as Valuers of Agricultural Land:

There are no specific courses available in to qualify as a valuer of agricultural land. Valuer of agricultural land ought to have knowledge of following principles of valuation

- Cost, price, value and worth
- Various types of value
- Value elements – ingredients – characteristics

- Annuities – capitalization – rate of capitalization – redemption of capital
- Three approaches to value viz. Income, Market and cost
- Laws applicable to agricultural land

Till the courses are available the empanelment may be carried out as per criteria laid down under the Wealth Tax Rule 8A (3)
Rule 8A (3) A Valuer of agricultural lands (Other than plantations referred to in sub-rule (4) shall have the following qualifications, namely :-

i. He must be a graduate in agricultural science of a recognized university and must have worked as a farm valuer for a period of not less than five years; and
ii. He must be a person formerly employed in a post under Government as Collector, Deputy Collector, Settlement Officer, Land Valuation Officer, Superintendent of Land Records, Agricultural Officer, Registrar under the Registration Act, 1908 (16 of 1908), or any other officer of equivalent rank performing similar functions and must have retired or resigned from such employment after having rendered service in any one or more of the posts aforesaid for an aggregate period of not less than five years.

IV. Valuers of Agricultural Land (Plantations) under Wealth Tax Rule 8A (4):

Educational qualifications and experience for Empanelment:
A valuer of coffee plantation, tea plantation, rubber plantation or, as the case may be, cardamom plantation shall have the following qualifications, namely: -
(i) He must have, for a period of not less than five years, owned, or acted as manager of a coffee, tea, rubber or, as the case may be, cardamom plantation having an area under plantation of not less than four hectares in the case of a cardamom plantation or forty hectares in the case of any other plantation; or
(ii) He must be a person formerly employed in a post under Government as a Collector, Deputy Collector, Settlement Officer, Land Valuation Officer, Superintendent of Land Records, Agricultural Officer, Registrar under the Registration Act, 1908 (16 of 1908), or any other officer of equivalent rank performing similar functions and must have retired or resigned from such employment after having rendered service in any one or more of the posts aforesaid for an aggregate period of not less than five years, out of which not less than three years must have been in areas, wherein coffee, tea, rubber or, as the case may be, cardamom is extensively grown.

V. Valuers of Stock (inventory), Shares
In the case of these assets criteria laid down under the Wealth Tax Rule 8A (7) to be adopted.
Rule 8A (7) a Valuer of stocks, shares, debentures, securities, shares in partnership firms and of business assets, including goodwill but excluding those referred to in sub-rules (2) to (6) and (8) to (11), shall have the following qualifications, namely,

i. He must be a member of the Institute of Chartered Accountants of India or the Institute of Cost and Works Accountants of India [or the Institute of Company Secretary of India and

Prepared by: Shri Bikas Kumar Sah
Vetted by : Shri Rajasekar N

ii. He must have been a practice as chartered accountant or a cost and works accountants or a company secretary for a period of not less than ten years and his gross receipts from such practice should not be less than fifty thousand rupees in any three of the five preceding years.

Evidence of previous experience needs to be provided to the Bank. In case of companies / partnership firms undertaking valuations, the qualification and experience shall apply to the lead valuers of the company / all partners of the partnership firm.

The method of valuation and periodicity for valuation of shares is dealt in Loan Document Policy and for valuation of stock, branches to refer policy on stock audit.

VI. Qualification of Valuer required as per Company Act 2013 as per notification of the MCA dated 18.10.2017: Details mentioned in the Circular no.-BOD/MISC/1643/2019-20 dated 14.10.2019 para 8.1.VI.

Other Criteria and conditions for empanelment of Valuers:

b) Minimum Age Requirement

The minimum age for empanelment with banks shall be 25 years and there is no maximum age limit for a valuer to remain on the panel.

c) Membership of Professional Bodies

It is important that a valuer actively participates in professional activities in various professional bodies. It shall be necessary that every valuer empanelled by Banks/FIs in India be a member in good standing of any one of the valuer associations.

d) Categories of Valuers- The objective of categorization of valuers is to ensure that whilst lesser value assignments are handled by relatively junior valuers, the senior valuers can handle higher order valuations.

The empanelment of valuers therefore shall be in the following categories:

Sl. No.	**Category of Valuers**	**Work Experience in Undertaking Valuation**	**Value of property for assignment of Valuation Work**
1.	A	More than 10 years	No limit
2.	B	More than 5 years and less than 10 years	Upto Rs.50 crores
3.	C	Upto 5 years	Upto Rs.**5 crore**

Valuers need to furnish proof of experience. Any one of the following may be accepted as proof of experience:

1. Letter of empanelment by any Bank / FI
2. Letter of empanelment by any Court of India
3. Registration Certificate under Wealth Tax Act, 1957

4. Letter of appointment as valuation consultant by Government of India / any State Government / any Municipality / any Municipal Corporation

5. Letter of appointment as valuer employee by Government of India / any State Government / any Municipality / any Municipal Corporation

6. Letter of appointment as a valuer employee by any Limited Company engaged in the business of valuation

7. Letter of appointment as a valuation consultant by any Limited Company.

8. Letter of appointment as a valuer employee by any partnership / proprietorship / private limited Company engaged in the business of valuation for the last five years

The Experience of the Valuer shall be calculated from the date of his first empanelment with any Bank / Financial Institution / High Court or registration under Wealth Tax Act, 1957.

e) Registration with Government-

Registration with the central / state governments is desirable but not compulsory. However, it may be noted that for undertaking valuations under the SARFAESI Act, valuation has to be obtained from Registered Valuer under the Wealth Tax Act (Sections 34 AA to 34 AE). While assigning / outsourcing valuation work to valuers, it is necessary that banks take the provisions of the SARFAESI Act into account and comply accordingly.

As per gazette notification dated 18.10.2017 of Govt. of India, Engineers empanelled as valuer for conducting valuation required under Companies Acts 2013 and the Insolvency and Bankruptcy code 2016 a person to be registered with IBBI (Insolvency & Bankruptcy Board of India) as a registered valuer with effect from 01.02.2019.

f) References: Valuers need to submit at least 3 reference letters and need to verify the quality of services provided by the valuer in the previous instances before empanelling the valuers on their panel. The referees shall be either (i) bank managers where previously the valuer had done valuations or (ii) Companies for whom the valuer had previously done valuations. The reference letter shall be on the letter head of the bank / housing finance company / any other company where valuations have been done and shall be duly signed by a senior level manager / officer.

g) Other Conditions-

In addition to the above, the other conditions to be fulfilled by the valuers for empanelment are as under:

- ✓ The valuer is a citizen of India.

- ✓ The valuer has not been removed / dismissed from service (Previous employment) Earlier.
- ✓ The valuer has not been convicted of any offence and sentenced to a term of Imprisonment.
- ✓ The valuer has not been found guilty of misconduct in professional capacity.
- ✓ The valuer is not an undischarged insolvent.
- ✓ The valuer has not been convicted of an offence connected with any proceeding under the Income Tax Act 1961, Wealth Tax Act 1957 or Gift Tax Act 1958.
- ✓ The valuer possesses a PAN Card number / Service Tax number as applicable.

At the time of empanelment, the valuer shall give an undertaking to the bank to this effect as per the guidelines.

h) Desk Top Valuation: -
Every Three years, revaluation of the properties to be taken by Branch from Panel Valuer for each and every property which is mortgaged to us. If in case, due to some technical problem or any other issue, revaluation of the property by the panel valuer could not be obtained, then Branch manager has to submit Desk Top Valuation of the property/ properties as per prescribed Format.

Bank's valuation policy states that immovable property mortgaged as first Charge to the Bank for any advance shall be revalued at least once in 03 years and review of the account should be taken based on the revaluation.

In case of standard assets with limits of Rs.25.00 lac and below, Desk Top valuation(DTV) by Branch Manager must be undertaken once in three years.

Change in value of property to be incorporated in the system as per Desk Top Valuation Report done during every review.

5.2 Duration of Empanelment

The duration of empanelment will be **for a period of three years** and approval of re empanelment is to be obtained thereafter from the Central Office.

5.3 Conflict resolution and Removal

- If the performance of the valuer is not satisfactory, the valuer can be removed from the Panel at the discretion of the Bank.
- If a valuer is prima facie, found to have involved in some fraudulent activities / conspiracy with the borrowers in over valuation of the property

the name of the valuer should be reported to the IBA for placing it on the IBA's caution list of Third Party Entities (TPEs) involved in Fraud.

5.4. Norms for approved Valuer:

1. Valuers should be a **permanent resident or stationed at the place or nearby place to the branches** for which they are tagged, so as to be familiar with the local conditions/laws and other developments affecting the appreciation/depreciation on the value of the property.
2. The valuer should neither engage in any construction/contract / land promotion / property development activity either directly or indirectly nor he should associate as Partner/Proprietor/Director of any business entity involved in the above construction of buildings, building contracts, property development activities, etc.
3. The valuer should not be convicted of any offence and sentenced to a term of imprisonment.
4. **No loan / Credit facilities shall be sanctioned to the approved valuers without prior written approval from Regional Office/ Zonal Office.**
5. **Responsibilities of the Branch Manager:**

Branch Manager must visit the property along with another officer and ensure that the property is free from the Erection of high tension wire, land locked, waterlogged, nearby Railway siding, cemetery, dumping yard etc. which may have an effect on the value and salability of the property. Branch manager should also ensure that property is directly accessible and also verify the boundaries of the property. All details of the same must be incorporated in Property Visit Report (F-337) under remarks column.

Branch Manager during the visit of the property may capture the location of the property and upload in IOB SAHAYAK app.

6. **Obligations of the Banks:**

- A maximum 10 days' time shall normally be given to the valuer to carry out the valuation. Maximum time for valuation mutually decided by the Valuer and Bank depending upon the nature of the valuation Job and circumstances on case to case basis.

- In case of out station properties or in case of large property valuations more time shall be given, depending on the circumstances, case to case basis.

- Professional Fee/ payments to the valuers shall be paid by the banks within 45 days of the submission of the valuation report.

Prepared by: Shri Bikas Kumar Sah
Vetted by : Shri Rajasekar N

PRUDENTIAL ACCOUNTING NORMS

(Income Recognition, Asset Classification and Provisioning Norms)

- In line with the international practices and as per the recommendations made by the Committee on the Financial System (Chairman Shri M. Narasimham), the Reserve Bank of India has introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks so as to move towards greater consistency and transparency in the published accounts.
- The policy of income recognition should be objective and based on record of recovery rather than on any subjective considerations.
- The classification of assets of banks has to be done on the basis of objective criteria which would ensure a uniform and consistent application of the norms.
- The provisioning should be made on the basis of the classification of assets based on the period for which the asset has remained non-performing and the availability of security and the realizable value thereof.

A. Income recognition

Based on Income recognition assets are classified into:

a. Performing Assets & b. Non-Performing Assets [N P A]

Performing Assets: Assets which generate income for the Bank.

Non-Performing Assets [NPA]: Assets, including leased assets, becomes Non- Performing when it ceases to generate income for the Bank. NPA is a loan or an advance:

- In which interest and/or instalment of principal remain **overdue for a period of more than 90 days** in respect of a term loan.
(Overdue is any amount due to the bank under any credit facility, if it is not paid on the due date fixed by the Bank)
- Which remains **out of order for more than 90 days** in respect of an OD/CC account.

(An account is treated as **out of order** if:

✓ The outstanding balance remains continuously in excess of the sanctioned limit/DP.

✓ Account where the regular/ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/date of adhoc sanction.

- ✓ Submission of stock statements **older than 3 months**.
- ✓ No credit in the account for a period of **90 days**
- ✓ Credit in the account not adequate for servicing interest.)

- A bill remains overdue for a **period of more than 90 days** from the date of purchase in the case of **bills purchased** and **90 days** from **due date** in the case of bills discounted.
- Asset classification of accounts under consortium should be based **on the record of recovery of the individual member banks** and other aspects having a bearing on the recoverability of the advances.

Agricultural advances:

- A loan granted for **short duration crops** will be treated as NPA, if the instalment of principal or interest thereon remains overdue **for two crop seasons.**
- A loan granted for **long duration crop**s will be treated as NPA, if the instalment of principal or interest thereon remains overdue for **one crop season.** For the purpose of these guidelines, "**long duration" crops would be crops with crop season longer than one year** and crops, which are n**ot "long duration" crops would be treated as "short duration" crops.** The crop season for each crop, which means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers' Committee in each State.

The above norms should be made applicable to all direct agricultural advances under priority sector classification.

- **Credit card Accounts**

- A credit card account will be treated as non-performing asset if the **minimum amount due**, as mentioned in the statement, is not paid fully within 90 days from the from the **payment due date mentioned in the statement.**.(RBI Cir dt.16.07.2015)

Income Recognition policy

- The policy of income recognition has to be objective and based on the record of recovery i.e. income on performing assets are recognized on accrual basis and income from non-performing assets (NPA) is not recognized on accrual basis but is booked as income only when it is actually received.
- **Advances against Term Deposits, NSCs, KVP/IVP, etc :** Advances against term deposits, NSCs eligible for surrender, IVPs, KVPs and life policies need not be treated as NPAs, **provided adequate margin is available** in the accounts

- **Government guaranteed advances**

- **Guarantee of Central Govt.: The** credit facilities backed by guarantee of the Central Government though overdue may be **treated as NPA only when the Government repudiates its guarantee when invoked**. This exemption from classification of Government guaranteed advances as NPA is not for the purpose of recognition of income.

- **Guarantee of State Govt.:** State Government guaranteed advances and investments in State Government guaranteed securities attract asset classification and provisioning norms if interest and/or principal or any other amount due to the bank remains overdue for more than 90 days.

Reversal of Income

- If any advance, including bills purchased and discounted, becomes NPA, the entire interest accrued and credited to income account in the past periods, should be reversed if the same is not realized. This will apply to Government guaranteed accounts also.

- In '**IBA model Educational loan'** scheme, on completion of holiday period, accrued interest during the holiday period is added to the principal amount and EMI is fixed. As such there may not be any reversal of interest accrued during holiday period, if the account becomes NPA.

B. Asset Classification:

Banks are required to classify assets in to the following 4 categories

a. Standard assets	b. Sub – standard assets
c. Doubtful Assets	d. Loss assets

i. **Performing Asset:**

Standard asset: An asset which is not an NPA.

ii. **Non-performing Assets:**

Sub-standard Asset: An asset which has remained NPA for a period of not exceeding 12 months from the date of NPA.

Doubtful asset: An asset which has remained NPA for a period of exceeding 12months from the date of NPA.

Loss Asset: An Asset where loss has been identified by the Bank or internal or external auditors or RBI Inspectors

- **Borrower wise**: Assets are classified o**n borrower wise and not on facility wise.** Therefore, all the facilities granted by a bank to a borrower will have to be treated as NPA, even if one of the facilities becomes NPA and not the particular facility.

Prepared by: Shri Deepak Mishra
Vetted by : Shri Vivek Ranjan

- **Upgradation of loan accounts classified as NPAs:** If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account should no longer be treated as non-performing and may be classified as 'standard' accounts.

- **Upgradation of restructured accounts:** The sub-standard accounts which have been subjected to restructuring etc., whether in respect of principal instalment or interest amount, by whatever modality, should be upgraded only when all the outstanding loan/facilities in the account perform satisfactorily (servicing interest and principal as per terms of payment) during the ***specified period***. Specified period means a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium under the terms of restructuring package.

Accounts where there is erosion in the value of security/frauds committed by borrowers

- If the erosion in the value of security is **more than 50%,** such NPAs may be straightaway classified under **doubtful category** and provisioning should be made as applicable to doubtful assets.

- If the realisable value of the security, due to erosion, as assessed by the bank/ approved Valuers/ RBI is **less than 10%** of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as **loss asset.**

- In cases of serious credit impairment the asset (due to fraud or so), such accounts should be straightaway classified as doubtful or loss asset as appropriate:

C. Provisioning Norms

The primary responsibility for making adequate provisions for any diminution in the value of loan assets, investment or other assets is that of the Bank Management and statutory auditors.

Loss Assets: 100 % of the outstanding should be provided for.

Doubtful assets: 100 % of the extent to which the advance is not covered by realizable value of the security.

Plus

- For secured portion, provision may be made depending upon the period for which the asset has remained doubtful.

Period for which the asset remained doubtful	Provision required
up to 1 year	25 %
One to 3 years	40 %
More than 3 years	100 %

Sub-Standard Assets : A general provision of 15 % on total outstanding should be made without making any allowance for ECGC guarantee cover and securities available. The unsecured exposures *[realizable value of security is not more than 10% ab-initio of the outstanding exposure]* which are identified as "substandard" would attract additional provision of 10 % (total provision 25%).

Standard assets: Bank should make general provision for standard assets at the following rates for the funded outstanding on global loan portfolio basis:

Banks exposure	Provision required
Direct advance to Agr. & SME Sector	0.25 %
Commercial Real Estate (CRE)	1.00 %
Commercial Real Estate- Residential Housing (CRE- RH)	0.75%
Other advances	0.40 %
Restructured accounts classified as standard advances; • In the first two years from the date of restructuring • In cases of moratorium for payment of interest / principal after restructuring – period covering moratorium and two years thereafter • Restructured accounts earlier classified as NPA and later Upgraded to standard category In the first year from the date of upgradation	5.00% 5.00% 5.00%
The above-mentioned higher provision on restructured standard advances would increase to 5 per cent in respect of new restructured standard accounts (flow) with effect from June 1, 2013 and increase in a phased manner as under:	

• For the stock of restructured advances as on 31.03.2013	
31.03.2014	3.5 0%
31.03.2015	4.25%
31.03.2016	5.00%

- As of now all the restructured accounts to have additional provisioning of 5%.

  In case of advance covered by CGTMSE guarantee or Credit risk guarantee Fund Trust for Low Income Housing (CRGFTLIH) becomes nonperforming; **no provision** need be made towards the **guaranteed portion**.

D. Projects under implementation (RBI cir dt.01.07.2015)

Prepared by: Shri Deepak Mishra
Vetted by : Shri Vivek Ranjan

- Revisions of the date of commencement of commercial operations (DCCO) and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided that:

- The revised DCCO falls within the period of **two years** and **one year** from the original DCCO stipulated at the time of financial closure for infrastructure projects and non-infrastructure projects respectively; and

- All other terms and conditions of the loan remain unchanged.

- **For Infrastructure Projects involving court cases**

  Shift in repayment schedule up to another two years (beyond the two year period quoted at paragraph 2(a) above, i.e., total extension of four years), in case the reason for extension of DCCO is arbitration proceedings or a court case.

- **For Infrastructure Projects delayed for other reasons beyond the control of promoters**

  Shift in repayment schedule up to another one year (beyond the two year period quoted at paragraph 2(a) above, i.e., total extension of three years), in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).

- **For Project Loans for Non-Infrastructure Sector (Other than Commercial Real Estate Exposures)**

  Further shift up to another one year (beyond the one year period quoted at paragraph 2(a) above, i.e., total extension of two years).

- If the implementation of the project has been **stalled primarily due to inadequacies of the existing promoters** and a subsequent change in the ownership of the borrowing entity has been effected, banks may permit extension of DCCO up to **a further period of 2 years**, in addition to the extension of DCCO permitted under existing regulations. (RBI Cir dt. 01.07.2015)

- Multiple revisions of the DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will be **treated as a single event of restructuring** provided that the revised DCCO is fixed within the respective time limits quoted as above.

E. Provisioning pertaining to Fraud Accounts (RBI Cir dt. 01.04.2015)

- The **entire amount** due to the bank (irrespective of the quantum of security held against such assets), or for which the bank is liable (including in case of deposit accounts), is to be provided for **over a period not exceeding four quarters** commencing with the quarter in which the fraud has been detected

- However, where there has been delay, beyond the prescribed period, in reporting the fraud to the Reserve Bank, the entire provisioning is required to **be made at once**. In addition, Reserve Bank of India may also initiate appropriate supervisory action where there has been a delay by the bank in reporting a fraud, or provisioning there against

F. Capital and provisioning requirements for exposures to entities with unhedged foreign currency exposure (UFCE) (RMD/Mis/84/2016-17 dt.30.11.2016)

- Two types of hedges which may be considered are – **financial hedge and natural hedge.**

- **Financial hedge** is ensured normally through a derivative contract like forward purchase or forward sale contract with a financial institution. **Natural hedge** may be considered when cash flow arising out of the operations of the company offset the risk arising out of foreign currency exposure. For the purpose of computing UFCE, an exposure may be considered naturally hedged of the offsetting exposure the maturing/cash flow within the same accounting **year**.

- As a prudential measure, RBI advised banks to compute and provide incremental capital and provisioning requirements as given below:

- The loss is computed as a percentage of EBID (as per the latest quarterly/annual results)

Likely Loss/EBIT (%)	Incremental provisioning over and above standard asset provisioning	Incremental capital requirement
up to 15%	0	0
> 15% < 30%	20 bps	0
> 30 % < 50%	40 bps	0
> 50 % < 75%	60 bps	0
> 75 %	80 bps	25 % increase in risk weight assets

CENTRAL REGISTRY OF SECURITIZATION ASSET RECONSTRUCTION AND SECURITY INTEREST OF INDIA

- Sec 20 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002(SARFAESI) provides for establishment of Central Registry to register transactions relating to
  - Securitisation of financial assets
  - Reconstruction of financial assets &
  - Creation of security interest.
- Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) is a Government company licensed under section 25 of the Companies Act, 1956 and registered by the Registrar of Companies, New Delhi.
- The Registry has come into operation from 31st March 2011.
- The Company is a Government Company with a shareholding of 51% by the Central Government and select Public Sector Banks and the National Housing Bank are also shareholders of the Company.
- The object of the company is to maintain and operate a Registration System for the purpose of registration of transactions of securitization, asset reconstruction of financial assets and creation of security interest property, as contemplated under Chapter IV of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).
- The Registration would be applicable to all transactions of creation of mortgage by deposit of title deeds, and securitization and asset reconstruction transactions done by Banks/FIS/ARCs. (RBMD/MISC/476/2014-15 dt.12.12.2014)
- The Registration is also applicable to all transaction related to movable like hypothecation of plant & machinery, Stock , Book Debt as well as Intangibles and transaction on property or part thereof by agreement or any instrument other than mortgage
- Any person can also search and inspect the records maintained by the Registry on payment of fees prescribed under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (Central Registry) Rules, 2011.

Prepared by: Shri Deepak Kumar Jha
Vetted by : Shri Pradeep Singh

- Following are the key Goals and Objectives of the Central Registry System:
  - To provide mechanism for registration of transaction of securitization and reconstruction of financial Asset and security interest created under SARFAESI.
  - Create a central data repository for collateral related information.
  - To develop a web based system for financial institutions and general public to access this information.
  - To enable lenders and other stake holders to get real time current information regarding the securities being mortgaged by borrower.
  - To prevent fraudulent transactions arising out of same asset being mortgaged with multiple lenders.
  - To collect and disseminate information regarding the priority and amount secured by the charge on securities.
  - Provide potential buyers of assets with information about any encumbrances on the assets.
  - Maintaining history of charges created and satisfied on a particular asset.
- Entity Registration can be done by Central Registry admin user through web portal www.cersai.org.in. Link for registration will be provided to user once the user logs on to the system
- All the securities created have to be registered with Central Registry (Agricultural lands taken as security need not be registered under Cersai).
- Time limit for registration:
  - Registration shall be made on-line **within 30 days of creation of charge** which is mandatory.
  - Registrar has the discretion to permit registration of charges which are filed beyond 30 days but up to 60 days of date of transaction subject to payment of additional fee not exceeding **ten times** of amount of such fee. The present rate is given below (Sl No.6 of the table).
  - Delay of more than 60 days requires condonation of Central Government as per SARFAESI Act. Bankers can use the portal of CERSAI to get condonation from Central Government.(CERSAI letter dt.21.11.2014 addressed to member banks)
- As per sec-27 of the SARFAESI Act, non-registration within the time

stipulated will be treated as a default and is punishable with fine up to **Rs. 5000 per day**.

- **Fee payable for creation and modification of charge**
  As per the rules framed by Government of India, following is the amount of fee payable :-

S. No	Nature of transaction to be registered	Form No.	Amount of fee payable
1	2	3	4
1	Particulars of creation or modification of security interest by way of mortgage by deposit of title deeds	FORM 1	Rs.100 for creation and for any subsequent modification of security interest for a loan above Rs.5 Lakh.For a loan up to Rs.5 Lakh, the fee would be Rs.50 for both creation and modification of security interest. (CERSAI cir dt.04.03.2016)
2.	Particulars of creation or modification of security interest by way of mortgage of immovable property other than by way of mortgage by deposit of title deeds	Form I	NIL (CERSAI cir dt.04.03.2016)
3.	Particulars of creation or modification of security interest by way of Hypothecation of Plant & Machinery , Stock & Book Debt	Form I	Rs.100 for creation and for any subsequent modification of security interest for a loan above Rs.5 Lakh.For a loan up to Rs.5 Lakh, the fee would be Rs.50 for both creation and modification of security interest. (CERSAI cir dt.13.06.2016)
4.	Particulars of creation or modification of security interest in intangible asset , being know how , patent , copy right , trade mark , licence , frenchise	Form I	Rs.100 for creation and for any subsequent modification of security interest for a loan above Rs.5 Lakh.For a loan up to Rs.5 Lakh, the fee would be Rs.50 for both creation and modification

<table>
<tr><td></td><td></td><td></td><td colspan="3">of security interest. (CERSAI cir dt.13.06.2016)</td></tr>
<tr><td>5</td><td>Particulars of creation or modification of security interest in any residential or commercial building or part thereof by Agreement or any other instrument other than mortgage</td><td>Form I</td><td colspan="3">Rs.100 for creation and for any subsequent modification of security interest for a loan above
Rs.5 Lakh.For a loan up to Rs.5 Lakh, the fee would be Rs.50 for both creation and modification
of security interest.
(CERSAI cir dt.13.06.2016)</td></tr>
<tr><td>6</td><td>Satisfaction of any existing
security interest</td><td>FORM II</td><td colspan="3">Free (CERSAI cir dt.01.02.2016)</td></tr>
<tr><td>7</td><td>Particulars of securitization or reconstruction of financial assets</td><td>FORM III</td><td colspan="3">Rs.500</td></tr>
<tr><td>8</td><td>Particulars of satisfaction of securitization or reconstruction transactions</td><td>FORM 1V</td><td colspan="3">₹ 50 (CERSAI cir dt.01.02.2016)</td></tr>
<tr><td>9</td><td>Any application for information recorded/maintained in the Register by any person</td><td></td><td colspan="3">Rs.10 (CERSAI cir dt.01.02.2016)</td></tr>
<tr><td></td><td>Any application for condonation of delay upto
30 days</td><td></td><td colspan="3">Not exceeding 10 times of the basic fee as applicable</td></tr>
<tr><td rowspan="2">6</td><td rowspan="2">Any application for condonation of delay beyond 30 th day of</td><td rowspan="2"></td><td rowspan="2">Period of delay</td><td colspan="2">Addl fee (in Rs)</td></tr>
<tr><td>Loan upto Rs.5 lac</td><td>Loan above Rs.5 lac</td></tr>
</table>

	transaction and upto 60 days (CERSAI cir dt.04.03.2016)		31st to 40th day	100	200
			41st to 50th day	250	500
			51st to 60th day	500	1000

Some Clarification received from GOI (Refer Circular No ADV/425/2019-20 by RBMD dated 13.11.2019

S No	Issues	Clarification
1	Registration of Vehicles on CERSAI	After integration of VAHAN Motor Vehicle Registry with CERSAI there is no requirement of registration of vehicle under CERSAI. Any Vehicle registered with VAHAN registry will be deemed to be registered under CERSAI for the purpose of SARFAESI act 2002
2	Registration of Agriculture Land and Securities of loan below Rs.1.00 Lakh	As per section 23 SARFAESI act, Agriculture land as well as security interest for loan below Rs.1.00 Lakh is not applicable.
3	Whether standing crops or livestock hypothecated are covered under SARFAESI act subject to minimum of Rs.1.00 Lakh	Yes, They are covered under SARFAESI Act subject to the minimum value of Rs. 1.00 Lakh. It is the prerogative of the secured creditor to decide whether to upload the security interest for standing crop or not. As such chapter IV A is brought into force , Registration of security interest ceased to be mandatory and penal provision will be removed , with the deterrent being secured creditor losing the right to enforce security interest under SARFAESI act in the absence of registration with CERSAI

GUIDELINES ON ENFORCEMENT OF SECURITIES UNDER SARFAESI ACT 2002

CHAPTER I

(A) RIGHTS OF THE BANK AS SECURED CREDITOR UNDER THE ACT FOR ENFORCEMENT OF SECURITY INTEREST.

1. The rights of the Secured Creditor to enforce Security Interest arise when a Borrower defaults repayment of a secured debt or payment of prescribed installments thereof and his account in respect of such debt is classified as NPA as per RBI norms, by the Secured Creditor.

2. Once the account is **classified as NPA**, the Act empowers the Secured Creditor to issue a Demand Notice under Section 13(2) to the defaulting borrowers / mortgagors / guarantors calling upon them to discharge the dues in full within 60 days from the date of receipt of notice. Since the basis of taking SARFAESI action is the classification of an account as NPA, it should be doubly ensured that the account has been classified as NPA in accordance with IRAC norms before initiating SARFAESI action.

3. Demand Notice to borrowers / mortgagors / guarantors shall give details of the amount payable by the Borrower and the secured assets intended to be enforced in the event of non-payment of the secured debts by the Borrower.

4. It may be noted that borrower includes a person who has given any guarantee or created any mortgage.

5. On receipt of such Demand Notice if the Borrower makes any objection/ representation, the Authorised Officer shall apply his mind to such objection/ representation and communicate his reply within **fifteen days** of receipt of such objection/representation conveying the reasons for non-acceptance of the objection / representation based on the factual position and on merits.

6. In case the Borrower fails to comply with the aforesaid demand notice, the Authorised Officer may take recourse to one or more of the following measures vested under section 13(4); viz

(i) Take possession of the secured assets of the borrower including the right to transfer by way of lease, assignment or sale. **[Sec. 13(4) (a)]**

(ii) Take over the management of the business of the borrower including the right to transfer by way of lease, assignment or sale for realizing the secured assets provided the right to transfer by way of lease, assignment or sale shall be exercised only where the substantial part of the business of the borrower is held as security for the debt; Provided further that where the management of the whole of the business or part of the business is severable, the Secured Creditor shall take over the management of such business of the borrower

Prepared by: Shri Abhishek Arya
Vetted by:Shri Praveen Kumar

which is relatable to the security for the debt. [**Sec. 13(4) (b)**]

(iii) Appoint any person to manage the secured assets, the possession of which has been taken over by the Secured Creditor. [**Sec. 13(4) (c)]**

(iv) Require at any time by notice in writing to any person who has acquired any of the secured assets from the Borrower **and** from whom any money is due or may become due to the Borrower to pay it to the Secured Creditor so much of the money as is sufficient to pay the secured debt.[**Sec. 13(4)(d)]**

However, the measure under Sec. 13(4)(d) cannot be exercised until notice under Sec. 13(2) has been duly served and acknowledged and the sixty days period has since expired. It is stated that the notice under Sec.13(4)(d) can be sent to "any person who has acquired any of the secured assets from the Borrower **and** from whom any money is due or may become due to the Borrower".

However, in respect of all persons from whom any money is due or may become due to the Borrower, the notice may be sent for what it is worth enclosing therewith a copy of the demand notice issued under Sec 13(2).

In case of high value accounts especially Rs.1 Crore & above, Borrower's Auditors are certifying list of Debtors/Receivables. It is advisable to cross–check names of such Debtors/ receivables with such list and <u>after expiry of prescribed period of 60 days from the date receipt of Demand Notice so</u> <u>issued under Section 13 (2) above</u>, Authorised Officer may issue Notice under Section 13 (4) (d) to such Debtors enclosing a copy of Demand Notice under Section 13(2) for reference of the said Debtor.

(B) <u>RULES AND PROCEDURE FOR ENFORCEMENT</u>

The Security Interest (Enforcement) Rules 2002 provide for the manner in which the Secured Creditor shall issue notice, take possession of the securities (both movable and immovable) and procedure for disposal of such securities. The Rules also provide for exercising the rights of the Secured Creditor under the Act through the Authorised Officer. Some of the important definitions are reproduced below:

1. **"Authorised Officer"** means an Officer not less than a Chief Manager (Scale IV) of a Public Sector Bank or equivalent as specified by the Board of Directors to exercise the rights of a Secured Creditor. **[Rule 2(a)]**

   Comments:
   Authorised Officers only have the right to exercise the powers vested in the Secured Creditor to invoke, implement and act on behalf of the Secured Creditor. Our Board of Directors have authorised all Chief Managers and Officers of Scale IV and above to be designated as Authorised Officers to exercise all the rights vested in our Bank as Secured Creditor under the Act and the Rules thereunder, to invoke, implement and act on behalf of our Bank under the provisions therein. The necessary Authorisation letters to the designated

Prepared by: Shri Abhishek Arya
Vetted by:Shri Praveen Kumar

Authorised Officers are being issued by PAD, Central Office from time to time. A gist of the functions of Authorised Officer is given as **Annexure 1** of SARFASI Simplified**.**

2. **"Demand Notice"** means the notice in writing issued by a Secured Creditor or Authorised Officer, as the case may be, to any borrower pursuant to Section 13(2) of the Act **[Rule 2(b)]**

3. **"Approved Valuer"** means a person registered as a Valuer under Section 34AB of the Wealth Tax Act 1957 and approved by the Board of Directors of the Secured Creditor. **[Rule 2(d)]**

Comments:
The approved Valuers in our Bank's panel may be utilised for the purpose of valuation of securities taken possession under the Act and Rules. If Branch and R.O. desire to add new Valuers to our Approved Panel of Valuers, they may submit their justification and reasoned recommendations to Banking Operations Department, Central Office.

CHAPTER II – DEMAND NOTICE

(A) INTRODUCTION:

Before issuance of Demand Notice under Sec. 13(2) Branches/ Regional Offices/ Authorised Officers of the Bank should review the account and ensure that the account has been **classified as NPA** in accordance with RBI IRAC norms and that the loan documents creating security are valid and enforceable.

At the time when the account is likely to slip or immediately after the account has been classified as NPA, Branch Manager may carry out an inspection of the hypothecated assets along with the Borrower. An inspection report may be drawn out, particularly giving an inventory of all the hypothecated securities such as stocks, machinery etc., and the report may be signed by the Borrower and Branch Manager so that it will come to the knowledge of the Bank if the Borrower subsequently removes any of the hypothecated assets.

The Bank will have a ground to file a criminal complaint under **Sec. 29 of the SARFAESI Act** for removal of hypothecated assets **after issuing demand notice** (by virtue of **Sec.13(13)** of the SARFAESI Act which provides that the borrower shall not transfer by way of sale, lease or otherwise any of the secured assets referred in the notice without the prior consent of the Bank).

If it comes to Bank's knowledge that prior to issuing SARFAESI demand notice, the Borrower has removed the hypothecated assets, Bank has a ground to file criminal complaint for cheating (**Section 420 IPC**), criminal breach of trust(**Sec 405 IPC**) etc.

Simultaneously, the matter could be taken up for classifying the borrower as willful defaulter in respect of NPAs with Book Outstanding of Rs.25 lacs and above since disposal / removal of securities without bank's knowledge is a ground for classifying as willful defaulter.

A Checklist identifying the various documents/particulars/aspects to be examined for issuing Demand Notice under Sec.13 (2) is given hereunder:

(B) CHECK LIST FOR ISSUING DEMAND NOTICE:

Immediately after an Advance becomes NPA and before issuing the Demand Notice, please verify the correctness of the documentation and its enforceability with special reference to the following:

1. Ascertain whether default has occurred and the account is classified as NPA in accordance with RBI IRAC norms.

2. Check the outstanding in the account including the interest accrued/ applied, which should be more than Rupees One Lac.

3. Check whether the outstanding dues which should be 20% and above of the principal and interest.

4. Ensure that the secured asset is not an agricultural land because provisions for enforcement under this Act cannot be invoked against agricultural land. Please also note that the Act is not applicable for the following:

- Lien on any goods, money or security given by or under the Indian Contract Act, 1872 or the Sale of Goods Act, 1930 or any other Law for the time being in force.
- Pledge of movables (within the meaning of Sec 172 of the Indian Contract Act, 1872).
- Creation of any security interest in any aircraft as defined in Section 2(1) of the Aircraft Act, 1934.
- Creation of any security interest in any vessel as defined in Section 3(55) of the Merchant Shipping Act, 1958.
- Any rights of the unpaid seller under Section 47 of the Sale of Goods Act, 1930.
- Any properties not liable to attachment (excluding the properties specifically charged with the debt recoverable under this Act) or sale under the First Proviso to Section 60(1) of Civil Procedure Code.

NOTE: Earlier, the SARFAESI Act was not applicable for hire purchase, financial lease and conditional sale. Now the SARFAESI Act can be used to enforce security interest created in such contracts also with effect from 01.09.2016. [Sec 31(e) of the SARFAESI Act has been deleted]

5. Check the documents creating security and ensure that they are duly executed & properly stamped.

6. Check whether the assets are properly secured and the security documents relating to mortgage / hypothecation etc are in order.

7. Check whether CERSAI registration is in order wherever applicable.

8. In case of Limited Companies ensure that charge is registered with the jurisdictional R.O.C.

9. Check whether guarantors also have charged their properties under proper documents which have been duly / validly executed.

10. Ascertain whether the charged assets are available for realization.

11. Details of the assets/ properties to be kept ready for identification at the time of taking possession.

12. **Consortium Accounts:** In case of Consortium accounts, for taking action under Section 13(4) of the SARFAESI Act, there shall be consensus by the Secured Creditors representing not less than 60% in the value of the amount outstanding as on a record date. However there is no such restriction to issue Demand Notice under Section 13(2) of the SARFAESI Act. Therefore it may be examined on a case to case basis whether or not to issue Demand Notice separately by our Bank or jointly through the Consortium Leader and action may be taken accordingly. In case our Bank has extended facilities outside the Consortium, said dues should also be incorporated in the aforesaid Demand Notice along with details of such exclusive securities, if any.

    In case of Consortium advances, while **describing security** in the demand notice, the description should be exactly as per Common Loan Agreement / Facility Agreement, the security / mortgage documents etc;

13. All notices including Demand Notice should be served to the living borrowers / guarantors and to all their **legal heirs** in case of their demise. In case of suit filed accounts, if the names of all the legal heirs could not be ascertained and the Bank is aware of the details of only a few legal heirs, then the Bank is entitled to file an Application before the DRT/ Court where the Suit is pending seeking the legal heirs known to the Bank to be compelled to disclose the details of all the legal heirs of such borrower/guarantor/mortgagor.

14. In cases where the Demand Notice is duly acknowledged / served on the borrowers/mortgagors/ guarantors and subsequently, the Branch comes to know of the demise of any one or more of the borrowers/mortgagors/ guarantors before taking possession, then the possession Notice shall include the names of the legal heirs of such deceased borrower/mortgagor/ guarantor along with the names of the living borrowers/mortgagors/ guarantors.

15. The SARFAESI Act provides for enforcement of securities without the intervention / adjudication of the court. Since the Authorised Officer is discharging quasi judicial functions, the details in the demand notice should be meticulously filled up and the notices should not be stereotyped ones. Even after issuance of demand notice, at each and every stage, strict compliance of the provisions of the Act & Rules should be ensured.

16. The link / connected accounts should be properly checked up in order to avoid omission of any security / credit facility.

17. Where there are two loan accounts with borrowers of different constitution involving common security and when one of the two accounts is standard and performing while the other account is an NPA, in the Demand Notice for the NPA account, Branch/Authorised Officer shall note to include the common security also with an indication that such security is common for both the accounts and that the other account is standard.

For Example:

- There is a business loan account of a Private Limited Company and another housing loan account of the Director of such Private Limited Company;
- In this case, the borrower in the housing loan account is a guarantor/mortgagor to the business loan account of the Private limited Company;
- The house property is the prime security for the housing loan and its residual value is extended to secure the credit facilities of the Company;
- When the business loan account has become NPA in the Demand Notice for the said account, the housing loan security should also be mentioned notwithstanding that the housing loan is standard.
- In the demand notice as against the house property it may be indicated that the said security is common for another standard account.

NOTE:

(i) Check whether limitation period is available as SARFAESI action should be taken within the limitation period.

AND

(ii) <u>SARFAESI action will not extend the limitation period</u>. Hence Branch/RO should simultaneously, proceed with filing of Application for Recovery in DRT / recovery suit in civil court after obtaining sanction from the competent authority for suit filing.

(C) GUIDELINES ON ISSUING DEMAND NOTICE:

1. Within **15 days of classifying the account as NPA**, SARFAESI demand notice should be issued.

2. The requirement of taking Sanction for initiation of SARFAESI action has been done away with.

3. In all cases where the Branch is headed by Officers of the rank of Scale-IV Officer and above, it shall be the responsibility of the Branch Head to ensure issuance of SARFAESI Demand Notice within 15 days of the account being classified as NPA.

4. In each and every case where the Branch is headed by Officers of the rank of **Scale-III and below**, it shall be the responsibility of the Regional Office concerned to nominate a Scale-IV Officer attached to the Region as the Authorised Officer.

5. However it shall be the responsibility of the Branch Head to ensure 100% compliance of SARFAESI action, irrespective of the Scale.

6. **SARFAESI notice by itself is a Recall Notice** in respect of the borrowers and those guarantors who have given non-agri. security in mortgage. Hence, there is no need to issue a separate Recall or Lawyer Notice in respect of them.

7. In respect of the guarantors (individuals/corporate) who have given guarantee without mortgage and in cases where SARFAESI Act would not apply (such as loans backed by agri. securities etc.,) a separate Recall Notice invoking the guarantee shall be issued by the Branch or through lawyer before filing suit.

8. In all cases of **Corporate Guarantee** with underlying security, Branch/RO shall invoke the guarantee by way of SARFAESI Demand Notice. There is no need for a separate recall notice. In all cases of mere Corporate Guarantee not backed by Security, Branch/RO shall invoke the guarantee by way of Recall Notice.

9. The signatures of the borrowers / mortgagors / guarantors in the Demand Notice, acknowledgment should be tallied with the specimen signatures, the signatures in Form 379 etc., available in the Branch Records. The proof for having dispatched Demand Notice (postal receipt) and the Acknowledgment Card received as proof of service should be preserved in safe custody by the Branch / Authorised Officer. The undelivered covers without being opened should also be kept by the Branch / Authorised Officer in safe custody. [In case of sending Demand Notice by Courier, the Courier receipt and the Proof of Delivery (POD) shall be preserved as aforesaid.]

10. If for any reason, issuance of Demand Notice under SARFAESI Act is to be deferred, Branches have to take prior permission from RO.

11. **The new combined Format of Demand notices to be issued to the Borrowers / mortgagors / guarantors is given in Annexure 2 of SARFASI Simplified. The notices may be issued with suitable modifications on a case to case basis depending on facts and figures.**

12. The amount claimed in the notice should be the total dues as on the date of demand notice at contractual rates and rests as agreed.

13. Regional Office should maintain a Register containing details of demand notices issued (date-wise). Further a copy of the demand notice issued should be kept along with the register.

14. Issuance of demand notice does not give rise to a cause of action to the Borrowers / Guarantors to litigate. As per Section 17 of the Act, a person aggrieved may litigate in DRT only against the measures taken under Section 13(4) of the Act. It may also be noted that a civil court does not have jurisdiction to entertain any suit / proceeding in respect of which jurisdiction is vested solely with DRT / DRAT under the Act and no injunction shall be granted by any civil court or any other Authority in respect of any action taken under the SARFAESI Act. Therefore, in case of any litigation against our demand notice, RO / Branch should effectively contest the same and get such litigation dismissed.

(D) SERVICE OF DEMAND NOTICE UNDER SECTION 13(2)

Demand Notice under section 13(2) can be issued by **any one or more** of the following modes: **[Rule 3(1)]**

(i) by Registered Post with Acknowledgement Due, or

(ii) by Speed Post, or

(iii) by Courier; or

(iv) by Fax Message or

(v) by electronic mail service (e-mail)

(vi) **by Hand delivery against proper acknowledgment** addressed to the borrower at the place where he resides or carries on business or works for gain.

NOTE:

Earlier, electronic mode of service was one of the statutorily prescribed modes for issuing demand notice only. However, newly introduced Rule 4(2B) which came into force on 4.11.2016 stipulates that all notices under the Rules may also be served upon the borrower through electronic mode of service in addition to any of the aforesaid modes.

1. **Therefore, at the time of grant of loan / renewal / enhancement, the correct e-mail address of the parties may be obtained / updated and kept in Bank records so that it could be used for sending the notices.**

2. In case of sending the notice by Registered Post Acknowledgement Due, it should be ensured that the Acknowledgement Card bears the **name of the Borrower / Guarantor, Loan account number & demand notice date**. Upon receipt of Acknowledgement Card from the Borrower / Guarantor after service of our demand notice, Branch / Authorised Officer shall ensure to preserve it along with our office copy of demand notice and proof of having sent by Regd. Post.

3. **As per the amendment to Rule 3(1) which came into force on 4.11.16, hand delivery has been included / recognized as one of the valid modes of service. It is advisable to send the demand notice through any one of the first four modes and also by hand delivery (wherever possible). By serving the demand notice through hand delivery, we can get immediate acknowledgment and it will also facilitate talks with the borrower and consequential repayment. Further, it will also help us to know whether the house / office property (if charged to us) is self occupied or tenanted. Additionally, the demand notice may be sent by e-mail.**

(E) SUBSTITUTED SERVICE OF DEMAND NOTICE:

1. If the Authorised Officer has reason to believe that the Borrower / Mortgagor / Guarantor is avoiding/evading the service of notice or for any other reason the

service cannot be effected as stated above, or where even if the service is effected but the Demand Notice is not acknowledged by the Borrowers / Mortgagors / Guarantors themselves, then by way of abundant caution, Substituted Service shall be effected by **affixing** a copy of the Demand Notice on the outer door or some other conspicuous part of the house or building in which the Borrowers/ Mortgagors / Guarantors ordinarily reside or carry on business or personally work for gain

AND

also by publishing the contents of the Demand Notice in two leading news papers, including one in vernacular language having sufficient circulation in that locality where the Borrower/ Mortgagor / Guarantor ordinarily resides/ carries on business / their registered office is situated. The new format for publication of Demand Notice is enclosed herewith as **Annexure-3 of SARFASI Simplified.**

2. If the Borrower is a body corporate, the notice shall be served on the Registered Office or any of its Branches.

3. The newspapers in which the Demand Notice was published (in full and not the paper cutting alone) and the photographs for proof of having affixed the demand notice should be carefully preserved by the Branch / Authorised Officer in **safe custody.**

4. Where there are more than one Borrower / Mortgagor / Guarantor and if any of the notices is returned undelivered against any one or more of them, the Bank shall publish such notice, ensuring that name of the other addressees, even those who have already received the notices should also appear in the publication by way of abundant caution. Further, in cases where the notice is duly served but acknowledgment is not received, publication may be proceeded with, specifically mentioning that it is done by way of abundant caution.

(F) STATUTORY BAR ON ALIENATION OF PROPERTIES BY THE BORROWER / MORTGAGOR/GUARANTOR AFTER ISSUANCE OF DEMAND NOTICE:

1. Sec 13(13) of the SARFAESI Act provides that after receipt of notice under Sec 13(2), the Borrower / Mortgagor / Guarantor shall not transfer any of the secured assets by way of sale, lease or otherwise without the **prior written consent of the Bank**.
2. Sec 29 of the Act provides that if any person contravenes or attempts to contravene or abets the contravention of the provisions of the Act or Rules, he shall be punishable with imprisonment for a term which may extend to one year or with fine or both.
3. Sec 30(2) of the Act provides that no court inferior to that of a Metropolitan Magistrate or Judicial Magistrate of First Class can try the offence.

4. Therefore, if it comes to Bank's knowledge that the Borrower is transferring or attempting to transfer the secured asset or any person is abetting the same, **criminal complaint** may be filed.

(G) REPLY TO OBJECTIONS / REPRESENTATION AGAINST DEMAND NOTICE:

1. Any objections to the SARFAESI Demand Notice shall be replied properly **point-war** by Authorised Officer **within 15 days** from date of receipt of objection. Such reply shall be the full and final reply.

2. **If the Bank does not apply its mind to the points raised by the Borrower and give a reply within FIFTEEN DAYS, it will have an adverse impact when the matter is taken before a court of Law.**

3. **All the issues raised in the objections should be addressed in the reply to be given by the Authorised Officer.**

4. RO/Branches should avoid giving an interim reply within 15 days from the date of receipt of objection seeking further time to reply on merits belatedly.

5. The reply to the objections should be sent only by and in the name of the Authorised Officer. Even if the objections have been sent by the Borrower / Guarantor through lawyer, the reply should be sent only by the Authorised Officer. If the assistance of our panel lawyer is required, it may be taken to draft / vet the reply. However the reply may be sent only by and in the name of the Authorised Officer.

CHAPTER III

(A) FURTHER ACTION UNDER SEC13 (4) AFTER ISSUANCE OF NOTICE:

1. If the Borrower does not pay the demanded amount in 60 days from the date of **receipt** of notice, the Branch should take up with Regional Office SARFAESI Committee for further course of action as detailed in Sec 13(4) of the Act, giving justification and their reasoned recommendations.

2. The Formation, Constitution and the powers of the SARFAESI Committees at Regional Office / Central Office are given in Annexure **4 of SARFASI Simplified.**

3. Wherever required, Caveat may be filed in the Tribunal / Court to avoid Ex-parte interim stay / injunction orders against our recovery proceedings.

ANNEXURE 4

FORMATION OF SARFAESI COMMITTEE AT REGIONAL OFFICE AND CENTRAL OFFICE

(To take decisions regarding Section 13(4) action)

I) SARFAESI Committee has been constituted at both Regional Office and Central Office mainly to take decisions regarding action under Section 13(4) including taking possession, fixing reserve price for e-auction, confirming sale, permitting private sale etc., and incidental matters.

II) **The SARFAESI Committee at Regional Office** shall consist of the following members:

1) Chief/Senior Regional Manager – President
2) Assistant General Manager at R.O., if available
3) Two Chief Managers at Regional office (If only Chief Manager is available, then one Chief / Senior Manager of a Branch under the Region, preferably nearest to Regional Office shall be part of the Committee)
4) One Senior Manager at Regional Office
5) Desk Officer - Secretary.

The quorum of the Regional Office Committee will be 3. However the CRM / SRM must always preside over all the meetings and all decisions taken by the Committee should be duly minuted. The Desk Officer-Secretary shall not be counted for the purpose of quorum.

The Minutes shall be serially numbered and shall be pasted to the Minutes register. A copy of the Note placed to the Committee shall also be kept in a file along with the Register in a serially numbered pattern.

Prepared by: Shri Abhishek Arya
Vetted by:Shri Praveen Kumar

III) **Functions** of the committees at Regional Offices:

The R.O. SARFAESI Committee shall decide on taking possession, fixing reserve price for e-auction, confirming sale, permitting private sale etc., and incidental matters. If the Reserve Price is to be fixed below the FSV, R.O. SARFAESI Committee shall recommend to C.O. SARFAESI Committee for deciding on the matter.

For takeover of Management and appointing a Manager under Section 13(4)(b) and Section 15 of the Act and related issues, the matter shall be referred to C.O. SARFAESI Committee.

IV) **The SARFAESI Committee at Central Office** shall consist of the following members:

1) General Manager in charge of **Recovery Department** – President
2) General Managers of all Credit Departments
3) AGM/DGM of Recovery Department and
4) Chief Manager of Recovery Department- Secretary

The quorum of the Central Office Committee will be 3. However the General Manager (Recovery) must always preside over all the meetings and all decisions taken by the Committee should be duly minuted. The Chief Manager-Secretary shall not be counted for the purpose of quorum.

The Minutes shall be serially numbered and shall be pasted to the Minutes register. A copy of the Note placed to the Committee shall also be kept in a file along with the Register in a serially numbered pattern.

(B) ENFORCEMENT OF MOVABLE ASSETS (RULE 4):

The various steps to be taken are given in seriatim. Please follow the steps in the order given below:

1. Taking possession:

Obtain **sanction** from the RO SARFAESI Committee even before the expiry of the 60 days notice period to avoid the delay in obtaining sanction and further proceedings.

Possession should be taken only by the **Authorised Officer**.

It should be in the presence of two **witnesses** (preferably independent witnesses).

Panchanama (as nearly as possible) in the format given as **Annexure 5 of SARFASI Simplified** should be drawn and signed by the Authorised Officer and the two witnesses.

And simultaneously;

Inventory should be prepared by the Authorised Officer in the format given as **Annexure 6 of SARFASI Simplified**

And;

The Borrower shall be intimated by a notice enclosing the Panchnama and Inventory**. [Newly introduced Rule 4(2A) which came into effect from 4.11.2016]**

The aforesaid amendment to the Rules which came into force on 04.11.2016 also stipulates that in the **Panchnama**, in the second Para, **the borrowers" attention should be invited to Section 13(8) of the SARFAESI Act in respect of the time available to redeem the secured assets.**

2. **<u>Custody after possession:</u>**

The movables taken possession should be immediately transferred to a nearby godown for storage and protection.

If insurance cover is available, the Insurer should be informed and if insurance cover is not available, then insurance should be taken immediately. **[Rule 4(4)]**

Expeditious steps for disposal of the movable assets should be taken (particularly when they are perishables) so as to avoid safe keeping expenses, security charges, loss / deterioration in quantity / quality of goods.

3. **<u>After Possession, take valuation & fix reserve price:</u>**

Authorised Officer should obtain the valuation of the movable assets from one of our Approved Valuers

AND

Thereafter the Authorised Officer should fix the `Reserve Price' in consultation with the Secured Creditor i.e. RO SARFAESI COMMITTEE within the shortest possible time from the date of taking possession.

In the **First Auction,** reserve price should be fixed at **<u>95% of the Fair Market Value</u>**. If there is no bidder, in the **next auction**, reserve price may be fixed at the **Forced Sale Value**.

If for any reason in any subsequent sale if the reserve price is to be fixed **below the FSV** then prior permission from CO SARFAESI Committee is to be obtained.

4. **<u>Modes of sale</u>**

The Authorised Officer may sell the movable secured assets taken possession under Sub-rule(1) of Rule 4 in one or more lots by adopting any of the following methods to secure maximum sale price for assets to be so sold:**[Rule 6(1)]**

- obtaining quotations from parties dealing in the secured assets or otherwise interested in buying such assets; or

- inviting tenders from the public; or
- holding public auction; or
- by private treaty.

Now it has been stipulated that public auction includes E-auction mode also.(vide amendment to the Rules which came into effect on 04.11.16.)

5. **Issue of Notice of Sale [Rule 6(2)]:**

30 days sale notice should be given for the **first sale** and minimum **15 days** notice would suffice for **subsequent sale**.

Sufficient cushion time may be given to ensure that 30 days / 15 days as the case may be has expired both from the date of service of notice of sale and also from the date of paper publication of notice of sale.

It should be clearly mentioned in the notice that sale is on an **"As is Where is"** and **"As is What is" condition**.

Proper marketing may be done through pamphlets etc and if the movables are in scrap condition, by contacting scrap dealers to mobilize bidders.

6. **Procedure for Public Auction for Movables:**

The format for Notice of Sale for movables is given as **Annexure 7** of SARFASI Simplified and should first be served on the Borrowers / Guarantors as the case may be by giving the following;

(i) Reserve Price fixed

(ii) Proposed date & time of sale

(iii) Mode of sale proposed to be adopted

(iv) If the proposed sale is to be either by inviting tenders from the public OR by conducting public auction then the Authorised Officer should also **SIMULTANEOUSLY** publish a notice of Manual Auction in the format given as **Annexure 8** of SARFASI Simplified in two leading newspapers, on the same day, (one in Vernacular language) having sufficient circulation in that locality, giving the following:

- Details about the borrower, dues and the Secured Creditor;
- Description of movable secured assets to be sold with identification marks or numbers, if any on them;
- Reserve price, if any, and the time and manner of payment;
- Time and place of public auction or the time after which sale by any other mode shall be completed;
- Depositing earnest money as may be stipulated by the Secured Creditor;
- Any other thing which the authorised officer considers it material for a purchaser to know in order to judge the nature and value of movable

secured assets;

(v) It should also be clearly and prominently stated in the notice that the sale is subject to confirmation by the Bank, (the Secured Creditor) and should be on **`as is where is'** and **„as is what is"** condition, and

(vi) The details of statutory dues which are known to the Bank should be given in the notice of sale and

(vii) The date and time fixed for inspection of the properties must also be furnished.

(viii) **Manual auction** through SARFAESI Act in respect of both movables and immovables is permitted where:

- ❖ The Book outstanding at the time of auction is less than **Rs.5 lacs OR**
- ❖ The FSV of the property being brought for auction is less than **Rs.5 lacs**.

In all other cases e-auction is **compulsory** for public sale through SARFAESI. (Refer Permanent Circular No. 324 /2013-14 dated 07.09.13 issued by Law Dept). Mobilization of bidders to facilitate the auction to be a success is most important.

Notice of sale shall also be uploaded in **IOB Intranet, iob.in and** in **"http://publishtenders.gov.in/"** and in case of e-auction, additionally in the e-auction **service provider"s website** (such as Matex Net P Ltd., Abc Procure, Atishya Technologies P Ltd, 4 Closure, C1 India P Ltd., whose e-auction platforms are utilized for sale)atleast **30 days (for first sale) / 15 days** (for subsequent sale) as the case may be, before the date fixed for Sale.

For format of e-auction public notice for sale of immovable properties, please refer (TRANSIENT SERIES CIRCULER NO 13 2018-19 dt 12.12.2018).

7. Procedure for sale:

(i) The sale should strictly be conducted only on the date and at the time notified to the borrower/ guarantor **and** as published in the Newspaper.

In the event the sale is deferred or could not be conducted on the notified date or at the time stated for good and valid reasons, the Authorised Officer should give a notice of such deferment or cancellation, reasonably in advance, affix the notice of deferment or cancellation on a conspicuous place on the property and also publish the said notice in the very same two Newspapers inviting attention to the original notice of sale. In all cases of deferment, as far as possible, the scheduled date and time of sale may be indicated.

Deferment need not be contemplated for a period beyond 15 days from the original date of proposed sale.

(ii) In case of movables, whether the sale is through public auction or through private treaty, they may be sold in lots and the reserve price for each lot may be

indicated separately.

(iii) On payment of the sale price, the Authorised Officer shall issue a **certificate of sale** as per the format given as **Annexure 9** of SARFASI Simplified**.**

(iv) Delivery of movables sold should be immediately given to the purchaser against **proper acknowledgement**.

8. Resale

In the event the sale has failed, the Authorised Officer can again put up the movable assets for sale after giving 15 days sale notice and by adopting the above said procedure once again.

9. Procedure for Sale of Movables by Private Treaty:

As given in our Recovery Policy, Ministry of Finance has advised that in respect of value of Securities **upto Rs.1 Cr.,** the property shall be brought to auction **at least once** and for properties **above Rs.1 Cr,** the properties shall be brought to auction at least **twice** prior to resorting to sale through private treaty under SARFAESI Act.

For sale of assets by private treaty, it shall be on such terms as may be settled between the **Bank and purchaser** in writing.[vide amendment to Rule 6(3) which came into force on 04.11.2016].

While going for sale by private treaty, the following shall be ensured:

(i) The sale price / consideration shall not be less than the reserve price fixed during the previous public auction.

(ii) An offer letter should be taken from the prospective purchaser who is evincing interest to purchase the secured assets which should contain the following:

- His offer price.
- Payment schedule(25% of his offer price shall be paid upfront along with offer letter and undertaking to pay balance 75% on the date and time of sale as fixed by the Bank).
- Mode of Payment.
- Other terms of offer, if any.
- His concurrence to take back the 25% amount without any claim for interest etc for the period for which it was retained by the Bank in the event of cancellation of sale for no fault of such purchaser.

(iii) Branch shall note the following:

To collect 25% of the offer price as upfront and ascertain the source of funds for the balance 75% as undertaken to be paid at a later date. After taking approval from the SARFAESI Committee in respect of the sale price (from RO / CO Committee as the case may be), a reply may be given to the purchaser indicating the following:

- ❖ Bank"s readiness to take further steps for the private sale pursuant to his offer.
- ❖ The date and time fixed for conclusion of sale.
- ❖ Calling upon the purchaser to remit the balance 75% sale price on the date and time fixed for conclusion of sale.
- ❖ That the Bank reserves its right to defer or cancel the sale at any point of time without assigning any reason.
- ❖ Upon such cancellation of sale at the instance of the Bank, 25% of the sale price paid by the purchaser alongwith the offer letter will be refunded without any interest etc.
- ❖ If the purchaser fails to pay the balance 75% on the date and time fixed for payment, the 25% sale price already paid shall stand forfeited to the Bank and the purchaser should not make any claim to the property.
- ❖ If the prospective purchaser withdraws his offer at any point of time, the amount of 25% paid along with the Offer given to the Bank shall stand forfeited to the Bank.
- ❖ Certificate of sale and delivery of movable assets will be done only on receipt of entire sale consideration.
- ❖ Stamping / registration expenses, as applicable shall be borne by the purchaser.

(iv) In the aforesaid Bank"s reply to the prospective purchaser, Branch shall note to obtain an acknowledgment from the prospective purchaser that he is **"agreeable to the terms stipulated by the Bank as above".**

(v) Fifteen days notice of sale as per format given in **Annexure 7** of SARFASI Simplified shall be duly served on the Borrowers / Mortgagors / Guarantors.

(vi) If the notice of sale is not properly served, substituted service by way of;

- ❖ **affixture** of notice of sale at a conspicuous place(at both the place where the movables are kept / were originally kept and also at the place of office / residence of the Borrowers / Guarantors
  AND
- ❖ by **publication** of notice in two leading newspapers, (one in Vernacular language) having sufficient circulation in that locality. The format in **Annexure 25** of SARFASI Simplified may be condensed and published with requisite details.

(vii) If there is a purchaser evincing interest to buy the property through private sale, Branch could encourage him to participate in public auction to ensure transparency and to encourage competitive bidding. Therefore, sale by private treaty may be done as the last resort to avoid litigation alleging collusion between the Bank and the purchaser.

(viii) It may be noted that in the notice of sale, the details of the purchaser should not be disclosed and the tentative date and time of conclusion of sale should be indicated. Any time before the date and time for private sale, the Borrowers / Guarantors have the right to pay the entire dues, costs etc and redeem the secured assets.**(vide amendment to Sec 13(8) which came into force on 01.09.2016)**

(ix) In case of sale by private treaty, the movable assets shall be handed over / delivered to the purchaser only and not the Borrowers / Guarantors even if the purchaser was identified by them.

(x) The purchaser identified by the Bank should hold valid ID proof / address proof and his KYC documents / details should be properly verified and copy of the KYC documents should be preserved at Branch.

10. <u>Other Movable secured assets: [Rule 4(5)]</u>

(a) A Debt not secured by Negotiable Instrument or

(b) A share in a body corporate

(c) Other movable assets not in possession of the borrower (except the property deposited in or in the custody of any court or any like authority).

Authorized Officer shall obtain possession / recover debt by service of notice as under:

(i) In the case of debt the notice should contain all the three as below:
- ❖ Prohibiting the borrower from recovering the debt or any interest thereon
- ❖ prohibiting the debtor from making payment and
- ❖ directing the debtor to make such payment to the Authorised Officer

(ii) In case of the shares in a body corporate, the notice should contain both directions as below :
- ❖ Directing the borrower to transfer the shares to the Secured Creditor,
- ❖ Directing the body corporate from not transferring such shares in favour of any person other than the Secured Creditor.

A copy of the notice so sent may be endorsed to the concerned Registrar of the body corporate to the issue or share transfer Agents of the said body corporate, if any.

(iii) In the case of other movable assets (except as aforesaid), the notice should contain the following:

- calling upon the borrowers and the person in possession to hand over the same to the Authorised Officer and the Authorised Officer shall take custody of such movable property in the same manner as provided above.

(iv) In case of movable secured assets not covered under the above three, the Authorised Officer can take possession by taking possession of the documents evidencing title to such secured assets.

Specimens of notices to be issued to person who has acquired the secured asset and prohibiting Borrower who has to recover any such dues are given as **Annexures 10 and 11** of SARFASI Simplified respectively.

CHAPTER IV

1. Enforcement of Immovable Secured Assets (Rule 8)

The various steps to be taken are given in seriatim. Please follow the steps in the order in which they are given hereunder.

(A) POSSESSION

Obtain sanction from the SARFAESI Committee concerned for taking possession (Please refer the possession Kit given as **Annexure 12** of SARFASI Simplified for practical steps to be taken before going for possession).

Authorised Officer shall take possession or cause possession of the mortgaged immovable property to be taken after obtaining sanction from SARFAESI Committee in the following manner:

(i) By **delivering** a `Possession Notice' to the mortgagor (Borrower/guarantor) in the form given as **Annexure 13** of SARFASI Simplified**.**

AND ALSO SIMULTANEOUSLY

(ii) By **affixing** the Possession Notice on the outer door or at such conspicuous place of the property.
(Hence in case of vacant land a Notice Board can be affixed on any tree on the vacant land or on a prominent pole in which Notice Board with the Possession Notice can be fixed.)

(iii) **WITHIN SEVEN DAYS OF TAKING POSSESSION,** the Possession Notice **SHOULD ALSO be published** in two leading Newspapers one of which should be in vernacular language, having sufficient circulation in that locality where the property is situated. It may be noted that the date of taking possession is also to be included while calculating the seven days time period for publication of possession notice.

(B) PHYSICAL POSSESSION

If for any reason physical possession is to be taken, Authorised Officer shall file an Application under Section 14 of the Act before the Chief Metropolitan Magistrate / District Magistrate (District Collector) **/** Chief Judicial Magistrate in the format given in **Annexure 14** of SARFASI Simplified**.**

Such application by the Bank shall be accompanied by an Affidavit duly affirmed by the Authorized Officer of the Secured Creditor declaring that:

(i) The aggregate amount of financial assistance granted and the total claim of the Bank as on the date of filing the Application;

(ii) The borrower has created security interest over various properties and that the Bank or Financial Institutions is holding a valid and subsisting security interest over such properties and the claim of the bank or FinancialInstitution is within the limitation period;

(iii) The borrower has created security interest over various properties giving the details of the properties referred to in sub-clause(ii) above;

(iv) The borrower has committed default in repayment of the financial assistance granted aggregating the specified amount;

(v) Consequent upon such default in repayment of the financial assistance the account of the borrower has been classified as a non-performing asset;

(vi) Affirming that the period of sixty days notice as required by the provisions of sub-section(2) of Section 13, demanding payment of the defaulted financial assistance has been served on the borrower.

(vii) The objection or representation in reply to the notice received from the borrower has been considered by the Secured Creditor and reasons for non-acceptance of such objection or representation had been communicated to the borrower;

(viii) The borrower has not made any repayment of the financial assistance in spite of the above notice and the Authorised Officer is, therefore, entitled to take possession of the secured assets under the provisions of sub-section (4) of section 13 read with section 14 of the principal Act;

(ix) That the provisions of this Act and the rules made there under had been complied with;

On receipt of the Affidavit from the Authorised Officer, the District Magistrate or the Chief Metropolitan Magistrate/ Chief Judicial Magistrate, as the case may be, shall after satisfying the contents of the affidavit pass suitable orders for the purpose of taking possession of the secured assets.

The Chief Metropolitan Magistrate Chief Judicial Magistrate / or District Magistrate shall after satisfying the contents of the affidavit pass suitable orders under Sec 14 for the purpose of taking possession of the secured assets within a period of 30 days from the date of application. If no such order is passed within 30 days for reasons beyond control, he may, after recording reasons in writing, pass the order within such further period not exceeding in aggregate 60 days. **[As per the newly amended Sec.14(1) second & third Proviso which came into force on 01.09.2016]**

In cases where the applications under Section 14 filed with the DM/CMM/CJM as mentioned above are pending beyond the statutory period of 60 days, Branch may take up with R.O. to examine whether a Writ Petition could be filed in the jurisdictional High Court seeking direction for expeditious disposal by the Magistrate.

It may be noted that the Division Bench of the Allahabad High Court in the decision reported in CDJ 2016 All HC 161 has held that the nomenclature Chief Metropolitan Magistrate used in the SARFAESI Act is inclusive of Chief Judicial Magistrate functioning in a Non-metropolitan area and as such the CJM shall have jurisdiction to entertain an Application made by the Bank for taking physical possession.

Therefore, please take advantage of the aforesaid legal decision and wherever CMM is not available and only CJM is available, we have the option to move the Application for physical possession either before the CJM or DC/DM.

(C) <u>SALE OF IMMOVABLE SECURED ASSETS</u>

After taking possession, Branch should obtain up to date EC / make search in the Books of the Sub-Registrar / Registrar of Assurances.

The Authorised Officer should obtain valuation <u>ONLY</u> from the approved Valuer as required.

After valuation, the Authorised Officer should fix the `Reserve Price' of the property in consultation with the Secured Creditor (SARFAESI COMMITTEE). Permission to fix Reserve Price and sell must be obtained from the SARFAESI COMMITTEE concerned.

Reserve price is to be fixed by RO SARFAESI Committee immediately after taking symbolic possession/physical possession and upon obtaining valuation report & EC.

In the **First Auction,** reserve price should be fixed at **<u>95% of the Fair Market Value</u>**. Sale of Immovable Properties (other than Agri. Land) involving sale consideration of Rs.50.00 lacs and above attracts 1% income tax. Hence for loading the income tax on the Reserve Price and calculating the applicable Reserve Price please refer Para on Calculation of Reserve Price (below) of this Chapter.

If there is no bidder, in the **next auction**, reserve price may be fixed at the **Forced Sale Value**. If for any reason in any subsequent sale if the reserve price is to be fixed **below the FSV** then permission from CO SARFAESI Committee is to be obtained.

It may generally be ensured that in respect of both the movable and immovable secured assets, the valuation report is not more than one year old so as to take care of the change in the market conditions.

2. Right vested in Borrower/ Guarantor to challenge action taken by Bank under Sec. 13(4)

A statutory right is vested in **any person** (including tenant in the mortgaged property) aggrieved by Bank's actions like taking possession etc under Sec. 13(4) to file a Petition/ Application before DRT within 45 days challenging the measures taken.

DRTs are expected to dispose of Borrower's application within 60 days which can be extended upto 4 months (inclusive of the 60 days).

If the application is not disposed of by DRT within 4 months any party to the Application / Authorised Officer can approach DRAT for an order of expeditious disposal of that application.

An appeal remedy is available before the DRAT for any person aggrieved by any order of DRT and such appeal should be preferred within 30 days from the date of receipt of DRT"s order.

However the said appeal will be entertained only if the borrower has remitted 50% of the debt demanded by the Bank or determined by the DRT whichever is less. The DRAT has the discretion to reduce the deposit to 25% of the above amount. It may be noted that such pre-deposit is mandatory and it cannot be waived under any circumstances.

As and when a notice of appeal is received by branch/authorised officer it should be found out whether the pre-condition for maintaining an appeal by depositing 50%/25% is complied with. If not, steps should be taken for getting an order from DRAT, directing such deposit OR in the alternative seeking dismissal of such application for want of the mandatory pre-deposit as prescribed in the statute.

3. Any one of the Four modes of sale as mentioned below to be chosen by the Authorised Officer

The Authorised Officer may sell the movable secured assets taken possession under Sub-rule(1) of Rule 4 in one or more lots by adopting any of the following methods to secure maximum sale price for assets to be so sold:**[Rule 6(1)]**

- obtaining quotations from parties dealing in the secured assets or otherwise interested in buying such assets; or
- inviting tenders from the public; or
- holding public auction; or
- by private treaty.

Now it has been stipulated that public auction includes E-auction mode also.(vide amendment to the Rules which came into effect on 04.11.16.)

4. Procedure for e-auction sale of immovables

30 days Sale Notice for First Sale:(Rule 9)

After taking possession, valuation and EC, the Authorised Officer should:

Serve a 30 days" Sale Notice to the Borrowers/ mortgagors/guarantors giving the details of the following:

(i) Reserve Price fixed,

(ii) Date, time and place of public auction or the time after which sale by any other mode shall be completed;

AND

(iii) If the sale is proposed either by inviting tenders from the public OR by public Auction, then the Bank should publish a 30 days" Public sale notice as per **Annexure 16** of SARFASI Simplified in two leading newspapers of which one should be in vernacular language having sufficient circulation in the locality where the property to be sold is situated, setting out the terms of sale including the following:

a) the complete description of the immovable property to be sold, including the details of the encumbrances known to the Secured Creditor;

b) the secured debt for recovery of which the property is to be sold;

c) reserve price, below which the property shall not be sold;

d) time of e-auction/ time and place of public auction;

e) Terms of depositing earnest money as may stipulated by the Secured Creditor;

f) any other thing which the authorised officer considers it material for a purchaser to know in order to judge the nature and value of the property.

g) Give details of other encumbrances, if any, known to the Bank and giving the details of the amount due there under.

h) that the sale is subject to confirmation by the Bank (SARFAESI COMMITTEE).

i) that on acceptance of the offer, the offerer should immediately deposit 25% of the offer (inclusive of the EMD) with the Authorised Officer **ON THE SAME DAY OR ON THE NEXT WORKING DAY** failing which the property shall forthwith be sold again [Rule 9(3)]. Upon failure of the successful bidder to pay the deposit of 25% of the sale price (inclusive of the EMD deposited), the property shall be sold again.**[amended Rule 9(3) which came into effect on 04.11.2016]**

j) that on confirmation of Sale, the bidder should remit the balance on or before the 15th day from the date of confirmation of sale or such extended period as may be agreed upon in writing between the Secured Creditor and the proposed purchaser, **in any case not exceeding three months.** In case of default in payment of the balance 75% of the sale consideration, the initial sale consideration of 25% shall be forfeited to the Bank. [Rule 9(5)]

- ❖ Every Sale Notice issued to the borrower should also be affixed in a conspicuous place of the Immovable property (in case of vacant site please refer to the instructions given above).
- ❖ The Rules also authorise that the sale notice may be put on the web-site of the Bank.
- ❖ **30 days**" sale notice should be given for the **first sale** and minimum **15 days**" notice would suffice for **subsequent sale**.
- ❖ Sufficient cushion time may be given to ensure that 30 days / 15 days as the case may be has expired both from the date of service of sale notice and also from the date of paper publication of sale notice.
- ❖ It should be clearly mentioned in the notice that sale is on an **"As is Where is"** and **"As is What is" condition**.
- ❖ Sale notice shall be uploaded in **IOB Intranet, iob.in**, e-auction **service provider"s website** (such as Matex Net P Ltd., Abc Procure, Atishya Technologies P Ltd, 4 Closure, C1 India P Ltd., whose e-auction platforms are utilized for sale) and in **"http://publishtenders.gov.in/"** atleast **30 days/15 days** as the case may be before the date fixed for Sale.
- ❖ RO/Branch shall utilise electronic media like OLX and Quikr **(taking into account cost factor)** and upload advertisements to market our Bank"s e-auction sale so as to ensure recovery.
- ❖ Also there are certain **private portals** (taking into account cost factor) which carry such e-auction sale notices which are widely searched by public. Some of them are:-
  1. Magicbricks.com
  2. indiaproperty.com
  3. 99acres.com
  4. sulekha.com
  5. Propertybazar.com
  6. Commonfloor.com

5. Calculation of reserve price:

In case of any sale / transfer of immovable property of **Rs.50 lakhs and above**, the transferee has to pay an amount equal to **1% of the consideration** as Income Tax.

By virtue of Section 194 IA of the Income Tax Act, 1961, in all cases of transfer of immovable properties (other than agricultural land) of Rs.50.00 lacs and above, 1% of amount is to be deducted from out of the sale consideration by the transferee (purchaser) towards Income Tax thereon.

There have been certain reported incidents where the purchasers raise objections to bear the statutorily imposed tax. Hence the tax amount may be loaded to the Reserve Price by adopting the following formula:

Formula for loading Income Tax on the Reserve Price:

Reserve Price/99 = Income Tax amount

Therefore Reserve Price should be : Reserve Price + Income Tax Amount as derived above

Example:

If the Proposed Reserve Price is Rs.60,00,000/-
Then the Tax amount will be 1% of Rs.60.00 lacs i.e., Rs.60,00,000/99 = Rs.60,606/- Tax amount may be rounded-off to the nearest hundred.

Therefore the actual Reserve Price should be :

Rs.60,00,000/- plus Rs.60,700/- = Rs.60,60,700/-

While conducting the Sale, the Authorised Offcier shall note to deduct (at the time of receipt of the sale consideration by the Bank) the 1% Income tax amount of Rs.60,700/- and remit it to the Income Tax Department under the PAN Number of the purchaser.

In such cases, it may be noted that in the Sale Certificate the following shall be categorically mentioned:

a) **Gross Sale consideration ………………..**
b) **Income Tax paid vide Challan No…..dt…….**
c) **Net Sale consideration received by the Bank after income tax deduction …………………..**

In the Sale Notice pertaining to immovable properties of Rs.50.00 lacs and above, the following clause shall be added:

“In compliance with Section 194 IA of the Income tax Act, 1961 income tax @ 1% on the Reserve Price shall be deducted and paid under the PAN Number of the Purchaser. Since the Tax has been calculated only on the Reserve Price, the bidder shall bear the 1% income tax on the bid multiplier amount and the Bank shall not take any responsibility for the same.”

6. Acceptance of Single Bid (Applicable for both movable and immovable secured assets)

There is no impediment to accept the single bid, when only a single bid has been received. However, such single bid should be higher than the reserve price. Rule 9 deals with time of sale, issue of sale certificate and delivery of possession etc., in respect of immovable property.

The first Proviso to Rule 9(2) states that no sale under this Rule shall be confirmed if the amount offered by sale price is less than the reserve price.

The second Proviso states that if the Authorised Officer fails to obtain a price higher than the reserve price, he may with the consent of the borrower and Secured Creditor (SARFAESI Committee) effect the sale at such price. (Therefore, if the bid is exactly for the reserve price, the consent of the borrower and secured creditor is required.

Sale should be confirmed by the Authorised Officer only if the bid is higher than the reserve price.

If the highest bid is equal to the reserve price, the Authorised Officer can confirm the sale only with the consent of the owner of the property and also the Bank

7. Manual Auction

Manual auction through SARFAESI Act in respect of both movables and immovables is permitted where:

- The Book o/s at the time of auction is less than **Rs.5 lacs OR**
- The FSV of the property being brought for auction is less than **Rs.5 lacs**.

In all other cases e-auction is **compulsory** for public sale through SARFAESI. (Refer Permanent Circular No. 324 /2013-14 dated 07.09.13 issued by Law Dept). Mobilization of bidders to facilitate the auction to be a success is most important.

8. Sale

(i) Sale should take place only on the date, time and at the place notified to the borrower/ guarantor **and** as published in the Newspaper.

(ii) On obtaining the highest price, which should be not less than the Reserve price, the Authorised Officer should accept the bid of the highest offerer informing him in writing that he has been declared as the successful bidder and that sale is SUBJECT to confirmation by the Secured Creditor. (Bank)

(iii) If the highest price offered is less than the Reserve Price, the Authorised Officer should not accept the offer or confirm the sale.

(iv) The highest bidder whose offer is accepted should immediately deposit 25% of the sale price to the Authorised Officer.

(v) In case of default, the property shall be resold.

(vi) The sale price should be immediately informed to the SARFAESI committee having powers for confirmation.

(vii) If SARFAESI committee rejects the sale offer, it should be immediately informed to the proposed purchaser, refunding also the 25% deposit made by the purchaser, without interest.

(viii) If the SARFAESI committee confirms the sale, the proposed purchaser should be immediately intimated advising him to remit the balance price on or before 15 days from the date of such confirmation, and in case of default the Authorised Officer may exercise the option to rescind the acceptance, forfeit the deposit and bring the property for resale.

(ix) However in case of delay in remittance of the balance sale price, the Authorised Officer can extend the period, as may be agreed up on in writing between the purchaser and the Secured Creditor , in any case not exceeding three months.

(x) When the balance price is also paid, the Authorised Officer should issue „Sale Certificate' in favour of the purchaser in the form given as **Annexure – 21** of SARFASI Simplified**.**

(xi) Then the Authorised Officer shall deliver the property to the purchaser free from encumbrances known to the Secured Creditor.

Prepared by: Shri Abhishek Arya
Vetted by:Shri Praveen Kumar

9. Other issues relating to the sale procedure for immovable properties

1. Rule 9(3) which deals with payment of 25% of the sale price while selling immovable property provided that on every sale of immovable property, the purchaser shall **immediately** deposit 25% of the amount of sale price. There was ambiguity about the word **"immediately".** Now it is clarified that the said 25% amount should be paid by the purchaser **immediately i.e. on the same day or on the next working day.**

2. Rule 9(4) which deals with payment of balance 75% sale price while selling immovable secured asset provided that the balance 75% amount should be paid within 15 days of sale confirmation or such extended period as may be agreed between the parties in writing. Now it is clarified that **"parties"** mean the Secured Creditors and the proposed purchaser only. Further it is stipulated that in any case the **extended time should not exceed three months.** If payment is not made within the stipulated time, **the deposit shall be forfeited by the Secured Creditor.**

   Note: It is clarified that for extension of time exceeding 15 days and upto three months, the consent of the borrower is not required.

10. Sale by Private Treaty

The procedure for sale by private treaty has been spelt out clearly for movable assets in Chapter III of this Booklet. The same procedure shall be adopted for immovable properties with suitable modifications.

In the reply letter to be sent to the proposed purchaser identified for private sale, in addition to the points mentioned in Chapter III of this Booklet, a Clause may be added to the effect that the purchaser shall bear 1 % income tax on the sale consideration in respect of immovable properties of Rs.50 lacs and above applicable under Section 194 IA of the Income Tax Act, 1961.

CHAPTER V

(A) Taking Over the Management of the business of Borrowers:

(To be done only with **PRIOR** Sanction of C.O. SARFAESI COMMITTEE)
(Section 13(4)(b) and Section 15 of the Act)

When the management of the business of the Borrower is taken over, the Authorised Officer may publish a Notice appointing as many persons as Directors (in the case of a Company) or as Administrator (in any other case).

The notice should be published in two news papers, one of which should be in English language and another in one Indian Language and those newspapers should have circulation in the place where the principal office of the borrower is situated.

(B) Effects of take over on publication of Notice: [Sec. 15 (2)]

The directors/persons in control holding office immediately before the public notice shall be deemed to have vacated their office;

Contracts by Borrower with the aforesaid directors/managers shall be deemed to have been terminated.

The new directors/administrator appointed by public notice under Section 15(1) of the Act shall take into their custody all property, effects and actionable claim of the business of Borrower. [Sec.15(2) of the Act]

Despite whatever is stated in the Memorandum and Articles of Association of the company/ any other source, the new Directors/Administrator will have powers and control of the business.

The share holders of the company/any person, cannot nominate or appoint any person to be the director.

Resolutions passed by share holders will have no effect unless approved by the Authorised Officer.

No proceedings for winding up / appointment of Receiver shall lie in any court without the consent of Authorised Officer.

The Management of the business shall be restored on realisation of the debt in full.

The right to take over Management should be exercised only with prior permission from SARFAESI Committee at Central Office. Since taking over Management will lead us to venturing into areas not connected with banking this right vested in the Bank should be exercised after examining all the pros and cons of such an action and only in exceptional cases.

(C) Restoration of Management

If any Secured Creditor jointly with other Secured Creditors or any ARC or financial institution or any other assignee has converted part of its debt into shares of a borrower company and thereby acquired controlling interest in the borrower company, such Secured Creditors shall not be liable to restore the management of the business to such borrower. **[Sec15(4)Proviso which came into force on 01.09.2016]**

(D) Appointment of Manager

The Bank has the power to appoint any person as Manager to manage the secured assets, the possession of which has been taken over by Bank. He has power to demand in writing to recover any moneys from persons who acquired secured assets and give valid discharge and appropriate the same as stipulated in the Act. **This power has to be exercised by the Board in consultation with the Borrower and such manager shall be deemed to be an agent of the Borrower and the Borrower shall be solely responsible for all acts of the Manager unless such acts of commission or omission are due to improper intervention of the Bank or the Authorised Officer**.(Rule 10)

Therefore appointment of any person as Manager of the secured assets has to be done only with prior approval of SARFAESI COMMITTEE, at Central Office.

Please note:

- **SARFAESI Act is applicable for the whole of India including the State of Jammu & Kashmir.**
- **In this Booklet wherever the term "Borrower" is used please note that it includes the "mortgagor and the guarantor".**
- **Whenever affixture of any Notice (Demand Notice/ Possession Notice/ Sale Notice) is done, it may be duly recorded whether the said property (charged to us) is self occupied or tenanted out. Since we will be taking photographs of the affixed notice, it will enable us to be sure at a later date regarding the factual position as to tenancy, in case of a claim based on a backdated tenancy, if any, at a future date.**
- In SARFAESI Act there is no embargo on the category of persons to whom the mortgaged property can be sold. Hence a tribal land can be sold to a non-tribal person. [Apex Court decision dated 25.11.2016 in Civil Appeal No.11247/2016 in UCO Bank & another–Vs.- Dipak Debbarma & others]
- **When a tenant files SARFAESI Application in DRT claiming tenancy or leasehold rights on the secured asset, the DRT shall have the jurisdiction to examine whether the lease or tenancy has expired or is contrary to terms of mortgage or created after the issuance of 13(2) demand notice or contrary to Sec 65A of the Transfer of Property Act and pass orders. [Sec 17(4A)]**

  Sec. 65A of the Transfer of Property Act provides that a mortgagor has the power to lease the property. Such lease shall be made in the ordinary course of management of the property as per local law, custom or usage. It shall be for the best rent and no premium shall be paid and no rent shall be payable in advance. There shall be no covenant for renewal of lease and the lease shall take effect from a date not later than 6 months from the date on which it is made. In the case of a lease of buildings,

whether leased with or without the land, the duration of the lease shall in no case exceed 3 years, the lease shall contain a covenant for payment of rent and a condition of re-entry on the rent not being paid with a time specified therein.

However, such right to lease can be contracted out i.e., While executing mortgage (except in cases where the lease / rental agreement is within the Bank"s knowledge such as liquirent cases), if the mortgagor expressly states that the property is self occupied and that he will not lease the property without the prior written consent of the Bank, the right to lease the property under Sec 65A will not be subsequently available to the mortgagor.

Except in cases where the lease by the mortgagor is within the Bank"s knowledge such as liquirent cases, while executing mortgage and also in the case of existing mortgages, wherever applicable, at the time of renewal or enhancement or otherwise, the mortgagor should give a Declaration / Undertaking by way of an Affidavit declaring that the property is self-occupied by him, if it is really so, and also undertake that without prior sanction and knowledge of the Bank, the mortgagor will not induct any tenant / lessee after the mortgage. Due care is to be taken at the time of mortgage to ascertain whether the property is self-occupied.

After obtaining Bank"s permission, or without obtaining Bank"s permission, if the mortgagor inducts a tenant after mortgage and subsequently the account is NPA, on issuance of SARFAESI notice under Sec 13(2) & expiry of 60 days period, required for Sec 13(4) action, the Authorised Officer has the right to demand the rent directly from the tenant in the prescribed format. Further another notice has to be sent to the mortgagor restraining him from receiving his debt / receivables.

For the above, you may refer Annexures 22 to 24 of of SARFASI Simplified.

- ❖ In view of the right of redemption as per amended Sec 13(8), it may be ensured that in all cases of public auction / private treaty that there is no delay between the receipt of the entire sale consideration and issuance of sale certificate.
- ❖ In the following Annexures wherever "Rs." is used, please note to mention the amount in figures and in words.
- ❖ **After issuing demand notice, if the account gets subsequently upgraded, a letter should be sent to the mortgagors / guarantors who have given non-agri securities on the following lines:**

Quote:"

"WITHOUT PREJUDICE"

- **Please be informed that the loan account ....has been upgraded subsequent to our Demand Notice dated ....**
- **Consequently our demand notice dated .... invoking your guarantee stands withdrawn and**
- **Therefore please be advised that the guarantee document dated .... whereby you have given irrevocable guarantee will continue in full force and effect."**

Unquote

Wherever possible, Branches may also endeavour to obtain fresh Form 111A from such guarantors.

ANNEXURE 1

GIST OF THE FUNCTIONS OF THE AUTHORISED OFFICER

The list of functions given below is not exhaustive and all matters connected with Enforcement of security must be done by the Authorised officer in consultation with the SARFAESI Committee concerned where ever required. Detailed step by step guidelines are given below regarding each of the aforesaid functions:

1. Authorised Officer has to issue demand notice under Sec. 13(2) (Rule 2(b)). **See Annexure 2.**
2. If notice is unserved, take steps for substituted service of notice by affixing and paper publication. **[Rule (3)]**
3. Send reply to the Borrower within fifteen days of receipt of representation / objections to the demand notice, giving proper reasons.

Movable Property

4. Take possession and make Panchnama **(Annexure - 5). [Rule 4(1)]**
5. Take inventory. **(Annexure -6) [Rule 4(2)]**
6. Keep safe custody of movables by himself or through authorized Agents. **[Rule 4(3)]**
7. Can immediately sell movables taken possession if subject to speedy or natural decay or if expenses for keeping exceeds value. **[Rule 6]**
8. Take steps for protection, preservation and insurance. **[Rule 4(4)]**
9. Take possession or recover dues from third parties, other than borrower after issuing due notices containing directions, prohibitions or taking possession of documents of title to such secured assets**. (Annexures 10 & 11)**
10. Obtain estimated value of movables and fix reserve price in consultation with SARFAESI COMMITTEE.
11. Can sell to secure maximum price in one or more lots by obtaining quotations, inviting tenders, holding public auctions or by private treaty. [**Rule 6(1)]**
12. Issue 30 days sale notice to Borrower for the first sale and 15 days notice for the subsequent sale(s). **[Rule 6(2)] (Annexure 7)**
13. Issue news paper advertisements setting out the Terms of sale in case of public tender or public auction in two news papers (one in vernacular). **Proviso to [Rule 6(2)] (Annexure 8)**
14. Issue certificate of sale as in **Annexure 9.**

Immovable property

15. Take possession and serve and affix possession notice as in Annexure - 13.
16. Approach Chief Metropolitan Magistrate/ District Magistrate / Chief Judicial Magistrate if necessary for taking possession by filing application as in (Annexure 18).
17. Publish possession notice in two leading news papers(one in vernacular). Rule 8(3) (Annexure 13).
18. Keep custody of the property by himself or through agents
19. Preserve, protect and insure. Rule 8(4).
20. Obtain valuation from Approved Valuer. Rule8(5).
21. Fix reserve price in consultation with SARFAESI COMMITTE.
22. Sell in one or more lots as in 10 above.
23. Issue 30 days sale notice to Borrower **(Annexure 15).**
24. Issue news paper advertisements (one in vernacular) setting out the terms of sale in case of public tender or public auction. Rule 8(6) **(Annexure 16 &17).**
25. Affix notice of sale as above on a conspicuous part of immovable property.
26. Put notice of sale on web site or internet of Bank.
27. Conduct sale after expiry of required statutory period from the date of service of sale notice to Borrower and publication in News papers. Rule9(1).
28. Effect sale to highest bidder provided sale price is not less that reserve price subject to confirmation from SARFAESI COMMITTE. Rule9(2).
29. On failure to obtain a sale price higher than reserve price effect sale with the consent of Borrower and SARFAESI COMMITTE. Proviso to Rule 9(2).
30. Accept 25% of sale price immediately and in default conduct resale. Rule9(3).
31. Accept balance sale price on or before 15th day of confirmation or such extended day in default; resale.
32. On confirmation of sale by SARFAESI COMMITTEE execute Sale Certificate in **Annexure 22**
33. If sale is subject to encumbrance allow purchaser to deposit the encumbrance money, cost and expenses. Rule 9(7).
34. Conduct delivery.

Prepared by: Shri Abhishek Arya
Vetted by:Shri Praveen Kumar

PRADHAN MANTRI JAN-DHANYOJNA

Overdraft upto Rs 10,000/- in PMJDY Account

1. **Purpose:** General purpose loan to provide hassle free credit to low income group /underprivileged customers to meet their exigencies without insistence on security, purpose or end use of the credit.

2. **Eligibility**:

   a. Individuals having Age of 18-65 Years

   b. BSBD accounts/SB Small Accounts opened under PMJDY scheme which are operated satisfactorily for at least **six months**.

   c. OD to be granted to the earning member of family, preferably woman of the house.

   d. There should be regular credits under DBT/ DBTL scheme/other verifiable sources

   e. Account should be seeded with Aadhaar for avoiding duplicate benefit

   f. BSBD account holder should not be maintaining any other SB account with any Bank/branch to ensure compliance with RBI directives.

3. **Ineligible customers**

   a. Minors,

   b. Existing KCC/GCC/SHG/JLG borrowers & any other loanee. (Exception: Jewel Loan, Agricultural Jewel Loan, Demand Loan against Deposit borrowers.)

   c. More than one member of the same family

4. **Nature of facility**: Running OD facility in SB account

5. **Validity period of sanction** : 36 Months subject to annual review of account

6. **Quantum of facility**:

   - 4 times of Average monthly balance **(or)**
   - 50% of credit summations in account during the preceding 6 months **(or)** **Maximum Rs.10000.**

- **No conditions attached for OD up to Rs 2,000.**

7. **Security** : NIL

8. **Interest Rate** : As per latest circular on Interest rate on Advances(linked to RLLR)

9. **Processing fee** : NIL

10. **Sanctioning Authority** : Branch

11. **Guarantee Cover** : Up to 60% of default amount in PMJDY Account

12. **Classifications:** Overdrafts up to Rs.10,000/- granted in PMJDY accounts are to be classified under Priority Sector advances (others category) and also as weaker sections, provided the borrowers household annual income in **rural areas does not exceed Rs.1,00,000/-** and in the **non-rural areas it does not exceed Rs.1,60,000/-**. For income proof declaration from the applicant is sufficient. (FID/ADV/579/2015-16 dt.13.05.2015).

13. **Other features** :

- Mobile Number of the borrower/family members are to be kept on record
- Aadhaar number will remain seeded with NPCI during the period of loan. Move-out of Aadhaar for such accounts will be restricted by NPCI.
- SBOD account will become primary account to receive all subsidies/benefits. DBT should also be frozen to such accounts till the currency of loan.
- NPCI will provide repository of Aadhaar Seeding for SBOD to the Banks to verify any earlier seeding.
- Loan accounts will be subject to IRAC norms of RBI.

- **Documents to be obtained**: (formats attached to Cir.No.ADV/576/2015-16 dt.30.04.2015)

- Loan application cum processing form
- Arrangement letter duly accepted by the Account Holder
- F16
- DPN - (F - 14 A)

FRAMEWORK FOR REVIVAL AND REHABILITATION OF MICRO, SMALL AND MEDIUM ENTERPRISES

1. The provisions made in this framework shall be applicable to MSMEs having loan limits **up to Rs.25 crore**, including accounts under consortium or multiple banking arrangements (MBA).

2. Before a loan account of a Micro, Small and Medium Enterprise turns into a Non-Performing Asset (NPA), banks or creditors should identify incipient stress in the account by creating three sub-categories under the Special Mention Account (SMA) category as given in the Table below:

SMA Sub-categories	Basis for classification
SMA-0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days

Illustrative list of signs of stress for categorising an account as SMA-0:

a. Delay of 90 days or more in (a) submission of stock statement / other stipulated operating control statements or (b) credit monitoring or financial statements or (c) non-renewal of facilities based on audited financials.

b. Actual sales / operating profits falling short of projections accepted for loan sanction by 40% or more; or a single event of non-cooperation / prevention from conduct of stock audits by banks; or reduction of Drawing Power (DP) by 20% or more after a stock audit; or evidence of diversion of funds for unapproved purpose; or drop in internal risk rating by 2 or more notches in a single review.

c. Return of 3 or more cheques (or electronic debit instructions) issued by borrowers in 30 days on grounds of non-availability of balance/DP in the account or return of 3 or more bills / cheques discounted or sent under collection by the borrower.

d. Devolvement of Deferred Payment Guarantee (DPG) instalments or Letters of Credit (LCs) or invocation of Bank Guarantees (BGs) and its non-payment within 30 days.

e. Third request for extension of time either for creation or perfection of securities as against time specified in original sanction terms or for compliance with any other terms and conditions of sanction.

f. Increase in frequency of overdrafts in current accounts.

g. The borrower reporting stress in the business and financials.

h. Promoter(s) pledging/selling their shares in the borrower company due to financial stress.

3. **Committees for Stressed Micro, Small and Medium Enterprises**:

- All banks having exposure towards MSME sector shall constitute a Committee at each District where they are present or at Division level or Regional Office level, depending upon the number of MSME units financed in the region.
- These Committees will be Standing Committees and will resolve the reported stress of MSME accounts of the branches falling under their jurisdiction.
- For MSME borrowers having credit facilities under a consortium of banks or multiple banking arrangement (MBA), the consortium leader, or the bank having the largest exposure to the borrower under MBA, as the case may be, shall refer the case to its Committee, if the account is reported as stressed either by the borrower or any of the lenders under this Framework. This Committee will also coordinate between the different lenders.
- **Constitution of the committee**

a. The regional or zonal head of the convene rbank, shall be the **Chairperson** of the Committee;

b. **Officer-in-charge** of the Micro, Small and Medium Enterprises Credit Department of the convener bank at the regional or zonal office level, shall be the **member and convener** of the Committee

c. One **independent external expert** (preferably CA) with expertise in Micro, Small and Medium Enterprises related matters to be nominated by bank.

d. One representative from the **concerned State Government**. In case State Government does not nominate any member, then

Prepared by: Shri Susobhan Mahata
Vetted by : Shri Venkataramana Robba

the convening bank should proceed to include an independent expert in the Committee, namely a retired executive of another bank of the rank of AGM and above.

e. When handling accounts under consortium or MBA, senior representatives of all banks / lenders having exposure to the borrower.

- While decisions of the Committee will be by simple majority, the Chairperson shall have the casting vote, in case of a tie.
- In case of accounts under consortium / MBA, lenders should sign an Inter- Creditor Agreement (ICA).

4. On the basis of the above early warning signals, the branch maintaining the account should consider forwarding the stressed accounts with aggregate loan limits above **Rs.10 lakh** to ***the Committees for Stressed Micro, Small and Medium Enterprises*** within **5 working days** for a suitable corrective action plan (CAP).

   - Forwarding the account to the Committee for CAP will **be mandatory** in cases of accounts reported as **SMA-2**.

5. Accounts with aggregate loan limits **up to Rs.10 lakh** identified as SMA-2, the account should **be mandatorily examined** for CAP by **the branch** itself under the authority of the branch manager / such other official as decided by the bank in terms of their Board approved policy.

   - IBA is prescribing suitable application formats for aggregate loan limits of up to Rs.10.00 lakh and aggregate limits above Rs.10.00 lakh.

6. **Identification by the Borrower Enterprise**

   - If the enterprise reasonably apprehends failure of its business or its inability or likely inability to pay debts or there is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year, the MSME borrower may voluntarily initiate proceedings under this Framework.
   - The application can be made to the branch or directly to ***the Committees for Stressed Micro, Small and Medium Enterprises***.

- When such a request is received by lender, the account with aggregate loan limits **above Rs.10 lakh** should be referred to the Committee. The Committee should convene its meeting at the earliest but not later **than 5 working days** from the receipt of the application, to examine the account for a suitable CAP.

- The accounts with aggregate loan limit up to Rs.10 lakh may be dealt with by the branch manager / designated official for a suitable CAP.

7. Time line for the processing of application

- Where an application is filed by a bank / lender and admitted by the Committee, the Committee shall notify the concerned enterprise about such application within **5 working days** and require the enterprise to:

  a. respond to the application or make a representation before the Committee and

  b. disclose the details of all its liabilities, including the liabilities owed to the State or Central Government and unsecured creditors, if any, within fifteen working days of receipt of such notice.

  c. If the enterprise does not respond within the above period, the Committee may proceed **ex-parte.**

- The Committee may **send notice** to such statutory **creditors** informing them about the application under the Framework and permit them to make a representation regarding their claims before the Committee within **15 working days** of receipt of such notice.

- Within **30 days** of convening its first meeting for a specific enterprise, the Committee shall take a decision on the option to be adopted under the corrective action plan

- If the corrective action plan decided by the Committee envisages **restructuring** of the debt of the enterprise, the Committee shall conduct the detailed Techno-Economic Viability (TEV) study and finalise the terms of such a restructuring in accordance with the extant prudential norms for restructuring;

  a. within **20 working days** (for accounts having aggregate exposure up to Rs.10 crore) and

  b. within **30 working days** (for accounts having aggregate

Prepared by: Shri Susobhan Mahata
Vetted by : Shri Venkataramana Robba

exposure above Rs.10 crore and up to Rs.25crore)

And notify the enterprise about such terms.

- The implementation of that plan shall be completed by the concerned bank within;

  a. **30 days (**if the CAP is **Rectification**) and

  b. **within 90 days** (if the CAP is **restructuring**).

  c. **At the earliest** (if CAP is **recovery**).

8. Corrective Action Plan (CAP)

The options under CAP by the Committee may include:

a. Rectification:

- Obtaining a commitment, specifying actions and timelines, from the borrower to regularise.
- The commitment should be supported with identifiable cash flows within the required time period and without involving any loss or sacrifice on the part of the existing lenders.

b. Restructuring:

- Consider the possibility **of restructuring** the account, if it is prima facie viable and the borrower is not a willful defaulter.
- The decisions agreed upon by a majority of the creditors **(75% by value and 50% by number)** in the Committee would be considered as the basis for proceeding with the restructuring of the account, and will be binding on all lenders under the terms of the Inter-Creditor Agreement.

c. Recovery:

- Once the first two options at (a) and (b) above are seen as not feasible, due recovery process may be resorted to.
- If the Committee decides to proceed with recovery, the minimum criteria for binding decision, if any, under any relevant laws or Acts shall be applicable.

9. Additional Finance:

- If the Committee decides that the enterprise requires financial resources to restructure or revive, it may draw up a plan for provision of such finance. Any additional finance should be matched by **contribution by the promoters in appropriate proportion**, and this should **not be less than** the proportion at the time of original sanction of loans.
- Instalments of the additional funding which fall due for repayment will have priority over the repayment obligations of the existing debt.

10. Eligibility

- Restructuring cases shall be taken up by the Committee only in respect of assets reported as **Standard**, **Special Mention Account** or **Sub-Standard** by one or more lenders of the Committee.
- However, the Committee may consider restructuring of the debt, where the account is doubtful with one or two lender/s but it is Standard or Sub- Standard in the books of majority of other lenders (by value).

11. Viability Financial benchmarks

Viability of the account shall be determined by the committee based on acceptable viability benchmarks determined by them. Parameters include Debt Equity Ratio, DSCR, Current Ratio etc. We stipulate as below:

- Average DSCR of more than 1.15 and more than 1 in each year during repayment period will be considered adequate.
- Interest coverage ratio shall also be analysed and acceptable range for the same is between 1.00 and 1.20.
- Current ratio shall be above unity (>1) and progressively improving.
- Debt Equity Ratio of 4:1 will be considered as acceptable. (As per Loan Policy Document 2019).
- TOL/TNW of 4:1 will be considered as bench mark.

12. Techno-Economic Viability Study

Techno-Economic viability of each account is to be decided before considering restructuring as Corrective Acton Plan. For accounts with aggregate exposure of Rs.10 crores and above, the Committee should conduct a detailed Techno- Economic Viability study before finalising the CAP.

- In case of accounts with credit exposure upto Rs.10.00 lacs, TEV study shall be conducted by the Branch Manager (as the corrective action plan is to be decided by the Branch Manager) on the basis-of available information and assessment.
- In case of accounts with credit exposure above Rs.10.00 lacs and upto Rs.5.00 crores, TEV study shall be conducted by the officer-in-Charge for MSME and officer- in-charge of the Credit Monitoring Department at Regional Office by utilizing the "in house" facilities available at the bank.
- In case of accounts with credit exposure above Rs.5.00 crores, TEV study by an external agency shall be done. Consultants empaneled by the Bank for TEV Study will be utilised. In case of non availability of consultants, External Agencies approved by SIDBI/Government Agency shall be used for this purpose. The approval should be in force. In case of non-availability of approved agencies or Government agencies in any Region, Regional Head shall take up with BOD for approval. This will be as per the bank's Valuation Policy.
- Incase of Consortium advances/MBA, decisions will be taken in consultation with other financing banks.

13. Sanctioning powers

(a) Credit approval Committee at Regional Offices are empowered to examine the cases for CAP, within the per borrower limit without celling for unsecured portion under per borrower limit and irrespective of sacrifice envisaged / approved in the package.

(Amount Rs. In Lakhs)

Particulars	RLCC (CRM)		RLCC (SRM)	
	Corporate	Non-Corp.	Corporate	Non-Corp
Secured Limits per Borrower	2000	1500	1000	750

(b) Proposals with aggregate exposure exceeding the discretionary powers of SRM/CRM as shown in the above Table, shall be forwarded to respective ZO for consideration up to loan amount of Rs.25.00 crore.

14. Hand holding support

In order to provide hand holding support for stressed MSME, Branch Managers shall be empowered to sanction 20% of the existing working capital limit (FB & NFB) as adhoc working capital limit for all the accounts sanctioned by Branch/RO/ZO/CO, subject to a maximum ceiling of Rs.1.00 crore or per borrower limit applicable to the Branch Head whichever is less.

15. Restructuring Scheme for MSME:

Scheme	Special relief for existing borrower who are already availing credit facilities from IOB and their unit is under Stress.
Eligible Borrower	For account to be eligible for Restructuring following parameters to be complied with: Account is in default but standard as on January 1,2019 and remain standard as on the date of restructuring of account. GST Registered entity on the date of implementation of the restructuring (however, this condition will not apply to MSMEs that are exempt from GST-registration). All MSMEs having aggregate exposure, including non-fund based facilities, not exceeding Rs.25.00 as on January 1,2019 including accounts under Consortium or Multiple Banking Arrangements).
Key Features	One-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in the asset classification. The restructuring of the borrower account is to be implemented on or before March 31,2020.
Approval from ECGC / CGTMSE	The present restructuring shall be intimated to the concerned authorities of ECGC / CGTMSE for continuation of the existing guarantee cover.
Powers of Implementation	The Discretionary powers for restructuring of the MSME proposals shall be considered at all layers of authority viz., Branches/ RLCC/ ZLCC, within their per borrower limit as advised by CSSD, CO, from time to time. The discretion for considering additional facilities shall be vested with branches headed by Scale V and above, RLCC and ZLCC.
Provisioning	As per the existing IRAC norms, general provision for standard asset as under: Small and Micro Enterprise (SMEs) – 0.25% Medium Enterprise – 0.40% RBI has stipulated additional provision of 5% (in addition to the provisions already held) on the Restructure Advances.

Reliefs & Concessions	Moratorium Period Aggregate exposure upto Rs.25.00 lakhs –6 months Aggregate exposure above Rs.25.00 lakhs upto Rs.25.00 crores – upto 12 months Repayment period Micro Enterprises –5 years Small Enterprises – 7 years Medium Enterprises – 10years Additional Finance– Maximum of 20% of existing restructured facilities, by way of WCDL, Funded Interest Term Loan, and Enhancement.

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Ref: RBI Cir dt. 17.03.2016

ADV/028/2016-17 dt 30.06.16
ADV/326/2018-19 dt 14.01.19

Prepared by: Shri Susobhan Mahata
Vetted by : Shri Venkataramana Robba

LETTER OF GUARANTEE

- Guarantees shall be issued by the Bank on behalf of customers only.
- No bank guarantee will normally have duration of more than 10 years
- LG will be issued for a minimum period of 3 months and thereafter in multiples of 1 month

1. Classification of Bank Guarantees

Bank Guarantees can be classified as under;

a. **Specific guarantees:** Bank Guarantees may be issued to cover a single transaction only.

b. **Continuing guarantees :** A Guarantee which extends to a series of transactions is called a Continuing Guarantee.

Bank Guarantees can also be classified as –

a. Financial Guarantees;

b. Performance Guarantees; and

a. **Financial guarantees** (RBI cir dt. Dt.02.04.2013)

- Issued in respect of purely monetary obligation.
- These are direct credit substitutes wherein a bank irrevocably undertakes to guarantee the repayment of a contractual financial obligation.
- Eg:

a. Guarantees towards revenue dues, taxes, duties, levies etc in favour of Tax/customs/port/excise authorities and for disputed liabilities for litigation pending at courts;

b. Deferred payment guarantee etc.

b. **Performance guarantees** (RBI cir dt. Dt.02.04.2013)

- It is issued for the due performance of a contract or an obligation arising out of the contract.
- These are essentially transaction-related contingencies that involve an irrevocable undertaking to pay a third party in the event of the counterparty fails to fulfill or perform a contractual non-financial obligation

Eg: a. Bid bonds

b. Performance bonds and export performance guarantee;

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Vetted by : Shri Venkataramana Robba

c. Guarantees in lieu of security deposits/earnest money deposits (EMD) for participating tenders;

d. Retention money guarantees

e. Warranties, indemnities and standby letters of credit related to particular transaction

c. Deferred payment guarantees

a. These Guarantees normally arise in the case of purchase of machinery or such other capital equipment by industries from suppliers in India or abroad.

b. Issue of Deferred Payment Guarantees in favour of foreign manufacturers or suppliers of goods for payments against imports into India under import licenses issued on deferred payment basis require prior approval of the Reserve Bank of India and are subject to the Exchange Control Regulations in force from time to time.

2. Margin:

- ✓ Minimum cash margin for Performance Guarantee is : **10%**
- ✓ Minimum cash margin for financial guarantee : **25%**
- ✓ At the time of issuing Foreign Letter of Guarantee (FLGs), the corresponding margin is held in the form of rupees deposit. The value of the deposit is computed based on the Notional Rate prevailing on the date of Issue.
- ✓ If the bank guarantees notional value in INR increase due to increase in exchange rate, then the shortfall in the margin is to be recovered from the borrower.
- ✓ If the bank guarantees notional value in INR decrease due to decline in exchange rate, then the excess money held in form of margin may be released to the borrower under the following condition:
- ✓ The difference between the actual margin held by the branch and margin requirement as on date of decrease in Notional Rate works out to be 5% or more and the difference is minimum of Rs.1.00 crore. (ADV/289/2018-19 dt 22.10.18)

3. Discretionary Power:

- ✓ Letter of Guarantee with 100% margin by way of Cash/Deposit as per terms of sanction may be issued provided there is no onerous clause in the L.G;
    - By Branch Managers, if the validity period including claim period is upto and inclusive of **5 years.**

- By RLCC, if the validity period including 'claim period' is **above 5** years.

✓ Letters of Guarantee with less than 100% margin by way of deposits or cash and /or any other immovable properties of any value or personal guarantee as per terms of sanction may be issued provided there is no onerous clause in the LG.

- By Branch Manager if the validity period including claim period is upto and inclusive of **3 years**
- By RLCC if the validity period including claim period is upto and inclusive of **5 years**.
- By HLCC (GM) if the validity period including claim period is more than
  5 years.

✓ In respect of Export Advances / Export Oriented Units, when term loans are sanctioned for import of machinery under EPGC Scheme and LC limits are sanctioned favouring DGFT, sanctioning authority will have the power to sanction / issue LG with a validity period to cover the period within which the export obligations is to be completed even though the same is more than the period indicated above.

4. Commission:

- As normal rule, guarantee commission is for the entire period including the claim period during which its liability under the guarantee is kept open and till such, the securities/ underlying margin for the Bank Guarantee shall not be released.
- For the corporate borrower's, being the commission will be huge amount at the time of issuing LG, to reduce burden, we can collect the commission on deferred terms e.g. monthly/ quarterly/ half yearly/ annual basis with permission. (EST/31/2017-18 dt 05.12.17)
- If the Guarantee is secured by **100% margin by way of cash margin**, **25%**
  of the normal commission should be charged.
- If the Guarantee is secured **100% by way of term deposits** of our Bank, **25%** of the normal commission with a minimum of Rs.1400/- per quarter, can be charged, if the Guarantee is for **Rs. 2 lakhs** and above only
- For Guarantees issued with reducing liability clause, pro rata commission could be refunded on the customer producing evidence of payment of dues.

- For guarantees returned for cancellation before the date of expiry, only a portion of the guarantee commission already recovered may be refunded to the customer. Accordingly, an amount computed at half of the original rate for the unexpired period of guarantees less three months may be refunded.

5. **Guarantees issued in favour of President of India** (CSSD/ADV/502/2014-15 dt.12.07.2014)

- Letter of Guarantees are issued favouring various departments of Central Government on behalf of our constituents to obtain import licenses or to claim exemption of duty/tax or to execute an undertaking to export goods of a specified value within a stipulated time. Such guarantees are normally issued in favour of President of India.
- In these cases, all the communications should be addressed **only to the Department concerned** directly, which is the beneficiary of said guarantee as per the underlying contract with our constituents.

6. **Documentation:**

- Application in F 286 F
- Sanction letter
- Counter indemnity in F 286E
- If there is a guarantor, F111/111A & letter of indemnity in F286D
- Charge creation, if security offered

7. **Accounting**

On issuing the bank guarantee, it is accounted as **contingent liability** in the books of the bank.

8. **Limitation clause**

✓ As suggested by IBA, to be incorporated at the end of the LG, which our bank follows;

Notwithstanding anything contained herein:

Our liability under this Bank guarantee shall not exceed Rs................/- (Rupees .... Only) and

This Bank guarantee shall be valid upto and till .... only, being the date of expiry of the guarantee and*

We are liable to pay up to the guaranteed amount only and only if we receive from you a written claim or demand within the claim period not later than 12 months from the said expiry date relating to *default that happened during the guarantee period and all your rights under the Bank Guarantee shall be extinguished and our liability under the Bank Guarantee shall stand discharged unless such written claim or demand is received by us from you on or before ......**...... being the date of expiry of the claim period.*

- ✓ Important to Note & not to be typed in BG :- One Year claim period is legally compulsory. E.g. If BG expiry date mentioned at * is 24.05.2020, the claim expiry date at ** is 24.05.2021. No BG should be issued without mentioning both dates.
- ✓ All guarantees irrespective of amount should be signed by two officials of the Bank, one of whom must be the Manager or the Deputy Manager of the branch. Branches manned by a single officer should issue guarantees only for amounts below Rs.10,000/- and for guarantees for Rs.10,000/- and above, the single man branch should obtain prior approval of the Regional Office, even if the amount is within the discretion vested with the official, before arranging to issue the same under authority of the single signatory.
- ✓ All guarantees must be dispatched only along with the prescribed covering letter in F 591. Form 591 is in quadruplicate, the original of which is in security paper must be sent to the beneficiary along with the guarantee. The second and third copy of F.591 must be sent to Regional office.

9. Expired guarantee

- Soon after the expiry of the guarantee, a letter under 'Registered Post with Acknowledgment Due' should be sent to the beneficiary by the branch requesting to return the expired guarantee (including all extended guarantee/s) within 10 days from the date of receipt of the notice.
- In case the original guarantee and extended guarantee/s, if any, is/are not returned to the branch by beneficiary, even after the expiry of the time stipulated in the Registered Letter, the branch should eliminate the guarantee under advice to the beneficiary.
- On eliminating the guarantee, contingent liability accounted at the time of issuance of guarantee is to be reversed

10. Devolvement

- When a claim is made on LG, by the beneficiary, it has to be honoured without delay or demur, if the claim is in order.
- On receipt of invocation letter from the beneficiary of Letter of Guarantee, branch should send a letter to the applicant of the

Letter of Guarantee

- Payment is to be made to the debit of borrower's account.
- No need to obtain separate document, even when the account goes to debit balance
- Immediate steps are to be initiated for recovery

Ref: Tran series no 16/2016-17 dt 02.03.2017

SOME TERMINOLOGIES USED IN FINANCIALS

1. **Memorandum of association**:
   - ✓ It is a public document of accompany.
   - ✓ It sets out the constitution of the company, its objective etc.
   - ✓ It defines the scope of company's activities and its relation with the outside world.
   - ✓ A bank or any other person lending to a company for purposes *ultra vires* the memorandum of association cannot recover.

2. **Articles of Association**:

   It is a document of a company which sets out its by-laws or rules and regulation that govern the management of its internal affairs and the conduct of its business.

3. **Karta**: Senior most member of a Hindu Undivided family (HUF), competent to enter into a contract.

4. **Co-parcener:** The male member and female members other than the Karta in a HUF.

5. **Probate:** It is the certified copy of will issued by court.

6. **Right of Subrogation:** Guarantor stepping into the shoes of the creditor on discharging the liability of principal borrower.

7. **Right of Redemption:** It is right of mortgagor to get back his mortgage property on repayment of loan. The limitation period is 30 years.

8. **Right of Foreclosure:** It is a right of mortgagee for debarring the mortgagor to get back the mortgage property. It is available in mortgage by conditional sale. The limitation period is 30 years,

9. **Pari-passu charge:** A charge in which all the creditors will have equal priority in proportion to the amount of their advance.

10. **Insolvency:** Insolvency is a state of financial distress in which an individual or an organization is unable to pay their debt becomes due.

11. **Bankruptcy:** It is legal process of liquidation of asset to meet the debt obligation.

12. **Willful Defaulters:**

    i. The Unit has capacity to make not repaying.

ii. The unit has defaulted by diversion of fund.

iii. The unit has defaulted by disposed of by movable asset without knowledge of the Bank.

13. **Non Co-operative Borrowers:** The borrower who not paying the dues, not providing sufficient information required to be provided to the bank and denying access to unit and securities.

14. **Diversion of Fund:**

i. Utilization of short term working capital fund for long term purpose.

ii. Using funds for creation of assets other than those for which the loan was sanctioned.

iii. Transferring borrowed fund to the subsidiaries.

iv. Routing of funds through another bank without prior permission.

v. Investment in other companies by way of shares etc.

15. **Quick Mortality:** The accounts become NPA within a year of its sanction.

16. Some terms used in balance sheet:

- **Fixed Assets**: Are the **long term assets/capital assets** employed by the enterprise for production of goods or services. These items are not for sale in the normal course of business.

  Eg: Building, land, plant & machinery, vehicles, furniture &

  fixture etc.

- **Gross block:** Represents the original cost of fixed assets – without adjustment of depreciation.

- **Current Assets:** Are the **short term assets** of an enterprise which can be converted to cash within a period of one year.

  Eg: Inventories, Receivables (book debt), cash, bank deposits, investment in banks, post offices and other Govt. securities

- **Intangible Assets:** These items represent monetary values different rights enjoyed by the enterprise.

  Eg: Good will, patents, copyrights, trade mark right

  Some fictitious assets like expenses like preliminary expenses not charged to profit & loss account.

- **Authorised Capital:** The maximum number of shares a company can issue in terms of the documents of its incorporation.

Authorised Capital is not forming part of balance sheet.

- **Issued Capital:** A part of the authorised capital issued By the company/subscribed by the investors.
- **Paid up capital:** This is the portion or full of the issued capital paid by the investors.

  In the context of balance sheet analysis, the term capital refers to subscribed and paid up capital.
- **Reserves & Surplus:** This consists of the portion of the earnings, receipts or other surplus of an enterprise kept aside by the management for a general or specific purpose.
- **Current liabilities:** Money owed by the business that is generally due for payment within 12 months of balance sheet date.

  Examples: creditors, bank overdraft, taxation.

17. Gross Working Capital(GWC)

- ✓ The funds required to finance the total current assets of a unit.
- ✓ In other words gross working capital is nothing but total current assets.
- ✓ The need for GWC arises from the operating or cash cycle of the unit.
- ✓ The operating cycle refers to the length of time required to convert non- cash current assets into cash.
- ✓ Gross Working Capital (GWC) = Total Current Assets(TCA)

18. Net Working Capital(NWC)

- ✓ The long term sources of funds which are available, for financing current assets.
- ✓ In other words, NWC is the excess of current assets over current liabilities or
- ✓ Excess of long term sources over the long term uses.
- ✓ NWC = TCA– TCL OR Long term source (LTS) – Long Term Use(LTU)

19. Working Capital Gap(WCG)

- ✓ The portion of current assets which are not financed from other current liabilities is known as working capital gap(WCG).
- ✓ WCG = TCA–OCL or NWC +BB
- ✓ WCG is financed by NWC (long term sources) and BB (Bank borrowing).
- ✓ Total current assets (financed by) = Net working capital + other current

liabilities + Bank borrowing

20. **Fixed cost**: A cost which does not vary with changing sales or production volumes.

    Eg. Building lease costs, permanent staff wages, rates, depreciation of capital items.

21. **Variable cost**: A cost which varies with sales or operational volumes Eg. Raw materials cost, fuel cost, commission payments etc.

22. **Debt Service Coverage Ratio (DSCR)** : It is ratio indicating the capability of an enterprise with regard to servicing of the debt (interest &principal)

$$\text{DSCR} = \frac{\text{NPAT + Depreciation + Interest on TL}}{\text{Annual Principal instalment + Interest on TL}}$$

23. **Debt Equity Ratio(DER)**:

    ✓ This gives the relation between debt and equity of an enterprise.

    ✓ This indicates **solvency** of the firm.

24. Break-Even Point:

    - **Break-even** point can be defined as a point where total costs (expenses) and total sales (revenue) are equal.
    - Break-even point can be described as a point where there is no net profit or loss.
    - **Contribution** is the difference between **sales revenue** and **variable costs**

$$\text{BEP (volume)} = \frac{\text{Fixed Costs}}{\text{Contribution}}$$

- **Margin of safety:** The difference between projected sale and BEP sales is known as Margin of Safety.
- **Profit/ Volume Ratio = Contribution / Sales**

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Prepared by: Shri Susobhan Mahata
Vetted by : Shri Venkataramana Robba

REGISTRATION OF CHARGE CREATED ON ASSET OF A COMPANY

1. Statutory requirement

- Under the Companies Act, 2013, it shall be the duty of every company creating a charge on its assets, to be registered with the **Registrar of companies**.
- This constitutes notice to those who contemplate giving credit to the company/acquiring assets of the company.
- Notwithstanding anything contained in any other law for the time being in force, no charge created by a company shall be taken into account by the liquidator or any other creditor unless it is **duly registered** and a **certificate of registration of such charge is given by the Registrar.**
- The charge creation/modification/satisfaction shall be registered only electronically (e_filing) under MCA 21 - (www.mca.gov.in/MCA21)
- For e_filing, the borrower company and Director (Authorised signatory) need to have "Corporate Identity Number-CIN" and Director's Identity Number-DIN"
- E-filing of Charge requires the Authorised Signatory of the borrower-Company and our Bank Official (charge holder) to affix digital signature on the e-Form.
- In order to rationalise the process of handling 'Registration of Charge under MCA.21', all our Regional Offices have been designated as Nodal Offices and is provided with digital signature to the identified officer.
- The Authorised-signatory (Director) of the borrower-Company who affixes digital signature on the Charge Form holds digital signature and is to be duly empowered (by necessary Board Resolution etc.) for affixing digital signature in the Charge Form for e-Filing on behalf of the Company.
- Before filing the application for registration, the details are to be entered in a register - "Branch Register of e-filing of Charges"

2. Registration of creation/modification of charge

- For registration of charge, the particulars of the charge together with a copy of the instrument, if any, creating or modifying the charge in **Form No.CHG-1** duly signed by **the company** and the **charge holder** shall be filed with the Registrar within a period of **30 days** of the date of creation or modification of charge along with the fee (sec 77, 79(b)).

- A copy of every instrument evidencing any creation or modification of charge and required to be filed with the Registrar shall be verified by a certificate issued by any director/company secretary of the company or an authorised officer of the charge holder.
- If the company fails to register the particulars of the charge with the Registrar within the period of **30 days of its creation or modification**, the particulars of the charge together with a copy of the instrument, if any, creating or modifying

  such charge may be filed by the charge-holder, in Form No**.CHG-1** duly signed along with fee (sec 78).

- The Registrar may, on such application, within a period of 14 days after giving notice to the company, allow such registration on payment of such fees, as may be prescribed.
- Where registration is effected on application of the charge holder, the charge holder shall be entitled to recover from the company amount of any fees or additional fees paid by him to the Registrar for the purpose of registration of charge.

3. Conclusive evidence of registration of creation/modification of charge

- Where the particulars of charge creation is registered, the Registrar shall issue a

  certificate of registration of such charge in Form No.**CHG-2**

- Where the particulars of modification of charge is registered, the Registrar shall issue a **certificate of modification** of charge in Form No. **CHG-3**

4. Condonation of delay by Registrar for charges created /modified after 02.11.2018

Charge/ modification of charge should be filed with ROC within 30 days on the basis of pledge/ hypothecation/ mortgage security created on the borrower company's assets, based on the hypothecation agreement and mortgage document. Beyond the said period of 30 days, the Registrar may on an Application by the Company allow such registration to be made within a period of 60 days of such creation on payment of such additional fees as may be prescribed. For charges created or modified after 2nd November 2018, the timelines shall be as below:

S no	Particulars	Fees
1	Within 30 days of Creation/Modification of Charge	**Normal fees**
2	After 30 days but within 60 days of Creation/ Modification of Charge	**Normal fees + Additional Fees**
3	After 60 days but within 120 days of date of Creation/ Modification of Charge	**Normal fees + Additional fees + Ad-valorem fees**
4	Charge cannot be registered after 120 days*	

*Omission/Mis-statement in the Charge created or modified can be registered after 120 days subject to Condonation of Delay by Central Government

After 02.11.2018, no charge can be registered beyond the said period of 120 days. Hence priority should be accorded in getting the charges registered with the Registrar of Companies within the first 30 days itself. The Companies Act as amended by the Companies Amendment Ordinance, 2019 imposes a penalty of not less than Rs.1 Lakh to Rs.10 Lakhs for non-registration/ delay in registration of charges created by the Company. In addition to the Penalty mentioned above, additional fees and advalorem fees are also payable by the Company in case of delay in registering the charges. So as to record our Bank's priority in charge, Branches should endeavor to register the charges with R.O.C. at the earliest within 30 days of creation of charge.

5. Register of Charges

- The particulars of charges maintained on the Ministry of Corporate Affairs portal (www.mca.gov.in/MCA21)shall be deemed to be the register of charges.

- The register shall be open to inspection by any person on payment of fee.

6. Registration of satisfaction of charges

- A company shall within a period of 30 days from the date of the payment or satisfaction in full of any charge registered, give intimation of the same to the Registrar in Form No.**CHG-4** along with the fee (sec 82(1)).

- The Registrar shall, on receipt of intimation under sub-section (1), cause a notice to be sent to the holder of the charge calling upon him to show cause within such time not exceeding 14 days, as may be specified in such notice, as to why payment or satisfaction in full should not be recorded as intimated to the Registrar.

- If no cause is shown, by such holder of the charge, the Registrar shall order that a memorandum of satisfaction shall be entered in the register of charges kept by him shall inform the company accordingly.

- On registration of satisfaction of charge, the Registrar shall issue a **certificate of registration of satisfaction** of charge in Form No**.CHG-5.**

- Where the satisfaction of the charge is not filed within 30 days from the date on which such payment of satisfaction, the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of such additional fees as may be prescribed.
- Beyond 300 days condonation of delay shall be filed with the Central Government in Form No.**CHG-8** along with the fee.

- The order passed by the Central Government shall be required to be filed with the Registrar in Form No.INC.28 along with the fee as per the conditions stipulated in the said order.

7. **Rectification by Central Government in Register of Charges**

The Central Government on being satisfied that —

(a) the omission to give intimation to the Registrar of the payment or satisfaction of a charge, within the time required under this Chapter; or

(b) the omission or misstatement of any particulars, in any filing previously made to the Registrar with respect to any such charge or modification thereof or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83,

was accidental or due to inadvertence or some other sufficient cause or it is not of a nature to prejudice the position of creditors or shareholders of the company, it may, on the application of the company or any person interested and on such terms and conditions as it deems just and expedient, direct that the time for the giving of intimation of payment or satisfaction shall be extended or, as the case may require, that the omission or misstatement shall be rectified

8. **Register of charges maintained by the Company.**

- Every company shall keep at its registered office a register of charges in Form No. **CHG.7** and enter therein particulars of all the charges registered with the Registrar on any of the property, assets or undertaking of the company and the particulars of any property acquired subject to a charge as well as particulars of any modification of a charge and satisfaction of charge(sec 85 (1)).
- The register of charges and the instrument of charges kept by the company shall be open for inspection by any member or creditor of the company without fees and by any other person on payment of fee (sec 85(2))

9. Forms used for registration

S.No	Form Number	Purpose
1.	CHG 1	Application for creation/modification of charge on assets other than debentures
2.	CHG 2	certificate of registration of such charge issued by Registrar
3.	CHG 3	Certificate of modification of charge in issued by Registrar
4.	CHG 4	Intimation to the Registrar on satisfaction of charge
5.	CHG 5	Certificate of registration of satisfaction of charge issued by Registrar
6.	CHG 6	The notice of appointment or cessation of a receiver of, or of a person to manage, the property, subject to charge. This is to be filed with Registrar of Companies.

7.	CHG 7	The register of charges containing particulars of all the charges registered with the Registrar on any of the property, assets or undertaking of the company and the particulars of any property acquired subject to a charge as well as particulars of any modification of a charge and satisfaction of charge. This shall be kept open for inspection at its registered office.
8.	CHG 8	Application to Central Government for extension of time for filing particulars of registration of creation / modification / satisfaction of charge OR for rectification of omission or misstatement of any particular in respect of creation/ modification/ satisfaction of charge
9.	CHG 9	Application for registration of creation or modification of charge for debentures or rectification of particulars filed in respect of creation or modification of charge for debentures
10.	INC-28	Notice of order of the Court or Tribunal or any other competent authority

Prepared by: Shri Arindam Das
Vetted by : Shri Praveen Kumar

NATIONAL SCHEDULED CASTES FINANCE AND DEVELOPMENT CORPORATION

NSFDC stands for National Scheduled Castes Finance and Development Corporation. It was set up by the Government of India under Ministry of Social Justice & Empowerment (MOSJ&E) on 8th February, 1989 under Section 25 of the Companies Act, 1956 as a company 'not for profit'.

Objective –

It was established to finance for the economic empowerment of persons belonging to the scheduled castes families living below Double the Poverty Line including their skill upgradation.

Vision-

To be the leading catalyst in systematic reduction of poverty through socio-economic development of Scheduled Castes living below double the poverty line, working in an efficient, responsive and collaborative manner with channelizing agencies and other development partners.

Mission

Promote prosperity among Scheduled Castes by improving flow of financial assistance and through skill development & other innovative initiatives.

Eligibility-

NSFDC provides loans only to economically poor sections of Scheduled Castes whose annual family income is below Double the Poverty Line limit (DPL) which is presently upto Rs 98,000/- p.a. for rural areas and upto Rs1,20,000/- p.a. for urban areas.

Priority given to women in loan schemes

Out of funds notionally allocated on the basis of SC population, 40% of the total funds have been allocated for women both in physical and financial terms. Interest rebate ranging from 0.5% - 1% is offered to women beneficiaries in certain schemes.

How does NSFDC provide loan?

NSFDC provides loan for income generating scheme to target group through its Channalising Agencies namely State Scheduled Castes Development Corporations (SCDCs), Public Sector Banks (PSBs), Regional Rural Banks (RRBs) and other Institutions.

IOB has entered into MOU with NSFDC to act as its Channelising agency at National level.

Different types of loan schemes of NSFD

NSFDC has following Loan Schemes: (i) Term Loan, (ii) Micro Credit Finance, (iii) Mahila SamriddhiYojana, (iv) Mahila KisanYojana (v) Shilpi SamriddhiYojana (vi) Laghu Vyavasaya Yojana (vii) Nari Arthik Sashaktikaran Yojana (viii) Educational Loan Scheme (ix) VETLS (Vocational educational training loan scheme)(x) GBS (xi) AMY

Other Function of NSFDC

Apart from giving loan, NSFDC sponsor Skill Development Training Programme in emerging areas through reputed Training Institutions to educated unemployed youths of the target group. NSFDC provides 100% grant to Training Institutes for these programmes.

Sectoral priority allocation **–** of funds are assigned by NSFDC in the proportion;

- ✓ 50% for Agricultural & allied activities
- ✓ 10% for Industries
- ✓ 40% for Services

SOCIAL PRIORITIES

Further, the SCAs are required to endeavour to cover target groups in accordance with the priorities laid down as under:

1. Educated unemployed/underemployed 50%
2. Women 40%
3. Others 10%

NOTIONAL ALLOCATION OF NSFDC FUNDS TO BE DISBURSED

At the beginning of each financial year, NSFDC notionally allocated funds to the SCAs, in proportion to the Scheduled Caste population of the country represented by the respective State/UT Administration. The SCAs are, in turn, required to further make district-wise allocation in accordance with the same principle.

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Vetted by : Shri Praveen Kumar

FINANCIAL INCLUSION - INITIATIVE OF IOB (ICT BASED FINANCIAL INCLUSION)

1. **Financial Inclusion** :

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.
Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.
The essence of financial inclusion is to ensure delivery of financial services which include - bank accounts for savings and transactional purposes, low cost credit for productive, personal and other purposes, financial advisory services, insurance facilities (life and non-life) etc

2. **Steps to ensure Financial Inclusion-**

a) Basic Savings Bank Deposit Accounts (BSBDAs) for all individuals with the facility of debit card

b) **Kisan Credit cards (KCCs):-** Under this scheme banks issue smart cards to the farmers for providing timely and adequate credit support from single window banking system for their farming needs.

c) **General Purpose Credit Cards (GCC) -** under this approach bank also fulfill Non- farm entrepreneurial credit requirement of individuals (e.g. Artisan Credit card, Laghu Udyami Card, Swarojgar Credit Card, Weaver's Card etc)

d) **Business Facilitators (BFs)/Business Correspondents (BCs):-**

In this model the intermediaries or BC/BFs are technologically empowered by the banks to provide the last mile delivery of financial products and services. This module enables providing banking facility at door step through smart card , aadhaar based payment system.

e) Granting Overdraft facilities in SB accounts Granting Overdraft facilities in SB accounts

3. **TOD in basic Small Savings SB accounts**: In order to meet financial commitments of such SB account holders, branch Managers are vested with discretionary powers to grant overdraft of not more than Rs.10000/- (Rupees Ten Thousand only) which should be adjusted within a maximum period of **Sixty Days**.

4. **Business Correspondent** : The following organisations / individuals can be enlisted as BCs:

a. Individuals like retired bank employees, retired teachers, retired government employees and ex-servicemen, individual owners of kirana / medical /Fair Price shops, individual Public Call Office (PCO) operators, agents of Small Savings schemes of Government of India/Insurance Companies, individuals who own Petrol Pumps, authorized functionaries of well run Self Help Groups (SHGs) which are linked to banks, any other individual including those operating Common Service Centres (CSCs).

b. NGOs/ MFIs set up under Societies/ Trust Acts and Section 25 Companies.

c. Cooperative Societies registered under Mutually Aided Cooperative Societies Acts/ Cooperative Societies Acts of States/Multi State Cooperative Societies Act.

d. Post Offices.

e. Companies registered under the Indian Companies Act, 1956 with large and widespread retail outlets.

f. Non-Deposit taking Non-Banking Financial Companies (NBFCs-ND).

g. Dak Sevak[post man]

h. Bank Sakhi [SHG member]

i. Anganwadi workers.

j. Asha workers.

5. Scope of activities of Business Correspondents

Functions / Services: In addition to the activities listed under Business Facilitators model the scope of activities of Business Correspondent will include the following;

a) Disbursal of small value credit.
b) Recovery of principal / collection of interest.
c) Collection of small value deposits.
d) Sale of micro insurance / mutual fund products / pension products / other third party products, subject to the regulations by the concerned authorities (like Securities Exchange Board of India, Insurance Regulatory Development Authority, Association of Mutual Funds of India etc) and Reserve Bank of India.
e) Receipt and delivery of small value remittances / other payment instruments.
f) Banks are allowed by RBI to include distribution of banknotes and coins also in the scope of activities which may be undertaken by BCs.
g) The activities to be undertaken by the BCs would be within the normal course of the bank's banking business, but conducted through the Business Correspondents at places other than the bank premises/ATMs.

6. Security Deposit and Letter of Agreement for BC

- Branches need not insist on any caution deposit for CC Smart account limit up to ₹ 50,000/-. For limit above ₹ 50,000/- upto Rs 1.00 lac , a separate indemnity bond should be obtained and caution deposit should be insisted equal to limit fixed over and above Rs 50000/- which may collected through opening of recurring deposit.
- The execution of agreement as per Circular Misc/393/2018-19 dated 08.08.2018 must be done and every year renewal / review of the accounts must be done by the branches and confirmation to this extent must be obtained by all ROs and this confirmation must be sent to us on annual basis.

7. Other Terms and Conditions:

a) The distance between work place of BC and the Base Branch has been dispensed with. There is no distance criteria between work place of BC and the Base Branch in respect of villages allotted by SLBC/DCC. For un-allotted villages, Regional Offices concerned should provide the availability of business potential in the proposed villages,

b) A separate Cash Credit account under **"CC Smart scheme"** (under GL Code 33 sub head code 33011) will be opened by the branch in the name of approved BC for routing all smart card based operations of customers. After opening CC account, Branch should inform ITD, CO/TCS for tagging the account with terminal and merchant id given by the service provider

c) No interest should be charged as the CC Smart account serves as a transit account.

d) No **Cheque book** should be given for the CC Smart account.

e) The maximum Cash-on-hand limit of the Business Correspondent is Rs.1,00,000/under Regional Manager's discretion. The limit will be enhanced by the respective Regional Head on a case to case basis after getting specific request from the concerned Branch and examination of the request carefully.

f) Before commencement of Smart Card Banking at the terminal, the BC may be given a sum (say Rs.10,000/-) to the debit of CC Smart account to enable withdrawals.

g) BC should remit cash into his Transit account at the branch as decided by the Branch or whenever the cash on hand exceeds the prescribed limit.

h) Before engaging, Police Verification for all the BCs to be made.

i) CIBIL report must be generated before engaging BCs

j) Statement on details of Engagement of BCs / Replacement of BCs / Termination of BCs during the month must be put up to the Regional Head and copy to be submitted by the Regional Offices to Financial Inclusion Dept., Central Office by 5th of the subsequent month for information, extension of insurance coverage, monitoring and follow-up.

k) Along with this statement monthly review of BCs and CC-Smart account reconciliation to be submitted.

l) Inspection: Surprise inspection at BC points must be done by branches and by FI Nodal officers/ officials / executives from ROs.

m) Confirmation on closure of CC smart accounts must be ensured where BC s are terminated.

n) CC Smart account must be reconciled and before termination / replacement this account must be brought to NIL

o) confirmation of fixing of limits for CC-Smart accounts where limits are yet to be fixed

p) Details of loan availed by BCs and their relatives should be reviewed.

q) random check on availability of cash **in** hand and with the smart account to avoid any misuse of funds by BCs.

r) All the KYC related issues are to be taken care of and the full details of correspondence from application to the engagement are to be preserved for a minimum period of **10** years.

s) Engagement of BC details to be added in HBCM menu and Terminated BC details to be deleted in HBCM menu then and there.

8. Due Diligence: In line with the elaboration on "Due Diligence" by RBI, our Bank will have to conduct due diligence on the proposed BFs/BCs covering various aspects such as

- Reputation/market standing,
- Financial soundness,
- Education – Minimum Class 10th Pass , and he /she should get certified from IIBF or through some internal process from Regional Office / Staff College or through online CSC at http://164.100.115.15/banking for new as well as replacement BC

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- Management and corporate governance,
- Cash handling ability and
- Ability to handle hand held device

In respect of individuals to be engaged as BF /BC the place of residence shall be near to the base village so that it will be convenient for them to operate. Villages adjacent to the base village shall be covered by tagging the service of BC for which Regional Office concerned should obtain necessary permission from Central Office.

9. Security Deposit and Agreement (BF)

- No security deposit will be insisted upon.
- The execution of agreement as per Circular Misc/393/2018-19 dated 08.08.2018 must be done and every year renewal / review of the accounts must be done by the branches and confirmation to this extent must be obtained by all ROs and this confirmation must be sent to us on annual basis.

10. Uniform Dress: BCs should wear the uniform and identity card provided by Bank.

11. Fees & Commission for business intermediaries

<table>
<tr><th>Services</th><th colspan="3">Cost</th></tr>
<tr><td>Opening of Savings Bank, a/c (Zero Balance)</td><td colspan="3">Rs.10/-(Rs. Ten) per account</td></tr>
<tr><td>Opening of Savings Bank, a/c
With Opening Balance)</td><td colspan="3">Rs.15/-(Rs. Fifteen) per account</td></tr>
<tr><td>Opening of Savings Bank, a/c with e-KYC (Zero Balance)</td><td colspan="3">Rs.15/-(Rs. Fifteen) per account</td></tr>
<tr><td>Opening of Savings Bank a/c
with e-KYC (With Opening Balance)</td><td colspan="3">Rs.20/-(Rs.Twenty) per account</td></tr>
<tr><td rowspan="3"></td><td>Upto 250</td><td>Rs.3.00</td><td>Rs.4.00</td></tr>
<tr><td>251 to 750</td><td>Rs.3.50</td><td>Rs.4.50</td></tr>
<tr><td>751 and above</td><td>Rs.4.00</td><td>Rs.5.00</td></tr>
<tr><td>Opening Term deposit</td><td colspan="3">0.50 % of the amount deposited for a period not less than 6 months.
The maximum commission towards canvassing of Deposit should not exceed Rs. 1,500 per BC per month irrespective of amount and no. of Deposit canvassed. The</td></tr>
</table>

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<table>
<tr><td></td><td>total commission eligible is to be arrived at after considering the maximum ceiling for deposit canvassed for the month and to be paid at the end of six month. For pre-mature closure of deposit within 6 months, the eligible total commission will be reworked and if it is more than the ceiling i.e., Rs 1500/- no deduction needs to be made. Otherwise proportionate commission has to be deducted after six month. No commission is eligible for renewal of deposits and deposits of maturity of below 6 months.</td></tr>
<tr><td>Collection and preliminary processing of loan applications including verification of information data</td><td>1.00% of the loan amount.
All types of loans except Agri. Jewel Loans/ Jewel Loans, Loan against NSC/IVP /UC policies & Shares, Loans against Deposits and loans in the names of Staff members and BC etc. The maximum commission towards canvassing of loan should not exceed Rs. l ,500 per BC per month irrespective of amount of loan canvassed and no. of accounts.</td></tr>
<tr><td>Jan Suraksha products viz.,PMSBY and PMJJBY and APY</td><td>PMJJBY - Rs.30/-(Rupees Thirty Only)per enrollment.
*PMSBY - Re. l /- (Rupee One Only)per enrollment.
* APY - As per the guidelines from MoF (Ref: www.jansuraksha.gov .in/Rules.aspx) the income and incentive paid, to Banks can be shared with BC in the ratio of 50:50. Income for our Bank, under APY is as follows:
a) Per capita Incentive - Rs. l 00/-
b) Incentive payable for promotion & developmentof APY
<table>
<tr><td>S.No.</td><td>No. of subscriber under APY with each Bank</td><td>Incentive for promotional efforts</td></tr>
<tr><td>1</td><td>Less than 1 lakh</td><td>Rs 20/-</td></tr>
<tr><td>2</td><td>More than 1 lackh & upto 3 lakh</td><td>Rs 30/-</td></tr>
<tr><td>3</td><td>More than 3 lakh & up to 5 lakh</td><td>Rs 40/-</td></tr>
<tr><td>4</td><td>More than 5 lakh</td><td>Rs 50/-</td></tr>
</table>
Based on the above guidelines, the APY commission, to be paid to BCs, may be fixed as follows:
i) Per active account Incentive - Rs.50/-</td></tr>
</table>

ii) Incentive payable for promotion and development of APY (if received from PFRDA)

S.No.	No. of subscriber under APY with each Bank	Incentive for promotional efforts
1	Less than 1 lakh	Rs 10/-
2	More than 1 lackh & upto 3 lakh	Rs 15/-
3	More than 3 lakh & up to 5 lakh	Rs 20/-
4	More than 5 lakh	Rs 25/-

For others, in future the commission may be decided by GM's Committee on FI.

Recovery of NPA

Recovery of NPA

1.25 % to 2 % of amount recovered.
The slab rate of commission payable to BCs towards recovery of NPA is shown below:

S.No	NPA Amount	Commission (in percentage)
1	Upto Rs.50,000	1.25%
2	50,001 to 1,00,000	1.50%
3	1,00,001 to 5,00,000	1 .75 %
4	More than 5,00,000	2.00%
5	OTS Amount	1.00%

However till 3.1.03.2020 the following enhanced commission are payable to BC as follow-

Asset classification	BC Commission	Remarks
Sub-standard accounts (eligible on the overdue portion for the accounts which	5%	Commission @ 5.00% on recovery of the overdue portion only. No commission on Upgraded amount

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	slipped before previous two quarters only)		
	Doubtful accounts	5%	Uniformly 5.00% on the amount recovered, similar to previous year
	Loss and written off accounts	5%	
	OTS settlement: on amount realized under Doubtful & loss Category only	3%	Uniformly 3% on amount realized For all category of Doubtful assets and Loss assets.
Fixed fee	Rs 2000 as fixed fee to BCs who carry out minimum 150 transaction during the month , or earn a minimum variable commission of Rs 2500 through above parameters .		

12. The AGM/DGM in charge of FI Cell, Central Office will act as Grievances Redressal Officer (GRO) of the Bank.

13. **Transactions through Smart Cards**

- This is done through biometric Smart Cards and the PoS machines which get linked to the central server through mobile connectivity
- Our Bank had launched a system of enabling the account holders to operate their accounts at their own place without visiting the branches.
- M/s Tata Consultancy Services (TCS) Ltd is the service provider of our Bank.
- Account holders are issued Smart cards and BCs are issued master smart card and POS by the service provider.
- Transactions are done by swiping through Hand Held Devices (small POS machines) with the assistance of a Business Correspondent who receives or gives cash under a prior arrangement with the Bank.
- The maximum transaction per account per card per day is pegged at **Rs.20000** with a **minimum of Rs.50** at present.
- There is no limit on the number of centres at which such services can be provided. Every centre will function like an extension counter run by an

intermediary without involving any bank staff.

- The Business Correspondent can provide door step service by moving around or operate from his own house/shop or sit in a common place like Panchayat Office etc.
- He can receive or pay cash anytime during day or night as per mutual convenience of himself and the account holder
- No license from RBI or any other authority is required

14. Rural Self Employment Training Institutes' (RSETI).

As per the Directives of Ministry of Rural Development, GOI, Our Bank have established Rural Self Employment Training Institutes (RSETIs} in 12 Lead Districts out of 13 (States of TN & Kerala} and one RSETI in non- Lead District (state of TN) after obtaining approval of the Bank's Board. The main functions/purpose of setting up RSETIs is –

a) To provide intensive short-term residential self-employment training programmes with free food & accommodation to rural youth for taking up self employment initiatives and skill up gradation for running their micro-enterprises successfully.
b) To provide Handholding support to the trained youth for two years for sustainability of micro enterprise including Credit Linkage.
c) To provide training which are demand-driven and after assessment of the aptitude of the candidates.
d) To give priority to Rural youth who are "Below Poverty Line (BPL)"
e) while selecting the candidates.

MoRD, GOI, through National Center for Excellence of RSETIs(NACER), Bengaluru is allocating targets under Annual Action Plan (AAP) to each RSETI and monitoring the performance of RSETIs every year. The performance is being reviewed periodically with Standard Operating Procedures (SOP}. Grading Exercise is being done by NACER at the end of every Financial Year and the respective Grades will be awarded by MoRD to RSETIs, after scrutinizing the same.

NABARD is giving funding assistance to RSETIs which secures "A/ AA" rating and NRLM { National Rural Livelihood Mission) is giving assistance to RSETI which secures minimum **"B"** grade and for trainees who are below poverty line.

15. Financial Literacy Centres (FLCs)

Reserve Bank of India, formulated a Model scheme for Financial Literacy and Credit Counselling Centres (FLCCs) on 04.02.2009 and advised Banks to set up FLCCs in conformity with the Model scheme. The broad objective of the FLCCs is to provide free financial literacy/education and credit counselling. The FLCCs will not act as investment advice centre. The specific objectives of the FLCCs are:

- To provide Financial counselling services through face to face interaction as well as through other available media.
- To educate people in rural and urban areas with regard to various financial products and service available from the financial sector.
- To make the people aware of the advantages of being connected with the formal financial sector.
- To formulate debt restructuring plans for borrowers in distress and recommend the same to formal financial institutions.

Till date , with the due approval of Board of Directors, our Bank has set up 23 FLCCs, in the name and style “SNEHA”. FLCCs of our Bank were named as “SNEHA” which means friendship primarily and also means affection, tenderness, love etc. Our Bank has setup, 14 FLCCs in Tamil Nadu under District Level Concept and 9 FLCCs in Kerala under Block Level Concept.

Our FLCC, known as SNEHA, will be headed by a Counsellor. People with domain knowledge in agriculture for counseling related to agriculture and allied activities may be appointed as counselors. He should have sound knowledge of banking, law, finance, requisite communication and team building skills etc. As FLCCs are expected to play a crucial role in assisting and guiding the distressed individual borrowers it is necessary that only a well-qualified Counsellors are selected to man the center on a full time basis.

RESTRICTIONS FOR FINANCING

Banks will strictly adhere to various statutory and other restrictions listed out in RBI Circulars.

STATUTORY RESTRICTIONS:

Advances Against Bank's own shares:

a} In terms of Section 20(l} of the Banking Regulation Act, 1949, Bank shall not grant any loans and advances on the security of its own shares.

b} Bank shall not extend advances to employees / Employees' Trusts set up by them for the purpose of purchasing Bank's shares under ESOPs / IPOs or from the secondary market. This prohibition will apply irrespective of whether the advances are secured or unsecured.

Holding Shares In Companies:

a} In terms of Section 19(2} of the Banking Regulation Act, 1949, banks should not hold shares in any company except as provided in sub-section (l } whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30 percent of the paid-up share capital of that company or 30 percent of its own paid-up share capital and reserves, whichever is less.

b} Further, in terms of Section 19(3} of the Banking Regulation Act, 1949, the banks should not hold shares whether as pledgee, mortgagee or absolute owner. in any company in the management of which any managing director or manager of the bank is in any manner concerned or interested.

c} Accordingly, while granting loans and advances against shares, statutory provisions contained in Sections 19(2} and 19(3) will be strictly observed.

Credit to Companies for Buy-Back of their Shares/Securities:

Bank will not provide loans to companies for buy-back of shares/securities **except buy back of FCCB** as per extant RBI guidelines.

REGULATORY RESTRICTIONS:

Commodities covered under Selective Credit Control:

With a view to preventing speculative holding of essential commodities with the help of bahk credit and the resultant rise in their prices, in exercise of powers conferred by Section 21 & 35A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest to do so, issues, from time to time, directives to all commercial banks, stipulating

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Vetted by: Shri Arindam Das

specific restrictions on bank advances a ainst specified sensitive commodities. The commodities, generally treated as sensitive commodities are the following:

a) food grains i.e. cereals and pulses,
b) selected major oil seeds indigenously grown, viz. groundnut, rapeseed/mustard, cottonseed, linseed and castor seed, oils thereof, vanaspati and all imported oils and vegetable oils,
c) raw cotton and kapas,
d) sugar/gur/khandsari,
e) Cotton textiles which include cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres and partly out of cotton yarn and partly out of man-made fibres.

Sanctioning authorities are free to fix prudential margins· on advances against these sensitive commodities. However, in case of advance against Levy Sugar, a minimum margin of 10% will apply.

Valuation of sugar stocks:

a) The unreleased stocks of the levy sugar charged to the Bank as security by the sugar mills shall be valued at levy price fixed by Government.

bl The unreleased stocks of free sale sugar including buffer stocks of sugar charged to the Bank as security by sugar mills, shall be valued at the average of the price realised in the preceding three months (moving average) or the current market price, whichever is lower; the prices for this purpose shall be exclusive of excise duty.

Loans and advances against shares, debentures and bonds:

Bank shall strictly observe regulatory restrictions on grant of loans and advances against shares, debentures and bonds. The restrictions, inter alia, on loans and advances against shares and debentures, are

No loans to be granted against partly paid shares..

No loans to be granted to partnership/proprietorship concerns against the primary security of shares and debentures.

Bank will comply with the extant guidelines.

The valuation of shares/debentures lodged as security for arriving at the eligible loan amount should be made at the average of market prices for the past 12 months or current mar et prices whichever is lower.

Looking at the volatility of share market the **valuation of the shares should be done on monthly basis** and if any shortfall in the margin is observed, the same to be recovered from the borrower immediately.

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Vetted by: Shri Arindam Das

4.2.1. Advances against fixed deposit receipts Issued by other banks:

Advances against FDRs, or other term deposits of other Banks will not be granted.

4.2.2. Advances to Agents/Intermediaries based on Consideration of Deposit mobilization:

Bank will desist from being party to unethical practices of raising of resources through agents/intermediaries to meet the credit needs of the existing/prospective borrowers or from granting loans to intermediaries, based on the consideration of deposit mobilization, who may not require the funds for their genuine business requirements.

4.2.3. Loans against Certificate of Deposits (CDS):

Bank will not grant loans against Certificate of Deposits.

4.2.4. Non Fund Based Facility to Non Constituent Borrowers of the Bank:

RBI vide their circular on Non-Fund Based Facility to Non-constituent Borrowers of Ban k[11] have permitted Scheduled Commercial Banks to sanction non-fund based facilities including Partial Credit Enhancement (PCE) to those customers, who do not avail any fund based facility from any bank in India, subject to the following conditions and based on a comprehensive Board approved loan policy for grant of non-fund based facility to such borrowers The modality is included here.

a) Bank shall consider sanctioning non-fund based facilities to non-constituents who require Non-Fund based facilities like Letter of Credits (LCs), Bank Guarantees, but do not avail of any Fund based facility from any bank.

b) Verification of Customer credentials

Bank shall ensure that the borrower has not availed any fund based facility from any bank operating in India. However, at the time of granting non-fund based facilities, Bank shall obtain declaration from the customer about the non- fund based credit facilities already enjoyed by them from other banks.

c) Credit Appraisal and due-diligence

Bank shall undertake the same level of credit appraisal as has been laid down for fund based facilities.

d) Compliance with Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) Standards/ Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002

The instructions/ guidelines on KYC/AML/CFT applicable to banks, issued by RBI from time to time, shall be adhered to in respect of all such credit facility.

e) Submission of Credit Information to CICs

Credit information relating to grant of such facility shall mandatorily be furnished to the Credit Information Companies (specifically authorized by RBI). Such reporting shall be subject to the guidelines under Credit Information Companies (Regulation) Act, 2005.

f) Exposure Norms

Bank shall adhere to the exposure norms as prescribed by RBI from time to time.

As per the RBI restriction, Bank will not negotiate unrestricted LCs of non-constituents in terms RBI Master Circular on Loans and Advances-Statutory and Other Restrictions.

In cases where negotiation of bills drawn under LC is restricted to our Bank and the beneficiary of the LC is not a constituent of our Bank, the Bank shall have the option to negotiate such LCs, subject to the condition that the proceeds will be remitted to the regular banker of the beneficiary.

g) Finance against banned article:

No finance will be made for dealing in/against security of any banned article including articles possession/production of which are banned under Wild Life Protection Act, 1972.

h) Advances against bulllion / primary gold:

a) Bank will not grant any advance against bullion/primary gold except gold coins purchased from banks_.

b) Bank shall ensure that the weight of the coin(s) does not exceed 50 grams per customer and the amount of loan to any customer · against gold ornaments, gold jewellery and gold coins (weighing up to 50 grams) should be within the Board approved limit.

c) Restriction on grant of loan against 'gold bullion' stipulated as per extant instructions will also be applicable to grant of advance against units of gold ETFs and units of g9ld Mutual Funds.

d) Bank will not grant advances to the silver bullion dealers which are likely to be utilized for speculative purposes.

e) However, finance may be provided for genuine working capital requirements of jewelers The scheme of Gold (Metal) Loan advised by Precious Metal Section as amended from time to time shall continue to be . in force.

i) Bridge Loans to NBFCs

Bridge loans of any nature, or interim finance against capital / debenture issues and / or in the form of loans of a bridging nature <u>will not be granted</u> pending raising of long-term funds from the market by way of capital, deposits, e.t.c. to any category of Non-Banking Financial Companies and also Residuary Non- Banking Company.

j) NBFCS In Partnership Firm:

Bank will not grant any advance to partnership firms In which NBFC is a partner.

k) Indian Depository Receipts (IDR):

Bank shall not grant any loan/advances for subscription to IDR's Bank also shall not grant any advance against security (either as prime or collateral) of IDRs issued in India.

l) Granting of loans for acquisition of Klsan Vikas Patras (KVPs):

As per RBI Guidelines· given in Master Circular on-Loans and Advances - Statutory and Other Restrictions, Banks should ensure that no loans are sanctioned for acquisition of/investing in Small Savings Instruments including Kisan Vikas Patras.

It may be noted that this guideline does not prohibit sanctioning loans against small saving instruments already acquired and held by individuals out of their own funds .

It is clarified that loans can be granted . to individuals against small savings instruments acquired by them . out of their own funds and held ·by them. · Appropriate margin norms depending upon nature of small saving instrument shall be maintained.

m) Financing HUF:

i. No fresh / additional advance can be considered to firms having HUF as a partner. However, in an. existing partnership firm in which HUF is a partner that is already financed by the Bank, the renewal of the credit limits at the existing level may be done by RLCC and above under their powers.

ii. The property/securities in the name of HUF shall be accepted only for the respective HUF and shall not be accepted for any other borrowers -whether a member of the HUF or other category of borrowers - either as collateral or otherwise.

n) Finance for purchase of Gold:

No advances shall be granted by the Bank for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) and units of gold Mutual Funds. However, finance may be provided for genuine working capital requirements of jewelers The scheme of Gold (Metal) Loan advised by Precious Metal Section as amended from time to time shall continue to be in force.

o) Policy for Stressed Sectors:

As advised by RBI circular dated 18.04.2017 Bank has put in place a policy for "Stressed Sectors" with the approval of Board. The policy requires a review of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non- performing assets/stressed assets, industry performance and outlook, legal/ regulatory Issues faced by the sector, etc. The reviews may also include sector specific parameters.

Accordingly, Bank has a policy on Stressed sectors and Lending to these identified Stressed sectors should be as per the Policy.

Prepared by: Shri Praveen Kumar
Vetted by: Shri Arindam Das

INSOLVENCY AND BANKRUPTCY CODE, 2016

A. History of Insolvency in India

✓ For individuals

As old as a century

- The Presidency Towns Insolvency Act, 1909
- The Provincial Insolvency Act, 1920

(this included insolvency as proprietors too)

✓ For corporates

- The provisions of the 1956 Act were as old as 6 decades
- LLP Act, 2008 for closure of LLPs
- MSME Development Act, 2006 also registers a MSME but has no framework Closure of MSMEs.

B. Why Code was needed?

1. **To ensure revival before Liquidation**
2. **Reduce the mounting NPAs on Bank**
3. **Need of a unified code**
4. **To provide an easy exit for corporates**

C. Insolvency v/s Bankruptcy

Insolvency

The condition of a person who is insolvent; inability to pay one's debts; lack of means to pay one's debts. Such a relative condition of a man's assets and liabilities that the former, if all made immediately available, would not be sufficient to discharge the latter. Or the condition of a person who is unable to pay his debts as they fall due, or in the usual course of trade and business.

Bankruptcy

The state or condition of one who is a bankrupt; amenability to the bankruptcy laws; the condition of one who has committed an act of bankruptcy, and is liable to be proceeded against by his creditors therefore, or of one whose circumstances are such that he is entitled, on his voluntary application, to take the benefit of the bankruptcy laws.

D. Basic Terminologies

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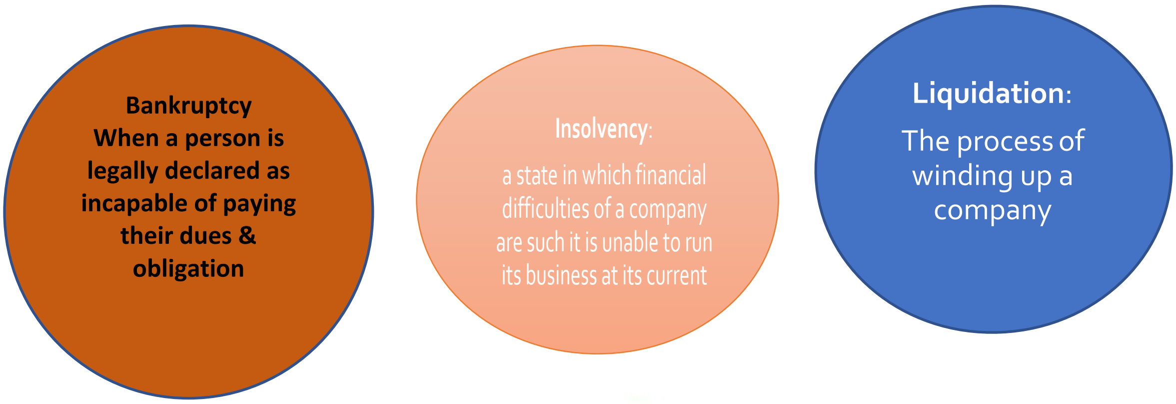
Vetted by: Shri Arindam Das

E. Insolvency, Bankruptcy and Liquidation



F. Key changes under the Code

- ✓ Government dues take a backseat
- ✓ Fragmented status gets clubbed into one
- ✓ Scope of professionals like CS / CA / CWAs has been enhanced
- ✓ Individual bankruptcy gets included
- ✓ Financial creditors are voting at par as per their credit value
- ✓ Application under the Code can be made by financial creditor / operational creditors / debtor himself
- ✓ But decision making is in the hands of financial creditors

G. Key Highlights

- ✓ Resolution before Liquidation:
  If possible, the business should be revived before liquidation
- ✓ Time bound process: Unlike previous practice, now the entire insolvency resolution process shall complete in at max 270 days
- ✓ Information Utilities have been formed under the Code to provide timely
- ✓ dissemination of information to the concerned
- ✓ Automatic liquidation if revival process does not complete within 180 or 270 days as the case may be
- ✓ Creditors Voluntary winding up done away with
- ✓ Shareholders have no say during the process of revival as well as resolution
- ✓ Operational creditors with more than 10 percent aggregate exposure may participate during the CoC meetings.

H. Why collective remedies are better suited?

- ✓ Individual remedy put the debtor under serious stress.

- ✓ This does not allow the debtor to focus on business and bring it back on track.
- ✓ Collective remedy ensures that business remains a going concern.
- ✓ The objective of insolvency is to ensure that equitable Distribution takes place.
- ✓ Might is right might not always be right.

I. Applicability of the Code

- ✓ Applies to whole of India

- ✓ Piecemeal commencement possible
- ✓ Persons covered

1. Companies incorporated under the Companies Act, 2013
2. Companies governed by any special Act, to the extent the provisions are consistent with that Act
3. LLPs
4. Any other body corporate, incorporated under any Act for the time being in
5. Partnership firms
6. Individuals
7. Financial entities - Not covered

J. Corporate Insolvency Resolution Process (CIRP)

Applicability –
- ✓ Minimum amount of default – Rs.1 lac
- ✓ It may provide for higher minimum amount not beyond Rs. 1 Crore

Who can initiate CIR Process
- ✓ Financial creditor
- ✓ Operational creditor
- ✓ Corporate debtor itself

When can an application be filed?
- ✓ Occurrence of default
- ✓ Operational creditor to deliver 15 days demand notice to corporate debtor

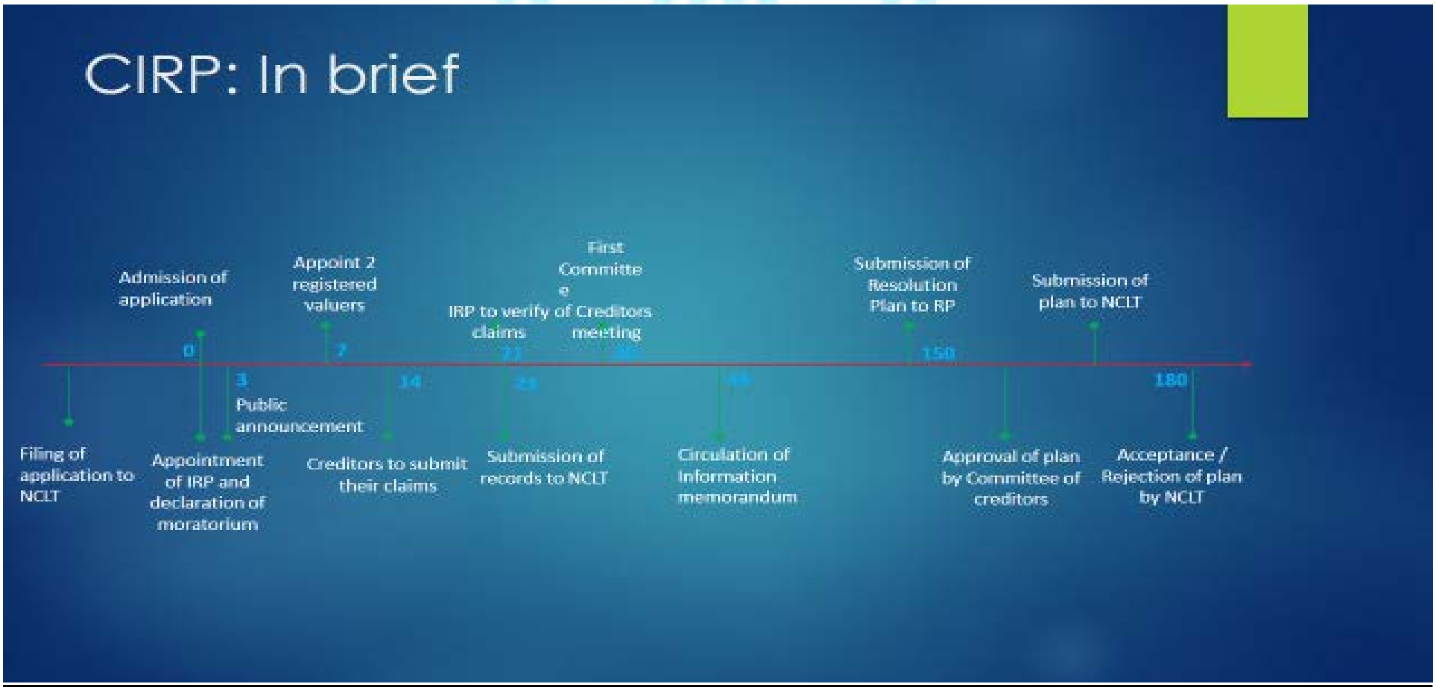
After effects?
- ✓ NCLT either admits or rejects the application;
- ✓ If admitted, Corporate Insolvency Resolution commences and the date of admission of application is called the insolvency commencement date.

Who cannot apply?
- ✓ A corporate debtor who is already undergoing CIR
- ✓ A corporate debtor who has completed CIR 12 months preceding the date of making of the application

- ✓ A corporate debtor or a financial creditor who has violated any of the terms of a resolution plan - approved 12 months before the date of making an application
- ✓ A corporate debtor in respect of whom a liquidation order has been made

K. CIRP Process

- ✓ Sec 3(20), 3(21) - Operational Creditor includes employees, Central and State Governments -Needs to give a 15-day notice to the debtor for repayment before taking action
- ✓ Corporate Debtor - Defaulting company, its shareholder or management personnel can start proceedings by making a application to the NCLT upon occurrence of any default
- ✓ "Creditors in possession" approach as against "Debtors in possession" approach
- ✓ Potentially creates risk the minority creditors being mooted out
- ✓ Threat of automatic liquidation can create strange results –May push the recoverable companies into liquidation, thereby disrupting markets
- ✓ Suspended BoD or partners eligible to attend meetings of Committee of creditors, but not eligible to vote



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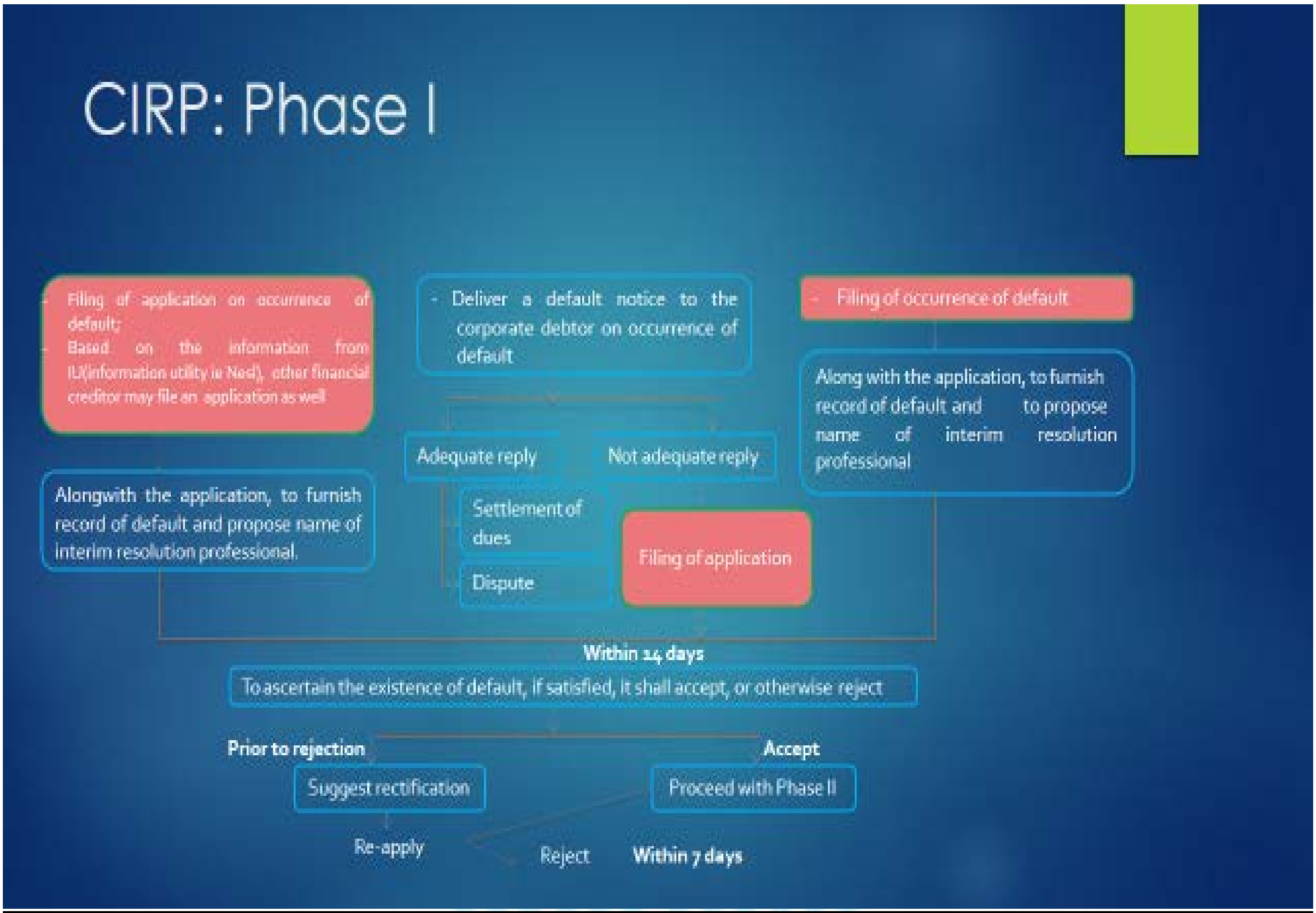
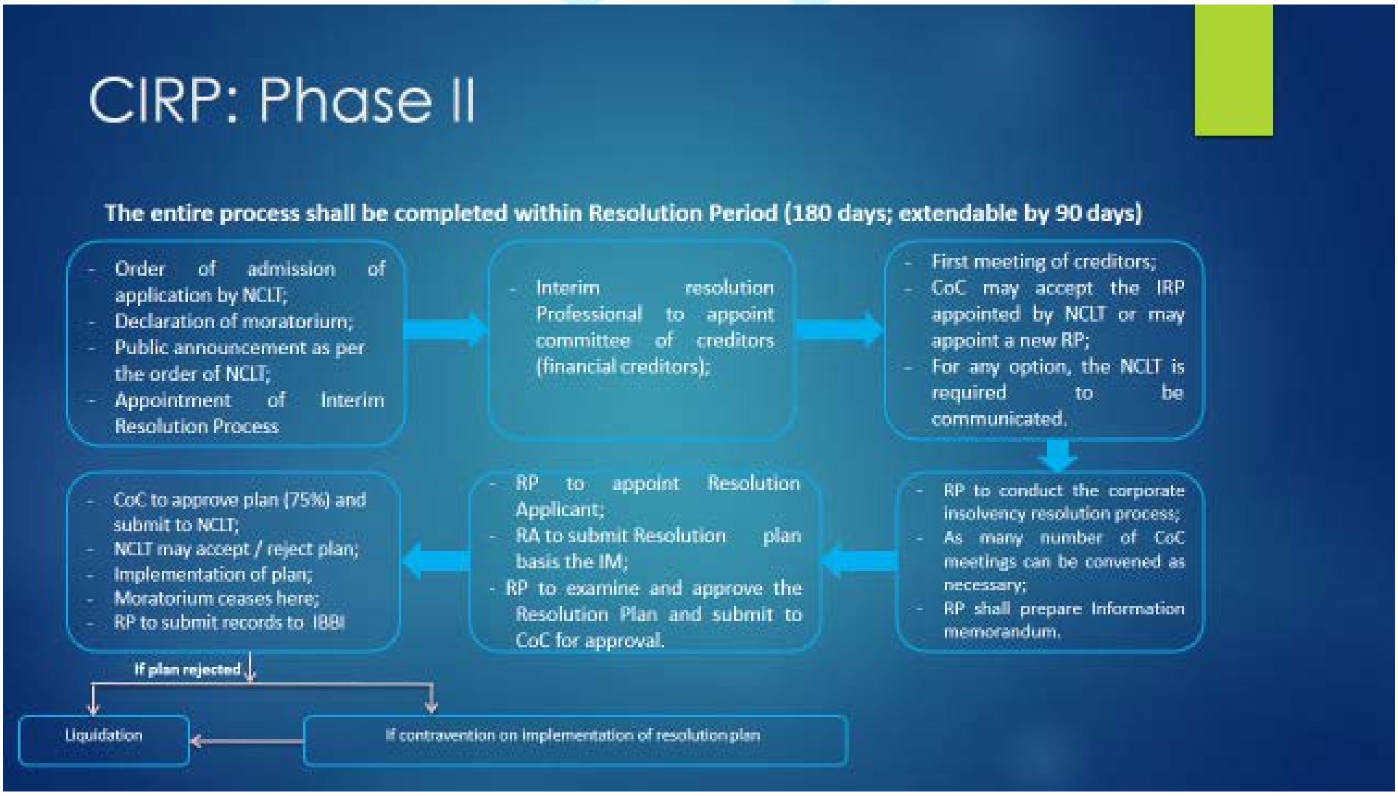
Vetted by: Shri Arindam Das


CIRP: Phase I
- Filing of application on occurrence of default;
- Based on the information from IU(information utility ie Nesl), other financial creditor may file an application as well
Alongwith the application, to furnish record of default and propose name of interim resolution professional.
- Deliver a default notice to the corporate debtor on occurrence of default
Adequate reply
Not adequate reply
Settlement of dues
Dispute
Filing of application
- Filing of occurrence of default
Along with the application, to furnish record of default and to propose name of interim resolution professional
Within 14 days
To ascertain the existence of default, if satisfied, it shall accept, or otherwise reject
Prior to rejection
Accept
Suggest rectification
Proceed with Phase II
Re-apply
Reject
Within 7 days


CIRP: Phase II
The entire process shall be completed within Resolution Period (180 days; extendable by 90 days)
- Order of admission of application by NCLT;
- Declaration of moratorium;
- Public announcement as per the order of NCLT;
- Appointment of Interim Resolution Process
- Interim resolution Professional to appoint committee of creditors (financial creditors);
- First meeting of creditors;
- CoC may accept the IRP appointed by NCLT or may appoint a new RP;
- For any option, the NCLT is required to be communicated.
- RP to conduct the corporate insolvency resolution process;
- As many number of CoC meetings can be convened as necessary;
- RP shall prepare Information memorandum.
- RP to appoint Resolution Applicant;
- RA to submit Resolution plan basis the IM;
- RP to examine and approve the Resolution Plan and submit to CoC for approval.
- CoC to approve plan (75%) and submit to NCLT;
- NCLT may accept / reject plan;
- Implementation of plan;
- Moratorium ceases here;
- RP to submit records to IBBI
If plan rejected
Liquidation
If contravention on implementation of resolution plan

L. Moratorium

Moratorium –

- ✓ Till the completion of the Corporate Interim Resolution process institution of suits or continuation of pending suits or proceedings against the Corporate Debtor
- ✓ including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority
- ✓ transferring, encumbering, alienating or disposing of any of its assets or any legal right or
- ✓ beneficial interest
- ✓ action to foreclose, recover or enforce any security interest created by the Corporate Debtor in respect of its property
- ✓ including any action under the SARFAESI Act, 2002
- ✓ recovery of any property by an owner or lessor

DURING MORATORIUM

- ✓ Public announcement is done for the creditors to give the claim
- ✓ Creditors appoint Resolution Professional
- ✓ Resolution Professional to prepare Information Memorandum -- based on this the
- ✓ Resolution Applicant will make the plan

M. CIRP initiation: Operational Creditor and Corporate Debtor

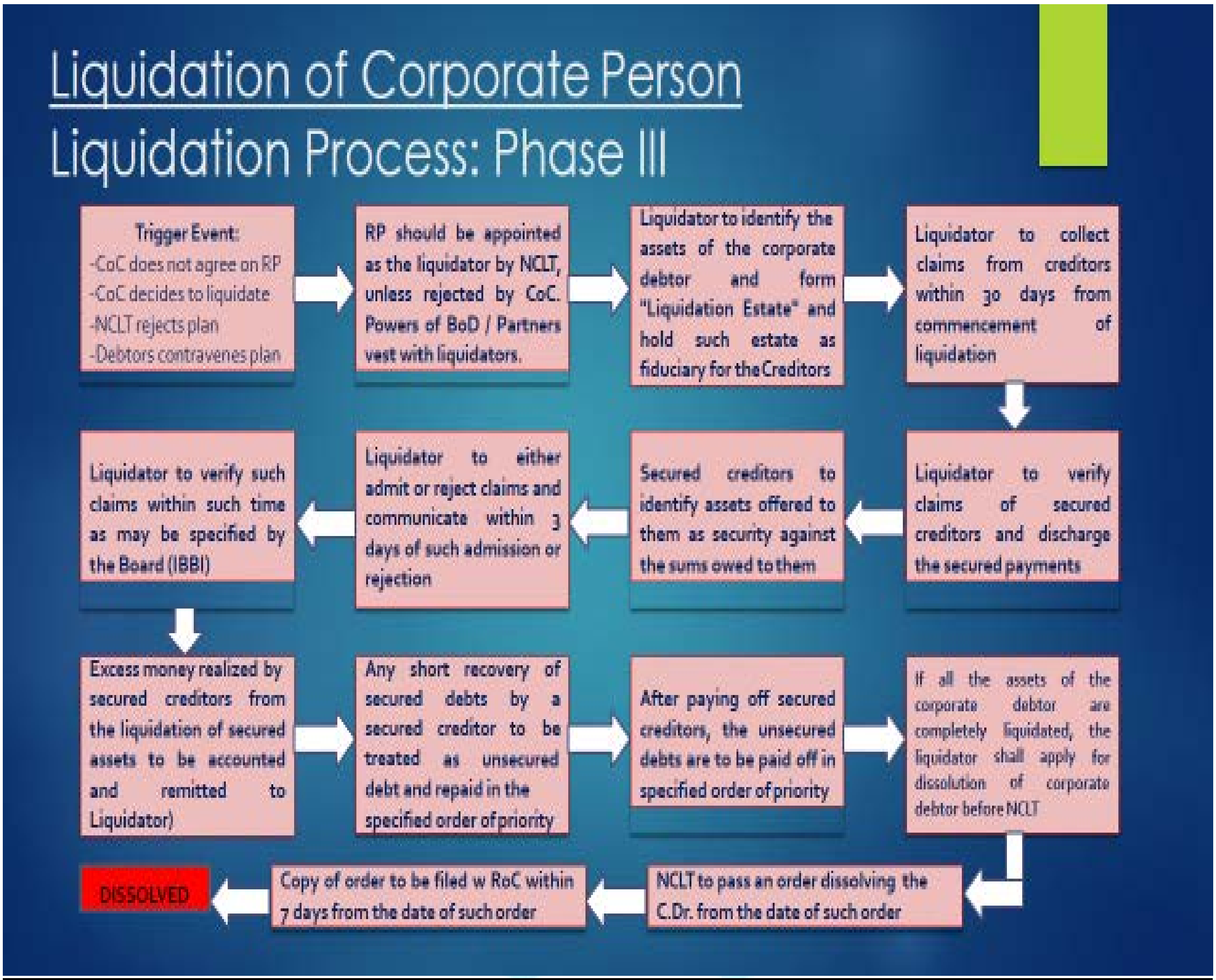
✓ **Documents to be furnished along with application –Operational Creditor**

o **To be furnished along with application**

- ✓ A copy of **the invoice** demanding payment or **demand notice** delivered by the Operational Creditor to the Corporate debtor
- ✓ An affidavit to the effect that there is no notice given by the corporate debtor relating to a dispute of the unpaid operational debt
- ✓ A copy of the certificate from the financial institutions that there is no payment from debtor

✓ **Documents to be furnished along with application – Corporate debtor**

- o Its books of account and such other documents relating to such period as may be specified; and
- o May propose name of Resolution Professional to act as Interim Resolution Professional



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Vetted by: Shri Arindam Das

N. Liquidation Estate (Section 36)

Inclusions [Section 36(3)]	**Exclusions [Section 36(4)]**
✓ Any assets over which the corporate debtor has ownership rights ✓ Assets that may/ may not be in possession of the corporate debtor, including encumbered assets ✓ Tangible assets (movable/ immovable) ✓ Intangible assets (such as IPs), securities, financial instruments, insurance policies, contractual rights ✓ Assets subject to determination of ownership by Courts ✓ Assets recovered through proceedings for avoidance of transactions ✓ Asset in respect of which secured creditor has relinquished security interest ✓ Any other property vested in the corporate debtor on the insolvency commencement date ✓ All realization proceeds of liquidation	✓ Assets in the possession of corporate debtor but owned by third parties ✓ Assets in security collateral held by financial service providers ✓ Personal assets of shareholder or partner of ✓ corporate debtor ✓ Assets of subsidiaries (Indian/ foreign) of the ✓ Any other assets as may be specified by the IBBI

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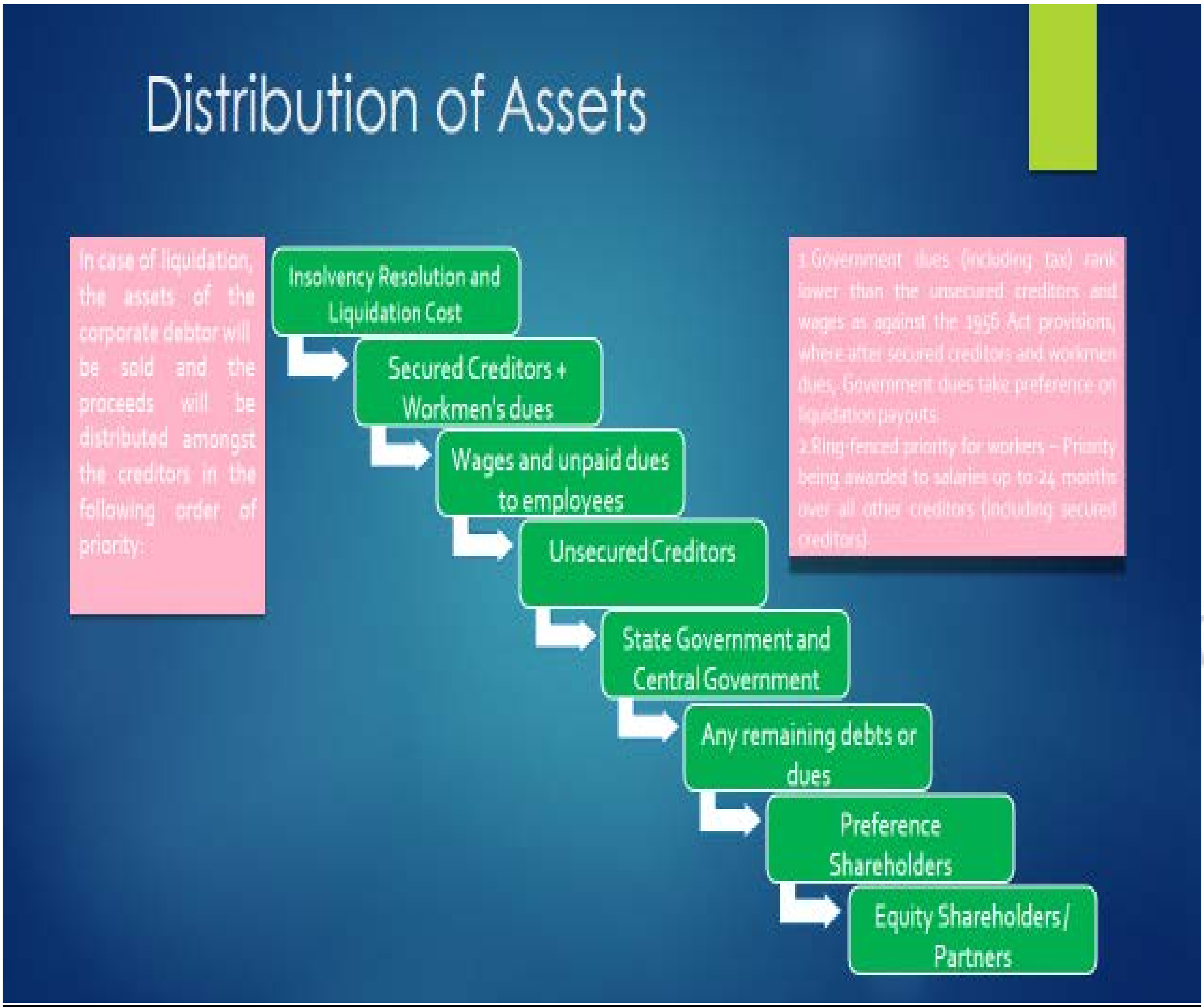
Vetted by: Shri Arindam Das

O. Moratorium Again

- ✓ The company cannot transfer its assets
- ✓ Suits will be shifted to NCLT
- ✓ SARFAESI action by any secured creditor cannot be stayed
- ✓ The secured creditor will need to inform the liquidator and also prove he is a secured creditor.
- ✓ A secured creditor also has the right to move separately and his enforce security under SARFAESI Act or relinquish his security right and become a part of the proceedings



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P. Voluntary Winding Up

- Member's & Creditor's winding-up – distinction has been removed
- Code has no provision for creditors voluntary winding up
- Declaration from majority of the directors, verified by an affidavit stating that—
  - ✓ Company has no debt or it will be able to pay its debts in full; and
  - ✓ Company is not being liquidated to defraud any person
- Within four weeks of a declaration either:
  - ✓ Special resolution at the general meeting; OR
  - ✓ Ordinary resolution at the general meeting, as the case may be
  - ✓ Creditors representing 2/3rd in value of the debt of the company shall approve the winding up of the company
- Notify RoC & the Insolvency and Bankruptcy Board of India
- Voluntary liquidation process commences from date of passing of resolution.

Q. Quick Flow-Chart to Standard Operational Procedures (S.O.P.) with regard to cases filed under Insolvency and Bankruptcy Code, 2016

- *The following quick flow-chart is only for the ease of understanding/ reference only. For detailed guidelines, the functionaries are advised to go through the detailed instructions contained in the S.0.P*

Q1. Where our Bank has only Savings Bank Account/Term Deposits/Current Account of a Company/LLP and there is no credit exposure and a Corporate Insolvency Resolution Application in respect of the Company/Limited Liability Partnership is admitted by NCLT.

Branch/RO receives a letter from an Interim Resolution Professional (IRP) appointed by NCLT

↓

On receipt of the said letter, Branch/R.O. shall take up with R.O. Law/ Recovery Department to ascertain the veracity of the Order referred by the I.R.P.

↓

R.O. Law/ Recovery Department shall immediately verify the genuineness of the Order cited by the I.R.P. from the website of NCLT/ IBBI

↓

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Vetted by: Shri Arindam Das

If R.O. Law/Recovery Dept., is havrng any technical difficulity in verifying the same immediately, R.O. Law/ Recovery Dept., shall escalate the matter to C.O. Recovery Dept.,

↓

Pending confirmation about the veracity of the Order, Branches have to exercise caution if Cheques are issued by the existing· Directors of the Co.

↓

Upon confirmation of veracity & contents of the NCLT Order, even Cheques drawn on the Company's account prior to our coming to know of the Order of admission by NCLT shall be honoured in consultation with the I.R.P. Also

↓

Branch/R.O. to disclose details of the Bank accounts of the Company and/or allow operations in the account of the Company by the I.R.P. if so requested by I.R.P. subject to verification of the Originals and KYC documents of the account operating person being obtained

Q2. Where our Bank has credit exposure to a Company/LLP and a Corporate Insolvency Resolution Application in respect of the Company/Limited Liability Partnership is admitted by NCLT.

Where Insolvency Resolution Proceedings is not triggered by our Bank

Where

the A/c. is under

Where the A/c

Where the A/c. is under

Sole Banking

Multiple Banking is under Consortium

Where

IOB is Leader

Where IOB is not a Leader

We come to know of the Order of NCLT admitting an application for Corporate Insolvency Resolution Process [CIRP] & about moratorium through NCLT/IBBI

I.R.P. shall cause a Public announcement not later than three days from the date of his appointment calling for claims to be submitted within the stipulated time

Claim of the Financial Creditor shall be submitted in Form C in Annexure-IV (in page 39) to our Circular dated 02.05.201 7

I.R.P. shall collect all information relating to the assets, finances and operations of the corporate debtor, receive and collate all the claims

I.R.P. shall have authority to take all such actions as are necessary to keep the corporate debtor as a going concern; However to raise interim finance involving the mortgaged property, prior consent of the secured creditors is required

I.R.P. shall constitute Committee of Creditors comprising of only the financial creditors

If the arrangement is sole banking only our bank & Bond Holder/ Debenture Holder, If any, of the borrower company along with FI/ NBFC, If any will form part of the Committee of Creditors

If the arrangement is Multiple banking, All the Banks who are creditors to the borrower Company & Bound holder/ Debenture holder, If any, of the borrower company along with FI/ NBFC, If any, will form part of the committee of the creditors

If the arrangement is Consortium , All the members of the consortium and Bound holder/ Debenture holder, If any, of the borrower company along with FI/ NBFC, If any, will form part of the committee of the creditors

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First meeting of the committee of creditors shall be held within seven days of the constitution of the committee of creditors (COC)

Decision as to whether the I.R.P. appointed by NCLT at the behest of the applicant is to be continued/not is to be taken & steps taken accordingly

Where I.R.P. is to be continued as Resolution Professional (R.P.) - decision to be communicated to	Where I.R.P. is to be replaced with another Resolution Professional (R .P.) - COC to apply to NCLT

R.P. so appointed shall take the prior approval of COC before taking any of the actions detailed in the S.O.P. (step 10)

COC to decide on the further course of action i.e., as to whether the company/ LLP should be given a chance of Resolution (rehabilitation/ revival mechanism) or as to whether the company/LLP should be Liquidated.

Decision of the COC(Resolution/Liquidation) to be communicated to NCLT

Q3. If the process of Corporate Insolvency Resolution Process [C.I.R.P.] is to be triggered by our Bank i.e., where our Bank intends to initiate the C.I.R.P. by filing an application before NCLT, then the following procedure be adopted:

Before the steps mentioned under Heading No.2 (above) the following shall be done

Account in which C.I.R.P. is proposed to be initiated has to be identified by the concerned Department at C.O. [Credit Dept.- in case of non-suit filed accounts & Recovery Dept., - in case of Suit filed accounts]

↓

R.O. through the concerned Dept., at C.0./C.O. Department may directly take up with the Competent Authority seeking permission to file an application before NCLT for insolvency resolution and also for appointing an I.R. . in consultation with NCLT Cell at C.O.

↓

Upon approval from the Competent Authority to file an application before NCLT through any of our Panel Advocates

↓

NCLT shall within 14 days from the date of our filing application either admit/reject the application

Insolvency and Bankruptcy code 2016			
1	Insolvency and Bankruptcy code 2016	Cir no 143/2017-18	02.05.2017
2	standard operational procedure with regards to cases filed under Insolvency and Bankruptcy code 2016	Cir no 03/2017-18	19.07.2017
3	Implementation of information utility ubder the Insolvency and Bankruptcy code 2016	Cir No 01/2018-19	24.04.2018

RLLR
(REPO LINKED LENDING RATE)

(Ref ADV/407/ 2019-20, CSSD, Date 30.09.2019)

- ✓ Repo Linked Lending Rate or RLLR is the new benchmark to which lending rates of floating rate advances are to be linked to RBI Repo Rate. RLLR will have two components i.e. Repo Rate + Mark Up, where markup spread is constant for 3 years from the date of implementation of RLLR i.e. 01.10.2019. RLLR is based on guidelines issued by Reserve Bank of India on External Benchmark Based Lending dated 04th September 2019

- ✓ Effective Interest Rate will be RLLR plus applicable spread for the scheme or rating scale of loan account. Effectively the interest rate to be charged to Loan account will be Repo Rate+ Mark-up plus Spread (Strategic Premium+ Risk Premium).

- ✓ At present, our bank is permitting existing borrowers to switch over to Repo Linked Lending Rate (RLLR) for all floating rate loans sanctioned/disbursed to Retail Schemes (i.e. Housing, Vehicle, Education, Clean) and Micro and Small enterprises (MSE). For all other loans, interest Rate based on Marginal Cost of Fund Based Lending Rate (MCLR) will continue. The effective date of implementation of RLLR based pricing is 01.10.2019.

- ✓ RLLR having a single benchmark, will not have any different tenors and resets. As and when there is a change in RLLR, effective Interest Rate for all existing eligible accounts will undergo change automatically from the effective date of RLLR.

- ✓ RLLR is applicable only on core retail loan schemes (i.e. Housing, Vehicle, Education, Clean) and Micro and Small enterprises (MSE). LAP loan being a non-core retail loan, will be sanctioned under MCLR only. Further, list of retail loans/ MSE loans along with the applicable Rate of Interest based on RLLR is given in CSSD circular ADV/ 407/ 2019-20 dated 30.09.2019 on the subject.

- ✓ Interest Rates shall be decided on the overall fund-based credit limits

- ✓ extended to any borrower, except Retail Loans wherein ROI shall be charged as per scheme guidelines.

- ✓ For the eligible accounts under RLLR, while. doing SRRP the interest rates shall

- ✓ be linked to RLLR and the interest rate applicable shall be derived based on the existing credit rating of the account.

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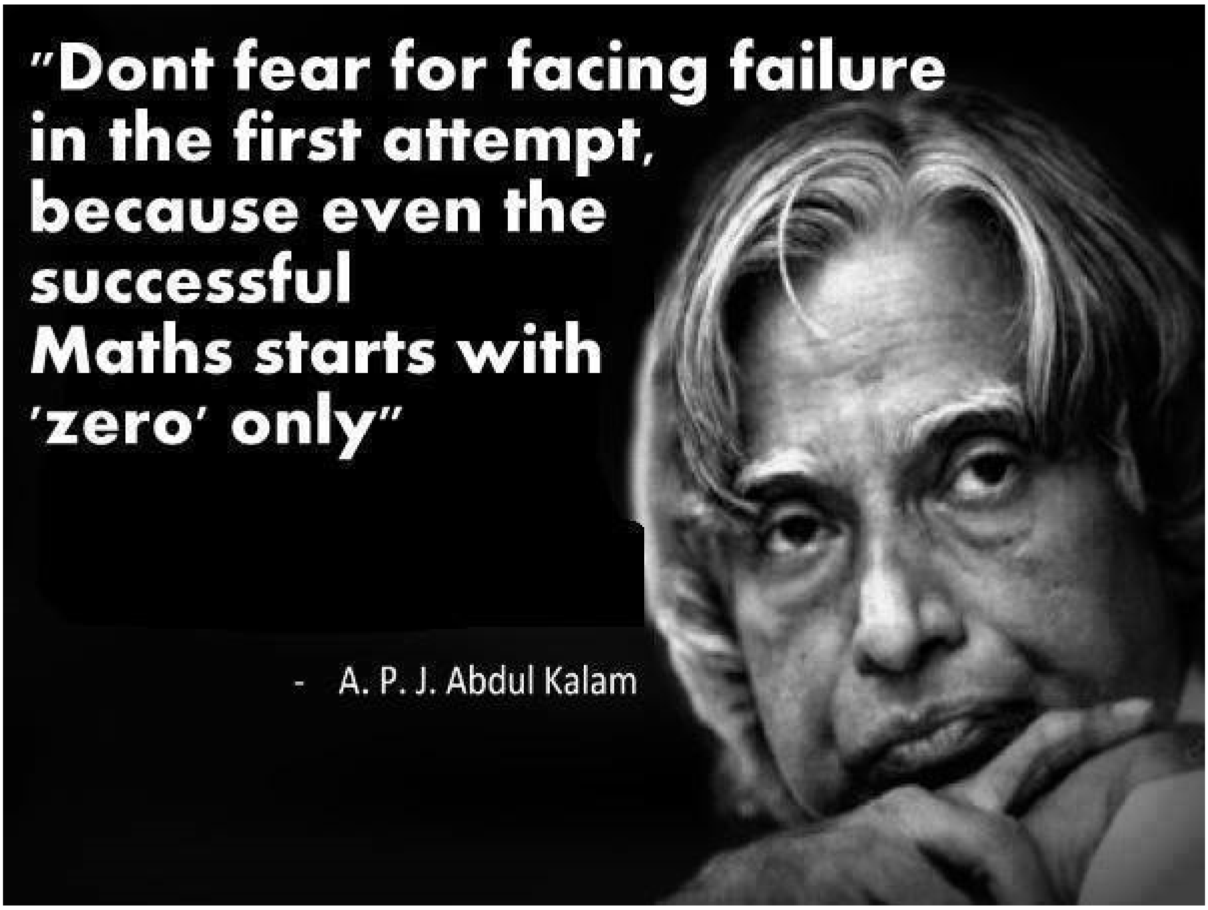
Vetted by: Shri Padamjeet Dahiya

- There is no reset date for loans sanctioned under RLLR and any change in RLLR will be passed on to the borrowers. As and when any change in Repo Rate is declared by RBI, Bank's ALCO will decide the revised RLLR and applicable effective date of new RLLR
- W.e .f. 01. l 0.2019, all new floating rate loans sanctioned/disbursed to Retail Schemes (i.e. Housing, Vehicle, Education, Clean) and all new floating rate loans to Micro and Small enterprises (MSE) will be sanctioned/disbursed at Repo Linked lending rate (RLLR) only.
- Bank has decided to charge Strategic Premium for MSE floating rate loans at 0.40% over and above RLLR for all products across all the slabs in the segment except MUDRA loans of amount up to Rs 50,000/-. For Mudra Loans linked to RLLR, the spread up to Rs. 50000/- will be Nil.
- Credit Risk premium under Micro-Small loan segment shall be kept in line with existing Credit Risk Premium applicable for MCLR linked loans.
- For all floating rate Vehicle Loans, Education Loans and Clean Loans, strategic premium to be charged at 0.40%. However, for Housing Lo a ns, the strategic premium will be charged at 0.20% for all the slabs.
- Credit Risk premium under the above Retail loans shall be kept in line with existing Credit Risk Premium applicable for MCLR linked loans.
- Existing guidelines relating to concessions will remain the same as applicable to MCLR. However, the effective interest rate must not be below the Repo Linked Lending Rate (RLLR) .
- The existing loans and credit limits linked to the MCLR/Base Rate/BPLR shall continue till repayment or renewal as the case may be.
- However, the existing borrowers will be given option to move to RLLR subject to payment of an administrative cost of 0.50% + applicable GST of the loan outstanding as on the date of conversion with a minimum of Rs 500/- plus applicable GST and a maximum of Rs. 5000/- plus applicable GST. The

Prepared by: Shri Abhishek Arya
Vetted by: Shri Padamjeet Dahiya


"Dont fear for facing failure
in the first attempt,
because even the
successful
Maths starts with
'zero' only"
- A. P. J. Abdul Kalam

MODULE-D

Forex

KYC/AML

(Some points related to Foreign Exchange Transactions)

A. Shell Bank

A bank shall refuse to enter into a correspondent banking relationship with **'shell bank'.**

Shell Bank is a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regular financial group.

No shell bank (Sh. Bank) is permitted to operate in India.

B. American Depository Receipt (ADR): means a security issued by a bank or a depository in United States of America (USA) against underlying rupee shares of a company incorporated in India.

C. **Global Depository Receipt (GDR):** means a security issued by a bank or a depository outside India against underlying rupee shares of a company incorporated in India;

D. Wire Transfers

(KYC Master Direction DBR.AML.BC.No.81/14.01.001/2015-16, updated as on 29.05.2019)

Wire transfer is a transaction carried out on behalf of an **originator person** (both natural and legal) through a bank **by electronic means** with a view to making an amount of money available to a beneficiary person at a bank.

The **originator** and the beneficiary may be the **same person.**

The **originator** is the account holder, or where there is no account, the **person (natural or legal) that places the order** with the bank to perform the wire transfer**.**

All cross-border wire transfers shall be accompanied by accurate and meaningful **originator information.**

Cross-border transfer means any wire transfer where the originator and the beneficiary bank or financial institution is located in **different countries**.

- ✓ It may include any chain of wire transfers that has at least one cross- border element.

Domestic wire transfer means any wire transfer where the originator and receiver are located in the same country.

Some Important Points to keep in mind for Wire Tansfers:

- All cross-border wire transfers including transactions using credit or debit card shall be accompanied by accurate and meaningful originator information such as name, address and account number or a unique reference number, as prevalent in the country concerned in the absence of account.

  Exception: Interbank transfers and settlements where both the originator and beneficiary are banks or financial institutions shall be exempt from the above requirements.
- **Domestic wire transfers** of rupees fifty thousand and above shall be accompanied by originator information such as name, address and account number.
- Customer Identification shall be made if a customer is intentionally structuring wire transfer below **Rupees Fifty Thousand** to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish his identity and STR shall be made to FIU-IND.
- Complete originator information relating to qualifying wire transfers shall be preserved at least for a period of **five years by the ordering bank.**
- A bank processing as an intermediary element of a chain of wire transfers shall ensure that all originator information accompanying a wire transfer is retained with the transfer.
- The receiving intermediary bank shall transfer full originator information accompanying a cross-border wire transfer and preserve the same for at least **five years** if the same cannot be sent with a related domestic wire transfer, due to technical limitations.
- All the information on the originator of wire transfers shall be immediately made available to appropriate law enforcement and/or prosecutorial authorities on receiving such requests.
- Effective risk-based procedures to identify wire transfers lacking complete originator information shall be in place at a beneficiary bank.
- Beneficiary bank shall report transaction lacking complete originator information to FIU-IND as a suspicious transaction.
- The beneficiary bank shall seek detailed information of the fund

remitter with the ordering bank and if the ordering bank fails to furnish information on the remitter, the beneficiary shall consider restricting or terminating its business relationship with the ordering bank.

- Any cross border wire transfers above **Rs.5 lacs or equivalent** amount in foreign currency are required to be reported to FIU-IND.

E. Money Transfer Service Scheme(MTSS)

[Ref.: RBI/FED/2016-17/52 dated 22.02.2017, RBI Master Direction on MTSS]

- ✓ Money Transfer Service Scheme (MTSS) is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India.
- ✓ Only **Inward personal remittances** such as remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible.
- ✓ No **outward remittances** from India are permissible under **MTSS.**
- ✓ A cap of **USD 2500** has been placed on individual remittance under the scheme.
- ✓ Amounts up to **Rs. 50,000.00** may be paid in cash to a beneficiary in India. Any amount exceeding this limit shall be paid by means of account payee cheque /demand draft/payment order etc; or credited directly to the beneficiary's bank account only. *However, in exceptional circumstances, where the beneficiary is a foreign tourist, higher amount may be disbursed in cash. Full details of such transactions should be kept on record for scrutiny by the auditors/inspectors.*
- ✓ Only 30 remittances can be received by a single individual beneficiary under the scheme during a calendar year.

F. Purchase of Foreign Currency from the Public *(Ref.: RBI Master direction on Money Changing Activities;RBI/FED/2015-16/17 dated 01.01.2016)*

- ✓ Authorized person and their franchisees may freely purchase foreign currency notes, coins and travellers cheques from residents as well as non-residents. Where the foreign currency was brought in by declaring on form CDF, the tenderer should be asked to produce the same. The production of declaration in CDF should invariably be insisted upon.

- ✓ Request for payment in cash in Indian Rupees to resident customers towards purchase of foreign currency notes and/or Travellers' Cheques from them may be acceded to the extent of only USD 1000 or its equivalent per transaction.

- ✓ Requests for payment in cash by foreign visitors / Non-residents Indians may be acceded to the extent of only USD 3,000 or its equivalent per transaction.
- ✓ While making payments in Indian Rupees to resident customers towards purchase of foreign currency notes and/ or traveller's cheques, payment can be made in cash by way of account payee cheque / demand draft / loading in INR debit cards/electronic funds transfer through banking channel, as per prescribed limits.
- ✓ Authorised Persons may accept payment in cash below Rs.50,000/- (Rupees fifty thousand only) against sale of foreign exchange for travel abroad (for private visit or for any other purpose). Wherever the sale of foreign exchange is for the amount equivalent to Rs.50,000/- and above whether it involves a single drawal or multiple drawals for a single journey, the payment must be received only by a crossed cheque drawn on the applicant's bank account or crossed cheque drawn on the bank account of the firm sponsoring the visit of the applicant or electronic funds transfer through banking channel by applicant or sponsoring company or banker's cheque / pay order / demand draft.
- ✓ All purchases made by a person **within one month** may be treated as single transaction for the above purpose and also for reporting purposes.
- ✓ A **customer ID** has to be created for the first transactions of the calendar month and the same ID will be referred for the subsequent transactions.
- ✓ In all other cases, Branches should make payment by way of 'Account Payee' cheque/demand draft only
- ✓ In all cases of **sale of foreign exchange**, irrespective of the amount involved, for identification purpose the **passport of the customer** should be insisted upon and sale of foreign exchange should be made only on **personal application** and after verification of the identification document.
- ✓ A copy of the **identification document** should be retained by the Branch.
- ✓ Banks and financial institutions are required to verify the **identity** of the customers for all international money transfer operations.
- ✓ Banks and financial institutions are required to verify the **identity** of the customers for all international money transfer operations.
    - o If the prospective customer knows only his/her Aadhaar number, the Authorised Person may print the prospective

customer's e-Aadhaar letter directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in the para 3 above.

- If the prospective customer carries a copy of the e-Aadhaar downloaded elsewhere, the Authorised Person may print the prospective customer's e-Aadhaar letter directly from the UIDAI portal; or adopt e-KYC procedure as mentioned or confirm identity and address of the resident through simple authentication service of UIDAI.

G. Maintenance of record:

Bank shall maintain proper record of transactions as mentioned below:

i. All cash transactions of the value of more than **Rs.10 Lakh** or its equivalent in foreign currency;

ii. All series of cash transactions integrally connected to each other which have been individually valued below rupees **ten lakhs** or its equivalent in foreign currency where such series of transactions have taken place within a month and the **monthly aggregate** exceeds rupees **ten lakhs** or its equivalent in foreign currency.

iii. all transactions involving receipts by non-profit organisations of value more than **Rs.10 lakh** or its equivalent in foreign currency

iv. all cash transactions, where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction;

v. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

In case of money changing activities and cross border Inward Remittance under Money Transfer Service Schemes, all series of cash transactions integrally connected to each other would have been valued below **Rs.10 lakh** or its equivalent in foreign currency where such series of transactions have taken place **within a month.**

Banks shall maintain for **at least 5 years** from the **date of transaction** between the bank and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

Bank shall ensure that records pertaining to the **identification** of the customer and **his address** (e.g. copies of documents like passports, identity cards, driving licenses, PAN, card, utility bills etc.) obtained while opening the account, undertaking transactions and during the course of business relationship, are properly preserved for at least **5 years** after the **business relationship is ended**/ from the date of cessation of the transactions/ business relationship.

H. Foreign Account Tax Compliance Act (FATCA) & Common Reporting Standards(CRS)

For opening of new accounts for NRI customers, KYC format finalised by the Central KYC Records Registry (CKYCR) is to be used.

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Vetted by: Shri Hemant Kumar

FOREIGN EXCHANGE-SOME POINTS

1. Sodhani Committee: Report of the expert group regarding foreign exchange markets in India, 1995.
2. FEMA 1999
   - Effective from 01.06.2000.
   - This act extends to whole of India and also to all offices outside India which are controlled by persons resident in India.
3. Sec.46 of the Act **empowers Govt. of India to make Rules** on any matter to carry out the provisions of this Act.
4. Sec.47 of the Act **authorises the RBI to make regulations** to carry out the provisions and rules made there under.
5. Sec 10 to 12 of the Act authorises RBI to appoint different banks, companies etc., as "**Authorised Persons"** to deal in foreign exchange
6. The Authorised persons can be broadly classified into four categories

a) Authorised dealers category -I eg.; Scheduled commercial Bank, State Co
– operative Banks- permitted to do all kinds of foreign exchange transactions as per RBI guidelines.

b) Authorised Dealers category – II eg: Well Run & financially strong RRB, Co – Operative Banks, upgraded FFMCs etc. They are authorised to deal only specified non-trade related current account transactions.

c) Authorised Dealers category – III. Certain financial and other institutions which are required to do foreign exchange transactions incidental to their activities eg: NABARD, IFC

d) Authorised Dealers category – IV Full pledged moneychangers eg: Thomas Cook (I) Ltd, Trade Links etc…

7. Different categories of branches of an authorised dealer

a) Category A branches: These branches are not only permitted to handle all types of business but also maintain and operate bank's NOSTRO Account at Foreign Centre.

b) Category B branches: These branches are permitted to handle all types of foreign exchange transactions and to operate bank's NOSTRO Accounts.

c) Category C branches: Not permitted to independently handle foreign exchange transactions. These branches can rout their FX

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transactions

8. Offences under FEMA & Penalties

- In terms of Section 15 of the FEMA 1999, any contravention under section 13 of FEMA 1999 may, on an application made by the person committing such contravention, be compounded within one hundred and eighty days from the date of receipt of application by the officers of the Reserve Bank as may be authorized in this behalf by the Central Government in such manner as may be prescribed.
- In terms of Section 13(1), if any person contravenes any provision of FEMA, 1999, or any rule, regulation, notification, direction or order issued in exercise of the powers under this Act, or contravenes any condition subject to which an authorization is issued by the Reserve Bank, he shall, upon adjudication, be liable to a penalty up to thrice the sum involved in such contravention where the amount is quantifiable or up to Rupees Two lakhs, where the amount is not directly quantifiable and where the contravention is a continuing one, further penalty which may extend to Rupees Five thousand for every day after the first day during which the contravention continues.
- in case where the sum involved in such contravention is ten lakhs rupees or below, by the Assistant General Manager of the Reserve Bank of India;
- in case where the sum involved in such contravention is more than rupees ten lakhs but less than rupees forty lakhs, by the Deputy General Manager of Reserve Bank of India;
- in case where the sum involved in the contravention is rupees forty lakhs or more but less than rupees hundred lakhs by the General Manager of Reserve Bank of India;
- in case the sum involved in such contravention is rupees one hundred lakhs or more, by the Chief General Manager of the Reserve Bank of India

9. The act provides four types of authorities for adjudication/imposed penalties etc…

1) Adjudicating Authority
2) Special Director(Appeal)
3) Appellate tribunal for Foreign Exchange(ATFE) to hear appeals against orders of 1 & 2.
4) The high court to hear appeals against orders of Appellate tribunal.

10. Directorate of Enforcement (DOE) is rested with the responsibility of detecting & investigating offences committed under FEMA. DOE will refer to adjudicating authority.

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Vetted by: Shri Hemant Kumar

11. Powers of RBI over Authorized persons:

In case an authorised person contravenes the directions or fails to submit any report, RBI is empowered by FEMA to impose penalty up to **Rs 10,000**. In case the contravention continues it can imposes an additional penalty of **Rs 2000/- per day** for the period of such continuation.

12. Hard currencies - One which is freely convertible to other currencies (1) GBP, (2) USD, (3). JPY, (4).Euro. These currencies are also called convertible currencies.

13. EURO: Common currency of 17 countries of Europe belonging to European Union. It has come into existence from 01.01.1999. The countries are :

1.	Austria	6.	France	11.	Luxemburg	16.	Slovenia
2.	Belgium	7.	Germany	12.	Malta	17.	Spain
3.	Cyprus	8.	Greece	13.	The Netherlands	18.	Latvia
4.	Estonia	9.	Ireland	14.	Portugal	19.	Lithunia
5.	Finland	10.	Italy	15.	Slovakia		

The states, known collectively as the eurozone,

14. Foreign Exchange Markets

Foreign Exchange market is **over the counter market.** No exact location for the market. Trading takes place over telephone, normally. 24 hours markets, 5 days a week.

Depending on the parties, the market is divided into three segments.

a. Merchant market (Retail market)

b. Inter Bank market (for cover deals)

c. International Market

15. Settlement of foreign exchange transactions: Through

(a) Nostro accounts (Our account with you (b)Vostro accounts(Your account with us)

Other common accounts are- **Loro Accounts (their account with them)** & **Mirror Account**

16. Buying & Selling of Foreign Exchange

The terms "buy" & "Sell" always viewed from the AD's point of view.. Eg. In case of buying transaction, the AD buys/acquires foreign exchange from the customer and gives/parts with rupees. In case of sale transaction, the AD gives/delivers foreign exchange and takes payment in rupees.

17. Buying & Selling Rates

The rates at which an AD buys and sells foreign exchange are called exchange rates.

(a)TT Buying rate (TTB) (b) Bills Buying rates (BB)

(c)TT Selling rates (TTS) (d) Bills selling rates (BS)

TT Buying rate: This rate is applied to those buying transactions where the AD has already received the foreign exchange to the credit of its Nostro account

Bills Buying Rate: This rate is applied to those buying transactions where AD will receive the foreign exchange to its Nostro account at a date subsequent to the date of buying. These rates are applied when AD purchase a cheque/Bill on DP terms drawn at a foreign centre.

TT Selling rate: applied to all transactions which do not involve handling of documents and other instruments for collection.

Bills Selling rate: applied when AD is required to handle such documents. Bills selling rate is computed by adding margin (profit) to TT selling rate, the margin being handling charge for the bill.

TC selling rate = TT selling rate + a maximum of margin of 0.5%.

FC Note selling rate = TC selling rate + a maximum of 0.5%.

18. Quoting Foreign Exchange Rate:

Direct Method: This is called home currency quotation. In this home currency is the variable unit.

Eg.: 1 USD = INR 70.75

Indirect Method: In this foreign currency is the variable unit.

Eg.: **INR 70.75 = 1 USD**

Different type of transaction and rate application:

PURCHASE		SALE	
1. Clean Inward remittances (TT, DD) where cover has already been provided in NOSTRO	TTB	1. Issuance of TT/DD etc.	TTS

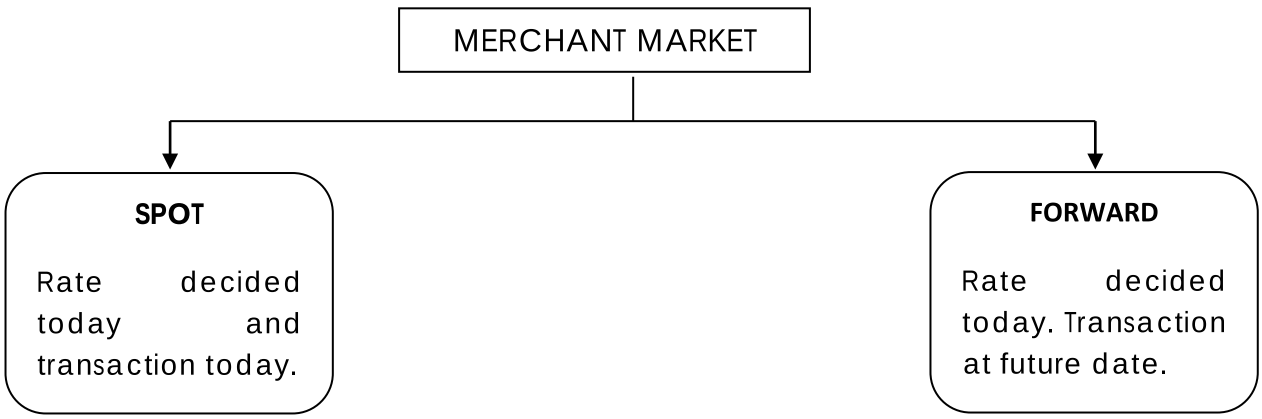
2. Realization of instruments sent on collection.	TTB	Cancellation of purchase like: Bill purchased/discounted returned unpaid. Bill purchased/discounted transferred to collection account. Refund of earlier inward remittance converted to rupees.	TTS
3. Cancellation of DD/TT etc.	TTB	3. Cancellation of forward purchase contract	TTS
4. Cancellation of Forward Sale contract.	TTB	4. Import Bills payment.	BS
Purchase/discounting of bills and other instruments Where bank has to claim cover after payment. Where drawing bank at one centre remits cover for credit to a different centre.	BB	5. Sale of foreign currency notes and Travellers cheques.	***
6. Foreign currency notes and Travellers cheques	***		

*** AT THE DISCRETION OF THE AUTHORISED DEALER.

19. Notional Rate :

Weekly average of daily rates for different currencies advised by FEDAI on every Friday.

20. Value date in Foreign Exchange Transaction:



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Vetted by: Shri Hemant Kumar

INTERBANK MARKET
INTERNATIONAL MARKET

CASH	TOM	SPOT	FORWARD
Rate today & settlement the same day/working day	Rate today & Settlement on first succeeding working day	Rate today & Settlement on second succeeding working day	Rate today & Settlement from the third succeeding working day

21. Inter-Bank Rates:

Let us assume that in the inter-bank market, the quote for USD is as under:
1USD = INR 70.75/70.78
This is called a two-way quote. By quoting like this, the quoting dealers conveys that he is prepared to buy 1 USD at INR 70.75 and is prepared to sell 1 USD at INR 70.78.

This first rate is called **BID rate** and the second is the **Ask rate.**

Card Rate: Card rates are released by the Dealing room for various currencies and as per extant guidelines in our Bank. They should be used for values less than Rs. 50,000 only when finer rates are not warranted for non-customers or for negligible value transactions. But such transactions should also be reported to the dealing room and appropriate telex serial number should be obtained.

22. Arbitrage: An arbitrage transaction consists of purchase of one currency in one centre & an almost simultaneous sale of the same currency in another centre with an objective to make profit due to the exchange difference prevalent in these two centres.

- **3 types - (1) Arbitrage in space (simple/two point)**
  (2) Arbitrage in time (compound/3 point)
  (3) Arbitrage in interest rate

23. Transaction in Foreign Exchange:-

- All transactions in foreign exchange can be broadly classified into two categories namely **(a) Capital Account transactions and (b) Current account transactions.Capital Account transactions** are transactions which alter the assets and liabilities (including contingent liabilities) outside India of person resident in India or assets and liabilities in India of persons resident outside India.

a. a resident in India buys/sells immovable property situated outside India.

b. **A resident borrows** foreign exchange from outside India

c. A resident issued guarantee in favour of a non-resident.

d. If a Non-resident (i.e. resident outside India) keeps his deposits with a bank in India, it changes his asset position in India and is therefore a capital account transaction.

- **Types of capital account transactions**

  All capital account transactions into two categories namely

  (a) Prohibited transactions and (b) permissible transactions.

- **Prohibited transactions**:(1) Business of Chit fund (2) Nidhi company (3) Agricultural & plantation activities (4) Real Estate business and construction of farm houses (5) Trading in Transferable Development Rights (TDRs).

- TDR means certificate issued by the Central/State Govt. in respect of land acquired for public purposes without monetary compensation and such certificates being transferable in part or whole.

- For the purpose of the above, Foreign Exchange Management (Permissible Capital Account Transactions) "real estate business"- shall not include development of townships, construction of residential /commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI **(Treasury/FX/111/2015-16 dt.25.11.2015)**

Current Account Transactions: A transaction which is not a capital account transaction is called a current account transaction.

a. if an exporter receives payment towards the export made by him, it is a revenue receipt for him. This is a profit & loss account item and not a balance sheet item.

b. Payment of imports

c. Remittance for living expenses of parents/spouse/children living abroad, remittance in connection with travel, education, medical expenses etc.

IMPORTS

(Ref.: RBI Master Direction No. 17/2016-12 updated as on 1st April, 2019)

TIME LIMITS FOR SETTLEMENT OF IMPORT PAYMENTS:-

1. **Time Limit for Normal Imports:-**
   - Remittances against imports should be completed **not later than six months from the date of shipment,** except in cases where amounts are withheld towards guarantee of performance, etc.
   - AD Category – I banks may permit settlement of import dues delayed due to disputes, financial difficulties, etc. However, interest if any, on such delayed payments, usance bills or overdue interest is payable only for a period of up to three years from the date of shipment.
2. **Time Limit for Imports of Books:-**

   - Remittances against import of books may be allowed without restriction as to the time limit, provided, interest payment, if any, is as per the guidlines.

3. **Extension of time:-**
   - AD Category – I banks can consider granting extension of time for settlement of import dues up to a period of six months at a time (maximum up to the period of three years)

4. **Condition for Granting Extension of Time:-**

   - The import transactions covered by the invoices are not under investigation by Directorate of Enforcement / Central Bureau of Investigation or other investigating agencies;
   - While considering extension beyond one year from the date of remittance the total outstanding of the importer does not exceed **USD one million or 10 per cent** of the average import remittances during the preceding two financial years, whichever is lower; and
   - Where extension of time has been granted by the AD Category – I banks, the date up to which extension has been granted may be indicated in the 'Remarks' column.
5. **Imports of Foreign Exchange into India :-**

   - Send into India, without limit, foreign exchange in any form other than currency notes, bank notes and travellers cheques;

   - Bring into India from any place outside India, without limit, foreign exchange (other than unissued notes), subject to the condition that such person makes, on arrival in India, a declaration to the Custom Authorities at the Airport in the Currency Declaration Form (CDF), provided further that it shall not be necessary to make such declaration where the aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in by such person at any one time does not exceed **USD 10,000 (US Dollars ten thousand)** or its equivalent and/or the aggregate value of foreign currency notes (cash portion) alone brought in by such person at any one time does not exceed **USD 5,000 (US Dollars five thousand)** or its equivalent.

6. Imports of Indian currency and currency Notes:-

- Any person resident in India who had gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan), currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding **Rs.25,000 (Rupees twenty five thousand only).**

- A person may bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India for any amount in denominations up to Rs.100/-.

7. Issue of a Guarantee by an Authorized Dealer:-

- An authorised dealer may, in the ordinary course of his business, give a guarantee in favour of a non-resident service provider, on behalf of a resident customer who is a service importer, subject to such terms and conditions as stipulated by Reserve Bank of India from time to time:

  - Provided that no guarantee for an amount exceeding **USD 500,000** or its equivalent shall be issued on behalf of a service importer other than a Public Sector Company or a Department / Undertaking of the Government of India / State Government:

  - Provided further that where the service importer is a Public Sector Company or a Department / Undertaking of the Government of India / State Government, no guarantee for an amount exceeding USD 100,000 or its equivalent shall be issued without the prior approval of the Ministry of Finance, Government of India.

OPERATIONAL GUIDELINES FOR IMPORTS:-

8. Advance Remittance for Imports of Goods:-

- If the amount of advance remittance exceeds **USD 200,000** or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained.
- In cases where the importer (other than a Public Sector Company or a Department/Undertaking of the Government of India/State Government/s) is unable to obtain bank guarantee from overseas suppliers and the AD Category – I bank is satisfied about the track

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Vetted by: Shri Hemant Kumar

record and bonafides of the importer, the requirement of the bank guarantee / standby Letter of Credit may not be insisted upon for advance remittances up to **USD 5,000,000 (US Dollar five million).** AD Category – I banks may frame their own internal guidelines to deal with such cases as per a suitable policy framed by the bank's Board of Directors.

- A Public Sector Company or a Department/Undertaking of the Government of India / State Government/s which is not in a position to obtain a guarantee from an international bank of repute against an advance payment, is required to obtain a specific waiver for the bank guarantee from the Ministry of Finance, Government of India before making advance remittance exceeding **USD 100,000**.

9. **Advance remittance for Imports of Rough Diamonds:-** No Limit subject to the following conditions:-

- The overseas mining company should have the recommendation of **GJEPC (Gem Jewellery Export Promotion Council).**
- The importer should be a recognised processor of rough diamonds and should have a good track record.
- AD Category - I banks should, undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction.
- Advance payments should be made strictly as per the terms of the sale contract and should be made directly to the account of the company concerned, that is, to the ultimate beneficiary and not through numbered accounts or otherwise and AD banks should ensure that they have created the Outward Remittance Message (ORM) for all such outward remittances in **IDPMS (Import Data Processing & Monitoring System).**
- Further, due caution may be exercised to ensure that remittance is not permitted for import of conflict diamonds (Kimberly Certification).
- KYC and due diligence exercise should be done by the AD Category - I banks as per the existing guidelines.
- AD Category - I banks should follow-up submission of the Bill of Entry / documents evidencing import of rough diamonds into the country by the importer, in terms of the Act / Rules / Regulations / Directions issued in this regard.
- In case of an importer entity in the Public Sector or a Department / Undertaking of the Government of India / State Government/s, AD Category - I banks may permit the advance remittance subject to the above conditions and a specific waiver of bank guarantee from the Ministry of Finance, Government of India, where the advance payments is equivalent to or exceeds **USD 100,000/- (USD one hundred thousand only).**

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10. Advance Remittance for Import of Aircrafts/Helicopters and other Aviation related purchases:-

- As a sector specific measure, entities which have been permitted under the extant Foreign Trade Policy to import aircrafts and helicopters (including used / second hand aircraft and helicopters) or any other person who has been granted permission by the Directorate General of Civil Aviation (DGCA) to operate Scheduled or Non-Scheduled Air Transport Service (including Air Taxi Services), can make advance remittance without bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to **USD 50 million**. Accordingly, AD Category – I banks may allow advance remittance, without obtaining a bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to **USD 50 million**, for direct import of each aircraft, helicopter and other aviation related purchases.

- In the case of a Public Sector Company or a Department / Undertaking of Central /State Governments, the AD Category - I bank shall ensure that the requirement of bank guarantee has been specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding **USD 100,000.**

11. Advance remittance for the Imports of Services:-

- Where the amount of advance exceeds **USD 500,000** or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.

- In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for advance remittance for import of services without bank guarantee for an amount exceeding **USD 100,000 (USD One hundred thousand)** or its equivalent would be required.

12. Interest on Import Bills:-

i. AD Category – I bank may allow payment of interest on usance bills or overdue interest on delayed payments for a period of less than three years from the date of shipment at the rate prescribed for trade credit from time to time.

ii. In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which interest has been claimed or LIBOR of the currency in which the goods have been invoiced, whichever is applicable. Where interest is not separately claimed or expressly indicated, remittances may be allowed after deducting the proportionate interest for the unexpired portion of usance at the prevailing LIBOR of the currency of invoice.

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iii. In case of change in value due to (i) or (ii) above, the respective AD bank should ensure proper remark/indicator is entered for ORM mark off in IDPMS etc as per extant IDPMS guidelines.

13. <u>Receipt of Import Bills / Documents:-</u>

- AD Category – I bank should not, make remittances where import bills have been received directly by the importers from the overseas supplier, except in the following cases:

  - Where the value of import bill does not exceed **USD 300,000.**
  - Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.
  - Import bills received by Status Holder Exporters as defined in the Foreign Trade Policy, 100% Export Oriented Units / Units in Special Economic Zones, Public Sector Undertakings and Limited Companies.
  - Import bills received by all limited companies viz. public limited, deemed public limited and private limited companies.

14. <u>Receipt of Import Documents by the Importer directly from Overseas Suppliers in case of specified Sectors:-</u>

- As a sector specific measure, AD Category - I banks are permitted to allow remittance for imports by non-status holder importers up to **USD 300,000** where the importer of rough diamonds, rough precious and semi-precious stones has received the import bills / documents directly from the overseas supplier and the documentary evidence for import is submitted by the importer at the time of remittance. Status holder importers as defined in the Foreign Trade Policy dealing in the import of rough diamonds, rough precious and semi- precious stones can receive import bills directly from the suppliers without any ceiling.

15. <u>Receipt of Import Documents by the AD category I Banks directly from Overseas Suppliers:-</u>

- Before extending the facility, the AD Category – I bank should obtain a report on each individual overseas supplier from the overseas banker or a reputed overseas credit agency. However, such credit report on the overseas supplier need not be obtained in cases where the invoice value does not exceed **USD 300,000** provided the AD Category – I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.

EVIDENCE OF IMPORTS:-

19. <u>Physical Imports:-</u>

- The importer shall submit BoE number, port code and date for marking evidence of import under IDPMS.
- Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, or Courier Bill of Entry as declared by the courier companies to the Customs Authorities in cases where goods have been imported through couriers, as evidence that the goods for which the payment was made have actually been imported into India, or For goods imported and stored in Free Trade Warehousing Zone (FTWZ) or SEZ Unit warehouses or Customs bonded warehouses, etc., the Exchange Control Copy of the Ex-Bond Bill of Entry or Bill of Entry issued by Customs Authorities by any other similar nomenclature the importer shall submit applicable BoE number, port code and date for marking evidence of import under IDPMS.

20. <u>Evidence of Imports in lieu of BoE:-</u>

- AD Category – I bank may accept, in lieu of Exchange Control Copy of Bill of Entry for home consumption, a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-

  - The amount of foreign exchange remitted is less than USD 1,000,000 or its equivalent and

  - The importer is a company listed on a stock exchange in India and whose net worth is not less than **Rs.100 crore** as on the date of its last audited balance sheet, or, the importer is a public sector company or an undertaking of the Government of India or its departments.

  - The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology, etc. whose accounts are audited by the Comptroller and Auditor General of India (CAG). AD Category – I bank may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

21. <u>Non Physical Imports:-</u>

- Where imports are made in non-physical form, i.e., software or data through internet / datacom channels and drawings and designs through e-mail / fax, a certificate from a Chartered Accountant that the software / data / drawing/ design has been received by the importer, may be obtained.

22. Details operational procedure for IDPMS (Import Data Processing & Monitoring System):-

- AD banks are required to create Outward Remittance Message (ORM) for all outward remittance/s for import payments on behalf of their importer customer for which the prescribed documents for evidence of import have not been submitted.
- Creation of ORM for all outstanding outward remittance/s for import payments need to be completed on or before **October 31, 2016.**
- In order to enhance the ease of doing business and reduce transaction costs, submission of hardcopy of evidence of import documents i.e., BoE Exchange Control copy has been discontinued with effect from **December 1, 2016** as the same is available in IDPMS.

23. **WRITE OFF :** AD Category I banks can consider closure of BoE/ORM in IDPMS that involves write off to the extent of 5% of invoice value in cases where the amount declared in BoE varies from the actual remittance due to operational reasons and AD bank is satisfied with the reason/s submitted by the importer.

24. Follow up for Evidence of Imports:-

- AD Category – I banks shall continue to follow up for outward remittance made for import (i.e. unsettled ORM) in terms of extant guidelines and instructions on the subject. In cases where relevant evidence of import data is not available in IDPMS on due dates against the ORM, AD Category – I bank shall follow up with the importer for submission of documentary evidence of import. Similarly, if BoE data is not settled against ORM within the prescribed period, AD Category – I banks shall follow up with the importer in terms of extent instructions.

25. Verification and Preservations:-

- Internal inspectors and IS auditors (including external auditors appointed by AD Category – I bank) should carry out verification and IS audit and assurance of the “BOE Settlement” process in IDPMS. Data and process followed by AD Category –I bank for “BOE Settlement” should be preserved in terms of the guidelines under Cyber Security Framework in the bank.

26. Follow up for Import Evidence:-

- In case an importer does not furnish any documentary evidence of import, within 3 months from the date of remittance involving foreign exchange irrespective of value, the AD Category – I bank should rigorously follow-up for the next 3 months, by using various modes of communications. It should, however, be ensured that atleast one communication with the importer in this regard is by issuance of registered letter.

27. Import of gold & other precious metals:-

- The 20:80 scheme of import of gold was withdrawn on November 28, 2014. However, the obligation to export under the 20:80 scheme would apply to the unutilised gold imported before November 28, 2014.

- Head Offices / International Banking Divisions of AD Category - I banks shall henceforth submit the following statements under XBRL system from October 2014 onwards.(a) Statement on half yearly basis (end March / end September), showing the quantity and value of gold imported by the nominated banks/ agencies/ EOUs/ SEZs in Gem & Jewellery Sector, mode of payment-wise.(b) Statement on monthly basis showing the quantity and value of gold imports by the nominated agencies (other than the nominated banks)/ EOUs/ SEZs in Gem & Jewellery sector during the month under report as well as the cumulative position as at the end of the said month beginning from the 1st month of the Financial Year. Both the statements shall be submitted, even if there is 'Nil' position, by the **10th of the following month / half year**, to which it relates.

- Suppliers' and Buyers' credit (trade credit) including the usance period of Letters of Credit opened for import of gold in any form, including jewellery made of gold/precious metals or/and studded with diamonds/semi- precious/precious stones, should not exceed 90 days from the date of shipment.

- However for Clean Credit i.e. credit given by a foreign supplier to its Indian customer/ buyer, without any Letter of Credit (Suppliers' Credit)/ Letter of Undertaking (Buyers' Credit)/ Fixed Deposits from any Indian financial institution for import of rough, cut and polished diamonds, precious and semi-precious stones, may be permitted for a period not exceeding 180 days from the date of shipment. Further, AD banks may allow extension of time in respect of such clean credit for import of rough, cut and polished diamonds, for a period exceeding 180 days from the date of shipment to a maximum period of 180 days beyond the prescribed period/ due date beyond which they may refer the cases to the respective Regional Office of the Reserve Bank.

- The nominated agency/bank may allow import of platinum and silver, on outright purchase basis subject to the condition that although ownership of the same shall be passed on to the importers at the time of import itself, the price shall be fixed later as and when the importer sells to the user.

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Vetted by: Shri Hemant Kumar

28. Merchanting Trading:-

- For a trade to be classified Merchanting Trade following conditions should be satisfied:-
  - **Goods acquired should not enter the Domestic Tariff Area, and**
  - **The state of the goods should not undergo any transformation**
- AD Category – I bank may handle bonafide Merchanting Trade Transactions and ensure that:
  - Goods involved in the transactions are permitted for export / import under the prevailing Foreign Trade Policy (FTP) of India as on the date of shipment and all the rules, regulations and directions applicable to export (except Export Declaration Form) and import (except Bill of Entry) are complied with for the export leg and import leg, respectively,
  - Both the legs of a Merchanting Trade Transaction are routed through the same AD bank. The bank should verify the documents like invoice, packing list, transport documents and insurance documents (if originals are not available, non-negotiable copies duly authenticated by the bank handling documents may be taken) and satisfy itself about the genuineness of the trade.
  - The entire Merchanting Trade Transactions should be completed within an overall period of nine months and there should not be any outlay of foreign exchange beyond four months.
  - The commencement of Merchanting Trade would be the date of shipment / export leg receipt or import leg payment, whichever is first. The completion date would be the date of shipment / export leg receipt or import leg payment, whichever is the last;
  - Short-term credit either by way of suppliers' credit or buyers' credit will be available for Merchanting Trade Transactions, to the extent not backed by advance remittance for the export leg, including the discounting of export leg LC by an AD bank, as in the case of import transactions
  - In case advance against the export leg is received by the Merchanting Trader, AD bank should ensure that the same is earmarked for making payment for the respective import leg. However, AD bank may allow short-term deployment of such funds for the intervening period in an interest bearing account
  - Merchanting Traders may be allowed to make advance payment for the import leg on demand made by the overseas seller. In case where inward remittance from the overseas buyer is not received before the outward remittance to the overseas supplier, AD bank may handle such transactions by providing facility based on commercial judgement. It may, however, be ensured that any such advance payment for the import leg beyond USD 200,000/- per transaction, should be made against Bank Guarantee / LC from an international bank of repute,

except in cases and to the extent where payment for export leg has been received in advance;

- Letter of Credit to the supplier is permitted against confirmed export order keeping in view the outlay and completion of the transaction within nine months;
- Payment for import leg may also be allowed to be made out of the balances in Exchange Earners Foreign Currency Account (EEFC) of the Merchant Trader.
- AD bank should ensure one-to-one matching in case of each Merchanting Trade transaction and report defaults in any leg by the traders to the concerned Regional Office of RBI, on half yearly basis within 15 days from the close of each half year, i.e. June and December.
- Defaulting Merchanting Traders, whose outstandings reach 5% of their annual export earnings, would be caution-listed.
- The KYC and AML guidelines should be observed by the AD bank while handling such transactions.

29. Processing of import related payments through Online Payment Gateway Service Providers (OPGSPs) : AD Category-I banks have been permitted to offer facility of payment for imports of goods and software of value not exceeding **USD 2,000** by entering into standing arrangements with the OPGSPs

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Vetted by: Shri Hemant Kumar

EXTERNAL COMMERCIAL BORROWING FRAMEWORK (ECB), TRADE CREDIT (TC)

(Ref. FED Master Direction No. 5/2018-19 dated 26th March,2019)

EXTERNAL COMMERCIAL BORROWING FRAMEWORK:-

External Commercial Borrowings are commercial loans raised by eligible resident entities from recognized non-resident entities and should conform to parameters such as minimum maturity, permitted and non-permitted end-uses, maximum all-in-cost ceiling, etc. The parameters given below apply in totality and not on a standalone basis.

- **Minimum Average Maturity Period(MAMP):** MAMP for ECB will be 3 years. Call and put options, if any, shall not be exercisable prior to completion of minimum average maturity.
- **All-in-Cost:** It includes rate of interest, other fees, expenses, charges, guarantee fees, ECA (Export Credit Agency) charges, whether paid in foreign currency or INR.
- **Automatic Route & Approval route:** Under the ECB/TC framework, ECB/TC can be raised either under the automatic route or under the approval route. Under the approval route, the prospective borrowers are required to send their requests to the Reserve Bank through their AD Banks.
- **Benchmark rate** in case of FCY ECB/TC refers to 6-months LIBOR rate of different currencies or any other 6-month interbank interest rate applicable to the currency of borrowing.
- **Foreign Equity Holder:** It means (a) direct foreign equity holder with minimum 25% direct equity holding by the lender in the borrowing entity, (b) indirect equity holder with minimum indirect equity holding of 51%, or (c) group company with common overseas parent.
- **IOSCO Compliant Country:** A country whose securities market regulator is a signatory to the International Organisation of Securities Commission's (IOSCO's) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the SEBI for information sharing arrangements.
- **FATF compliant country:** A country that is a member of the Financial Action Task Force (FATF) or a member of a FATF-Style Regional Body.
- **Limits and Leverage:** ECB raised up to **USD 750 million** or equivalent per financial year under auto route.
- **Parking of ECB proceeds abroad:** ECB proceeds meant only for foreign currency expenditure can be parked abroad pending utilization.
- **Parking of EB proceeds domestically:** ECB proceeds meant for Rupee expenditure should be repatriated immediately for credit to their Rupee accounts with AD Category I banks in India.
- **Reporting Requirements:**
  - ✓ **Loan Registration Number (LRN):** Any draw-down in respect of an ECB should happen only after obtaining the LRN from RBI.

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Vetted by: Shri Hemant Kumar

- ✓ **Monthly Reporting of actual transactions:** The borrowers are required to report actual ECB transactions on monthly basis within seven working days from the close of month to AD.

ECB FRAMEWORK:-

S.N.	PARAMETER	FCY DENOMINATED ECB	INR DENOMINATED ECB
1	Currency of borrowing	Any freely convertible FCY	Indian Rupees(INR)
2	Forms of ECB	Loans including bank loans, floating/ fixed rate notes/ bonds/ debentures Trade credits beyond 3 years; FCCBs (Foreign Currency Convertible Bond FCEBs (Foreign Currency Exchangeable Bond) and Financial Lease.	Loans including bank loans, floating/ fixed rate notes/bonds/debentures/ preference shares; Trade credits beyond 3 years; and Financial Lease, plain vanilla Rupee denominated bonds issued overseas,
3	Eligible Borrower	All entities eligible to receive FDI. Further, the following entities are also eligible to raise ECB: i. Port Trusts; ii. Units in SEZ; iii. SIDBI; and iv. EXIM Bank of India.	a) All entities eligible to raise FCY ECB; and b) Registered entities engaged in micro-finance activities, viz., registered Not for Profit companies, registered societies/trusts/ cooperatives and Non-Government organisations.
4	Recognized Lender	The lender should be resident of FATF or IOSCO compliant country, including on transfer of ECBs.	
5	Minimum Average Maturity Period	Minimum average maturity period (MAMP)will be **3 years**.	
6	All-in-cost ceiling per annum	Benchmark Rate + 450 bps spread	
7	Other costs	Prepayment charge/ Penal interest, if any, for default or breach of covenants should not be more than 2 per cent over and above the contracted rate of interest on the outstanding principal amount and will be outside the all-in-cost ceiling.	
8	End-uses(Negative List)	The negative list, for which the ECB proceeds cannot be utilised, would include the following: a) Real estate activities, b) Investment in capital market. c) Equity investment, d) Working capital purposes except from foreign equity holder, e) General corporate purposes except from foreign equity holder., f) Repayment of Rupee loans except from foreign equity holder., g) On-lending to entities for the above activities.	
9	Exchange	Change of currency of	For conversion to Rupee,

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	Rate	FCY ECB into INR ECB shall be at the exchange rate prevailing on the date of the agreement.	exchange rate shall be the rate prevailing on the date of Settlement.
10	Hedging Provisions	The entities raising ECB are required to follow the guidelines for hedging	Overseas investors are eligible to hedge their exposure in Rupee through permitted derivative products with AD Category
11	Change of currency of borrowing	Permitted from one freely convertible foreign currency to any other freely convertible foreign currency and INR.	Not Permitted from INR to any freely convertible foreign currency.

- ECB framework is not applicable in respect of the investment in Non-Convertible Debentures in India made by Registered Foreign Portfolio Investors.

- **ECB Facility for startups:** AD Category-I banks are permitted to allow Startups to raise ECB under the automatic route as per the following framework:

  - **Eligibility** : An entity recognised as a Startup by the Central Government as on date of raising ECB.
  - **Maturity** : Minimum average maturity period will be 3 years
  - **Recognised Lender:** Lender / investor shall be a resident of a FATF compliant country.
  - **Forms:** The borrowing can be in form of loans or non-convertible, optionally convertible or partially convertible preference shares.
  - **Currency :** The borrowing should be denominated in any freely convertible currency or in Indian Rupees (INR) or a combination thereof.
  - **Amount:** Limited to **USD 3 million** or equivalent per financial year either in INR or any convertible foreign currency or a combination of both.
  - **All-in-cost**: Shall be mutually agreed between the borrower and the lender.
  - **End uses :** For any expenditure in connection with the business of the borrower.

TRADE CREDIT (TC):-

Trade Credits (TC) refer to the credits extended by the overseas supplier, bank, financial institution and other permitted recognized lenders for imports of capital/non-capital goods permissible under the Foreign Trade Policy of the

Government of India. Depending on the source of finance, such TCs include suppliers' credit and buyers' credit from recognized lenders.

Suppliers' credit Suppliers credit relates to the credit for imports into India extended by the overseas supplier.

Buyers' credit: Buyers' credit refers to loans for payment of imports into India arranged by the importer from overseas bank or financial institution.

Trade Credit:- TC for imports into India can be raised in any freely convertible foreign currency or Indian Rupee.

S.N.	Parameters	FCY denominated TC	INR denominated TC
1	Forms of TC	Buyer's Credit and Supplier's Credit	
2	Eligible Borrower	Person resident in India acting as an importer.	
3	Amount under Automatic Route	For oil/gas refining & marketing, airline and shipping companies- Up to **USD 150 million** or equivalent per import transaction for For others- up to **USD 50 million** or equivalent per import transaction.	
4	Recognized Lender	**For suppliers' credit**: Supplier of goods located outside India **For buyers' credit**: Banks, financial institutions, foreign equity holder(s) located outside India and financial institutions in IFSCs located in India.	
5	Period of TC	**Three years** for import of **capital goods**, reckoned from the date of shipment. **One year** or the **operating cycle** whichever is less for **non-capital goods**. **Three years** for **shipyards / shipbuilders**, for import of non-capital goods.	
6	ALL-IN-COST ceiling per annum	Benchmark rate plus 250 bps spread.	

7	Exchange Rate	Permitted FCY TC into INR TC at the exchange rate prevailing on the date of the agreement	Permitted for conversion to Rupee, exchange rate shall be the rate prevailing on the date of settlement.
8	Hedging Provision	The entities are eligible to hedge as per guidelines for hedging.	The overseas investors are eligible to hedge their exposure in Rupee
9	Change of currency of borrowing	Permitted from one freely convertible foreign currency to any other freely convertible foreign currency and to INR.	Not permitted

- **Security for Trade Credit:-**
  - ✓ Bank guarantees may be given by the ADs, on behalf of the importer, in favour of overseas lender of TC not exceeding the amount of TC.
  - ✓ Period of such guarantee cannot be beyond the maximum permissible period for TC.
  - ✓ TC may also be secured by overseas guarantee issued by foreign banks/overseas branches of Indian banks.

  Master Circular No.DBR.No.Dir.BC.11/13.03.00/2015-16 dated July 1, 2015 on "Guarantees and Co-acceptances".

- **Suppliers' credit beyond 180 days** and up to one year/three years from the date of shipment for non-capital/capital goods respectively, should also be reported by the AD banks.

Bank Guarantee/SBLC (FX/63/2019-20, dated 05.11.2019)

For Foreign Bank Guarantee/SBLC (Stand by Letter of Credit) issued for availing Buyers' Credit, RBI has permitted AD Banks to issue Bank guarantees (in lieu of Letters of Undertaking/ Letters of Comfort) on behalf of the importer, in favour of overseas lender for raising Trade Credits (Suppliers' Credit and Buyers' Credit) subject to certain conditions.

- All in cost ceiling at Benchmark rate plus 250 bps spread per annum.
- All in cost includes interest, other fees, expenses, charges, guarantee fees paid in Foreign Currency or INR but excluding withholding tax in INR.
- For SBLCs/Bank Guarantees issued for availing Buyers Credit against 110% cash/deposit margin, the charges are 50% of the applicable.

LIBERALISED REMITTANCE SCHEME

(REF.: RBI MASTER DIRECTION NO. 7/2015-16 DATED JAN 1,2016 UPDATED AS ON JUNE 20,2018)

- Under the Liberalized Remittance Scheme, Authorized Dealers may freely allow remittances by resident individuals up to **USD 2,50,000** per Financial Year (April- March) for any permitted current or capital account transaction or a combination of both. **The Scheme is not available to corporate, partnership firms, HUF, Trusts, etc.**

- **The Scheme is available to all resident individuals including minors. In case of remitter being a minor, the Form A2 must be countersigned by the minor's natural guardian.**

- **In terms of RBI directions, it is mandatory for the resident individual to provide his/her Permanent Account Number (PAN) to make remittance under the Scheme.**

- Remittances under the Scheme can be consolidated in respect of family members subject to individual family members complying with its terms and conditions.
- The permissible capital account transactions by an individual under LRS are:

    - opening of foreign currency account abroad with a bank;

    - purchase of property abroad;

    - making investments abroad- acquisition and holding shares of both listed and unlisted overseas company or debt instruments; acquisition of qualification shares of an overseas company for holding the post of Director; acquisition of shares of a foreign company towards professional services rendered or in lieu of Director's remuneration; investment in units of Mutual Funds, Venture Capital Funds, unrated debt securities, promissory notes;

    - setting up Wholly Owned Subsidiaries and Joint Ventures (with effect from August 05, 2013) outside India for bonafide business.

    - extending loans including loans in Indian Rupees to Non-resident Indians (NRIs) who are relatives as defined in Companies Act,2013.

- The limit of USD 2,50,000 per Financial Year (FY) under the Scheme also includes/subsumes remittances for current account transactions (viz. private visit; gift/donation; going abroad on employment; emigration; maintenance of close relatives abroad; business trip; medical treatment abroad; studies abroad) available to resident individuals.

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Vetted by: Shri Hemant Kumar

- Release of foreign exchange exceeding USD 2,50,000 requires prior permission from the Reserve Bank of India.
- **Private Visit**: For private visits abroad, other than to Nepal and Bhutan, any resident individual can obtain foreign exchange up to an aggregate amount of **USD 2,50,000** from an Authorised Dealer or FFMC, in any one financial year, irrespective of the number of visits undertaken during the year.
- **Gift/Donation**: Any resident individual may remit up-to USD 2,50,000 in one FY as gift to a person residing outside India or as donation to an organization outside India.
- **Going Abroad on Employment**: A person going abroad for employment can draw foreign exchange up to USD 2,50,000 per FY from any Authorized Dealer in India.
- **Medical Treatment Abroad** : Authorized Dealers may release foreign exchange up to an amount of USD 2,50,000 or its equivalent per FY without insisting on any estimate from a hospital/doctor. For amount exceeding the above limit, Authorized Dealers may release foreign exchange under general permission based on the estimate from the doctor in India or hospital/ doctor abroad. In addition to the above, an amount up to USD 250,000 per financial year is allowed to a person for accompanying as attendant to a patient going abroad for medical treatment/check-up.
- **Facilities available to student for pursuing their studies abroad**:- Foreign exchange up to USD 2,50,000 or its equivalent to resident individuals for studies abroad without insisting on any estimate from the foreign University.
- The Scheme is not available for capital account remittances to countries identified by Financial Action Task Force (FATF) as non-co-operative countries and territories as available on FATF website www.fatf-gafi.org or as notified by the Reserve Bank.
- **Documentation by the remitter: The individual will have to designate a branch of an AD through which all the remittances under the Scheme will be made. The resident individual seeking to make the remittance should furnish form A2 as at Annex for purchase of foreign exchange under LRS. The Authorized Dealers may also prepare and keep on record dummy Form A2, in respect of remittances less than USD 25,000.**
- **Facility to grant loan in rupees to NRI/PIO close relative under the scheme:** Resident individual is permitted to lend to a Non-resident Indian (NRI)/ Person of Indian Origin (PIO) close relative by way of crossed cheque/ electronic transfer subject to the following conditions:

- the loan is free of interest and the minimum maturity of the loan is one year;
- the loan amount should be within the overall limit under the Liberalised Remittance Scheme of USD 2,50,000 per financial year.
- the loan shall be utilized for meeting the borrower's personal requirements or for his own business purposes in India. The loan is prohibited not to be utilized, either singly or in association with other person, namely:
  - ✓ The business of chit fund, or
  - ✓ Nidhi Company, or
  - ✓ Agricultural or plantation activities or in real estate business, or
  - ✓ construction of farm houses, or
  - ✓ Trading in Transferable Development Rights (TDRs).
- The loan amount should be credited to the NRO a/c of the NRI / PIO. Credit of such loan amount may be treated as an eligible credit to NRO a/c;
- the loan amount shall not be remitted outside India; and
- Repayment of loan shall be made by way of inward remittances through normal banking channels or by debit to the Non-resident Ordinary (NRO) / Non-resident External (NRE) / Foreign Currency Non-resident (FCNR) account or out of the sale proceeds of the shares or securities or immovable property against which such loan was granted.

➢ A resident individual can make a rupee gift to a NRI/PIO who is a relative of the resident individual by way of crossed cheque /electronic transfer. The amount should be credited to the Non-Resident (Ordinary) Rupee Account (NRO) a/c of the NRI /PIO.

➢ The applicants should have maintained the bank account with the bank for a minimum period of one year prior to the remittances for capital account transactions. If the applicant seeking to make the remittances is a new customer of the bank, Authorised Dealers should carry out due diligence on the opening, operation and maintenance of the account. Further, the Authorised Dealers should obtain bank statement for the previous year from the applicant to satisfy themselves regarding the source of funds. If such a bank statement is not available, copies of the latest Income Tax Assessment Order or Return filed by the applicant may be obtained.

- **The remittances made under this Scheme will be reported in FETERS in the normal course.**
- AD Category-I banks are required to upload daily transaction-wise information undertaken by them under LRS at the close of business of the next working day. In case no data is to be furnished, AD banks shall upload a 'Nil' report. AD banks can upload the LRS data as CSV file (comma delimited), by accessing XBRL site through the URL https://secweb.rbi.org.in/orfsxbrl/.

(Ref.: Master Direction no. 19/2015-16 dated Jan 1, 2016 updated on Nov 12,2018 on Miscellaneous)

- **Resident Bank Account maintained by resident in India-Joint holder-Liberalization:** Individuals resident in India are permitted to include non-resident Indian (NRI) close relative (s) as a joint holder(s) in all types of resident bank accounts on "Either or Survivor" basis subject to the following conditions:
  - Such account will be treated as resident bank account for all purposes and all regulations applicable to a resident bank account shall be applicable.
  - Cheques, instruments, remittances, cash, card or any other proceeds belonging to the NRI close relative shall not be eligible for credit to this account.
  - The NRI close relative shall operate such account only for and on behalf of the resident for domestic payment and not for creating any beneficial interest for himself.
  - Where the NRI close relative becomes a joint holder with more than one resident in such account, such NRI close relative should be the close relative of all the resident bank account holders.
  - Where due to any eventuality, the non-resident account holder becomes the survivor of such an account, it shall be categorized as Non-Resident Ordinary Rupee (NRO) account.
  - Onus will be on the non-resident account holder to keep AD bank informed to get the account categorized as NRO account.
  - The above joint account holder facility may be extended to all types of resident accounts including savings bank account.
- **Routing of funds raised abroad to India:-** Indian companies or their AD Category – I banks are not allowed to issue any direct or indirect guarantee or create any contingent liability or offer any security in any form for such borrowings by their overseas holding/ associate/ subsidiary/ group

companies except for the purposes explicitly permitted in the relevant Regulations.

- **Crystallization of Inoperative Foreign Currency Deposits-Reserve Bank(DEAF) Scheme, 2014:-** With the objective of aligning the instructions in respect of foreign currency accounts with the Reserve Bank (Depositor Education and Awareness Fund) Scheme, 2014, Authorised Dealer banks are required to crystallize, that is, convert the credit balances in any inoperative foreign currency denominated deposit into Indian Rupee, in the manner indicated below:

  - In case a foreign currency denominated deposit with a fixed maturity date remains inoperative for a period of **three years** from the date of maturity of the deposit, at the end of the third year, the authorized bank shall convert the balances lying in the foreign currency denominated deposit into Indian Rupee at the exchange rate prevailing as on that date. Thereafter, the depositor shall be entitled to claim either the said Indian Rupee proceeds and interest thereon, if any, or the foreign currency equivalent (calculated at the rate prevalent as on the date of payment) of the Indian Rupee proceeds of the original deposit and interest, if any, on such Indian Rupee proceeds.

  - In case of foreign currency denominated deposit with no fixed maturity period, if the deposit remains inoperative for a period of **three years** (debit of bank charges not to be reckoned as operation), the authorized bank shall, after giving a three month notice to the depositor at his last known address as available with it, convert the deposit from the foreign currency in which it is denominated to Indian Rupee at the end of the notice period at the prevailing exchange rate.

- **Operational Guidelines on International Financial Services(IFSC):-** In terms of the Foreign Exchange Management (International Financial Services Centre) Regulations, a financial institution or a branch of a financial institution set up in the IFSC and permitted / recognized as such by the Government or a Regulatory Authority will be treated as person resident outside India. Therefore, their transaction with a person resident in India will be treated as a transaction between a resident and non- resident and shall be subject to the provisions of Foreign Exchange Management Act, 1999.

- **Regularization of Assets held abroad by a person resident in India under FEMA 1999:** To effectively deal with assets held abroad by persons resident in India in violation of the Foreign Exchange Management Act, 1999 (FEMA) for which declarations have been made and taxes and penalties have been paid under the provisions of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, it is clarified that:

- No proceedings shall lie under the Foreign Exchange Management Act, 1999 (FEMA) against the declarant with respect to an asset held abroad for which taxes and penalties under the provisions of Black Money Act have been paid.
- No permission under FEMA will be required to dispose of the asset so declared and bring back the proceeds to India through banking channels within 180 days from the date of declaration.
- In case the declarant wishes to hold the asset so declared, she/ he may apply to the Reserve Bank of India within 180 days from the date of declaration. In case such permission is not granted, the asset will have to be disposed of within 180 days from the date of receipt of the communication from the Reserve Bank conveying refusal of permission or within such extended period as may be permitted by the Reserve Bank and proceeds brought back to India immediately through the banking channel.

➢ **Operating Framework for facilitating Outward Remittance Service by Non-bank entities through Authorized Dealer (Category I) banks in India:** The non-bank entities may obtain specific approval for each tie-up arrangement from the Reserve Bank for facilitating outward remittance services through Authorized Dealer (Category I) banks in India to effect outward remittances.

- The Authorized Dealer (Category I) bank through which the service is being offered shall be responsible for ensuring that each outward remittance transaction is in compliance with the provisions of governing regulations in India.
- The said Authorized Dealer (Category I) bank shall be responsible for ensuring compliance to KYC/ AML standards/ CFT issued by the Reserve Bank.
- The remittances facilitated under this model shall comprise small value except transactions, not exceeding **USD 5000** per transaction, for overseas education where the limit shall be **USD 10000** per transaction. Remittances by resident individuals will be subject to the limit prescribed under the Liberalised Remittance Scheme (LRS).

(Ref.: Master Direction: Other Remittance Facilities; Maser Direction no. 8/2015-16 dated Jan 1, 2016 last updated on Nov 6, 2018)

Release of Foreign Exchange by Authorized Dealers: Drawal of foreign exchange for certain categories of transactions listed in Schedule I

(**Transaction which is prohibited)** is expressly prohibited. Exchange facilities for transactions included in Schedule II (**Transactions which require prior approval of the Central Government),** may be permitted by the Authorised Dealer banks provided approval from the Ministry/Department of the Government of India as specified therein. In respect of transactions included in Schedule III to the Rules, prior approval of the Reserve Bank would be required for remittance exceeding the specified limits.

- Remittances in any form towards participation in lottery schemes are prohibited under the Foreign Exchange Management Act, 1999.

- Out of the overall foreign exchange (USD 250,000 per financial year) being sold to a traveller, exchange in the form of foreign currency notes and coins may be sold up to the limit indicated below:

  - Travellers proceeding to countries other than Iraq, Libya, Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States - not exceeding **USD 3000** per visit or its equivalent.

  - Travellers proceeding to Iraq or Libya - not exceeding USD 5000 per visit or its equivalent.

  - Travellers proceeding to Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States – full exchange may be released.

  - Travellers proceeding for Haj/Umrah pilgrimage- full amount of entitlement in cash or up to the cash limit as specified by the Haj Committee of India, may be released.

- General permission is available to any resident individual to surrender received / realised / unspent / unused foreign exchange to an Authorised Person within a period of **180 days** from the date of receipt / realisation / purchase / acquisition / date of return of the traveller, as the case may be***(Note: Where a person approaches an Authorised Person for surrender of unspent/ unutilized foreign exchange after the prescribed period of 180 days, Authorised Person should not refuse to purchase the foreign exchange merely on the ground that the prescribed period has expired.)***

- A returning traveller is permitted to retain with him, foreign currency, travellers' cheques and currency notes up to an aggregate amount of USD 2000 and foreign coins without any ceiling beyond 180 days.

- Use of ICC(International Credit Card) for payment in foreign exchange in Nepal and Bhutan is not permitted.

- ADs may issue ICCs to NRIs/PIOs, without prior approval of the Reserve Bank, subject to the condition that charges on the use of ICCs should be settled by the concerned NRIs/PIOs only out of inward remittances or balances held in their Non-Resident External (NRE) Accounts/ Foreign Currency Non-Resident (FCNR) Accounts.

- Banks authorised to deal in foreign exchange may issue **International Debit Cards (IDCs)** which can be used by a resident for drawing cash or making payment to a merchant establishment overseas during his visit abroad. IDCs can be used only for permissible current account transactions and the limits as mentioned in the Schedules to the Rules, as amended from time to time, are equally applicable to payments made through use of these cards.

- The IDCs cannot be used on internet for purchase of prohibited items like lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment for call-back services, etc., i.e. for such items/activities for which drawal of foreign exchange is not permitted.

- Resident Indians who purchase their travel cards, are permitted refund of the unutilized foreign exchange balance only after 10 days from the date of last transaction. Authorized Persons shall redeem the unutilized balance outstanding in the cards immediately upon request by the resident Indians to whom the cards are issued.

- General permission is available to persons other than individuals to remit towards donations up-to one per cent of their foreign exchange earnings during the previous three financial years or **USD 5,000,000**, whichever is less, for (a) creation of Chairs in reputed educational institutes, (b) contribution to funds (not being an investment fund) promoted by educational institutes; and (c) contribution to a technical institution or body or association in the field of activity of the donor Company.

- Remittances by persons other than individuals shall require prior approval of the Reserve Bank of India if commission per transaction to agents abroad for sale of residential flats or commercial plots in India exceeds **USD 25,000** or **five percent** of the inward remittance whichever is more.

- Remittances by persons other than individuals shall require prior approval of the Reserve Bank of India if remittances exceed **USD 10,000,000** per project for any consultancy services in respect of infrastructure projects and **USD 1,000,000** per project, for other consultancy services procured from outside India.

- Remittances by persons other than individuals shall require prior approval of the Reserve Bank of India for remittances exceeding five per cent of investment brought into India or **USD 100,000** whichever is higher, by an entity in India by way of reimbursement of pre-incorporation expenses.

- **Issue of Guarantee-Import of Service:** AD Category-I banks are permitted to issue guarantee for amount not exceeding **USD 500,000** or its equivalent in favour of a non-resident service provider, on behalf of a resident customer who is a service importer, provided-

    - In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for issue of guarantee for an amount exceeding USD 100,000 (USD One hundred thousand) or its equivalent would be required.

- For payments other than imports and remittances covering intermediary trade transactions, applicant needs to fill up Form A2 (Annex 2). The Form A2 should be retained for a period of one year by the Authorised Persons, together with the related documents, for the purpose of verification by their Internal Auditors.

- For effecting current account remittances not exceeding **USD 25,000** Authorised Dealers need only a simple letter from the applicant containing the basic information, viz., names and the addresses of the applicant and the beneficiary, amount to be remitted and the purpose of remittance. However, this is subject to the condition that the payment is made by a cheque drawn on the applicant's bank account or by a Demand Draft. AD banks shall prepare dummy A-2 so as to enable them to provide purpose of remittance for statistical inputs for Balance of Payment.

- -Drawal of foreign exchange by any person for the following purpose is prohibited, namely:

    - a transaction specified in the Schedule I; or
    - a travel to Nepal and/or Bhutan; or
    - a transaction with a person resident in Nepal or Bhutan

- No person shall draw foreign exchange for a transaction included in the Schedule II (**Transactions which require prior approval of the Central Government)** without prior approval of the Government of India; Provided that this Rule shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

(Ref.: MASTER DIRECTION: REMITTANCE OF ASSETS: Master Direction No. 13/2015-16 dated Jan 1, 2016 last updated on April 28,2016)

- 'Remittance of assets' means remittance outside India of funds in a deposit with a bank/ firm/ company, provident fund balance or superannuation benefits, amount of claim or maturity proceeds of insurance policy, sale proceeds of shares, securities, immovable property or any other asset held in India in accordance with the provisions of the Foreign Exchange Management Act, 1999 (FEMA) or rules/ regulations made under FEMA.

- **'Expatriate staff'** is a person whose provident/ superannuation/ pension fund is maintained outside India by his principal employer outside India.

- the remittance is in respect of balances held in a bank account by a foreign student who has completed his/ her studies, provided such balance represents proceeds of remittances received from abroad through normal banking channels or rupee proceeds of foreign exchange brought by such person and sold to an authorised dealer or out of stipend/ scholarship received from the Government or any organisation in India. **These facilities are not available for citizens of Nepal or Bhutan or a PIO.**

- ADs may allow NRIs/ PIOs, on submission of documentary evidence, to remit up to **USD one million, per financial year:**

  - Out of balances in their non-resident (ordinary) (NRO) accounts/ sale proceeds of assets/ assets acquired in India by way of inheritance/ legacy;

- ADs may allow remittances by Indian companies under liquidation on directions issued by a Court in India/ orders issued by official liquidator in case of voluntary winding up on submission of:
  - Auditor's certificate confirming that all liabilities in India have been either fully paid or adequately provided for.
  - Auditor's certificate to the effect that the winding up is in accordance with the provisions of the Companies Act, 1956.
  - In case of winding up otherwise than by a court, an auditor's certificate to the effect that there are no legal proceedings pending in any court in India against the applicant or the company under liquidation and there is no legal impediment in permitting the remittance.
- Remittance is in excess of **USD 1,000,000 (US Dollar One million only) per financial year** (i) on account of legacy, bequest or inheritance to a citizen of foreign state, resident outside India; (ii) by NRIs/ PIOs out of the balances held in NRO accounts/ sale proceeds of assets/ the assets acquired by way of inheritance/ legacy.

EEFC ,RFC,RFC(D),DDA, NRE ACCOUNTS

(MASTER DIRECTION-DEPOSITS AND ACCOUNTS; Master Direction no. 14/2015-16 dated Jan 1, 2016 last updated on March 29,2019)

- A person resident in India may open an EEFC account with an AD in India. The salient features of the scheme are:

- Credits: The credits permitted to this account are:
  - 100 percent of the foreign exchange earnings by way of inward remittance through normal banking channel, (other than loans or investments);
  - payments received for the purpose of counter trade;
  - advance remittance received by an exporter towards export of goods or services;
  - professional earnings including director's fees, consultancy fees, lecture fees, honorarium and similar other earnings received by a professional by rendering services in his individual capacity;
  - interest earned on the funds held in the account
  - Re-credit of unutilised foreign currency earlier withdrawn from the account;
  - repayment of trade related loans/ advances (which were granted to the account holder's importer customer out of balances held in the EEFC accounts);

- Debits: The debits allowed in these accounts are:
  - Payment outside India towards capital or current account transactions in accordance with the provisions of Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 or Foreign Exchange Management (Current Account Transactions) Rules, 2000, respectively;
  - payment in foreign exchange towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in an Export Processing Zone/ Software Technology Park/ Electronic Hardware Technology Park;
  - payment of customs duty in accordance with the provisions of Export Import Policy;
  - trade related loans/ advances, by an exporter account holder to his importer customer outside India, subject to complying the provisions of FEMA and the rules/ regulations made thereunder;

- payment in foreign exchange to a person resident in India for supply of goods/ services including payments for air fare and hotel expenditure

- Withdrawal in rupees are permitted from this account, provided the amount so withdrawn cannot be re-credited to the account.
- The claims settled in rupees by ECGC/ insurance companies should not be construed as export realisation in foreign exchange and the claim amount will not be an eligible credit to the EEFC account.
- The sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.
- Exporters can repay packing credit advances, whether availed of in Rupee or in foreign currency, from balances in their EEFC account to the extent exports have actually taken place.
- Balances held in the account may be credited to NRE/ FCNR (B) Accounts, at the option/ request of the account holders consequent upon change of their residential status from resident to non-resident.

<u>Resident Foreign Currency (RFC) Account-RFC Account:-</u>

- A person resident in India is permitted to open a RFC account with an AD bank in India out of foreign exchange received or acquired by him:
  - as pension or superannuation benefits or other monetary benefits from his overseas employer;
  - by converting assets which were acquired by him when he was a non- resident or inherited from or gifted by a person resident outside India and repatriated to India;
- The balances in the RFC account are free from all restrictions regarding utilisation of foreign currency balances outside India.
- Such accounts can be held jointly with resident relative as joint holder on 'former or survivor' basis. However, such resident Indian relative joint account holder cannot operate the account during the life time of the resident account holder.
- The balances in the Non-Resident External (NRE) Account and Foreign Currency Bank [FCNR (B)] Account can be credited to the RFC account 9or when the residential status of the non-resident Indian (NRI) person of Indian origin (PIO) changes to that of a Resident.
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<u>Resident Foreign Currency (Domestic) Account-RFC(D) Account:-</u>

- A resident individual may open an RFC(D) account to retain in a bank account in India the foreign exchange acquired in the form of currency notes, bank notes and travellers cheques from overseas sources such as
  - payment while on a visit abroad for services not arising from any business or anything done in India;

- The sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.

DIAMOND DOLLAR ACCOUNT(DDA) Scheme-DDA Accounts:-

- Firms and companies which comply with the eligibility criteria stipulated in the Foreign Trade Policy of the Government of India may open DDA accounts, The salient features of schemes are:-
  - Realisation of export proceeds and local sales (in USD) of rough, cut, polished diamonds; and pre and post shipment finance availed in USD can be credited to such account
  - Payments for purchase of rough, cut and polished diamonds can be made from DDA account. Funds can also be transferred to rupee account of the exporter
  - The account should be maintained in the form of a non-interest bearing current account.
  - The sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.

Non-Resident (External) Rupee Account scheme-(NRE Account)

- Joint accounts can be opened by two or more NRIs and/or PIOs or by an NRI/PIO with a resident relative(s) on 'former or survivor' basis. However, during the life time of the NRI/PIO account holder, the resident relative can operate the account only as a Power of Attorney holder.

- Current income like rent, dividend, pension, interest etc. will be construed as a permissible credit to the NRE account provided the Authorised Dealer is satisfied that the credit represents current income of the NRI/PIO account holder and income tax thereon has been deducted/ paid/ provided for, as the case may be.

- Authorised Dealers/ banks in India can grant loans against the security of the funds held in NRE accounts to the account holder/ third party in

India, without any limits, subject to the usual margin requirements. The loan cannot be repatriated outside India and shall be used for the following purposes:

- personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business.
- making direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/ companies subject to the provisions of the relevant Regulations made under the Act
- acquiring flat/ house in India for his own residential use subject to the provisions of the relevant Regulations made under the Act
- In case of the loan sanctioned to the account holder, it can be repaid either by adjusting the deposits or through inward remittances from outside India through banking channels or out of balances held in the NRO account of the account holder

➢ NRE accounts should be designated as resident accounts or the funds held in these accounts may be transferred to the RFC accounts, at the option of the account holder, immediately upon the return of the account holder to India for taking up employment or on change in the residential status

➢ In the event of the demise of an account holder, balances in the account can be transferred to the non-resident nominee of the deceased account holder. However, request from a resident nominee for remittance of funds outside India for meeting the liabilities, if any, of the deceased account holder or for similar other purposes, should be forwarded to the Reserve Bank for consideration.

➢ Operations on an NRE account may be allowed in terms of Power of Attorney or other authority granted in favour of a resident by the non-resident account holder, provided such operations are restricted to withdrawals for local payments or remittance to the account holder himself through banking channels.

➢ The resident Power of Attorney holder is not allowed to (a) open a NRE account; (b) repatriate outside India funds held in the account other than to the account holder himself; (c) make payment by way of gift to a resident on behalf of the account holder; (d) transfer funds from the account to another NRE account.

FOREIGN CURRENCY(NON-RESIDENT) ACCOUNTS (BANKS) SCHEME –FCNR(B) ACCOUTS

- Non-resident Indians (NRIs) and Persons of Indian Origin (PIOs) are permitted to open and maintain these accounts with authorised dealers and banks authorized by the Reserve Bank to maintain such accounts. Deposits may be accepted in any permissible currency.
- The accounts can be maintained only in the form of fixed deposit.
- Other conditions such as credits/debits, joint accounts, loans / overdrafts, operation by power of attorney etc., as applicable to an NRE account will be applicable to FCNR (B) account as well.

Non Resident (Ordinary) Account scheme-NRO Accounts:

- Any person resident outside India, may open and maintain NRO account with an Authorised Dealer or an Authorised Bank for the purpose of putting through bona fide transactions denominated in Indian Rupees.

- NRO (current/ savings) account can be opened by a foreign national of non- Indian origin visiting India, with funds remitted from outside India through banking channel or by sale of foreign exchange brought by him to India. The balance in the NRO account may be paid to the account holder at the time of his departure from India provided the account has been maintained for a period not exceeding **six months** and the account has not been credited with any local funds, other than interest accrued thereon.

- Opening of accounts by individuals/ entities of Pakistan nationality/ ownership and entities of Bangladesh ownership requires prior approval of the Reserve Bank. However, individuals of Bangladesh nationality may be allowed to open these accounts subject to the individual/s holding a valid visa and valid residential permit issued by Foreigner Registration Office (FRO)/ Foreigner Regional Registration Office (FRRO) concerned.

- Authorized Dealers may open only one Non-Resident Ordinary (NRO) Account for a citizen of Bangladesh or Pakistan, belonging to minority communities in those countries, namely Hindus, Sikhs, Buddhists, Jains, Parsis and Christians, residing in India and who has been granted a Long Term Visa (LTV) by the Central Government.

- The opening of such NRO accounts will be subject to reporting of the details of accounts opened by the concerned Authorised bank to the Ministry of Home Affairs (MHA) on a quarterly basis.

- The accounts may be held jointly with residents on 'former of survivor' basis. NRIs and PIOs may hold an NRO account jointly with other NRIs and PIOs.

- The account can be debited for the purpose of local payments, transfers to other NRO accounts or remittance of current income abroad. Apart from these, balances in the NRO account cannot be repatriated abroad except by NRIs and PIOs up to USD 1 million, subject to conditions specified in Foreign Exchange Management (Remittance of Assets) Regulations,Funds can be transferred to NRE account within this USD 1 Million facility.

- Loans against the deposits can be granted in India to the account holder or third party subject to usual norms and margin requirement. The loan amount shall not be used for relending, carrying on agricultural/plantation activities or investment in real estate.

- Powers have been delegated to the Authorized Dealers/ Authorised banks to allow operations on an NRO account in terms of a Power of Attorney granted in favour of a resident by the non-resident individual account holder provided such operations are restricted to local payments and remittances to non-residents

- To facilitate the foreign nationals to collect their pending dues in India, AD Category-I banks may permit such foreign nationals to re-designate their resident account maintained in India as NRO account on leaving the country after their employment to enable them to receive their pending bona fide dues, subject to the bank satisfying itself that the credit of amounts are bona fide dues of the account holder when she/ he was a resident in India. The funds credited to the NRO account should be repatriated abroad immediately, subject to payment of the applicable income tax and other taxes in India. The amount repatriated abroad should not exceed USD one million per financial year.

SPECIAL NON-RESIDENT RUPEE ACCOUNT –SNRR ACCOUNT:

- Any person resident outside India, having a business interest in India, may open a Special Non-Resident Rupee Account (SNRR account) with an authorized dealer for the purpose of putting through bona fide

Prepared by: Smt Roli Verma
Vetted by: Shri Hemant Kumar

transactions in rupees, not involving any violation of the provisions of the Act, rules and regulations made thereunder.

- The tenure of the SNRR account should be concurrent to the tenure of the contract/ period of operation/ the business of the account holder and in no case should exceed seven years.
- SNRR account may be designated as resident rupee account on the account holder becoming a resident
- Opening of SNRR accounts by Pakistan and Bangladesh nationals and entities incorporated in Pakistan and Bangladesh requires prior approval of Reserve Bank.

(Master Direction on Borrowing and Lending Transactions in Indian Rupees between Persons resident in India and Non-Resident Indians / Persons of Indian Origin; Master Direction no. 6/2015-16 dated Jan 1, 2016)

- A person resident in India, may borrow in INR from NRIs/PIOs after satisfying the following terms and conditions:
    - Borrowing shall be only on a non-repatriation basis;
    - The amount of loan should be received either by inward remittance from outside India or by debit to NRE/NRO/FCNR(B)/NRNR/NRSR account of the lender, maintained with an authorized dealer or an authorized bank in India;
    - Period of loan shall not exceed 3 years;
    - Rate of interest on the loan shall not be more than two per cent above Bank Rate prevailing on the date of availment of loan;
    - Payment of interest and repayment of principal shall be made only to the NRO account of the lender.

- **Lending for own requirement or own business purposes :** An authorized dealer in India may grant INR loans to a NRI against security of shares and other securities or against the security of immovable property held by the latter subject to the following terms and conditions:
    - The loan amount shall not be remitted outside India or credited to NRE/FCNR(B)/NRNR account of the borrower
    - The repayment of loan should be either by inward remittance from outside India or by debit to NRE/NRO/FCNR(B)/NRNR/NRSR account of the borrower and/or out of sale proceeds realized through securities offered for the loans. Further, these loans can also be repaid by any relative (as defined under Companies Act) of the borrower in India through account to account transfer;

- **Lending for acquiring shares under the Employees Stock Option Plan:** An Authorised Dealer in India may grant INR loan to NRI employees of Indian companies for acquiring shares of the companies under the Employees Stock Option (ESOP) Scheme subject to the following terms and conditions:
    - The loan amount should not **exceed 90 per cent** of the purchase price of the shares or **INR 20 lakhs** per NRI employee, whichever is lower;

- **Lending in INR by an authorised dealer to NRI/PIO for housing purpose :** An authorised may provide housing loan to a NRI or a PIO for acquisition of a residential accommodation in India subject to the following terms and conditions :
    - The quantum of loans, margin money and the period of repayment shall be at par with those applicable to housing finance provided to a person resident in India
    - The loan amount shall not be credited to NRE/FCNR(B)/NRNR account of the borrower;
    - The loan shall be fully secured by equitable mortgage of the property proposed tobe acquired, and if necessary, also by lien on the borrower's other assets in India;

(Ref.: Master Circular on Interest Rates on Deposit held in FCNR(B) Accounts; RBI/2015-16/40 dated July 1, 2015)

- **Maturity of Deposit**:

  (a) One year and above but less than two years

  (b) Two years and above but less than three years

  (c) Three years and above but less than four years

  (d) Four years and above but less than five years

  (e) Five years only
- Recurring Deposits should not be accepted under the FCNR (B) Scheme
- Interest Rate on FNR(B) Deposit w.e.f. March 1, 2014:-
    - **1 Year to less than 3 years : LIBOR / SWAP Plus 200 basis point.**
    - **3 – 5 years : LIBOR / SWAP Plus 300 basis point**

- On floating rate deposits interest shall be paid within the ceiling of Swap rates for the respective currency/ maturity plus 200 basis points/ 300 basis points as the case may be and in case of fixed rate deposits interest shall be paid within the ceiling of LIBOR rates for the respective currency/ maturity plus 200 basis points/ 300 basis points as the case may be.

- For floating rate deposits, the interest reset period shall be six months
- The LIBOR/SWAP rates as on the last working day of the preceding month would form the base for fixing ceiling rates for the interest rates that would be offered effective the following month.

➢ **Benchmark Rate:** FEDAI would quote / display the LIBOR / Swap rates which will be used by banks in arriving at the interest rates on NRI deposits. The first such rates were indicated by FEDAI for the last working day of February, 2006.

➢ **Manner of Payment of Interest :**
- The interest on the deposits accepted under the scheme should be paid on the basis of 360 days to a year.
- The interest on FCNR (B) deposits should be calculated and paid at intervals of 180 days each and thereafter for the remaining actual number of days. However, the depositor will have the option to receive the interest on maturity with compounding effect.

➢ **Rounding of the Interest on Deposits :** In order to have uniformity and for the sake of operational convenience, the interest rates FCNR(B) deposits should be rounded off to the nearest two decimal points**.**

➢ **Payment of interest on term deposit maturing on Saturday / Sunday /holiday / non-business working day :** In respect of a term deposit maturing for payment on a Saturday / Sunday or a holiday or a non-business working day, banks should pay interest at the originally contracted rate on the original principal deposit amount for the Saturday / Sunday / holiday / non-business working day intervening between the date of expiry of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day. In case of reinvestment deposits, banks should pay interest for the intervening Saturday/Sunday/holiday/non-business working day on the maturity value.

➢ **Interest payable on deposit of a deceased depositors :** In the case of a term deposit standing in the name/s of –

(i) A deceased individual depositor, or

(ii) Two or more joint depositors, where one of the depositors has died, interest should be paid in the manner indicated below**:**
- at the contracted rate on the maturity of the deposit;
- in the event of the payment of the deposit being claimed before the maturity date, the bank should pay interest at the rate applicable to the period for which the deposit

remained with the bank and not at the contracted rate, without charging penalty;

- In the event of death of the depositor before the date of maturity of the deposit and the amount of the deposit being claimed after the date of maturity, the bank should pay interest at the contracted rate till the date of maturity. From the date of maturity to the date of payment, the bank should pay simple interest at the applicable rate operative on the date of maturity, for the period for which the deposit remained with the bank beyond the date of maturity. However, in the case of death of the depositor after the date of maturity of the deposit, the bank should pay interest at a rate operative on the date of maturity in respect of savings deposits held under Resident Foreign Currency (RFC) Account Scheme, from the date of maturity till the date of payment.
- if, on request from the claimant/s, the bank agrees to split the amount of term deposit and issues two or more receipts individually in the name/s of the claimant/s, it should not be construed as premature withdrawal of the term deposit for the purpose of levy of penalty provided the period and aggregate amount of the deposit do not undergo any change.

- **Payment of Interest on FCNR(B) deposits of NRIs on return to India :** Banks may allow FCNR (B) deposits of persons of Indian nationality/origin who return to India for permanent settlement to continue till maturity at the contracted rate of interest, if desired.
  - Banks should convert the FCNR (B) deposits on maturity into Resident Rupee Deposit Account or RFC Account (if eligible) at the option of the account holder.

- **Prohibition on payment of additional interest not exceeding one percent on deposits of bank's staff : I**n the case of FCNR(B) deposits of staff members (existing or retired), banks should not allow the benefit of additional interest rate on any type of deposits of non-residents.
- Banks are prohibited from payment of additional interest on non-resident deposits of senior citizens including FCNR (B) deposits.
- Conversion of FCNR (B) deposits into NRE deposits or vice-versa before maturity should be subject to the penal provision relating to premature withdrawal.

- The penal provisions would not be applicable in the case of premature conversion of balances held in FCNR (B) deposits into RFC Accounts by Non-Resident Indians on their return to India.
- A bank should pay interest at its discretion at the time of conversion of FCNR(B) Account into RFC/Resident Rupee Account even if the same has not run for a minimum maturity period, subject to the condition that the rate of interest should not exceed the rate payable on savings bank deposits held under RFC Account Scheme.

Policy on Quoting Interest Rates on NRE Overdue Deposits.

(BOD Circular-MISC /592-/2019-20, 08.07.2019)

1. Which remain in overdue deposits for a period less than one year, the interest rate applicable for one year on the date of maturity or on the date of renewal whichever is lower is to reckoned for payment at the time of renewal. The interest should be calculated proportionately and paid to the depositor according to the period NRE deposit remained in overdue. However, the deposit is to be renewed for minimum period of one year.

2. Overdue deposits which remain in overdue deposits for a period more than one year at the time of renewal, the interest rate applicable for the relevant period applicable on the date of maturity or on the date of renewal whichever lower is to be applied and paid to the depositor. The NRE deposit is to be renewed for a period equal to or more than overdue period, which should be minimum of more than a year.

3. No interest is payable on the NRE overdue deposits if the renewed deposits are prematurely closed before completing one year from the date of renewal and interest already paid for the overdue period shall also be recovered at the time of such premature closure.

Prepared by: Smt Roli Verma
Vetted by: Shri Hemant Kumar

EXPORT OF GOODS AND SERVICES

(Ref.: MASTER DIRECTION ON EXPORT OF GOODS AND SERVICES; MD NO. 16/2015-16 DATED JAN 1, 2016 LAST UPDATED ON JAN 12,2018)

- Export trade is regulated by the Directorate General of Foreign Trade (DGFT), functioning under the Ministry of Commerce and Industry, Department of Commerce, Government of India.
- All export contracts and invoices shall be denominated either in freely convertible currency or Indian rupees but export proceeds shall be realized in freely convertible currency. Indian Rupee is not a freely convertible currency, as yet.
- Export proceeds against specific exports may also be realized in rupees, provided it is through a freely convertible Vostro account of a non-resident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan.
- The period of realization/ repatriation of export proceeds shall be **nine months** from the date of export for all exporters including Units in Special Economic Zones (SEZs), Status Holder Exporters, Export Oriented Units (EOUs), Units in Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) & Bio-Technology Parks (BTPs) until further notice.
- For goods exported to a **warehouse established outside India**, the proceeds shall be realized within **fifteen months** from the date of shipment of goods.
- Authorised Dealer Category – I banks have been allowed to offer the facility of repatriation of export related remittances by entering into standing arrangements with **Online Payment Gateway Service Providers (OPGSPs)** subject to the following conditions.
  - i. Carry out the due diligence of the OPGSP.
  - ii. This facility shall only be available for export of goods and services of value not exceeding **USD 10,000 (US Dollar ten thousand)**
  - iii. The balances held in the NOSTRO collection account shall be repatriated and credited to the respective exporter's account immediately (no case, later than seven days from the date of credit to the NOSTRO account) on receipt of the confirmation from the importer.
  - iv. NOSTRO collection account should be subject to reconciliation and audit on a **quarterly basis.**
  - v. A start-up can realize the receivables of its overseas subsidiary and repatriate them through Online Payment Gateway Service Providers (OPGSPs).
- **Settlement system under ACU mechanism:** Participants in the Asian Clearing Union will have the option to settle their transactions either in ACU Dollar or in ACU Euro. Accordingly, the Asian Monetary Unit (AMU) shall be denominated

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Vetted by: Shri Hemant Kumar

as 'ACU Dollar' and 'ACU Euro' which shall be equivalent in value to one US Dollar and one Euro, respectively.

- Further, AD Category – I banks are allowed to open and maintain ACU Dollar and ACU Euro accounts with their correspondent banks in other participating countries. All eligible payments are required to be settled by the concerned banks through these accounts.
- Indo-Myanmar Trade - Trade transactions with Myanmar can be settled in any freely convertible currency in addition to the ACU mechanism.
- It is permitted to use of Nostro accounts of the commercial banks of the ACU member countries, i.e., the ACU Dollar and ACU Euro accounts, for settling the payments of both exports and imports of goods and services among the ACU countries.

➢ **Third Party Payment for export/import transactions:** Permitted third party payments for export / import transactions subject to firm irrevocable order backed by a tripartite agreement should be in place.
Need not to be insisted upon in cases of documentary evidence for circumstances leading to third party payments / name of the third party being mentioned in the irrevocable order/invoice has been produced.

➢ **Foreign Currency Account:**

✓ **Person resident of India may open** temporary foreign currency account abroad on occasion of **Participation** in international exhibition/trade fair. Exporters may deposit the foreign exchange obtained by sale of goods at the international exhibition/ trade fair and operate the account during their stay outside India provided that the balance in the account is repatriated to India through normal banking channels **within a period of one month from the date of closure of the exhibition/trade fair.**

✓ An Indian entity can also open, hold and maintain a foreign currency account with a bank outside India, in the name of its overseas office/branch, by making remittance for the purpose of normal business operations of the said office/branch or representative.

➢ **Diamond Dollar Account:** Firms and companies dealing in purchase / sale of rough or cut and polished diamonds / precious metal jewellery plain, minakari and/or studded with/without diamond and/or other stones are permitted to transact their business through Diamond Dollar Accounts, subject to

- Satisfactory track record of at **least 2 years** in import / export
- Having an average annual turnover of **Rs. 3 crores or above** during the preceding **three licensing years (licensing year is from April to March)**.
- They may be allowed to open not more than five Diamond Dollar Accounts with their banks.

- **Exchange Earners' Foreign Currency Account (EEFC Account) :**
  - **A person** Resident of India may open foreign currency EEFC account.
  - Resident Individuals are permitted to include resident close relative(s) in their EEFC bank accounts on former or survivor basis.
  - This account shall be maintained only in the form of non-interest bearing current account.
  - No credit facilities, either fund-based or non-fund based, shall be permitted against the security of balances held in EEFC accounts by the AD Category – I banks.
  - All categories of foreign exchange earners are allowed to credit 100% of their foreign exchange earnings to their EEFC Accounts.
  - The sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.
  - The facility of EEFC scheme is intended to enable exchange earners to save on conversion/transaction costs while undertaking forex transactions.
  - AD Category – I banks may permit exporters to repay packing credit advances whether availed in Rupee or in foreign currency from balances in their EEFC account.

- **Counter Trade Agreement :**
  - Counter trade is the adjustment of value of goods imported into India against value of goods exported from India through an Escrow Account opened in India in US Dollar.
  - No interest will be payable on balances standing to the credit of the Escrow Account but the funds temporarily rendered surplus may be held in a short-term deposit up to a total period of three months in a year (i**.e., in a block of 12 months)** and the banks may pay interest at the applicable rate.
  - No fund based/or non-fund based facilities would be permitted against the balances in the Escrow Account.

- **Border Trade with Myanmar :** Barter system of trade at the Indo-Myanmar border has been discontinued and replaced with normal trade with effect from December 1, 2015. Accordingly, all trade transactions with Myanmar, including those at the Indo-Myanmar border with effect from December 1, 2015 shall be settled in any permitted currency in addition to the Asian Clearing Union mechanism.

- **Counter Trade Arrangement with Romania :** Counter trade from Indian exporters with Romania involving adjustment of value of exports from India against value of imports made into India, subject to the condition, the Indian exporter should utilize the funds for import of goods from Romania into India within six months from the date of credit to Escrow Accounts.

- **Project Exports and Service Exports :** Export of engineering goods on deferred payment terms and execution of turnkey projects and civil construction contracts abroad are collectively referred to as 'Project Exports'. Indian exporters are required to obtain the approval of the AD Category – I banks/ Exim Bank at post-award stage before undertaking execution of such contracts.

- **Exports of goods on Lease, hire etc.**: Prior approval of the Reserve Bank is required for export of machinery, equipment, etc., on lease, hire basis under agreement with the overseas lessee against collection of lease rentals/hire charges and ultimate re-import.

- **Exports of Goods through Customs Ports:**
    - Customs shall certify the value declared and give running serial number on the two copies of Export Declaration Form (EDF), submitted by exporter at Non- Electronic Data Interchange (EDI) port.
    - Customs shall retain the original EDF for transmission to the Reserve Bank and return the duplicate copy to the exporter.
    - At the time of shipment of goods, exporters shall submit the duplicate copy of the EDF to Customs. After examining the goods, Customs shall certify the quantity in the form and return it to the exporter for submission to AD for negotiation or collection of export bills.
    - Within 21 days from the date of export, exporter shall lodge the duplicate copy together with relative shipping documents and an extra copy of the invoice to the AD named in the EDF.
    - After the documents have been negotiated / sent for collection, the AD shall report the transaction through Export Data Processing and Monitoring System (EDPMS) to the Reserve Bank and retain the documents at their end.

- **Exports of goods/software done through EDI ports:**
    - The shipping bill shall be submitted in duplicate to the authority concerned (Commissioner of Customs or the SEZ, if the export is made through it).
    - After verifying and authenticating, the authority concerned shall hand over to the exporter, one copy of the shipping bill marked 'Exchange Control (EC) Copy' for being submitted to the AD bank within 21 days

from the date of export for collection/negotiation of shipping documents.

- **Exports of goods through Post :**
  - Postal Authorities shall allow export of goods by post only if the original copy of the EDF has been countersigned by an AD. Therefore, EDF which involve sending goods by post should be first presented by the exporter to an AD for countersignature.
  - AD shall countersign EDF after ensuring that the parcel has been addressed to their branch or correspondent bank in the country of import and return the original copy to the exporter, who shall then submit the EDF to the post office with the parcel.
  - The duplicate copy of EDF shall be retained by the AD to whom the exporter shall submit relevant documents together with an extra copy of invoice for negotiation/collection, within the prescribed period of 21 days.

- **SOFTEX FORMS:** All software exporters can now file single as well as bulk SOFTEX form. The exporters have to provide information about all the invoices including the ones lesser than US$25000, in the bulk statement. The exporter should submit declaration in Form SOFTEX in quadruplicate for valuation / certification not later than 30 days from the date of invoice / the date of last invoice raised in a month

- **Short Shipment and Shut out Shipment :** When part of a shipment covered by an EDF already filed with Customs is short-shipped, the exporter must give notice of short-shipment to the Customs. In case of delay in obtaining certified short-shipment notice from the Customs, the exporter should give an undertaking to the AD banks to the effect that he has filed the short-shipment notice with the Customs and that he will furnish it as soon as it is obtained.

- **Grant of EDF Waiver :** Status holders shall be entitled to export freely exportable items (excluding Gems and Jewellery, Articles of Gold and precious metals) on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower. For export of pharma products by pharmaceutical companies, the annual limit would be 2% of average annual export realization during preceding three licensing years.

- **Receipt of advance against exports :** Exporter receives advance payment (with or without interest), from a buyer outside India, the exporter

Prepared by: Shri Ranjay Kumar Jha
Vetted by: Shri Hemant Kumar

shall be under an obligation to ensure that the shipment of goods is made within one year from the date of receipt of advance payment; the rate of interest, if any, payable on the advance payment does not exceed London Inter-Bank Offered Rate **(LIBOR) + 100 basis points**; and the documents covering the shipment are routed through the AD Category – I bank through whom the advance payment is received.

In the event of the exporter's inability to make the shipment, partly or fully, within one year from the date of receipt of advance payment, no remittance towards refund of unutilized portion of advance payment or towards payment of interest, shall be made after the expiry of the said period of one year, without the prior approval of the Reserve Bank.

- AD Category- I banks can also allow exporters having a minimum of three years' satisfactory track record to receive long term export advance up to a maximum tenor of 10 years.

- **Issuance of Bank Guarantee/SBLC:**
  - BG / SBLC may be issued for a term not exceeding two years at a time and further rollover of not more than two years at a time may be allowed subject to satisfaction with relative export performance as per the contract.
  - BG / SBLC should cover only the advance on reducing balance basis

- **EDF Approval for Trade Fair / Exhibition Abroad** : Firms / Companies and other organizations participating in Trade Fair/Exhibition abroad can take/export goods for exhibition and sale outside India without the prior approval of the Reserve Bank. Unsold exhibit items may be sold outside the exhibition/trade fair in the same country or in a third country. Such sales at discounted value are also permissible. It would also be permissible to 'gift' unsold goods up to the value of **USD 5000 per exporter, per exhibition/trade fair.**
  - The exporter shall produce relative Bill of Entry within one month of re-import into India of the unsold items.
  - Such transactions approved by the AD Category – I banks will be subject to 100 per cent audit by their internal inspectors/auditors.

- **EDF Approval for export of goods for re-imports :** AD Category – I banks may consider request from exporters for granting EDF approval in cases where goods are being exported for re-import after repairs / maintenance / testing /calibration, etc., subject to the condition that the exporter shall produce relative Bill of Entry within one month of re-import of the exported item from India.

- **Setting up of offices abroad and acquisition of immovable property for overseas offices**: At the time of setting up of the office, AD Category – I banks may allow remittances towards initial expenses up to fifteen per cent of the average annual sales/income or turnover during the last two financial years or up to twenty-five per cent of the net worth, whichever is higher.
  - For recurring expenses, remittances up to ten per cent of the average annual sales/income or turnover during the last two financial years may be sent for the purpose of normal business operations.

- **Delay in submission of shipping documents by exporters :** In cases where exporters' present documents pertaining to exports after the prescribed period of 21 days from date of export, AD Category – I banks may handle them without prior approval of the Reserve Bank, provided they are satisfied with the reasons for the delay.

- **Direct dispatch of documents by the exporter :** AD Category – I banks should normally dispatch shipping documents to their overseas branches/correspondents expeditiously. However, they may dispatch shipping documents direct to the consignees or their agents resident in the country of final destination of goods in cases where:
  - Advance payment or an irrevocable letter of credit has been received for the full value of the export shipment and the underlying sale contract/letter of credit provides for dispatch of documents direct to the consignee or his agent resident in the country of final destination of goods.
  - The AD Category – I banks may also accede to the request of the exporter provided the exporter is a regular customer & having good track record.
  - AD Category – I banks may regularize cases of dispatch of shipping documents by the exporter direct to the consignee or his agent resident in the country of the final destination of goods, up to USD 1 million or its equivalent, per export shipment, subject to the following conditions:
    - ✓ The export proceeds have been realized in full.
    - ✓ The exporter is a regular customer of AD Category – I bank for a period of at least six months.

- **Opening and hiring of warehouse abroad :** AD Category – I banks may consider for opening / hiring warehouses abroad subject to the following conditions :
  - Export outstanding does not exceed 5 per cent of exports made during the previous financial year.
  - Minimum export turnover of USD 100,000/- during the last financial year

- The permission may be granted for a period of one year and renewal may be considered subject to satisfying the requirement above.

- **Export Bill Register :** AD Category – I banks should maintain Export Bills Register, in physical or electronic form aligned with Export Data Processing and Monitoring System (EDPMS). The bill number should be given to all type of export transactions on a financial year basis (i.e. April to March) and same should be reported in EDPMS.

- **Follow - up of overdue Bills :** AD Category – I banks should closely watch realization of bills and in cases where bills remain outstanding, beyond the due date for payment from the date of export. If the exporter fails to arrange for delivery of the proceeds within the stipulated period or seek extension of time beyond the stipulated period, the matter should be reported to RBI.

- **Reduction in Invoice Value in other Cases :** The bill has been negotiated or sent for collection and if, its amount is to be reduced for any reason, AD Category – I banks may approve such reduction, provided:-
  - The reduction does not exceed 25 per cent of invoice value
  - It does not relate to export of commodities subject to floor price stipulations
  - The exporter is not on the exporters' caution list of the Reserve Bank
  - The exporter is advised to surrender proportionate export incentives availed of, if any.
  - In the case of exporters who have been in the export business for more than three years, reduction in invoice value may be allowed, without any percentage ceiling, subject to the above conditions as also subject to their track record being satisfactory, i.e., the export outstanding do not exceed 5 per cent of the average annual export realization during the preceding three financial years.

- **Change of Buyer/Consignee :** Change of buyer in the event of default, provided the reduction in value does not exceed 25 per cent of the invoice value and the realization of export proceeds is not delayed beyond the period of 9 months from the date of export.

- **Extension of Time :** AD Category – I banks has permitted to extend the period of realization of export proceeds beyond stipulated period of realization from the date of export, **up to a period of six months**, at a time, subject to:-
  - extension beyond one year from the date of export, the total outstanding of the exporter does not exceed USD one million or 10 per cent of the average export realizations during the preceding three financial years, whichever is higher.

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- In cases where the exporter has filed suits abroad against the buyer, extension may be granted irrespective of the amount involved / outstanding.

➢ **Write off of unrealized export bills :** An exporter who has not been able to realize the outstanding export dues despite best efforts, may either self-write off or approach the AD Category – I banks, who had handled the relevant shipping documents, with appropriate supporting documentary evidence. The limits prescribed for write-offs of unrealized export bills are as under :

Self “write-off” by an exporter (Other than Status Holder Exporter	5%
Self “write-off” by Status Holder Exporter	10%
‘Write-off” by Authorized Dealer Bank- *of the total export proceeds realized during the previous calendar year.	10%

- The above limits will be related to total export proceeds realized during the previous calendar year and will be cumulatively available in a year.
- The above write-off will be subject to conditions that the relevant amount has remained outstanding for more than one year, satisfactory documentary evidence is furnished in support of the exporter having made all efforts to realize the dues.

➢ **Write off in cases of payment claims by ECGC and Private Insurance Companies regulated by IRDA :** AD Category – I banks shall, on an application received from the exporter supported by documentary evidence from the ECGC and private insurance companies regulated by IRDA confirming that the claim in respect of the outstanding bills has been settled by them, write off the relative export bills in EDPMS.
  - Such write-off will not be restricted to the limit of 10 per cent indicated above.

➢ **Set off of export bills receivables against import payables:** AD category –I banks may deal with the cases of set-off of export receivables against import payables, subject to following terms and conditions :
  - The import is as per the Foreign Trade Policy in force.
  - Invoices/Bills of Lading/Airway Bills and Exchange Control copies of Bills of Entry for home consumption have been submitted by the importer to the Authorized Dealer bank.

- **Exporters' Caution List :** Caution Listing/ de-caution Listing of exporters is automated in EDPMS. The updated list of caution listed exporters can be accessed through EDPMS on a daily basis. Criteria laid down for cautioning/ de-cautioning of exporters in EDPMS are as under:
  - The exporters would be caution listed if any shipping bill against them remains open for more than two years in EDPMS provided no extension is granted by AD Category –I bank / RBI. Date of shipment will be considered for reckoning the realization period.
  - Once related bills are realized and closed or extension for realization is granted, the exporter will automatically be de-caution listed.

- **Issue of Electronic Bank Realization Certificate (EBRC) :** AD Category-I banks are required to update the EDPMS with data of export proceeds on "as and when realised basis" and, they are required to generate Electronic Bank Realisation Certificate (eBRC) only from the data available in EDPMS, to ensure consistency of data in EDPMS and consolidated eBRC.

- **Refund of Export Proceeds :** AD Category – I banks, through whom the export proceeds were originally realized may consider requests for refund of export proceeds of goods exported from India and being re-imported into India on account of poor quality. While permitting such transactions, AD Category – I banks are required to:
  - Exercise due diligence regarding the track record of the exporter
  - Verify the bona-fides of the transactions
  - Obtain from the exporter a certificate issued by DGFT / Custom authorities that no incentives have been availed by the exporter against the relevant export or the proportionate incentives availed, if any, for the relevant export have been surrendered.
  - Obtain an undertaking from the exporter that the goods will be re-imported within three months from the date of remittance and
  - Ensure that all procedures as applicable to normal imports are adhered to.

EXPORT CREDIT

(Ref.: Master Circular on Rupee/Foreign Currency Export Credit ; RBI/2015-16/47 dated July 1, 2015)

PRE SHIPMENT/PACKING CREDIT RUPEE EXPORT CREDIT:

- 'Pre-shipment / Packing Credit' means any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment / working capital expenses towards rendering of services on the basis of letter of credit opened in his favour or in favour of some other person, by an overseas buyer or a confirmed and irrevocable order for the export of goods / services from India or any other evidence of an order for export from India having been placed on the exporter or some other person, unless lodgement of export orders or letter of credit with the bank has been waived.
- If pre-shipment advances are not adjusted by submission of export documents within **360 days** from the date of advance, the advances will cease to qualify for prescribed rate of interest for export credit to the exporter ab initio.
- **Liquidation of Packing Credit :**
  - The packing credit / pre-shipment credit granted to an exporter may be liquidated out of proceeds of bills purchased, discounted etc., thereby converting pre-shipment credit into post-shipment credit. it can also be repaid / prepaid out of balances in Exchange Earners Foreign Currency A/c (EEFC A/c) as also from rupee resources of the exporter to the extent exports have actually taken place.
  - This could be with export documents relating to any other order covering the same or any other commodity exported by the exporter, after ensuring by banks that it is commercially necessary and unavoidable.
  - The existing packing credit may also be marked-off with proceeds of export documents against which no packing credit has been drawn by the exporter.
  - These relaxations should not be extended to transactions of sister / associate / group concerns.

- **'Running Account'** facility in respect of any commodity, without insisting on prior lodgement of letters of credit / firm export orders, depending on the

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Vetted by: Shri Hemant Kumar

bank's judgement regarding the need to extend such a facility and subject to the following conditions:

(a) Banks may extend the 'Running Account' facility only to those exporters whose track record has been good as also to Export Oriented Units (EOUs)/ Units in Free Trade Zones / Export Processing Zones (EPZs) and Special Economic Zones (SEZs)

(b) In all cases where Pre-shipment Credit 'Running Account' facility has been extended, letters of credit / firm orders should be produced within a reasonable period of time to be decided by the banks.

(c) Banks should mark off individual export bills, as and when they are received for negotiation / collection, against the earliest outstanding pre-shipment credit on 'First In First Out' (FIFO) basis. Needless to add that, while marking off the pre-shipment credit in the manner indicated above, banks should ensure that export credit available in respect of individual pre-shipment credit does not go beyond the period of sanction or 360 days from the date of advance, whichever is earlier.

(d) Packing credit can also be marked-off with proceeds of export documents against which no packing credit has been drawn by the exporter.

(e) Running account facility should not be granted to sub-suppliers**.**

POST SHIPMENT/BILL's LIMIT RUPEE EXPORT CREDIT :-

- 'Post-shipment Credit' means any loan or advance granted or any other credit provided by a bank to an exporter of goods / services from India from the date of extending credit after shipment of goods / rendering of services to the date of realisation of export proceeds. , and includes any loan or advance granted to an exporter, in consideration of, or on the security of any duty drawback allowed by the Government from time to time.

- The period of realization of export proceeds is determined by FED, banks are advised to adhere to the direction issued under Foreign Exchange Management Act, 1999, as amended from time to time.

- **Types of Post-shipment Credits:** Post-shipment advance can mainly take the form of:

    i. Export bills purchased/discounted/negotiated.
    ii. Advances against bills for collection.
    iii. Advances against duty drawback receivable from Government.

- **Liquidation of Post Shipment Credit :** Post-shipment credit is to be liquidated by:
  - ✓ The proceeds of export bills received from abroad in respect of goods exported / services rendered.
  - ✓ It can also be repaid / prepaid out of balances in Exchange Earners Foreign Currency Account (EEFC A/C.
  - ✓ From proceeds of any other unfinanced (collection) bills.
  - ✓ In order to reduce the cost to exporters (i.e. interest cost on overdue export bills), exporters with overdue export bills may also extinguish their overdue post shipment rupee export credit from their rupee resources. However, the corresponding GR form will remain outstanding and the amount will be shown outstanding in XOS statement. The exporter's liability for realisation would continue till the export bill is realised.
- **PERIOD :**
  - In the case of demand bills, the period of advance shall be the Normal Transit Period (NTP) as specified by FEDAI.
  - In case of usance bills, credit can be granted for a maximum duration of 365 days from date of shipment inclusive of Normal Transit Period (NTP) and grace period, if any.
  - **'Normal transit period'** means the average period normally involved from the date of negotiation / purchase / discount till the receipt of bill proceeds in the Nostro account of the bank concerned, as prescribed by FEDAI from time to time. It is not to be confused with the time taken for the arrival of goods at overseas destination.
- **Overdue Bill :**
  - in the case of a demand bill, is a bill which is not paid before the expiry of the normal transit period, plus grace period and
  - in the case of a usance bill, is a bill which is not paid on the due date

- **Advance against undrawn Balances of Export Bills :** In respect of export of certain commodities where exporters are required to draw the bills on the overseas buyer upto 90 to 98 percent of the FOB value of the contract, the residuary amount being 'undrawn balance' is payable by the overseas buyer after satisfying himself about the quality/ quantity of goods. Payment of undrawn balance is contingent in nature. Banks may consider granting advances against undrawn balances based on their commercial judgement and the track record of the buyer.
- **Post shipment advance against Duty Drawback Entitlements :** Banks may grant post-shipment advances to exporters against their duty drawback entitlements and covered by ECGC guarantee as provisionally certified by Customs Authorities pending final sanction and payment.

- The advance against duty drawback receivables can also be made available to exporters against export promotion copy of the shipping bill containing the EGM Number issued by the Customs Department. Where necessary, the financing bank may have its lien noted with the designated bank and arrangements may be made with the designated bank to transfer funds to the financing bank as and when duty drawback is credited by the Customs.

➢ **ECGC Whole Turnover Post-Shipment Guarantee Scheme :** The Whole Turnover Post-shipment Guarantee Scheme of the (ECGC) Ltd provides protection to banks against non-payment of post-shipment credit by exporters. The salient features of the scheme may be obtained from ECGC Ltd.

- As the post-shipment guarantee is mainly intended to benefit the banks, the cost of premium in respect of the Whole Turnover Post-shipment Guarantee born by banks, whereas pre-shipment gurantee premium born by Exporter.

RENEWAL OF ECIB (EXPORT CREDIT INSURANCE FOR BANKS) WT-PC AND WT-PS (BOD Circular:ADV/ 265 */18-19, dated 09.08.2018)*

➢ **Earlier our Bank** had chosen payment of advance premium for Pre- shipment and Post-shipment (excluding LC Bills)Export Advances to cover with ECGC under Export Credit Insurance for Banks. **Now, Our Bank has proposed to issue Bank Guarantee in lieu of advance premium for the ECGC from 01.07.2018 to 30.06.2019 and for the forthcoming years also on the following:**

- ✓ Banks need not part with funds and keep as deposit with ECGC.
- ✓ Bank Branch need not have to monitor the requirement of Advance premium, periodically.
- ✓ Claim may not be repudiated for want of Advance premium.
- ✓ Outlay of advance premium paid cannot be determined and also cannot be appropriated at any point of time.
- ✓ Avoid the possibility of obscurity to remit one month advance premium for new connections.

- **Advance premium should not be paid,** however premium is to be paid on the average daily product (ADP)and should be remitted on or before the last working day of the subsequent month to the respective ECGC.

Prepared by: Shri Ranjay Kumar Jha
Vetted by: Shri Hemant Kumar

- **ECIB- WTPC & WTPS of our Bank have been renewed as under:-**

PARTICULARS	WT-PC		WT-PS	
Period	01.07.2019 to 30.06.2020		01 .07.2019 to 30.06.2020	
Inclusion	**SSE/MSME, OBU & Govt. PSU**		**SSE/MSME, Associates Govt. PSU & OBU**	
Exclusion	**NIL**		**LC**	
Premium Rate	**6.50 Paise Per Rsl00.00**		***9.50* Paise Per Rs.100.00**	
Percentage Cover	For SSE For Others upto SL Beyond SL	90% 75% 65%	PH Up to SL-NPH Beyond SL-NPH Associate-PH Associate-NPH	95% 75% 65% 60% 50%

- The following advances are covered under ECIB:-
  - ✓ SSI/MSME Units and Offshore Banking Units are covered under the ECIB.
  - ✓ Advances granted to Government Companies, Central PSUs, State PSUs are included at our Bank's request since 2017-2018.
- The following advances are not covered under ECIB:-
  - ❖ Advances granted for exports made on deferred terms of payment, turnkey projects, construction works and service contracts.
  - ❖ Advances granted to exporters against their export entitlements like CCS (Cash Compensatory Support), Duty Draw back etc., at pre shipment stage.
  - ❖ Advances granted against Letter of Credit (L/C) (WT-PS)
  - ❖ The cover for Gem, Jewellery & Diamond (GJD) sector with effect from 01.03.2014. However, cover continues to be available for the advances granted against limits sanctioned prior to 01.03.2014.

➢ **Deemed Exports-Rupee Export Credit:-**"Deemed Exports" for the purpose of this FTP (Foreign Trade Policy) refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange.

- Banks are permitted to extend rupee pre-shipment and post-shipment rupee export credit.
- Banks may also extend rupee:-
  - (i) pre-shipment credit, and
  - (ii) post-supply credit (for a maximum period of 30 days or upto the actual date of payment by the receiver of goods, whichever is earlier)
- The post-supply advances would be treated as overdue after the period of 30 days. In cases where such overdue credits are liquidated within a period of 180 days from the notional due date (i.e. before 210 days from the date of advance), the banks are required to charge, for such extended period, interest prescribed for the category 'ECNOS' (Export Credit Not Classified Else Where) at post-shipment stage. If the bills are not paid within the aforesaid period of 210 days, banks should

charge from the date of advance, the rate prescribed for 'ECNOS'-post-shipment.

EXPORT CREDIT IN FOREIGN CURRENCY :-

PRE-SHIPMENT IN FOREIGN CURRENCY(PCFC): Authorized dealers have been permitted to extend pre-shipment Credit in Foreign Currency (PCFC) to exporters for domestic and imported inputs of exported goods at LIBOR/EURO LIBOR/EURIBOR related rates of interest.

- The exporter will have the following options to avail of export finance:
  a. to avail of pre-shipment credit in rupees and then the post-shipment credit either in rupees or discounting/ rediscounting of export bills under EBR **(Rediscounting of Export Bills Abroad)** Scheme.
  b. to avail of pre-shipment credit in foreign currency and discount/ rediscounting of the export bills in foreign currency under EBR Scheme.
  c. to avail of pre-shipment credit in rupees and then convert drawals into PCFC at the discretion of the bank.

- **SOURCES OF FUNDS FOR BANKS :-**
  - Foreign currency balances available with the bank in Exchange Earners Foreign Currency (EEFC) Accounts, Resident Foreign Currency Accounts RFC(D) and Foreign Currency (Non-Resident) Accounts could be utilised for financing the pre-shipment credit in foreign currency.
  - Foreign currency balances available under Escrow Accounts and Exporters Foreign Currency Accounts for the purpose,

- **Period of Credit :**
  - The PCFC will be available for a maximum period of 360 days.
  - If no export takes place within 360 days, the PCFC will be adjusted at T.T. selling rate for the currency concerned.
  - For extension of PCFC within 180 days, banks are free to determine the interest rates.

POST SHIPMENT EXPORT CREDIT IN FOREIGN CURRENCY :

REDISCOUNTING OF EXPORT BILL ABROAD SCHEME(EBR):-

- Banks may utilise the foreign exchange available in Exchange Earners Foreign Currency Accounts (EEFC), Resident Foreign Currency Accounts (RFC), Foreign Currency (Non-Resident) Accounts (Banks) Scheme, to discount usance bills and retain them in their portfolio without resorting to rediscounting. Banks are also allowed to rediscount export bills abroad at rates linked to international interest rates at post-shipment stage.

- Banks may arrange a **"Bankers Acceptance Facility" (BAF**) for rediscounting the export bills without any margin and duly covered by collateralised documents.

- **ELIGIBILITY CRITERIA :-**
  - The Scheme will cover mainly export bills with usance period upto 180 days from the date of shipment (inclusive of normal transit period and grace period, if any).
  - In case borrower is eligible to draw usance bills for periods exceeding 180 days as per the extant instructions of FED, Post-shipment Credit under the EBR may be provided beyond 180 days.

CUSTOMER SERVICE AND SIMPLIFICATION OF PROCEDURES :-

- **Gold Card Scheme for Exporters :**

  - All creditworthy exporters, including those in small and medium sectors, with good track record would be eligible for issue of Gold Card by individual banks as per the criteria to be laid down by the latter.
  - Gold Card under the Scheme may be issued to all eligible exporters including those in the small and medium sectors who satisfy the laid down conditions
  - The scheme will not be applicable for exporters blacklisted by ECGC or having overdue bills in excess of 10% of the previous year's turnover
  - Gold Card holder exporters, depending on their track record and credit worthiness, will be granted better terms of credit including rates of interest than those extended to other exporters by the banks.
  - Applications for credit will be processed at norms simpler and under a process faster than for other exporters.
  - In-principle' limits will be sanctioned for a period of 3 years with a provision for automatic renewal subject to fulfillment of the terms and conditions of sanction.
  - A stand-by limit of not less than 20 per cent of the assessed limit may be additionally made available to facilitate urgent credit needs for executing sudden orders. In the case of exporters of seasonal commodities, the peak and off-peak levels may be appropriately specified.
  - Requests from card holders would be processed quickly by banks within 25 days / 15 days and 7 days for fresh applications / renewal of limits and ad hoc limits, respectively.
  - Gold Card holders would be given preference in the matter of granting of packing credit in foreign currency.

- Banks would consider waiver of collaterals and exemption from ECGC guarantee schemes on the basis of card holder's creditworthiness and track record.
- The facility of further value addition to their cards through supplementary serviceslike ATM, Internet banking, International debit / credit cards may be decided by the issuing banks.
- Gold Card holders, on the basis of their track record of timely realization of export bills, will be considered for issuance of foreign currency credit cards for meeting urgent payment obligations, etc.
- Banks may ensure that the PCFC requirements of the Gold Card holders are met by giving them priority over non-export borrowers with regard to granting loans out of their FCNR (B) funds, etc.

TIME LIMIT FOR SANCTION OF EXPORT CREDIT PROPOSAL :

- The sanction of fresh/enhanced export credit limits should be made within 45 days from the date of receipt of credit limit application with the required details/information supported by requisite financial/operating statements. In case of renewal of limits and sanction of ad hoc credit facilities, the time taken by banks should not exceed 30 days and 15 days respectively, other than for Gold Card holders.
- No additional interest is to be charged in respect of ad hoc limits granted by way of pre-shipment/post-shipment export credit.
- All rejections of export credit proposals should be brought to the notice of the Chief Executive of the bank explaining the reasons for rejection.
- The export credit limits should be excluded for bifurcation of the working capital limit into loan and cash credit components.
- It is necessary to submit a review note at quarterly intervals to the Board on the position of sanction of credit limits to exporters. The note may cover among other things, number of applications (with quantum of credit) sanctioned within the prescribed time-frame, number of cases sanctioned with delay and pending sanction explaining reasons therefor
- Banks provide 'Line of Credit' normally for one year which is reviewed annually. In case of delay in renewal, the sanctioned limits should be allowed to continue uninterrupted and urgent requirements of exporters should be met on ad hoc basis
- In case of established exporters having satisfactory track record, banks should consider sanctioning a 'Line of Credit' for a longer period, say, 3 years, with in-built flexibility to step-up/step-down the quantum of limits within the overall outer limits assessed.
- In case of export of seasonal commodities, agro-based products, etc., banks should sanction Peak/Non-peak credit facilities to exporters.
- Banks should permit interchangeability of pre-shipment and post- shipment credit limits.

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Vetted by: Shri Hemant Kumar

- Term Loan requirements for expansion of capacity, modernization of machinery and up gradation of technology should also be met by banks at their normal rate of interest.
- Banks should not insist on submission of export order or LC for every disbursement of pre-shipment credit, from exporters with consistently good track-record. Instead, a system of periodical submission of a statement of LCs or export orders in hand should be introduced.
- Banks should consider reducing at least some of the intervening layers in the sanctioning process. It would be desirable to ensure that the total number of layers involved in decision-making in regard to export finance does not exceed three.
- exports from India should also be accompanied by the KPC to the effect that no conflict/ rough diamonds have been used in the process. The KPCs would be verified/validated in the case of imports/ exportsby the Gem and Jewellery Export Promotion Council.

(Ref: Interest Equalization Scheme for Pre & Post Harvest Rupee Export Credit, RBI circular no. DBR.Dir.BC.No. 62/04.02.001/2015-16 dated 04.12.2015, DBR.Dir.BC.no. 09/04.02.001/2018-19 dated 29.11.2018, DBR.Dir.BC. No. 22/04.02.001/2018-19 dated 11.01.2019)

- The Government has approved the Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit with effect from 1st April, 2015 for 5 years. w.e.f. January 2, 2019, merchant exporters are also included.
- The details of the Scheme are as follows:
  - The rate of interest equalisation @ 3% per annum will be available on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit.
  - **w.e.f. November 02, 2018** Interest Equalisation rate is **5%** in respect of exports by the **Micro, Small & Medium Enterprises (MSME)** sector manufacturers under the Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit.
  - Scheme would be available to **merchant exporters w.e.f. 2nd January 2019** with Interest Equalisation at 3%.
  - Banks are required to completely pass on the benefit of interest equalisation, as applicable, to the eligible exporters upfront and submit the claims to RBI for reimbursement, duly certified by the external auditor.
  - Ministry of Commerce and Industry will place funds in advance with RBI for a requirement of one month and reimbursement would be made on a monthly basis through a revolving fund system.

Prepared by: Shri Ranjay Kumar Jha
Vetted by: Shri Hemant Kumar

FEDAI RULES

(FEDAI RULES W.E.F. 1ST APRIL, 2019)

RULE 1: HOURS OF BUSINESS FOR QUOTING FX RATES :

- The exchange trading hours for INR/FCY transactions in Inter-bank forex market in India would be from 9.00 a.m. to 5.00 p.m. No customer transaction for INR/FCY should be undertaken by the Authorised Dealers after 4.30 p.m. on all working days.
- For the purpose of Foreign Exchange business, Saturday will not be treated as a working day.
- **"Known holiday"** is one which is known at least 3 working days before the date. A holiday that is not a "known holiday" is defined as a **"suddenly declared holiday".**
- **Note: Suppose days 1, 2, 3 and 4 are all working days.**

  If day 4 is declared as a holiday on or after day 1, it will be a suddenly declared holiday.

  If day 4 is declared as a holiday prior to day 1, it would be a known holiday.

RULE 2 : EXPORT TRANSACTIONS :-

- **Application of Exchange Rate :** Foreign Currency bills will be purchased/discounted/negotiated at the Authorised Dealer.s current bill buying rate or contracted rate. Interest for the normal transit period and/or usance period shall be recovered upfront simultaneously.
- For crystallisation into Rupee liability, the Authorised Dealer shall apply its **TT selling** rate of exchange. The amount recoverable, thereafter, shall be the crystallised Rupee amount along with interest and charges, if any.
- Interest shall be recovered on the date of crystallisation for the overdue period at the appropriate rate; and thereafter till the date of recovery of the crystallized amount.
- After receipt of advice of realisation, the authorised dealer will apply **TT buying rate** or contracted rate (if any) to convert foreign currency proceeds.In case of dishonour of a bill before crystallisation, the bank shall recover;

  I) Rupee equivalent amount of the bill and foreign currency charges at TT selling rate.

  ii) Appropriate interest and rupee denominated charges

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Vetted by: Shri Hemant Kumar

- In case of early realisation, interest for the unexpired period shall be refunded to the customer. The bank shall also pay or recover notional swap cost as in the case of early delivery under a forward contract.

NORMAL TRANSIT PERIOD :

- **Fixed Due Date** : In the case of export usance bills, where due dates are fixed or are reckoned from date of shipment or date of bill of exchange etc, the actual due date is known. Therefore in such cases, normal transit period is not applicable.
- **Bills drawn on DP / At Sight basis and not under Letter of Credit (LC)**
  (i) Bills in Foreign currency - 25 days
  (ii) Bills in Rupees and not under LC - 20 days
- In case of extending finance beyond above prescribed NTP, maximum period is restricted up to 90 days from the date of shipment.
- Export to country under UN guidelines - 120 days
- **Bills drawn in Rupees under L/C :**
  - Reimbursement provided at centre of negotiations - 3 days
  - Reimbursement provided in India at centre different from centre of negotiation - 7 days
  - Reimbursement provided by Bank outside India - 20 days
  - Export to Russia where reimbursement provided by RBI - 20 days
- **TT reimbursement under Letters of Credit(L/C) :**
  - Where L/C provides for reimbursement by electronic means - 5days
  - Where L/C provided reimbursement claim after certain number of days from the date of negotiation - 5 days + this additional period.

RULE 3: IMPORT TRANSACTIONS:-

- **Application of Exchange Rate :**

(a) Retirement of Import Bills	Exchange rate as per hedge contract, if hedge contract is in place. Prevailing Bills Selling rate, in case there is no hedge contract
(b) Crystallization of Import Bill	me as above
(c) For determination of stamp duty on Import Bills	As per exchange rate provided by the authority concerned.

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Vetted by: Shri Hemant Kumar

RULE 4: CLEAN INSTRUMENTS :-

- Outward remittance shall be effected at TT selling rate of the bank ruling on that date or at the Fx contract rate.
- Foreign currency travelers. cheques, currency notes, foreign currency in prepaid card, debit/credit card will be encashed at Authorised Dealer.s option at the appropriate buying rate ruling on the date of encashment.
- The applicable exchange rate for conversion of the foreign currency inward remittance shall be TT buying rate or the contracted rate as the case may be.
- Authorised Dealers shall pay or send intimation, as the case may be, to the beneficiary in two working days from the date of receipt of credit advice / Nostro statement. On receipt of disposal instruction complying with guidelines, required documents from the beneficiary the Bank shall transfer funds for the credit of beneficiary.s account immediately but not exceeding two business days from date of such receipt.
- In case of delay, the bank shall pay the beneficiary interest @ 2 % over its savings bank interest rate. The bank shall also pay compensation for adverse movement of exchange rate, if any, as per its compensation policy specifying the reference rate and date applicable for calculating such exchange loss.
- In case, the beneficiary does not respond within five working days from receipt of credit intimation as above, the bank shall initiate action to crystallize the remittance;
- **Transfer of funds between VOSTRO Accounts with two Banks(w.e.f. 1st April, 2013):**
  - The bank carrying out interbank Vostro transfer by RTGS should mention in the "Remark" column of the RTGS message, a statement to the following effect – "We undertake to send form A3 separately".
  - It is decided to fix time limit of 5 working days for receipt of form A3 at beneficiary bank.s end. Delay beyond 5 days would attract penalty on the remitting bank.
  - In case, beneficiary bank does not get form A3 within 5 working days, they must lodge a claim with the remitting bank within 15 days, from the date of transfer of funds. Remitting bank should ensure that Form A3 reaches the beneficiary bank promptly thereafter.
  - Remitting bank would be required to pay beneficiary bank penalty at the rate of Rs. 1000/- per day for the period in excess of 5 days from the date of transfer of funds, till the form A3 reaches the beneficiary bank.
  - If beneficiary bank lodges the claim after 15 days from the date of transfer of funds, the claim amount will be capped at Rs. 10,000/-

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Vetted by: Shri Hemant Kumar

- In case of any dispute between the banks, the matter may be referred to FEDAI. FEDAI will appoint a sub-committee of 3 members from the Managing Committee and give directions to the parties concerned.

RULE 5: FOREIGN EXCHANGE CONTRACT :-

- Unless the date of delivery is fixed and indicated in the contract, option period may be specified at the discretion of the customer subject to the condition that such option period of delivery shall not extend beyond one month.
- If the fixed date of delivery or the last date of delivery option is a known holiday; the last date for delivery shall be the preceding working day.
- In case of suddenly declared holidays, the contract shall be deliverable on the next working day. Contracts permitting option of delivery must state the first & last dates of delivery.
- “Ready” or “Cash” merchant contract is deliverable on the same day.
- “Value next day” contract shall be deliverable on the working day immediately succeeding the contract date.
- A spot contract shall be deliverable on second succeeding working day following the contract date.
- A forward contract is a contract deliverable at a future date, beyond Spot Date. Duration of the contract being computed from spot value date at the time of transaction.
- All contracts shall be understood to read “to be delivered or paid for at the Bank” and “at the named place”. In case of bills/documents negotiated, purchased or discounted - the date of negotiation/purchase/ discount and payment of Rupees to the customer. However, in case the documents are submitted earlier to, or later than the original delivery date, or for a different usance, the bank may treat it as proper delivery, provided there is no change in the expected date of realisation of foreign currency calculated at the time of booking of the contract. No early realisation or late delivery charges shall be recovered in such cases.
- The exchange rate shall be quoted in direct terms i.e. so many Rupees and Paise for 1 unit or 100 units of foreign currency.
- Settlement of all merchant transactions may be effected by rounding off rupee amount or in actual paise, as per the banks own policy.

RULE 6: EARLY DELIVERY, EXTENSION AND CACELLATION OF FOREIGN EXCHANE CONTRACT :

- **Rate at which cancellation is to be effected :-**

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Vetted by: Shri Hemant Kumar

- Purchase contracts shall be cancelled at TT selling rate of the contracting Authorised Dealer.
- Sale contracts shall be cancelled at TT buying rate of the contracting Authorised Dealer.
- Where the contract is cancelled before maturity, the appropriate forward TT rate shall be applied.

RULE 7: BUSINESS THROUGH INTERMEDIARIES

RULE 8: INTERBANK SETTLEMENT :-

➢ In the event of late delivery of any currency (including Indian Rupee) in foreign exchange contract, interest for the number of days of delay (regardless of the causes for delay) shall be payable by the seller-bank. The interest for the overdue period shall be payable at the rate of 2% over the benchmark rate of the currency concerned. The benchmark rates for the currencies are listed below:-

1. INR - FBIL, MIBOR OVERNIGHT RATE
2. STG - BASE RATE OF BARCLAYS BANK
3. USD - PRIME RATE OF CITIBANK N.A.
4. EUR- MARGINAL LENDING FACILITY RATE OF EUROPEAN CENTRAL BANK
5. JPY - PRIME RATE OF BANK OF TOKYO- MITSUBISHI UFJ LD
6. CHF - 3 MONTHS RATE OF SWISS NATIONAL BANK
7. CAD - PRIME RATE OF BANK OF NOVA SCOTIA

➢ In case of transactions in currencies not mentioned above, the seller bank shall pay interest at 2% over notional overdraft rate payable by the buyer bank.The rate of interest applied would be the average rate based on rates on each day of delay.

➢ **Time limit for claim of delay :** The claim for the delay in receipt of funds by the buyer bank should be made within 15 working days from the due date of the contract. The seller bank in such a case shall be liable to pay interest for the full period of delay. If the claim is not made within 15 working days, the interest will be payable by the selling bank for the maximum period of 60 days only.

➢ **Time Limit for settlement of claim :** The selling bank has to settle the claim (with interest for overdue period, as above) within 15 working days from the date of receipt of claim.

- If a claim is not settled within 15 working days, the seller bank will be required to pay interest at the rate mentioned in above for the entire overdue period. The cap of 60 days for interest payment as mentioned in above will not apply in such cases.

- **Deliberate Default :** In case the claim is not settled within 60 days from the date of lodgment of claim, the matter may be referred to FEDAI for final decision, which shall be binding on both the banks concerned**. The matter would be examined by the Managing Committee of FEDAI or any other Sub-Committee appointed for this purpose by the Managing Committee. The said committee of FEDAI will decide about penalty on the defaulting bank.**

- **Wrong Delivery of Funds :** In case, a seller bank delivers funds to the account other than the notified account of the buyer bank, it shall compensate the buyer in terms of the above rules.

- **Settlement date change :**
  - When Maturity Date of a Fx contract falls on a month end and the said day is declared as a holiday subsequently, the settlement should be preponed to preceding working day, if the said day is "known holiday".
  - In all other cases, if the maturity date is declared as a holiday subsequently, the settlement date should be postponed to the next working day.

UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDIT (UCPDC 600)

- **UCP 600 comes into effect on 01 July 2007**
- **Article 1 :** Application of UCP
- **Article 2 :** Definition
- **Article 3 : Interpretation**
  - Where applicable, words in the singular include the plural and in the plural include the singular
  - A credit is irrevocable even if there is no indication to that effect
  - A document may be signed by handwriting, facsimile signature, perforated signature, stamp, symbol or any other mechanical or electronic method of authentication.
  - Branches of a bank in different countries are considered to be separate banks.
  - Unless required to be used in a document, words such as "prompt", "immediately" or "as soon as possible" will be disregarded.
  - The expression "on or about" or similar will be interpreted as a stipulation that an event is to occur during a period of five calendar days before until five calendar days after the specified date, both start and end dates included.
  - The words "to", "until", "till", "from" and "between" when used to determine a period of shipment include the date or dates mentioned, and the words "before" and "after" exclude the date mentioned.
  - The words "from" and "after" when used to determine a maturity date exclude the date mentioned.
  - The terms "first half" and "second half" of a month shall be construed respectively as the 1st to the 15th and the 16th to the last day of the month, all dates inclusive.
  - The terms "beginning", "middle" and "end" of a month shall be construed respectively as the 1st to the 10th, the 11th to the 20th and the 21st to the last day of the month, all dates inclusive.
- **ARTICE 4 : CREDIT V. CONTRACTS :**
- **ARTICLE 5 : DOCUMENTS V. GOODS, SERVICES OR PERFORMANCE**
  - Banks deal with documents and not with goods, services or performance to which the documents may relate.

- **ARTICLE 6: AVAILABILITY, EXPIRY DATE AND PLACE FOR PRESENTATION**
  - A credit must state the bank with which it is available or whether it is available with any bank. A credit available with a nominated bank is also available with the issuing bank.
  - A credit must state whether it is available by sight payment, deferred payment, acceptance or negotiation.
  - Except as provided in sub-article 29 (a), a presentation by or on behalf of the beneficiary must be made on or before the expiry date.

- **ARTICLE 7: ISSUING BANK GUARANTEE:**
- **ARTICLE 8: CONFIRMING BANK UNDERTAKING:**
  - Provided that the stipulated documents are presented to the confirming bank or to any other nominated bank and that they constitute a complying presentation, the confirming bank must:
    i. honour, if the credit is available by
- **ARTICLE 9: ADVISING OF CREDITS AND AMENDMENTS :-**
  - By advising the credit or amendment, the advising bank signifies that it has satisfied itself as to the apparent authenticity of the credit or amendment and that the advice accurately reflects the terms and conditions of the credit or amendment received.
  - A bank utilizing the services of an advising bank or second advising bank to advise a credit must use the same bank to advise any amendment thereto
  - If a bank is requested to advise a credit or amendment but elects not to do so, it must so inform, without delay, the bank from which the credit, amendment or advice has been received.
- **ARTICLE 10: AMENDMENTS :-**
  - Except as otherwise provided by article 38, a credit can neither be amended nor cancelled without the agreement of the issuing bank, the confirming bank, if any, and the beneficiary.
- **ARTICLE 11: Teletransmitted and Pre-Advised Credits and Amendments**
- **ARTICLE 12: NOMINATION**
- **ARTICLE 13: Bank-to-Bank Reimbursement Arrangements**
- **ARTICLE 14 : Standard for Examination of Documents**
  - A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank shall each have a maximum of five banking days following the day of presentation to determine if a presentation is complying. This period is not curtailed or otherwise affected by the occurrence on or after the date of presentation of any expiry date or last day for presentation.
- **ARTICLE 15: COMPLYING PRESENTATION**
- **ARTICLE 16: DISCREPANT DOCUMENTS, WAIVER AND NOTICE :**
- **ARTICLE 17: ORIGINAL DOCUMENTS AND COPIES**
- **ARTICLE 18: COMMERCIAL INVOICE**

- **ARTICLE 19: TRANSPORT DOCUMENTS COVERING AT LEAST TWO DIFFERENT MODES OF TRANSPORT**
- **ARTICLE 20: BILL OF LADING**
- **ARTICLE 21: NON-NEGOTIABLE SEA WAYBILL**
- **ARTICLE 22: CHARTER BILL OF LADING**
- **ARTICLE 23: AIR TRANSPORT DOCUMENTS**
- **ARTICLE 24: ROAD, RAIL OR INLAND WATERWAY TRANSPORT DOCUMENTS**
- **ARTICLE 25: COURIER RECEIPT, POST RECEIPT OR CERTIFICATE OF POSTING**
- **ARTICLE 26: On Deck", "Shipper's Load and Count", "Said by Shipper to Contain" and Charges Additional to Freight**

  - A transport document must not indicate that the goods are or will be loaded on deck. A clause on a transport document stating that the goods may be loaded on deck is acceptable.
  - A transport document bearing a clause such as "shipper's load and count" and "said by shipper to contain" is acceptable
  - A transport document may bear a reference, by stamp or otherwise, to charges additional to the freight.

- **ARTICLE 27: CLEAN TRANSPORT DOCUMENTS**
  - A bank will only accept a clean transport document. A clean transport document is one bearing no clause or notation expressly declaring a defective condition of the goods or their packaging. The word "clean" need not appear on a transport document, even if a credit has a requirement for that transport document to be "clean on board".
- **ARTICLE 28: INSURANCE DOCUMENTS AND COVERAGE**
- **ARTICLE 29 :**
  - If the expiry date of a credit or the last day for presentation falls on a day when the bank to which presentation is to be made is closed for reasons other than those referred to in article 36, the expiry date or the last day for presentation, as the case may be, will be extended to the first following banking day.
  - If presentation is made on the first following banking day, a nominated bank must provide the issuing bank or confirming bank with a statement on its covering schedule that the presentation was made within the time limits extended in accordance with sub-article 29 (a).
  - The latest date for shipment will not be extended as a result of sub-article 29 (a).

- **ARTICLE 30: Tolerance in Credit Amount, Quantity and Unit Prices**
  - The words "about" or "approximately" used in connection with the amount of the credit or the quantity or the unit price stated in the credit are to be construed as allowing a tolerance not to exceed 10%

more or 10% less than the amount, the quantity or the unit price to which they refer.

- A tolerance not to exceed 5% more or 5% less than the quantity of the goods is allowed, provided the credit does not state the quantity in terms of a stipulated number of packing units or individual items and the total amount of the drawings does not exceed the amount of the credit.
- Even when partial shipments are not allowed, a tolerance not to exceed 5% less than the amount of the credit is allowed, provided that the quantity of the goods, if stated in the credit, is shipped in full and a unit price, if stated in the credit, is not reduced or that sub-article 30 (b) is not applicable. This tolerance does not apply when the credit stipulates a specific tolerance or uses the expressions referred to in sub-article 30(a).

➢ **ARTICLE 31: PARTIAL DRAWING OR SHIPMENTS:**

➢ **ARTICLE 32: INSTALMENT DRAWING OR SHIPMENTS**

- If a drawing or shipment by instalments within given periods is stipulated in the credit and any instalment is not drawn or shipped within the period allowed for that instalment, the credit ceases to be available for that and any subsequent instalment

➢ **ARTILCE 33: HOURS OF PRESENTATION:**

- A bank has no obligation to accept a presentation outside of its banking hours

➢ **ARTICLE 34: Disclaimer on Effectiveness of Documents**

- A bank assumes no liability or responsibility for the form, sufficiency, accuracy, genuineness, falsification or legal effect of any document, or for the general or particular conditions stipulated in a document or superimposed thereon; nor does it assume any liability or responsibility for the description, quantity, weight, quality, condition, packing, delivery, value or existence of the goods, services or other performance represented by any document, or for the good faith or acts or omissions, solvency, performance or standing of the consignor, the carrier, the forwarder, the consignee or the insurer of the goods or any other person.

➢ **ARTICLE 35: DISCLAIMER ON TRANSMISSION AND TRANSLATION:**

- A bank assumes no liability or responsibility for the consequences arising out of delay, loss in transit, mutilation or other errors arising in the transmission of any messages or delivery of letters or documents, when such messages, letters or documents are transmitted or sent according to the requirements stated in the credit, or when the bank may have taken the initiative in the choice of the delivery service in the absence of such instructions in the credit.

- If a nominated bank determines that a presentation is complying and forwards the documents to the issuing bank or confirming bank, whether or not the nominated bank has honoured or negotiated, an issuing bank or confirming bank must honour or negotiate, or reimburse that nominated bank, even when the documents have been lost in transit between the nominated bank and the issuing bank or confirming bank, or between the confirming bank and the issuing bank.
- A bank assumes no liability or responsibility for errors in translation or interpretation of technical terms andmay transmit credit terms without translating them

➢ **<u>ARTICLE 36: FORCE MAJEURE:</u>**

- A bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by Acts of God, riots, civil commotions, insurrections, wars, acts of terrorism, or by any strikes or lockouts or any other causes beyond its control.
- A bank will not, upon resumption of its business, honour or negotiates under a credit that expired during such interruption of its business.

➢ **<u>ARTICLE 37: DISCLAIMER FOR ACTS OF AN INSTRUCTED PARTY</u>**

➢ **<u>ARTICLE 38: TRANSFERABLE CREDIT</u>**

- Transferable credit means a credit that specifically states it is "transferable". A transferable credit may be made available in whole or in part to another beneficiary ("second beneficiary") at the request of the beneficiary ("first beneficiary").
- A transferred credit cannot be transferred at the request of a second beneficiary to any subsequent beneficiary. The first beneficiary is not considered to be a subsequent beneficiary
- If a credit is transferred to more than one second beneficiary, rejection of an amendment by one or more second beneficiary does not invalidate the acceptance by any other second beneficiary, with respect to which the transferred credit will be amended accordingly. For any second beneficiary that rejected the amendment, the transferred credit will remain unamended.

• **<u>ARTICLE 39: ASSIGNMENT OF PROCEEDS</u>**

- The fact that a credit is not stated to be transferable shall not affect the right of the beneficiary to assign any proceeds to which it may be or may become entitled under the credit, in accordance with the provisions of applicable law. This article relates only to the assignment of proceeds and not to the assignment of the right to perform under the credit.

COMPOUNDING OF CONTRAVENTIONS UNDER FEMA

(Master Direction on Compounding of Contraventions under FEMA,1999 dated Jan 1, 2006 last updated as on April 04, 2019)

- In terms of Section 15 of the FEMA 1999, any contravention under section 13 of FEMA 1999 may, on an application made by the person committing such contravention, be compounded within one hundred and eighty days from the date of receipt of application by the officers of the Reserve Bank as may be authorized in this behalf by the Central Government in such manner as may be prescribed.
- In terms of Section 13(1), if any person contravenes any provision of FEMA, 1999, or any rule, regulation, notification, direction or order issued in exercise of the powers under this Act, or contravenes any condition subject to which an authorization is issued by the Reserve Bank, he shall, upon adjudication, be liable to a penalty up to thrice the sum involved in such contravention where the amount is quantifiable or up to Rupees Two lakhs, where the amount is not directly quantifiable and where the contravention is a continuing one, further penalty which may extend to Rupees Five thousand for every day after the first day during which the contravention continues.
- in case where the sum involved in such contravention is ten lakhs rupees or below, by the Assistant General Manager of the Reserve Bank of India;
- in case where the sum involved in such contravention is more than rupees ten lakhs but less than rupees forty lakhs, by the Deputy General Manager of Reserve Bank of India;
- in case where the sum involved in the contravention is rupees forty lakhs or more but less than rupees hundred lakhs by the General Manager of Reserve Bank of India;
- in case the sum involved in such contravention is rupees one hundred lakhs or more, by the Chief General Manager of the Reserve Bank of India

(Extract of FTP 2015-20)

- DGFT is implementing the **Niryat Bandhu** Scheme for mentoring new and potential exporter on the intricacies of foreign trade through counselling, training and outreach programmes.

- **TOWN EXPORT EXCELLENCE: Objective:** Development and growth of export production centres. A number of towns have emerged as dynamic industrial clusters contributing handsomely to India's exports. It is necessary to grant recognition to these industrial clusters with a view to maximize their potential and enable them to move up the value chain and also to tap new markets.

- Selected towns producing goods of Rs. 750 Crore or more may benotified as TEE based on potential for growth in exports. However, for TEE in Handloom, Handicraft, Agriculture and Fisheries sector, threshold limit would be Rs.150 Crore.

- **Indian Trade Classification (Harmonized System)[ITC (HS)]** : ITC (HS) is a compilation of codes for all merchandise / goods for export/ import. Goods are classified based on their group or sub-group at 2/4/6/8 digits. ITC (HS) is aligned at 6 digit level with international Harmonized System goods nomenclature maintained by World Customs Organization (http://www.wcoomd.org). However, India maintains national Harmonized System of goods at 8 digit level which may be viewed by clicking on 'Downloads' at http://dgft.gov.in.

- **An IEC(Importer and Exporter Code)** is a 10-character alpha-numeric number allotted to a person that is mandatory for undertaking any export/import activities. With a view to maintain the unique identity of an entity (firm/company/LLP etc.), consequent upon introduction / implementation of GST, IEC will be equal to PAN and will be separately issued by DGFT based on an application. Application for obtaining IEC may be filed online in ANF 2A with applicable fees and submitted with digital signature.

- STATUS CATEGORY:-

Status Category	Export Performance FOB/FOR(as converted) Value (In US $ miiion)
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

- **Grant of Double Weightage:** The exports by IEC holders under the following categories shall be granted double weightage for calculation of export performance for grant of status.

  - Micro, Small & Medium Enterprises (MSME) as defined in Micro, Small & Medium Enterprises Development (MSMED) Act 2006.
  - Manufacturing units having ISO/BIS.
  - Units located in North Eastern States including Sikkim and Jammu & Kashmir.
  - Units located in Agri Export Zones.

- **Double Weightage** shall be available for grant of **One Star Export House Status category only**. Such benefit of double weightage shall not be admissible for grant of status recognition of other categories namely Two Star Export House, Three Star Export House, Four Star export House and Five Star Export House.

- **Privileges of Status Holder:** A Status Holder shall be eligible for privileges as under:

  - Authorisation and Customs Clearances for both imports and exports may be granted on self-declaration basis;
  - Input-Output norms may be fixed on priority within 60 days by the Norms Committee ;Special scheme in respect of Input Output Norms to be notified by DGFT from time to time, for specified status holder.
  - Exemption from furnishing of Bank Guarantee for Schemes under FTP, unless specified otherwise anywhere in FTP or HBP;
  - Exemption from compulsory negotiation of documents through banks. Remittance / receipts, however, would be received through banking channels;
  - Two star and above Export houses shall be permitted to establish Export Warehouses as per Department of Revenue guidelines.
  - Three Star and above Export House shall be entitled to get benefit of Accredited Clients Programme (ACP) as per the guidelines of CBEC (website: http://cbec.gov.in).
  - The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.
  - Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods (as per their IEM/IL/LOI) as originating from India with a view to qualify for preferential treatment under different preferential trading agreements (PTA), Free Trade Agreements (FTAs), Comprehensive Economic Cooperation Agreements (CECA) and Comprehensive Economic Partnership Agreements (CEPA). Subsequently, the scheme may be extended to remaining Status Holders.
  - Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India as per Para 2.108 (d) of Hand Book of Procedures.
  - Status holders shall be entitled to export freely exportable items (excluding Gems and Jewellery, Articles of Gold and precious metals)

on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower. For export of pharma products by pharmaceutical companies, the annual limit would be 2% of the average annual export realisation during preceding three licensing years. In case of supplies of pharmaceutical products, vaccines and lifesaving drugs to health programmes of international agencies such as UN, WHO-PAHO and Government health programmes, the annual limit shall be upto 8% of the average annual export realisation during preceding three licensing years. Such free of cost supplies shall not be entitled to Duty Drawback or any other export incentive under any export promotion scheme.

- **Export Promotion Capital Goods Scheme(EPCG)** EPCG Scheme allows import of capital goods (except those specified in negative list in Appendix 5 F) for pre-production, production and post-production at zero customs duty Capital goods imported under EPCG Authorisation for physical exports are also exempt from IGST and Compensation Cess upto 31.3.2018 only, leviable thereon under the subsection(7) and subsection (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as provided in the notification issued by Department of Revenue. Alternatively, the Authorisation holder may also procure Capital Goods from indigenous sources in accordance with provisions of paragraph 5.07 of FTP

- Units undertaking to export their entire production of goods and services(except permissible sales in DTA), may be set up under the Export Oriented Unit (EOU) Scheme, Electronics Hardware Technology Park (EHTP) Scheme, Software Technology Park(STP) Scheme or Bio-Technology Park (BTP) Scheme for manufacture of goods, including repair, re-making, reconditioning, re-engineering, rendering of services, development of software, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture. Trading units are not covered under these schemes.

- “Deemed Exports” for the purpose of this FTP refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange. Supply of goods as specified in Paragraph 7.02 below shall be regarded as “Deemed Exports” provided goods are manufactured in India.

- "**Counter Trade**" means any arrangement under which exports/imports from /to India are balanced either by direct imports/exports from importing/exporting country or through a third country under a Trade Agreement or otherwise. Exports/Imports under Counter Trade may be carried out through Escrow Account, Buy Back arrangements, Barter trade or any similar arrangement. Balancing of exports and imports could wholly or partly be in cash, goods and/or services.

- **"Domestic Tariff Area (DTA)"** means area within India which is outside SEZs and EOU/ EHTP/STP/BTP.
- ITC (HS) refers to Indian Trade Classification (Harmonized System) at 8 digits.
- **"Jobbing**" means processing or working upon of raw materials or semi-finished goods supplied to job worker, so as to complete a part of process resulting in manufacture or finishing of an article or any operation which is essential for aforesaid process.
- **Registration-Cum-Membership Certificate"(RCMC)** means certificate of registration and membership granted by an Export Promotion Council/Commodity Board/Development Authority or other competent authority as prescribed in FTP or Handbook of Procedure.
- **"SCOMET"** is the nomenclature for dual use items of **Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET).** Export of dual-use items and technologies under India's Foreign Trade Policy is regulated. It is either prohibited or is permitted under an Authorisation.
- **"SION"** means Standard Input Output Norms notified by DGFT.

Prepared by: Shri Ranjay Kumar Jha
Vetted by: Shri Hemant Kumar

INCOTERMS

INCOTERMS® 2010 QUICK REFERENCE CHART

INCOTERMS® 2010

	Rules for any mode or modes of transport							Rules for sea and inland waterway transport			
	EXW	FCA	CPT	CIP	DAT	DAP	DDP	FAS	FOB	CFR	CIF
	Ex Works	Free Carrier	Carriage Paid To	Carriage & Insurance Paid To	Delivered at Terminal	Delivered at Place	Delivered Duty Paid	Free Alongside Ship	Free on Board	Cost & Freight	Cost, Insurance & Freight
SERVICES	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Marking & Labeling	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Block and Brace	1	1	1	1	1	1	1	1	1	1	1
Export Clearance (License, EEI/AES)	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight Forwarder Documentation Fees	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Inland Freight to Main Carrier	Buyer	2	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Vessel Loading Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Ocean Freight / Air Freight	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Nominate Export Forwarder	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Marine Insurance	3	3	3	Seller	3	3	3	3	3	3	Seller
Unload Main Carrier Charges	Buyer	Buyer	4	4	Seller	Seller	Seller	Buyer	Buyer	4	4
Destination Terminal Charges	Buyer	Buyer	4	4	4	Seller	Seller	Buyer	Buyer	4	4
Nominate On-Carrier	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Security Information Requirements	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Customs Broker Clearance Fees	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Duty, Customs Fees, Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Delivery to Buyer Destination	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Delivering Carrier Unloading	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer

Notes: 1 – Incoterms® 2010 do not deal with the parties' obligations for stowage within a container and therefore, where relevant, the parties should deal with this in the sales contract.
2 – FCA Seller's Facility – Buyer pays inland freight; other FCA qualifiers. Seller arranges and loads pre-carriage carrier and pays inland freight to the "F" delivery place
3 – Incoterms® 2010 does not obligate the buyer nor must the seller to insure the goods, therefore this issue be addressed elsewhere in the sales contract.
4 – Charges paid by Buyer or Seller depending on contract of carriage.
5 – Charges paid by Seller if through Bill of Lading or door-to-door rate to Buyer's destination

- **Incoterms** – Key elements of international contracts of sale. They tell the parties what to do with respect to carriage of the goods from buyer to seller and export & import clearance. They also explain the division of costs and risks between the parties.

- ***Updated 2010 Rules beginning 1/1/11*** -The number of INCOTERMS "rules" has been changed from 13 to 11. This has been done by replacing DAF, DES, DEQ, and DDU, by the new rules DAT (delivered at Terminal), and DAP (Delivered at Place).

Rule for any mode or modes of transport		**Rules for sea and Inland Waterway Transport**	
EXW	Ex Works	FAS	Free Alongside Ship
FCA	Free Carrier	FOB	Free On Board
CPT	Carriage Paid to	CFR	Cost and Freight
CIP	Carriage and Insurance Paid to	CIF	Cost Insurance and Freight
DAT	Delivered at Terminals-New		

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Vetted by: Shri Hemant Kumar

DAP	Delivered at Place-New		
DDP	Delivered Duty Paid		

- **INCOTERMS BY GROUPING** :

Group E		
Departure	EXW	Exworks
Group F		
Main carriage Unpaid	FCA	Free carrier
	FAS	Free Alongside Ship
	FOB	Free on Board
Group C		
Main carriage Paid	CFR	Cost and Freight
	CIF	Cost Insurance and Freight
	CPT	Carriage Paid to
	CIP	Carriage and Insurance Paid to
Group D		
Arrival	DAT	Delivered at Terminals
	DAP	Delivered at Place
	DDP	Delivered Duty Paid

- The letter F signifies that the seller must hand over the good to a nominated carrier Free of risk and expense to the buyer. Seller arranges pre-carriage to reach an agreed point for handling the goods over to the carrier.
- The letter C signifies that the seller must bear certain Costs even after the critical point for the diversion of the risk of loss or damage to the goods has been reached.
- The letter D signifies that the goods must arrive at stated destination.
- **EXW – EXWORKS:** This term represents the seller's minimum obligation, since he only has to place the goods at the disposal of the buyer. The buyer must carry out all tasks of export & import clearance. Carriage and insurance is to be arranged by the buyer.
- **FCA – FREE CARRIER (…NAMED PLACE):** This term means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. Seller pays for carriage to the named place.
- **FAS – FREE ALONGSIDE SHIP (…NAMED PORT OF SHIPMENT):** This term means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. The seller is required to clear the goods for export.

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Vetted by: Shri Hemant Kumar

The buyer has to bear all costs and risks of loss or damage to the goods from that moment. This term can be used for sea transport only.

- **FOB – FREE ON BOARD (...NAMED PORT OF SHIPMENT):** This term means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means the buyer has to bear all costs and risks to the goods from that point. The seller must clear the goods for export. This term can only be used for sea transport. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used.

- **CFR – COST & FREIGHT (...NAMED PORT OF DESTINATION):** This term means the seller delivers when the goods pass the ship's rail in port of shipment. Seller must pay the costs and freight necessary to bring the goods to the named port of destination, BUT the risks of loss or damage, as well as any additional costs due to events occurring after the time of delivery, are transferred from seller to buyer. Seller must clear goods for export. This term can only be used for sea transport.

- **CIF – COST, INSURANCE & FREIGHT (...NAMED PORT OF DESTINATION):** The seller delivers when the goods pass the ship's rail in the port of shipment. Seller must pay the cost and freight necessary to bring goods to named port of destination. Risk of loss and damage are the same as CFR. Seller also has to procure marine insurance against buyer's risk of loss/damage during the carriage. Seller must clear the goods for export. This term can only be used for sea transport.

- **CPT – CARRIAGE PAID TO (...NAMED PORT OF DESTINATION):** This term means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. The buyer bears all costs occurring after the goods have been so delivered. The seller must clear the goods for export. This term may be used irrespective of the mode of transport (including multimodal).

- **CIP – CARRIAGE & INSURANCE PAID TO (...NAMED PLACE OFDESTINATION:** This term is the same as CPT with the exception that the seller also has to procure any mode of transportation.

- **DAT – DELIVERED AT TERMINAL (...NAMED TERMINAL OF DESTINATION):** This term means that the seller delivers when the goods once unladed from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at a named port or place of destination. "Terminal" includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The seller bears all risks involved in bringing the goods to and unloading them at terminal at the named port or place of destination

- **DAP – DELIVERED AT PLACE (…NAMED PLACE OF DESTINATION):** This rule may be used regardless of the mode of transport and may also be used where more than one mode of transport is utilized. DAP means the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of carriage ready for unloading at the names place of destination. The seller bears all risks involved in bring the goods to the named place.

- **DDP – DELIVERED DUTY PAID (…NAMED PORT OF DESTINATION):** This term represents maximum obligation to the seller. This term should not be used if the seller is unable to directly or indirectly obtain the import license. This term means the same as the DAP term with the exception that the seller also will bear all costs and risks of carrying out customs formalities including the payment of duties, taxes and customs fees.

FOREIGN EXCHANGE EXPOSURE LIMITS OF AUTHORISED DEALERS

(Guidelines for Foreign Exchange Exposure Limits of Authorised Dealers Category I; RBI Master Circular no. 5/2015-16 dated July 1, 2015)

- The Foreign Exchange Exposure Limits of Authorised Dealers would be dual in nature.

  i. **Net Overnight Open Position Limit (NOOPL) for calculation of capital charge on forex risk.**

  ii. **Limit for positions involving Rupee as one of the currencies (NOP-INR) for exchange rate management.**

- For banks incorporated in India, the exposure limits fixed by the Board should be the aggregate for all branches including their overseas branches and Off-shore Banking Units. For foreign banks, the limits will cover only their branches in India.

- **Net Overnight Open Position Limit (NOOPL) for calculation of capital charge on forex risk**: NOOPL may be fixed by the boards of the respective banks and communicated to the Reserve Bank immediately. However, such limits should not exceed 25 percent of the total capital (Tier I and Tier II capital) of the bank. The Net Open position may be calculated as per the method given below:

  - **Calculation of the Net Open Position in a Single Currency :** The open position must first be measured separately for each foreign currency. The open position in a currency is the sum of (a) the net spot position, (b) the net forward position and (c) the net options position.

    a) **NET SPOT POSITION :** The net spot position is the difference between foreign currency assets and the liabilities in the balance sheet. This should include all accrued income/expenses.

    b) **Net Forward Position:** This represents the net of all amounts to be received less all amounts to be paid in the future as a result of foreign exchange transactions which have been concluded. These transactions, which are recorded as off-balance sheet items in the bank's books, would include:

       i. spot transactions which are not yet settled;

    ii. forward transactions;

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Vetted by: Shri Hemant Kumar

iii. Guarantees and similar commitments denominated in foreign currencies which are certain to be called;

iv. Net future income/expenses not yet accrued but already fully hedged (at the discretion of the reporting bank);

v. Net of amounts to be received/paid in respect of currency futures, and the principal on currency futures/swaps.

c) Net Option Position : The options position is the "delta-equivalent" spot currency position as reflected in the authorized dealer's options risk management system, and includes anydelta hedges in place which have not already been included under 1(a) or 1(b) (i) and (ii) above.

- **CALCULATION OF OVERALL NET OPEN POSITION :** This involves measurement of risks inherent in a bank's mix of long and short position in different currencies. It has been decided to adopt the "shorthand method" which is accepted internationally for arriving at the overall net open position. Banks may, therefore, calculate the overall net open position as follows:

    - Calculate the net open position in each currency (paragraph 1 above).
    - Calculate the net open position in gold.
    - Convert the net position in various currencies and gold into Rupees in terms of existing RBI / FEDAI Guidelines. All derivative transactions including forward exchange contracts should be reported on the basis of Present Value (PV) adjustment.
    - **Arrive at the sum of all the net short positions.**
    - Arrive at the sum of all the net long positions.
    - Overall net foreign exchange position is the higher of "bold" or "underline". The overall net foreign exchange position arrived at as above must be kept within the limit approved by the bank's Board.

- **Offshore exposures** : For banks with overseas presence, the offshore exposures should be calculated on a standalone basis as per the above method and should not be netted with onshore exposures. The aggregate limit (on-shore + off-shore) may be termed Net Overnight open Position (NOOP) and will be subjected to capital charge. Accumulated surplus of foreign branches need not be reckoned for calculation of open position. An illustrative example is as follows:

- If a bank has, let us say three foreign branches and the three branches have open position as below-
    - Branch A: + Rs 15 crores
    - Branch B: + Rs 5 crores
    - Branch C: - Rs 12 crores
- The open position for the overseas branches taken together would be Rs 20 crores.

➤ **Limit for positions involving Rupee as one of the currencies (NOP-INR) for exchange rate management :**

a) NOP-INR may be prescribed to Authorised Dealers at the discretion of the Reserve Bank of India depending on the market conditions.

b) The NOP-INR positions may be calculated by netting off the long & short onshore positions (as arrived at by the short hand method) plus the net INR positions of offshore branches.

c) Positions undertaken by banks in currency futures / options traded in exchanges will form part of the NOP-INR.

d) As regards option position, any excesses on account of large option Greeks during volatile market closing / revaluations may be treated as technical breaches. However, such breaches are to be monitored by the banks with proper audit trail. Such breaches should also be regularized and ratified by appropriate authorities (ALCO / Internal Audit Committee).

➤ **AGGREGATE GAP LIMITS(AGL) :**

I. AGL may be fixed by the boards of the respective banks and communicated to the Reserve Bank immediately. However, such limits should **not exceed 6 times the total capital (Tier I and Tier II capital**) of the bank.

II. However, Authorised Dealers which have instituted superior measures such as tenor wise PV01 limits and VaR to aggregate foreign exchange gap risks are allowed to fix their own PV01 and VaR limits based on their capital, risk bearing capacity etc. in place of AGL and communicate the same to the Reserve Bank. The procedure and calculation of the limit should be clearly documented as an internal policy and strictly adhered to.

FOREIGN CONTRIBUTION (REGULATION) ACT

(Ref. Foreign contribution (Regulation) Act, 2010; RBI Master Circular No. RBI/2015-16/35 dated July 1, 2015)

- The Foreign Contribution (Regulation) Act, 2010 prohibits certain classes of persons from receiving 'foreign contribution'. It also restricts certain classes of persons from accepting foreign hospitality while visiting any country or territory outside India, without the prior permission of the Central Government. The Act provides that persons having definite cultural, economic, educational, religious and social programmes should get themselves registered with the Government of India before accepting any 'foreign contribution'. In case a person falling in the above category is not registered with the Central Government, it can accept foreign contribution only after obtaining prior permission of the Central Government.

- The Act casts certain obligations on banks in relation to the receipt of foreign contributions. The Act stipulates that every person who has been granted a certificate of registration/prior permission as stipulated in the Act shall receive foreign contribution in a single account and only through such branches of a bank as may be specified in his/her application. It strictly prohibits the receipt or deposit of any other funds (other than foreign contribution) in such accounts

- Associations which were granted certificates of registration or prior permission under Section 6 of the Foreign Contribution (Regulation) Act, 1976, will continue to be eligible to receive foreign contribution under the Act and such registration shall be valid for a period of five years from the date on which the Act came into force.

- Any permission to accept foreign hospitality granted under Section 9 of the repealed Act would also be deemed to be the permission granted under the Act until such permission is withdrawn by the Central Government.

- **Introduction to FCRA, 2010 :** As the Preamble of the Act suggests, the Foreign Contribution (Regulation) Act, 2010, is intended to consolidate the law regulating the acceptance and utilisation of foreign contribution or foreign hospitality by certain individuals or associations or companies and to prohibit acceptance and utilisation of foreign contribution or foreign hospitality for any activities detrimental to the national interest and for matters connected therewith. The Act extends to the whole of India, to its citizens outside India and also to associate branches or subsidiaries outside India, of companies or body corporate, registered or incorporated in India.

- The following are the persons prohibited from accepting foreign contribution:

(a) Candidate for election;

(b) Correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper

(c) Judge, government servant or employee of any entity controlled or owned by the Government

(d) Member of any Legislature

(e) Political party or office bearers thereof;

(f) Organisations of a political nature as may be specified;

(g) Associations or companies engaged in the production or broadcast of audio news or audiovisual news or current affairs programmes through any electronic mode or form or any other mode of mass communication;

(h) Correspondent or columnist, cartoonist, editor, owner of the association or company referred to in (g) above.

- The Act empowers the Central Government to specify organizations as organizations of political nature by publication in the Official Gazette. Foreign contribution can, however, be accepted by the above-mentioned persons in the following specific cases:

(a) by way of salary, wages or other remuneration due to him or to any group of persons working under him, from any foreign source or by way of payment in the ordinary course of business transacted in India by such foreign source; or

(b) by way of payment, in the course of international trade or commerce, or in the ordinary course of business transacted by him outside India; or

(c) as an agent of a foreign source in relation to any transaction made by such foreign source with the Central Government or State Government; or

(d) by way of a gift or presentation made to him as a member of any Indian delegation, provided that such gift or present was accepted in accordance with the rules made by the Central Government with regard to the acceptance or retention of such gift or presentation; or

(e) from his relative; or

(f) by way of remittance received, in the ordinary course of business through any official channel, post office, or any authorised person in foreign exchange under the Foreign Exchange Management Act, 1999; or

(g) by way of any scholarship, stipend or any payment of like nature.

- **Restrictions on acceptance of Foreign Hospitality** : The Act imposes restrictions on acceptance of foreign hospitality by certain specified persons. It mandates that no member of a Legislature or office-bearer of a political party or Judge or Government servant or employee of any corporation or any other body owned or controlled by the Government shall, while visiting any country or territory outside India, accept, except with the prior permission of the Central Government, any foreign hospitality. However, such permission would not be necessary for an emergent medical aid needed on account of sudden illness contracted during a visit outside India.

- Section 11 of the Act mandates that except as otherwise provided in the Act, no person having a definite cultural, economic, educational, religious or social program shall accept foreign contribution, unless such person obtains a certificate of registration from the Central Government.

- Every person who has been granted a certificate under Section 12 shall have such certificate renewed within six months before the expiry of the period of the certificate.

- Section 17 of the Act is of special importance to bankers. It states that every person who has been granted a certificate or given prior permission under Section 12 shall receive foreign contribution in a single account only through such one of the branches of a bank as he may specify in his application for grant of certificate. Such person can open one or more accounts in one or more banks for utilising the foreign contribution received by him. However, no funds other than foreign contribution shall be received or deposited in such account or accounts. The Act makes it mandatory for every bank or authorised person in foreign exchange to report to such specified authority (a) the prescribed amount of foreign remittance (b) the source and manner in which the foreign remittance was received and (c) other particulars, in such form and manner as may be prescribed.

- Section 37 of the Act provides that whoever fails to comply with any provision of the Act for which no separate penalty has been provided, shall be punished with imprisonment for a term which may extend to one year, or with fine or with both.

- Rule 13 of the said Rules mandates that in case a person who has been granted a certificate of registration or prior permission receives foreign contribution in excess of one crore rupees, or equivalent thereto, in a financial year, he/it shall place the summary data on receipts and utilisation of the foreign contribution pertaining to the year of receipt as well as for one year thereafter, in the public domain.

- It is important to note that in terms of Rule 15, the amount of foreign contribution lying unutilised in the exclusive foreign contribution bank account of a person whose certificate of registration has been cancelled shall vest with the banking authority concerned till the Central Government issues further directions in the matter. In case a person whose certificate of registration has been cancelled transfers/has transferred the foreign contribution to any other person, the above condition would apply to the person to whom the fund has been transferred.

- Rule 16 of the said Rules provides that every bank has to send a report to the Central Government within thirty days of any transaction in respect of receipt of foreign contribution by any person who is required to obtain a certificate of registration or prior permission under the Act, but who was not granted such certificate or prior permission as on the date of receipt of such remittance.

- The Central Government, Ministry of Home Affairs (MHA), Government of India has developed software for submission of online reports of receipt of foreign contribution by banks. Accordingly, any transaction in respect of receipt of foreign contribution has to be reported online through the software developed for the purpose. Such online submission was optional till October 31, 2013. From November 1, 2013 onwards, online submission of report is compulsory.

- It has been made a duty of the bank concerned to send a report to the Central Government within thirty days from the date of such last transaction in respect of receipt of any foreign contribution in excess of **one crore rupees** or equivalent thereto in a single transaction or in transactions within a duration of thirty days, by any person, whether registered or not under the Act, and such report also has to include the aforesaid details.

Prepared by: Shri Ranjay Kumar Jha
Vetted by: Shri Hemant Kumar

IMPORTANT DEFINITION

TYPE OF LETTER OF CREDIT :

1) **Irrevocable Credit :** A credit issued subject to the UCPDC, 2007 REVISIONS, ICC publication no. 600 ("UCP") is irrevocable credit even if there is no indication to that effect(Article – 2 & 3).

   The **Irrevocable Credit** is a definite undertaking of the issuing Bank and cannot be amended or cancelled without the agreement of the issuing bank, confirming bank(if any) and the Beneficiary . (Article – 7 & 8)

2) **Payment Credit** is a sight credit, which will be paid at sight basis against presentation of requisite documents to the designated bank. In payment Credit, Beneficiary may or may not be called upon to draw a Draft.

3) **Deferred Payment Credit** is a usance Credit where, payment will be made by designated bank, on respective due dates, determined in accordance with stipulations of the credit, without the drawing of Drafts. In a way, it is an extended payment credit. Under deferred payment credit, no draft will be called upon to be drawn, but it must specify the maturity at which payment is to be made and how such maturity is to be determined.

4) **Acceptance Credit** is similar to deferred payment credit except for the fact that in this credit drawing of a usance draft is a must. Under this credit, Drafts must be drawn on the specified bank/drawee for specified tenor, and the designated bank will accept the Drafts and honour the same, by making payment on the due dates.

5) **Negotiation Credit** can be a sight Credit or a usance Credit. Draft is usually drawn in a negotiation credit. The Draft can be drawn as per credit terms. In negotiation Credit, the nomination can be restricted to a specific bank or it may allow free negotiation in which case it is called as "Freely Negotiable Credit" whereby any bank who is willing to negotiate can do so.

6) **Transit Credit:** In normal credit, the Credit issuing bank would be from the country of the buyer(Applicant) and the credit will be advised to the beneficiary in another country through a local bank(i.e. bank in the beneficiary's country). But in Transit Credit, the services of a bank in a third country(i., neither the buyer's country nor seller's country) would be utilized. This generally happens when an issuing bank has no correspondent relations with any bank in the Beneficiary's country. This type of credit may also be issued by small countries whose credits may not be readily acceptable in another country.

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Vetted by: Shri Hemant Kumar

7) **Reimbursement Credit :** Generally credits issued are denominated in the currency of either the Applicant's country or the Beneficiary's country. But when a credit is issued in the currency of a third country, it is referred to as Reimbursement Credit.

8) **Transferable Credit:** As the name indicates , it is a credit which can be transferred by the original Beneficiary in favour of a Second Beneficiary or several Second Beneficiary. As per Article 38 of UCP, Credit can be transferred only if I is specifically stated as " Transferrable" in the credit. Further, such Credit can be transferred only once(i.e. from the First Beneficiary to a second Beneficiary only and not (thereafter) from the Second Beneficiary to a third beneficiary) and subject only to the original terms and conditions of the Credit excepting the amount of credit, unit price, percentage of insurance terms, period of validity and shipment.

9) **Back- To- Back Credit** is also called as countervailing Credit. When a second set of credit is issued on the basis of a parent credit, the second credit will be termed as 'back – to – back' Credit. As the name indicates, it is a credit issued with the backing or against the security of another credit. The original credit which is offered as security for issuing a back-to-back Credit is called as overriding credit/principal credit.

10) **Anticipatory Credit:** Ordinarily, a Credit provides for payment to beneficiary at post-shipment stage i.e. against shipping documents. But in case of anticipatory credits, as the name suggests, payment is made to beneficiary at pre-shipment stage in anticipation of his actual shipment and submission of bills at a future date. The payment which is provided through an anticipatory credit is generally a part or full amount of credit to be adjusted at the time of submission of final documents. The credit contains a special clause authorizing the bank to make advances to the beneficiary which are recovered from the beneficiary out of the proceeds of bills to be presented under the credit. There are two types of anticipatory credit, namely :

- **Red clause credit:** This anticipatory credit contains a clause providing for payment in advance for purchasing raw materials/processing and / or packing the goods.

- **Green clause credit :** It is an extended version of Red clause credit in the sense that it not only provides for advance towards purchase, processing and packing, but also for warehousing and insurance charges at port when the goods are stored pending availability of ship/shipping space.

11) **Bill of Lading :** This is a transport document representing movement of goods by water(ocean and sea). There are three main functions of Bill of Lading:-

a) It is an evidence of contract of affreightment

b) It is a receipt for the goods

c) It is a documents of title to goods.

A unique feature of the Bill of Lading is that it belongs to the restricted class of documents which possess some of the qualities of negotiable instruments. Hence, it is called a “QUASI NEGOTIABLE” instruments. Though the title to the goods covered by Bill of Lading can be transferred by endorsement and delivery of the instruments, it is still not a fully negotiable instrument like a BOE, the simple reason being that it represents the title to goods and is governed by Sales of Goods Acr, whereas BOE represents title to money and is governed by NI Act. As per sales of good act, when goods are transferred from one person to another, the transferee gets no better title to the goods than that of the transferor, whereas under NI Act the transferee gets a better title than the transferor has, provided he takes it in god faith and for due consideration. For these reasons a Bill of Lading is terms and “QUASI NEGOTIABLE” instruments as its negotiation may not be complete and free from qualifications.

I. **Received for Shipment Bill of Lading:** It is a Bill of Lading which merely acknowledges that the goods have been received by shipowners or their agents for shipment.

II. **On Board Bill of Lading:** This Bill of Lading acknowledges the goods having been put on board a ship for shipment. Hence, this type of Bill of Lading is a safer documents for the importer(since it is an assurance that the goods are being carried by the named ship) and is a good delivery under the sale contract for an exporter. This bill of lading will have a notation “Shipped on Board” or words to this effect.

III. **Short form Bill of Lading :** One of functions of a Bill of Lading is that it evidences underlying contract of carriage. Thus, a Bill of Lading should have the terms and conditions of carriage printed on it. But in case of **short form bill of lading** such terms and conditions will not be stated on the Bill of Lading and even if stated, it may be by reference to other documents or source. Some of the Credits will specifically prohibits acceptance of “Short form of bill of lading” or “blank back”.

IV. **Clean Bill of Lading:** A clean Bill of Lading is one which bears no super imposed clause or notation which expressly declares the defective condition of the goods or packaging. This bill of lading indicates that “ the carrier has received the goods in apparent good order and condition." Since the carrier acts as bailee of the goods, by issuing a clean bill of lading, he has to deliver the goods in the same good order and condition.

V. **Claused Bill of Lading :** This is also called as a Foul/Dirty/Unclean Bill of Lading. It is the opposite of a clean bill of lading and contains super-imposed clauses or reservations expressly declaring the defective nature of goods, its packing etc.

VI. **Through Bill of Lading :** A bill of lading issued for the entire voyage covering several modes of transport and (or) transshipments is called a through Bill of Lading. This is used generally when the goods have to take more than one mode of transport. In this type of Bill of Lading there is no guarantee of carriers for the safe carriage of goods.

VII. **Straight Bill of Lading :** A bill of lading which is issued directly in the name of the consignee is called a straight bill of lading. In this case the goods will be delivered to the named consignee. This bill of lading does not require any endorsement either in blank or otherwise by the shipper. From the banker's point of view this type of Bill of Lading is not safe.

VIII. **Charter Party Bill of Lading :** It is a Bill of Lading which is issued to charter parties i.e. those parties who have hired the space in the vessel either in full or in part. Charter Party Bill of Lading are issued subject to terms and conditions agreed upon by the hirers of the ship/shipspace and shipowners and is not subject to Liner Bill of Lading terms and conditions. Charter may be

(a)Time charter(i.e. for specified time)

(b) Voyage charter(i.e. for one or more voyages) and

(c) Mixed charter(i.e. for specified time and voyage)

IX. **LASH BILL OF LADING(LIGHTER ABROAD SHIP B/L):** It is a Bill of Lading issued by operators stating that the goods are received and put on board a barge to be carried and put on a parent vessel.

X. **House Bill of Lading/Seaway:** This type of bill of lading is one issued by generally an association of forwarding agencies or non-vessel-owning carriers(shipping people) who combine their resources to acquire and operate expensive transport vessels for example, FIATA. Such bill of lading are safe only when they are issued subject to ICC rules. But he liability of carriers in this case is limited.

12) **CHIPS:** Clearing House Inter-Bank Payment System(In Newyork)

13) **CHIPS-UID:-**Clearing house Inter-bank Payment system-Universal Identification code.

14) **FED-WIRE:-**Communication net work of federal reserve of US is FED-WIRE

15) **CHAPS:** Clearing house automated payment system(UK)

16) **CHATS:** Clearing house Automated Transfer System(Hongkong)

17) **REUTER:** Computer based data bank which provides access to real time data.

Prepared by: Shri Ranjay Kumar Jha
Vetted by: Shri Hemant Kumar

MISC. BANK CIRCULAR:

New Product- AUTO FX- Multi-Currency Transaction through J.P. Morgan Chose Bank. **(Tr. Circular: Fx/64/2019-2020, dated 17.12.2019.)**

- Bonk has tied up with J. P. Morgan Chase Bonk (JPMC) for a new product named Auto FX which enables branches to pay over 120+ currencies and receive in 40 currencies on behalf of our customers through USD account maintained with them.
- Branches can Receive and send Multi Currency Payments using this product through Swift.
- Settlement process would be (T + 0) Same day Settlement, (T+ 1) Next day Settlement & (T + 2) the following day depending on the currencies settled.
- The list of Currencies, please refer the above circular.

IDPMS- Follow UP and submission of Bill of Entry
(Tr. Circular: dated 04.12.2019.)

- Submission of hardcopy of Evidence of import documents i.e. BoE has been discontinued w.e.f. December or,2016,as it is available in IDPMS (Import Data processing and Monitoring System).

Introduction of Cheque Clearing Service -EURO Cash Letter By Standard Chartered Bank (Collection of EURO clean instruments) .
(Tr. Circular: Fx/62/2019-2020, dated 30.09.2019.)

- Bank has entered into an agreement with Standard Chartered Bank for collection of EURO clean instruments w.e.f. 01.10.2019.
- All clean Instruments/cheques of currency EUR drawn on banks in Euro Zone, UK and Switzerland will be sent by branches to the respective AD Branches.
- All the AD branches will send the cheques to The Chief Manager, Treasury Deptt, CO for collection under Euro Cash Letter Services provided by Standard Chartered Bank.

EXPORT CREDIT: (OBSERVATION)
Pre Shipment facilities: In few instances, it was observed that the:

- Disbursements are made against photocopies of indications letters and/or orders.
- Original confirmed contracts are not obtained even after a reasonable period.
- The contracts period is over or stale.
- Order do not indicated the delivery / shipment dates.

Pre Shipment facilities: In few instances, it was observed that the:

- Borrowers are sending the bill directly.

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Vetted by: Shri Hemant Kumar

- Export documents are tendered to other bank for collection.

It is advised that Branches to be guided by system and procedures strictly

IOB Multicurrency Prepaid Travel Card
(Permanent/FX/004/2016-17,dated 13.10.2016, FX/38/2018-19, dated 10.08.2018).

- IOB Travel Card is a multicurrency forex prepaid card.
- The value of the card shall be paid up front .
- The card can be loaded in Six Currencies viz USD, GBP, AUD, CAD, EUR and SGD. Other than cross currency rates will be applied.
- The Card is valid for 5 years.
- Maximum amount of load per individual during a calendar shall be as per the RBI / FEMA guidelines
- The card is a multi-currency card with EMV compliant chip.
- The card cannot be used in India, Nepal, Bhutan, North Korea, Cuba, Sudan, Myanmar, Syria & Iran.
- The card value can be reloaded during the currency of the card.
- The card can be surrendered at any time. (10 days after date of issue)
- The IOB Travel Card kit contains two cards & respective PIN mailers. One is primary card & the second one is replacement card, called Companion card. In case the card holder loses/misplaces the primary card or the primary card is damaged, replacement card can be activated through Electra Card System (ECS) package on our website or calling call centre.
- All AD Branches are authorized to issue IOB Multicurrency Prepaid Travel Card.

NAD branches rout the application trough AD branches.

- The card shall be issued to our customers with full KYC compliance.
- The card shall be issued to individuals.
- Cardholders can retain the unspent foreign exchange in the card up to USD 2000 or it's equivalent till expiry of the card. Unspent currency in the card in excess of USD 2000 or it' s equivalent n need to be surrendered within - 180 days of arriving in India .

:::THE END :::

Prepared by: Shri Ranjay Kumar Jha
Vetted by: Shri Hemant Kumar

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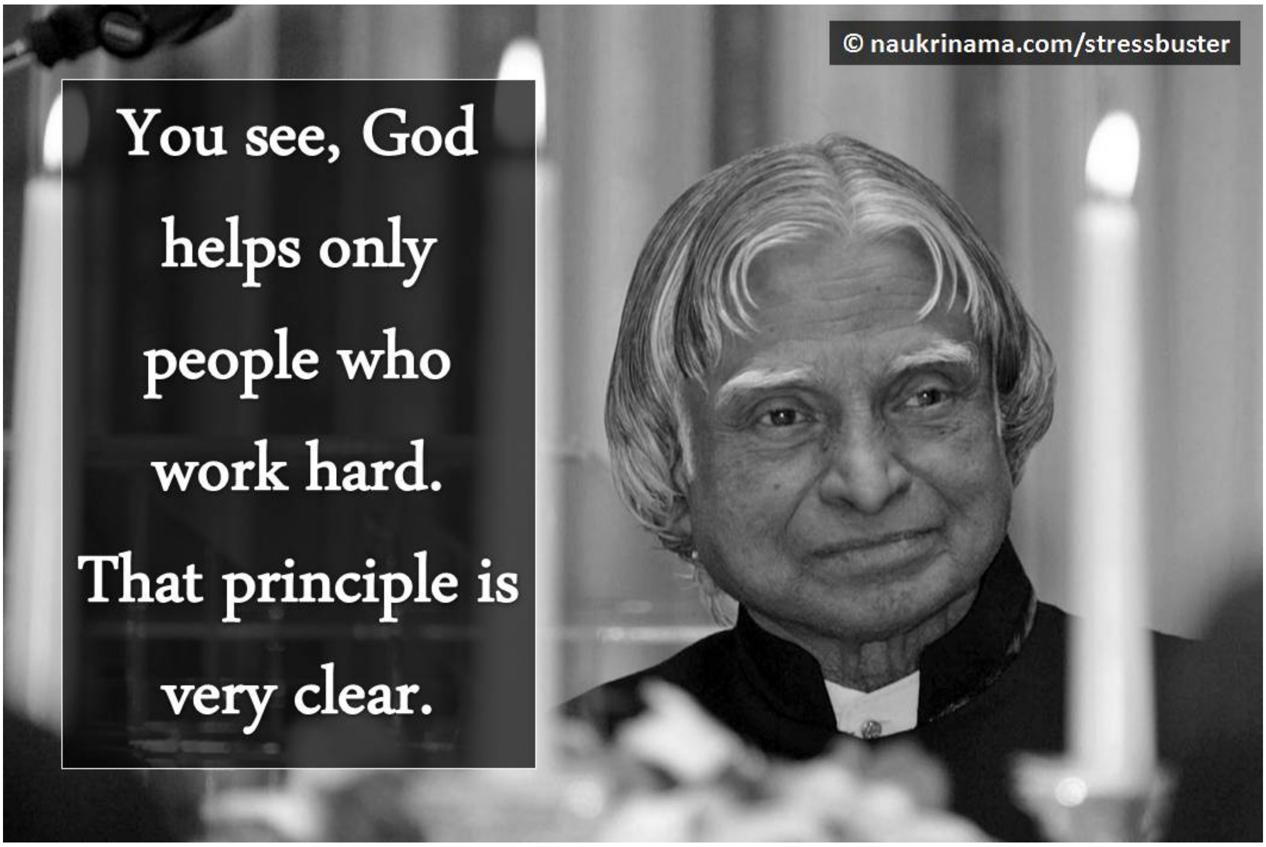

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You see, God helps only people who work hard. That principle is very clear.

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MODULE-E

Treasury operations
&
Risk Management

CERTIFICATE OF DEPOSIT (CD)

- Certificate of Deposit (CD) is a **Negotiable Money Market Instrument** and issued in Dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period. Certificate of Deposit (CD) were introduced in India in 1989.

- CD can be issued by Scheduled Commercial Bank (excluding Regional Rural Banks and Local Area Banks) with a freedom to issue CDs depending on their funding requirements. CD can also be issued by select All Indian Financial Institutions (FIs) that have been permitted by RBI within overall umbrella limit prescribed in the Master Circular on Resource Raising Norms for FIs, issued by RBI.

- Minimum amount of a CD should be Rs. 1 Lakh, i.e. minimum deposit that could be accepted from a single subscriber should not be less than Rs. 1 Lakh, and in multiples of Rs. 1 Lakh thereafter.

- **Investors:** CDs can be issued to Individuals, corporations, companies (including banks and PDs), trusts, funds, associations, etc. **Non Resident Indians (NRIs)** may also subscribe to CDs, but only on **non-repatriable basis,** which should be clearly stated on the Certificate. Such CDs cannot be endorsed to another NRI in the secondary market.

- **Maturity: CD issued by Banks**: Min. 7 days to Maximum 1 Year; **CD Issued by FIs:** Min. 1 Year to Maximum 3 Years.

- **CDs** may be issued at a discount on face value. Banks/FIs are allowed to issue CDs on floating rate basis provided the methodology of compiling the floating rate is objective, transparent and market based. The issuing Banks/FIs are free to determine the discount/coupon rate.

- **Reserve Requirement:** Banks have to maintain appropriate reserve requirements i.e. Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio(SLR), on the issue price of the CDs.

- **Transferability:** CDs in physical form are freely transferable by endorsement and delivery. CDs in demat form can be transferred as per the procedure applicable to other demat securities. There is no lock-in period for the CDs.

- **Trades in CDs:** All OTC trades in CDs shall be reported within 15 minutes of the trade on the reporting platform of Clearcorp Dealing Systems (India) Ltd.(CDSIL)
- **Loans/Buy Backs:**Banks/FIs cannot grant loans against CDs. Furthermore, they cannot buy-back their own CDs before maturity.
- There will be no grace period for repayment of CDs. If the maturity date happens to be a holiday, the issuing bank/FI should make payment on the immediate preceding working day.
- **Issue of Duplicate Certificates:**
    - Notice is required to be given in at least one local newspaper
    - Lapse of a reasonable period (say 15 days) from the date of the notice in the newspaper; and
    - Execution of an indemnity bond by the investor to the satisfaction of the issuer of CDs
- The duplicate certificate should be issued only in physical form No fresh stamping is required as a duplicate certificate is issued against the original lost CD.
- Banks/FIs should report the data on issuance of CDs on the web-based module under the Online Returns Filing System (ORFS) within 10 days from the end of the fortnight to which it pertains.

(Ref. RBI Master Circular no. RBI/2015-16/57 dated 01.07.2015)

COMMERCIAL PAPER(CP)

- Commercial Paper (CP), an unsecured money market instrument issued in the form of a promissory note, was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and provide an additional instrument to the investors.
- **Eligibility for Issue of CP:** Companies, PDs and FIs are permitted to raise short term resources through CP. A company would be eligible to issue CP provided:

(I) The tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs.4 crore;

(II) The company has been sanctioned working capital limit by bank/s or FIs; and

(III) The borrowal account of the company is classified as a Standard Asset by the financing bank/institution.

- the guarantor has a credit rating at least one notch higher than the issuer given by an approved CRA; and
- The total amount of CP proposed to be issued should be raised within a period of **two weeks** from the date on which the issuer opens the issue for subscription.
- CP shall be issued in denominations of **Rs. 5 lakh** and multiples thereof. The amount invested by a single investor should not be less than **Rs. 5 lakh** (face value).
- CP shall be issued for maturities between a minimum of **7 days** and a maximum of up to **one year** from the date of issue
- The maturity date of the CP shall not go beyond the date up to which the credit rating of the issuer is valid.
- The minimum credit rating shall be **'A3'** as per rating symbol and definition prescribed by SEBI.
- All OTC trades in CP shall be reported within 15 minutes of the trade to the reporting platform of Clearcorp Dealing System (India) Ltd.(CDSIL).
- The settlement cycle for OTC trades in CP shall either be T+0 or T+1.
- Issuers may buyback the CP, issued by them to the investors, before maturity.
- Buyback of CP shall be through the secondary market and at prevailing market price.
- The CP shall not be bought back before a **minimum period of 7 days** from the date of issue.
- All scheduled banks, acting as IPAs, shall report the details of issuance of CP on the Online Returns Filing System (ORFS) module of the RBI within two days from the date of issuance of the CP

(RBI Master Circular no. RBI/2015-16/56 dated 01.07.2015)

CALL/NOTICE MONEY MARKET INSTRUMENTS

- Under call money market, funds are transacted on an **overnight basis** and under notice money market, funds are transacted for a period between **2 days and 14 days and "Term Money" means deals in funds for 15 days-1 year.**

- Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), are permittedto participate in call/notice money market both as borrowers and lenders.

- **Prudential Limits for Transactions in Call/Notice Money Market:**

S.N.	Participant	Borrowing	Lending
1	SCBs(Scheduled Commercial Banks)	On a daily average basis in a reporting fortnight, borrowing outstanding should not exceed 100 per cent of capital funds (i.e., sum of Tier I and Tier II capital) of Latest audited balance sheet. However, banks are allowed to borrow a maximum of 125 per cent of their capital funds on any day, during a fortnight.	On a daily average basis in a reporting fortnight, lending outstanding should not exceed 25 per Cent of their capital funds. However, banks are allowed to lend a maximum of 50 per cent of their capital funds on any day, during a fortnight.
2	CO-Operative Banks	Outstanding borrowings of State Co-operative Banks/District Central Co-operative Banks/ Urban Co-operative Banks in call/notice money market, on a daily basis should not exceed 2.0 per cent of their aggregate deposits as at end March of the previous financial year.	No Limit

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

3	PDs (Primary Dealers)	PDs are allowed to borrow, on daily average basis in a reporting fortnight, up to 225 per cent of their net owned funds (NOF) as at end-March of the previous financial year	PDs are allowed to lend in call/notice money market, on daily average basis in a reporting fortnight, up to 25 per cent of their NOF.

- The limits arrived by the board may be conveyed to the Clearing Corporation of India Ltd. (CCIL) for setting of limits in NDS-CALL System, under advice to Financial Markets Regulation Department (FMRD), Reserve Bank of India.

- Calculation of interest payable would be based on the methodology given in the Handbook of Market Practices brought out by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

- Deals in the Call/Notice/Term money market can be done from **9:00 am to 5:00 pm** on each business day or as specified by RBI from time to time.

- The reporting time for all OTC Call/Notice/Term money deals on NDS-Call is up to **5:00 pm** on each business day or as decided by RBI from time to time.

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

NON-CONVERTIBLE DEBENTURE OF (NCDS)

- Non-Convertible Debenture (NCD) means a debt instrument issued by a corporate (including NBFCs) with original or initial maturity up to one year and issued by way of private placement.

- **Eligibility to Issue NCDs:** A corporate shall be eligible to issue NCDs if it fulfills the following criteria, namely

  (i) the corporate has a tangible net worth of **not less than Rs.4 crore**, as per the latest audited balance sheet

  (ii) the corporate has been sanctioned working capital limit or term loan by bank/s or all-India financial institution/s; and

  (iii) the borrowal account of the corporate is classified as a Standard Asset by the financing bank/s or institution

- The minimum credit rating shall be **'A2'** as per rating symbol and definition prescribed by SEBI.

- NCDs shall not be issued for maturities of **less than 90 days** from the date of issue.
- The exercise date of option (put/call), if any, attached to the NCDs shall not fall within the **period of 90 days from the date of issue**

- The tenor of the NCDs shall not exceed the validity period of the credit rating of the instrument

- NCDs may be issued in denominations with a minimum **of Rs.5 lakh** (face value) and **in multiples of Rs.1 lakh.**

- Every corporate issuing NCDs shall appoint a **Debenture Trustee (DT)** for each issuance of the NCDs.

- NCDs may be issued to and held by individuals, banks, Primary Dealers (PDs), other corporate bodies including insurance companies and mutual funds registered or incorporated in India and unincorporated bodies, Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs).

- The DTs (Debenture Trustee) shall report, within three days from the date of completion of the issue, the issuance details to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai-400 001.

- DTs (Debenture Trustee) should submit to the Reserve Bank of India (on a quarterly basis) a report on the outstanding amount of NCDs of maturity up to year.

(Ref.: RBI Master Direction 2/2016-17 dated 07.07.2016)

MARGINAL COST OF FUNDS BASED LENDING RATE (MCLR)

All rupee loans sanctioned and credit limits renewed w.e.f. **April 1, 2016** will be priced with reference to the **Marginal Cost of Funds based Lending Rate (MCLR)** which will be the **internal benchmark** for such purposes.

The MCLR will compriseof:

a. Marginal cost offunds;
b. Negative carry on account ofCRR;
c. Operatingcosts;
d. Tenorpremium

Marginal Cost of funds comprises of Marginal cost of borrowings and return on networth

Negative Carry onCRR

- Negative carry on the mandatory CRR which arises due to return on CRR balances being nil, will be calculated asunder:

$$\text{Negative carry on CRR} = \frac{\text{Required CRR x Marginal cost}}{\text{(1- CRR)}}$$

- The marginal cost of funds arrived at above will be used for arriving at negative carry on CRR.

OperatingCosts

- All operating costs associated with providing the loan product including cost of raising funds will be included under thishead.
- It should be ensured that the costs of providing those services which are separately recovered by way of service charges do not form part of this component.

Tenorpremium

- These costs arise from loan commitments with longertenor.
- The change in tenor premium should not be borrower specific

or loan class specific. In other words, the tenor premium will be uniform for all types of loans for a given residualtenor.

2. Calculation ofMCLR:

- Banks shall arrive at the MCLR of a particular maturity by adding the corresponding tenor premium to the sum of Marginal cost of funds, Negative carry on account of CRR and Operatingcosts.

- Banks shall publish the internal benchmark for the followingmaturities:

    - overnightMCLR,
    - one-monthMCLR,
    - three-monthMCLR,
    - six monthMCLR,
    - One yearMCLR.

- In addition to the above, banks have the option of publishing MCLR of any other longermaturity.

3. Spread

BanksshouldhaveaBoardapprovedpolicydelineatingthecomponents of spread charged to acustomer. For the sake of uniformity in these components, all banks shall adopt the following broad components ofspread

a. Businessstrategy

The component will be arrived at taking into consideration the business strategy, market competition, embedded options in the loan product, market liquidity of the loanetc.

b. Credit riskpremium

The credit risk premium charged to the customer representing the default risk arising from loan sanctioned should be arrived at based on an appropriate credit risk rating/scoring model and after taking into consideration customer relationship, expected losses, collaterals, etc.

The spread charged to an existing borrower should not be increased except on account of deterioration in the credit risk profile of the customer. Any such decision regarding change in spread on account of change in credit risk profile should be supported by a full-fledged risk profile review of thecustomer.
The stipulation contained in sub-paragraph (3.C) above is, however, not applicable to loans under consortium / multiple bankingarrangements

4. Marginal cost ofborrowing

The marginal cost of borrowings shall have a **weightage of 92%** of Marginal Cost of Funds while return on net worth will have the balance **weightage of 8%.**

5. Interest Rates onLoans

- Actual lending rates will be determined by adding the components of spread to the MCLR. Accordingly, there will be no lending below the MCLR of a particular maturity for all loans linked to thatbenchmark

- The reference benchmark rate used for pricing the loans should form part of the terms of the loancontract.

6. Exemptions fromMCLR

a. Loans covered by schemes specially formulated by Government of India wherein banks have to charge interest rates as per the scheme

b. Working Capital Term Loan (WCTL), Funded Interest Term Loan (FITL), etc. granted as part of the rectification/restructuring package

c. Loans granted under various refinance schemes formulated by Government of India or any Government Undertakings wherein banks charge interest at the rates prescribed under the schemes to the extent refinance is available. Interest rate charged on the part not covered under refinance should adhere to the MCLRguidelines.

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Vetted by : Shri Praveen kumar

d. The following categories of loans can be priced **without being linked to MCLR** as the benchmark for determining interestrate:

i. Advances to banks' **depositors** against their owndeposits.

ii. Advances to banks' **own employees** including retiredemployees.

iii. Advances granted to the Chief Executive Officer / Whole Time Directors.

iv. Loans linked to a market determined **externalbenchmark**.

v. Fixed rate loans granted by banks. However, in case of hybrid loans where the interest rates are partly fixed and partly floating, interest rate on the floating portion should adhere to the MCLRguidelines.

7. Review ofMCLR

Banks shall review and publish their Marginal Cost of Funds based Lending Rate (MCLR) of different maturities every month on a pre- announced date.

8. Reset of interestrates

a. Banks may specify interest reset dates on their floating rate loans.

b. Banks will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review ofMCLR.

c. The MCLR prevailing on the day the loan is sanctioned will be applicable till the next reset date, irrespective of the changes in the benchmark during theinterim.

d. The **periodicity** of reset shall be **one year or lower**. The exact periodicity of reset shall form part of the terms of the loancontract.

9. Treatment of interest rates linked to Base Rate charged to existing borrowers

a. Existing loans and credit limits linked to the Base Rate may continue till repayment or renewal, as the case maybe.

b. Banks will continue to review and publish Base Rate ashitherto.

c. Existing borrowers will also have the option to move to the Marginal Cost of Funds based Lending Rate (MCLR) linked loan at mutually acceptable terms. However, this should not be treated as a foreclosure of existing facility.

External Benchmark Based Lending

- Reserve Bank of Indiaobserved that internal benchmarks such as the Base Rate/MCLR have not delivered effective transmission of monetary policy.

- Accordingly, RBI has directed that all new floating rate personal or retail loan(housing, auto etc) and floating rate loans to Micro and Small Enterprises to be linked to any of the following benchmark w.e.f. 01.10.2019:
  - Reserve Bank of India Policy Repo Rate
  - Government of India 3-Months Treasury Bill yield published by the Financial Benchmark India Private Limited(FBIL)
  - Government of India 6-months Treasury bill yield Published by the FBIL.
  - Any other benchmark market interest rate published by FBIL.

- Further RBI has given freedom to the Banks to offer such external benchmark linked loans to other type of borrowers as well.

- In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; In other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category.

- The interest rate under external benchmark shall be reset at least once in three months.

- Our bank has switched over to RLLR (Repo Linked Lending Rate) for all new floating rate loans sanctioned/disbursed to core Retail Schemes (i.e. Housing, Vehicle, Education, Clean) and Micro and Small Enterprises (MSE). For all other loans, interest rate based on Marginal Cost of Fund Based Lending Rate (MCLR) will continue.

- LAP loan being a non-core retail loan, shall be considered under MCLR only.

- Accounts engaged in retail trading but classified as MSE will be linked to MCLR only. However, all Mudra loans, SME-300 loans and IOB-SME Easy loans irrespective of the activity will be linked to RLLR.

- Effective interest rate under RLLR = Repo rate+ Markup+ Spread (Strategic Premium+ Risk Premium)

- Banks are free to decide the spread over the external benchmark.

- However, credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract.

- Further, other components of spread including operating cost could be altered once in three years.

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

TREASURY OPERATIONS

➤ **Transfer Pricing Mechanism** (TPM) –Rates

- **Transfer Pricing Mechanism (TPM)** is an effective tool to analyse the profitability of Business Unit (BU), considering each branch as a Business Unit.

- A **Transfer Price** is an **internal rate of interest** used to calculate transfer income or cost due to an internal flow of funds in a financialinstitution.

- Transfer Pricing Mechanism (TPM) is **market related** (w.e.f. Oct2012).

- Pricing is **riskbased**.

- The branches are responsible **only for the creditrisk.**

- All elements of market risks, viz. interest rate risk and liquidity risk etc are for the fund centre (corporate office) through thisTPM.

- The frameworkisdesigned based on the concept called ***Matched Funds Transfer Pricing Mechanism(MFTP).***

- Transfer Price interest receivable by branches **(BID RATE) is different for CASA deposits and Termdeposits.**

For CASA Deposits:-

✓ In CASA deposits, interest is calculated separately for volatile portion and Core portion.

✓ The **minimum balance** of Savings Account & Current Account of the Branch for the period of computation shall be treated as **Core** and balance portion as**Volatile**.

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Vetted by : Shri Praveen kumar

CASA Deposits	CO Interest to be received by Branches
Current Account & Savings Account	For **Volatile portion** of CASA = Retail Deposit rate ofthebank for**91 day**(presently 5.25%)+Retail Spread (0.50%) =Effective rate becomes 5.75% at present
	For **Core portion** of CASA = TPM applicable for 5 year deposit i.e. Retail Deposit rate of the bank for 5-year period (presently 6.40%) + Retail Spread (1.00%) = Effective rate becomes 7.40% at present.

✓ The TP rates for CASA shall **vary from time to time** based on change in retail term deposit rates in 91 days and 5 years period - Hence market related.

- ***For Term Deposits:***

Tenure of deposit	Benchmark fixed	Spread
TD up to < 1 year	CARD rate for the respective period (Yield Curve)	ForRetail deposits =0.50% For Bulk Deposits =0.20%
TD 1 year up to 3 years		ForRetaildeposits=0.75% ForBulkDeposits=0.25%
TD >3 years		For Retail deposits =1.00% For Bulk Deposits = 0.25%
OverdueDeposits	Card Rate for 15 days	NIL
FCNR Deposits	Card Rate	0.50%
Overdue FCNR Deposits	NIL	3.00%

✓ Bulk Deposits= Single Rupee Term Deposit of Rs. 2 Crore & above.

✓ Retail Deposits = Single Rupee Term Deposits up to less than Rs. 2 Crores.

✓ The Transfer Price for Term Deposit shall be fixed at the time of origination of the deposit liability. This transfer price shall remain fixed till maturity of the deposit. Subsequent changes in Transfer price shall not affect the transfer price for existingdeposits.

✓ The transfer price for term deposits (TD) shall be account**specific**

- ***Transfer Price interest payable by branches (OFFERRATE):***

Advances	Bench marked	spread	Effective rate
Loans and advances linked to Base Rate/BPLR			
MSE Borrowers			
Exposures below Rs.2 Crore irrespective of internalrating	91 day Retail Bid Rate = 91 day domestic deposit rate (5.25% at present) + Retail Spread (0.50%) = 5.75% at	1.25 %	7.00%
Exposure of Rs. 2 Cr and above having Internal Rating equivalent to IOB1,IOB 2 and IOB 3 / externalrating AAA/AA/A (Any one)		1.25%	7.00%
Exposures of Rs. 2 Crore and above having Internal Rating equivalent to IOB 4 and IOB 5		1.50%	7.25%
Exposures of Rs. 2 Crore and above having Internal Rating equivalent to IOB 6 and below and unrated		1.75%	7.50%
Advances	Bench marked	spread	Effective rate
Loans and advances linked to Base Rate/BPLR			
MSE Borrowers			
Exposures below Rs.2 Crore irrespective of internalrating	91 day Retail Bid Rate = 91 day domestic deposit rate (5.25% at present)	1.25 %	7.00%
Exposure of Rs. 2 Cr and above having Internal Rating equivalent to IOB1,IOB 2 and IOB 3 / externalrating AAA/AA/A (Any one)		1.25%	7.00%
Exposures of Rs. 2 Crore and above having Internal Rating equivalent to IOB 4 and IOB 5		1.50%	7.25%

Exposures of Rs. 2 Crore and above having Internal Rating equivalent to IOB 6 and below and unrated	+ Retail Spread (0.50%) = 5.75% at	1.75%	7.50%

- ✓ The Transfer Price rates are linked to the internal rating / external rating of borrowers in case of limits of Rs.1 Crore and above Rs. 2 Crore and above in case ofMSE)
- ✓ The Transfer price for loan/advances linked to floating rate are benchmarked to 91 days retail deposit bidrate
- ✓ The transfer price for floating option loans would correspondingly vary with revision in BaseRate
- ✓ The Transfer Price rates for loans / advances under **fixed rate option** are linked to corresponding period retail deposit Bid rate with spread. This TP rate shall be decided at the time of origination of loan and continue till maturity.
- ✓ The staff loans and loans/advances against deposits are kept spread neutral.

- The periodicity of computing CO interest is monthly covering period 16th of previous month – 15th of the currentmonth.

Compensation categories			
Agriculture & allied advance	Flat rate	-	5.00%
Export/Gold loans(FC)/Foreign currency loans	Applicable rate	100 bps less than the corresponding rate	
Restructured advances	91 day retail bid rate	1.25%	7.00%
Funded Interest Term Loan	Applied rate	-	Applied rate
Loans/cash credit against deposit	Applicable deposit rate	-	Same as deposit TPM
Staff Loans	Applicable rate	-	Applicable rate
NPA balance	Flat rate	-	5.00%

➤ **Interest Rate of Investments by Banks in RIDF and other funds**

Deposit Rates

Sl.No	Shortfall in overall priority sector lending target	Rate
1.	Less than 5% points	Bank rate minus 2 percentage points
2.	5 and above, but less than 10 percentage points	Bank rate minus 3 percentage points
3.	10 percentage points and above	Bank rate minus 4 percentage Points
1.	Lending Rate	Bank Rate -1.5 percentage points

- **Classification of investments (**RBI master Cir dt. 01.07.2015 – Prudential norms for classification, valuation and operation of investment portfolio byFls).
  - Accounting standards necessitate that companies/banks classify any investments in debt or equity securities when they arepurchased.

    The investments can be classified as

    - Held tomaturity,
    - Held for tradingor
    - Available forsale.
  - **Held to maturity**: A **held to maturity** security is a debt or equity security that is purchased with the intention of holding the investment **tomaturity.**
  - This type of security is reported at amortized cost on a company's financial statements and is usually in the form of a debt security with a specific maturity date
  - The investments included under "Held to Maturity" should not exceed 25 % of the totalinvestments.
  - But banks are permitted to exceed the limit of 25 % of total investments under HTM category provided: (RBI Cir dt. 10.12.2015)

    a) the excess comprises **only of SLR securities**,and
    b) the total SLR securities held under the HTM category **are not more**than
       - 21.50 % of their NDTL from January 9,2016
       - 21.25 % of their NDTL from April 2,2016;
       - 21.00 % of their NDTL from July 9,2016;

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Vetted by : Shri Praveen kumar

- 20.75 % of their NDTL from October 1,2016;
- 20.50 % of their NDTL from January 7,2017.
- **Held for Trading** : The investments classified under Held for Trading category would be those from which the FI expects to make a gain by the movement in the interest rates / market rates. These securities are to be sold within 90days.
- **Available for Sale** : The securities, which do not fall within the above two categories viz.Held to maturity & Held for trading, are classified under Available forSale.

Monetary Policy Rates(as on 09.12.2019)

Particular	Rate (%)
Bank Rate	5.40
Repo Rate	5.15
Reverse Repo Rate	4.90
Marginal Standing Facility Rate	5.40

Reserve Ratios (as on 09.12.2019)

Particular	Rate (%)
CRR	4.00
SLR	18.50

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

RISK MANAGEMENT IN BANKS

1. **Risk Management** is a planned method of dealing with uncertainties to reduce losses.

 - The steps involved in risk managementare:
   - ✓ Identification ofrisk
   - ✓ Measurement ofrisk
   - ✓ Monitoringand
   - ✓ Controlling
 - The methods for measurement and quantification have been well established internationally through the Basel Committee for Banking Supervision (BCBS).

2. **Baselaccord**

 - Basel committee on Banking Supervision (BCBS) is a committee on Banking Regulations and supervisorypractices.
 - **Basel I:** The Basel Committee published in 1988, a set of minimum capital requirements for banks. These requirements have come to be known as the 1988 Basel-1accord

   With banks increasingly taking market risks, the Basel committee decided to update the 1988 Basel-1 accord to include bank capital requirements for market risk. It is known as the 1996 amendment and went to effect in 1998.
 - **Basel II**: The BCBS released the "International Convergence of Capital Measurement and Capital Standards: **A Revised Framework" (Basel II)** on June 26,2004.
 - **Basel III: ((Ref. Master circular-Basel III Capital Regulation; RBI Master Circular No. RBI/2015-1/58 dated July1,2015; Jan 10,2019;March1,2016; August 25,2016)**

➢ **Introduction:** Basel III reforms are the response of Basel Committee on Banking Supervision (BCBS) to improve the banking sector's ability to absorb the shocks arising from financial and economic stress, whatever the sources, thus reducing the risk of spill over from the financial sector to the real economy.

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Vetted by : Shri Praveen kumar

- Consequently, the Basel Committee on Banking Supervision (BCBS) released comprehensive reform package entitled **“ *Basel III: A global regulatory framework for more resilient banks and banking systems”*(Known as Basel III capital regulations) in December 2010.**

- RBI issued guidelines based on Basel III reforms on capital regulation on May 2, 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India in phases and it will be fully implemented as on March 31,2019, which has been deferred to March 31,2020.

- The Basel III capital regulations continue to be based on three-mutually reinforcing Pillars viz:
  - **Minimum Capital Requirement (CRAR)----------------------PILLAR 1**
  - **Supervisory Review of Capital Adequacy(SREP)------------PILLAR 2**
  - **Market Discipline of Basel II capital Adequacy Framework.-----PILLAR 3**

- Options available for computing Credit Risk, Operational Risk and Market Risk are as under:

Risk Types	Option available for computing Risk
Credit Risk	1. Standardized Approach 2. Foundation Internal Rating Based Approach 3. Advanced Internal Rating Based Approach
Operation Risk	1. Basic Indicator Approach(BIA) 2. The Standardized Approach(TSA) 3. Advanced Measurement Approach(AMA)
Market Risk	1. Standardized Duration Approach(SDA) 2. Standardized Maturity Approach(SMA) 3. Internal Risk Management Models Methods

- It was decided in 2007 that all commercial banks in India (excluding LAB and RRB) should adopt Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk by March 2009 and banks should continue to apply the Standardized Duration Approach for Market Risk.

- The following time schedule was laid down for implementation of the advanced approaches for the regulatory capital measurement in July 2009:

S.N.	Approach	The earliest date of making application by banks to the RBI	Likely date of approval by RBI
a.	Internal Model Approach(IMA) for Market Risk	April 1,2010	March 31,2011
b.	The Standardised Approach for Operational Risk(TSA)	April 1, 2010	September 30,2010
c.	Advanced Measurement Approach(AMA) for Operational Risk	April 1, 2012	March 3,2014
d.	Internal Rating Based(IRB) approaches for Credit Risk(Foundation as well as Advanced IRB)	April 1, 2012	March 31, 2014

- A bank shall comply with the capital adequacy ratio requirements at two levels: **(a) the consolidated ("Group") level and (b) the standalone ("Solo") level.**

- Banks are required to maintain a minimum Pillar 1 Capital to Risk-weighted Assets (CRAR) of **9%** on an on-going basis (other than capital conservation buffer and countercyclical capital buffer). Further, in terms of Pillar 2 requirements, banks are expected to operate at a level well above the minimum requirement.

- A bank should compute Basel III capital ratios in the following manner:

  - CET 1 capital ratio = CET 1 Capital/ (Credit Risk RWA + Market Risk RWA + Operational Risk RWA)

  - Tier 1 Capital Ratio= Eligible Tier 1 Capital/(Credit Risk RWA + Market Risk RWA + Operational Risk RWA)

  - Total Capital(CRAR)= Eligible Total Capital/(Credit Risk RWA + Market Risk RWA + Operational Risk RWA)

- **COMPONENTS OF CAPITAL:** Total regulatory capital will consist of the sum of the following categories: -

  (i) Tier 1 Capital (going concern capital)

(a) Common Equity Tier 1
(b) Additional Tier 1
(ii) Tier 2 Capital (gone-concern capital)

- From regulatory capital perspective, **Going concern capital** is the capital which can absorb losses without triggering bankruptcy of the bank. **Gone-Concern capital** is the capital which will absorb losses only in a situation of liquidation of the bank.

- **Limits and Minima:** As a matter of prudence, it has been decided that scheduled commercial banks (excluding LABs and RRBs) operating in India shall maintain a minimum total capital (MTC) of 9% of RWAs i.e. Capital to risk weighted assets (CRAR). This will be further divided into different components as described hereunder:

  - **Common Equity Tier 1 (CET 1)** capital must be at least 5.50% of risk-weighted assets(RWAs) i.e. for credit risk + market risk + operational risk on an ongoing basis.

  - **Tier 1 capital** must be at least 7% of RWAs on an ongoing basis. Thus, within the minimum Tier 1 capital, Additional Tier 1 capital can be admitted maximum at 1.5% of RWAs.

  - **Total capital (Tier 1 Capital plus Tier 2 Capital)** must be at least 9% of RWAs on an ongoing basis. Thus within the minimum CRAR of 9%, Tier 2 capital can be admitted maximum up to 2%.

  - If a bank has complied with the minimum Common Equity Tier 1 and Tier 1 capital ratio, then the excess Additional Tier 1 capital can be admitted for compliance with the minimum CRAR OF 9% of RWAs.

	Regulatory Capital	**As % to RWAs**
(i)	Minimum Common Equity Tier 1 Ratio	5.5
(ii)	Capital conservation buffer(comprised of common equity)	2.5
(iii)	Min. CET 1 + CCB[(I) + (II)]	8.0
(iv)	Additional Tier 1 Capital	1.5
(v)	Min. Tier 1 Capital Ratio [(i) + (iv)]	7.0
(vi)	Tier 2 Capital	2.0
(vii)	Min. Total Capital Ratio(MTC) [(v) + (vi)]	9.0
(viii)	MTC + CCB [(ii) + (vii)]	11.5

  - For the purpose of all prudential exposures limits linked to capital funds, the capital funds will be defined as the sum of all eligible

Common Equity Tier 1 Capital, Additional Tier 1 capital and Tier 2 capital, net of regulatory adjustments and deductions.

- **Elements of common Equity Tier 1 capital- Indian Banks:**

(i) Common shares (Paid up equity capital) issued by the banks which meet the criteria for classification as common shares for regulatory purposes.
(ii) Stock Surplus (share premium) resulting from the issue of common shares
(iii) Statutory reserves
(iv) Capital reserves representing surplus arising out of sale proceeds of assets
(v) Other disclosed free reserves, if any
(vi) Balance in Profit and Loss Account at the end of the previous FY
(vii) Banks may reckon the profits in current FY for CRAR calculation on a quarterly basis provided the incremental provisions made for non-performing assets at the end of any of the four quarters of the PFY have not deviated more than 25% from the avg. of the four quarters.
(viii) While calculating capital adequacy at the consolidated level, common shares issued by consolidated subsidiaries of the bank and held by 3rd parties (i.e. minority interest) which meet the criteria for inclusion in common equity tier 1 capital
(ix) FCTR (Foreign currency translation reserves @ discount of 25%.
(x) DTA(Deferred Tax Assets) which relate to timing difference(other than those relate to accumulated loss) may instead of full deduction from CET 1 capital, be recognized in the CET1 capital up to 10% of the Bank's CET 1 Capital
(xi) Revaluation reserves @ 55% discount
(xii) **Less: Regulatory adjustments / deductions applied in the calculation of Common Equity Tier 1 CAPITAL [i.e. to be deducted from the sum of items (i) to (xi).**

- **Elements of Additional Tier 1 Capital-Indian Banks:-** Additional Tier 1 capital will consists of the sum of the following elements:

(i) Perpetual Non-Cumulative Preference Shares (PNCPS), which comply with the regulatory requirements.
(ii) Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
(iii) Debt capital instruments eligible for inclusion in Additional Tier 1 capital, which comply with the regulatory requirements.
(iv) Any other type of instrument generally notified by the Reserve Bank from time to time for inclusion in Additional Tier 1 capital;

(v) While calculating capital adequacy at the consolidated level, Additional Tier 1 instruments issued by consolidated subsidiaries of the bank and held by third parties which meet the criteria for inclusion in Additional Tier 1 capital.

(vi) Less: Regulatory adjustments / deductions applied in the calculation of Additional Tier 1 capital [i.e. to be deducted from the sum of items (i) to (v)].

❖ **ELEMENTS OF TIER 2 CAPITAL- INDIAN BANKS:-**

(I) General Provisions and Loss Reserves

(II) Debt Capital Instruments issued by the banks

(III) Preference Share Capital Instruments [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) /Redeemable Cumulative Preference Shares (RCPS)] issued by the banks;

(IV) Stock surplus (share premium) resulting from the issue of instruments included in Tier 2 capital;

(V) While calculating capital adequacy at the consolidated level, Tier 2 capital instruments issued by consolidated subsidiaries of the bank and held by third parties which meet the criteria for inclusion in Tier 2 capital.

➢ **Transitional Arrangements:** In order to ensure smooth migration to Basel III without aggravating any near term stress, appropriate transitional arrangements have been made. The transitional arrangements for capital ratios began as on April 1, 2013. However, the phasing out of non-Basel III compliant regulatory capital instruments began from January 1, 2013. Capital ratios and deductions from Common Equity will be fully phased-in and implemented as on March 31, 2019 @@. The phase-in arrangements for banks operating in India are indicated in the following Table :

Table 1: Transitional Arrangements-Scheduled Commercial Banks (excluding LABs and RRBs)

(% of RWAs)

Minimum capital ratios	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Minimum Common Equity Tier 1 (CET1)	4.5	5	5.5	5.5	5.5	5.5	5.5
Capital conservation buffer (CCB)	-	-	-	0.625	1.25	1.875	2.5
Minimum CET1+ CCB	4.5	5	5.5	6.125	6.75	7.375	8
Minimum Tier 1 capital	6	6.5	7	7	7	7	7
Minimum Total Capital*	9	9	9	9	9	9	9
Minimum Total Capital +CCB	9	9	9	9.625	10.25	10.875	11.5
Phase-in of all deductions from CET1 (in %) #	20	40	60	80	100	100	100

* The difference between the minimum total capital requirement of 9% and the Tier 1 requirement can be met with Tier 2 and higher forms of capital;
# The same transition approach will apply to deductions from Additional Tier 1 and Tier 2 capital.

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

@@ decided to defer the implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) from March 31, 2019 to March 31, 2020. Accordingly, minimum capital conservation ratios in para 15.2.2 of Part D 'Capital Conservation Buffer Framework' as applicable from March 31, 2018 will also apply from March 31, 2019 till the CCB attains the level of 2.5% on March 31, 2020.

CAPITAL CHARGE FOR CREDIT RISK:

CLASSIFICATION OF BORROWERS	RISK WEIGHT
Claims on Domestic Sovereigns a) Claims on the central government as well as Central Government guaranteed claims b) Claims on the State Governments and the investment in State Government securities c) State Government guaranteed claims	 0% 0% 20%
Claims on R.B.I/ DICGC/CGTMSE / Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH)	0%
Claims on ECGC	20%
Claims on the Bank for International Settlements (BIS), the International Monetary Fund (IMF) and Multilateral Development Banks (MDBs)	20%
Claims on Scheduled Banks	20%
Claims on Foreign Banks	As per Rating assigned by International rating agencies
Claims on Foreign Sovereigns	
Claims secured by Commercial Property a) Commercial Real Estate (CRE) b) Commercial Real Estate-Residential Housing (CRE-RH)	 100% 75%
Exposure to Capital Market	125%
Exposure to Consumer Credit Except Credit Card Receivables	100%
Credit Card Receivables	125%
Regulatory Retail Portfolio	75%
Staff Loans a) Secured by superannuation benefits and/or mortgage of flat/ house b) Other loans and advances to bank's own staff	 20% 75%

Claims On Corporates (Long Term) a) AAA rated corporate b) AA rated corporate c) A rated corporate d) BBB rated/ Unrated corporate e) BB & below	 20% 30% 50% 100% 150%
Restructured Rescheduled Loans	150%
Claims On Venture Capital Funds	150%

Claims secured by Residential Property (Housing Loan)

Category of loan	**LTV ratio (%)**	**Risk Weight (%)**	
Up to Rs.30 Lakh	≤80	35	50*
	>80 and ≤90	50	50*
Above Rs.30 Lakh & up t Rs.75 Lakh	≤75	35	50*
	>75 and ≤80	35	50*
Above Rs.75 Lakh	≤75	50	75*

*Applicable if sanctioned before **06/06/2017.**

NPA HOUSING LOAN

PROVISION MADE ON THE HOUSING LOAN	**RISK WEIGHT**
If the specific provisions are 50 %or more,	**50%**
If the specific provisions at least 20% but less than 50%	**75%**
For others where the specific provision is less than 20%	**100%**

NPA OTHER THAN HOUSING LOANS

UNSECURED PORTION OF NPA (Net of Specific Provisions)	**RISK WEIGHT**
Where Provision is 50% or above	**50%**
Where Provision is at least 20% but less than 50%	**100%**
Where Provision is less than 20%	**150%**

Claims on Corporate, AFCs and NBFC-IFCs : Claims on corporates exposures on Asset Finance Companies (AFCs) and Non-Banking Finance Companies-Infrastructure Finance Companies (NBFC-IFC) shall be risk weighted as per the ratings assigned by the rating agencies registered with the SEBI and accredited by the Reserve Bank of India. The following table indicates the risk weight applicable to claims on corporates, AFCs and NBFC-IFCs :

- **Long Term Claims on Corporates-Risk Weight :**

Domestic Rating Agencies	AAA	AA	A	BBB	BB & Below	Unrated **
Risk Weight(%)	20	30	50	100	150	100

- **Short Term claims on Corporate-Risk Weight :**

CARE	CRISIL	India Rating	ICRA	Brickwork	SMERA	RW(%)
A1+	A1+	A1+	A1+	A1+	A1+	20
A1	A1	A1	A1	A1	A1	30
A2	A2	A2	A2	A2	A2	50
A3	A3	A3	A3	A3	A3	100
A4 & D	A4 & D	A4 & D	A4 & D	A4 & D	A4 & D	150
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	100**

****With effect from June 30, 2017, all unrated claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system of more than INR 200 crore will attract a risk weight of 150%.**

However, claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system of more than INR 100 crore which were rated earlier and subsequently have become unrated will attract a risk weight of 150% with immediate effect.

Credit Conversion factors (CCF) for Non fund Based exposure:

S.N.	Instruments	CCF(%)
1.	LG(Financial) including Buyer's Credit and standby LC	100.00
2.	LG (Performance)	50.00
3.	LC	20.00
3a.	A&E (Acceptance & Endorsements)	20.00
4.	Forward Purchase Contract	
	1 year or less	2.00
	Over 1 year to five years	10.00
	Over five years	15.00
5.	Interest Rate Swaps	
	One year or less	0.50
	Over 1 year to five years	1.00
	Over five years	3.00
6.	Currency Swaps	

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

	One year or less	0.50
	Over 1 year to five years	1.00
	Over five years	3.00
7.	Undrawn Exposure with an Original Maturity of	
	Up to one year	20.00
	Over one year	50.00
	Similar commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's credit worthiness	0.00
8.	Take out finance in the books of taking-over institution	
	(i) Unconditional take-out finance	100.00
	(ii) Conditional take-out finance	50.0

OTHER IMPORTANT HIGHLIGHTS

Banks' exposure to third dwelling unit onwards to an Individual will be treated as **CRE** Exposure

The primary source of cash flow (i.e. more than 50% of cash flows) in the case of **CRE** Exposure for both repayment & recovery would generally be lease or rental payments or the sale of assets.

In case of Liquirent loans, if the Lease agreement has a lock in period which is not less than the tenor of the loan and there is no downward revision in the rental during the loan period, then it will not come under **CRE.**

The consumer credit segment shall comprise all types of personal loans (like Pushpaka, Home Decor, Personal Loan, Sahayika, Pensioners' Loan etc) excluding Education Loan (Vidyajyothi)which shall be segmented under R.R.P.

The Credit Card Receivable shall also form part of Consumer Credit segment.

Exposures under **Regulatory Retail Portfolio (RRP)** have to satisfy all the four following eligible criteria:

CRITERION	EXPLANATIONS
ORIENTATION CRITERION	Exposure to an individual person or persons or to a small business Person under this clause to include Individual, HUF, partnership firm, trust, private limited companies, public

	limited companies, co-operative societies etc. Small business is one where the total average annual turnover is less than Rs 50 Crore. The average is to be calculated for last 3 years' actual turnover in case of existing entities, projected turnover in case of new entities and mix of actual as well as projected turnover in case of entities yet to complete 3 years.
PRODUCT CRITERION	The exposure takes the form of any of the following: revolving credits and lines of credit (including overdrafts), term loans and leases (e.g. instalment loans and leases, student and educational loans) and small business facilities and commitments.
GRANULARITY CRITERION	It ensures diversification of RRP portfolio. Exposure to one counterpart should not exceed 0.2 per cent of the overall regulatory retail portfolio NPAs under retail loans are to be excluded from the overall regulatory retail portfolio when assessing the granularity criterion for risk-weighting purposes.
LOW VALUE OF INDIVIDUAL EXPOSURE CRITERION	The maximum aggregated retail exposure to one counterpart should not exceed the absolute threshold limit of Rs. 5 Crore.

Exposure for RRP classification purpose would mean sanctioned limit or the actual outstanding, whichever is higher**.**

In the case of term loans and EMI based facilities, where there is no scope for redrawing any portion of the sanctioned amounts, exposure shall mean the actual outstanding.

If the borrower cannot be segmented under any specific classification and the exposure is **more than Rs.5.00 Crore OR sales turnover is more than Rs.50.00 Crore,** the borrower shall be classified under "CORPORATE" segment.

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

In case of rated entities, Rating has to be done by any of the 7 rating agencies identified by RBI for the rating purpose and they are namely, CARE, CRISIL, India Rating, ICRA, Brickwork, SMERA, Infomerics.

The Eligible International Credit Rating Agencies are namely**,** Fitch, Moody's and Standard & Poor's.

In case of use of Multiple Rating Assessments, the bank should follow following guidelines for the purpose of risk weight calculation:

(i) If there is only one rating by a chosen credit rating agency for a particular claim, that rating would be used to determine the risk weight of the claim.

(ii) If there are two ratings accorded by chosen credit rating agencies that map into different risk weights, the higher risk weight should be applied.

(iii) If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights should be applied. i.e., the second lowest risk weight.

CREDIT RISK MITIGATION:

- **Credit Risk Mitigation Techniques-Collateralized Transactions: -** A Collateralized Transaction is one in which:

  (i) Banks have a credit exposure and that credit exposure is hedged in whole or in part by collateral posted by a counterparty or by a third party on behalf of the counterparty. Here, "counterparty" is used to denote a party to whom a bank has an on- or off-balance sheet credit exposure.

  (ii) Banks have a specific lien on the collateral and the requirements of legal certainty are met.

- **Overall framework and minimum conditions:**

  The framework allows banks to adopt either the **Simple approach**, which, substitutes the risk weighting of the collateral for the risk weighting of the counterparty for the collateralized portion of the exposure (generally subject to a 20 per cent floor), or the **Comprehensive approach**, which allows fuller offset of collateral against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral.

Banks in India shall adopt the **Comprehensive Approach**.

- **The comprehensive Approach:**
- In the comprehensive approach, when taking collateral, banks will need to calculate their adjusted exposure to a counterparty for capital adequacy purposes in order to take account of the effects of that collateral.

- Banks are required to adjust both the amount of the exposure to the counterparty and the value of any collateral received in support of that counterparty to take account of possible future fluctuations in the value of either, occasioned by market movements. These adjustments are referred to as **'Haircuts'**.

- The volatility adjusted amount for the exposure will be higher than the exposure and the volatility adjusted amount for the collateral will be lower than the collateral, unless either side of the transaction is cash.

- In other words, the 'haircut' for the exposure will be a premium factor and the 'haircut' for the collateral will be a discount factor.

- **Eligible Financial Collateral :**

(i) Cash (as well as certificates of deposit or comparable instruments, including fixed deposit receipts, issued by the lending bank) on deposit with the bank which is incurring the counterparty exposure.
(ii) Gold: Gold would include both bullion and jewellery. However, the value of the collateralized jewellery should be arrived at after notionally converting these to 99.99 purity.
(iii) Securities issued by Central and State Governments
(iv) Kisan Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period.
(v) Life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.
(vi) Various Debt securities rated/ not rated by a chosen Credit Rating Agency under specified conditions.
(vii) Units of Mutual Funds where:

(a) price for the units is publicly quoted daily i.e., where the daily NAV is available in public domain; and

(b) Mutual fund is limited to investing in the specific instruments

(ix)Re-securitizations, irrespective of any credit ratings, are not eligible financial collateral.

❖ **How is the Credit Risk Capital is Calculated:-**

ILLUSTRATION

S.N.	Particulars	Amt in Rs. Crs.
1	FB Exposure(FB o/s)	1000
2	NFB O/S-LG Performance	1000
3	NFB after CCF(1000*50%)	500
4	Credit Risk Exposures(CRE)**[1+3]**	1500
5	Credit Equivalent Undrawn-UD(Undrawn=1000)	200
6	Total Exposures**[1+3+5]**	1700
7	Credit Balance	100
8	Provision	0
9	Credit Risk Mitigation(CRM)	600
10	Exposure After Mitigation(EAM)**[6-7-8-9]**	1000
11	Effective Guaranteed Amount(State Govt)	500
12	Guarantor Risk Weight Assessment(GRWA)**[500*20%]**	100
13	Uncovered Exposure**[10-11]**	500
14	Borrower Risk Weighted Assessment(BRWA)**[500*100%]**	500
15	Total Risk Weight Assessment(TRWA) **[12+14]**	600
16	CAPITAL **(9% of TRWA)(15*9%)**	54

Total Exposure (TE) =FB O/S + NFB O/S*CCF + UD*CCF

NET EXPOSURE (NE) = TE-CREDIT BALANCE

EXPOSURE AFTER MITIGATION(EAM) =NE-CRM

COVERED PORTION (CP)= EFFECTIVE GUARANTEED PORTION

UNCOVERED PORTION (UCP)=NON GUARANTEED PORTION

Guarantor Risk Weighted Assets (GRWA) = CP* Guarantor's Risk Weight

Borrower Risk Weighted Assets (BRWA) = UCP * Borrower Risk Weight (BRW)

Total Risk Weighted Assets (TRWA) = GRWA + BRWA

CAPITAL = 9% OF TRWA

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

UNHEDGED FOREIGN CURRENCY EXPOSURE-ADDITIONAL CAPITAL AND PROVISIONING REQUIREMENTS:-

- The extent of unhedged foreign currency exposures of entities continues to be significant and this can increase the probability of default in times of high currency volatility. It was, therefore, decided to introduce incremental capital requirements for bank exposures to entities with unhedged foreign currency exposures (i.e. over and above the present capital requirements)

- For the purpose of computing UFCE, an exposure, may be considered naturally hedged if the offsetting exposure has the maturity/cash flow within the same accounting year.

- **Calculation of Incremental Capital and Provisioning for UFCE:** Bank has to estimate the extent of likely loss due to adverse movement in USD-INR exchange rate.

- LIKEY LOSS = UFCE X USD/INR volatility for last 10 years.

- Once the loss figure is calculated, it is compared with the annual EBID of the entity as per the latest quarterly/annual results certified by Statutory Auditors.

- As a prudential measure, RBI advised Banks to compute and provide, incremental capital and provisioning requirement as given below:

Likely Loss/EBID(%)	Incremental Provisioning requirement on the total credit exposures over and above extant standard assets provisioning	Incremental Capital Requirement
Up to 15%	0	0
>15%<30%	20bps	0
>30%<50%	40bps	0
>50%<75%	60bps	0
>75%	80bps	25% increase in the risk weighted assets.

Illustration:

- In case of entities with exposure upto Rs. 25 crore from Banking System, Bank has to provide additional provision of 10 bps on fund based exposures.

➢ For entities whose total credit exposure is **above Rs. 25 cr** from the Banking system, the details of calculation of Provisioning and Additional Risk Weight Assets are given below with an example:

1	Borrower Name	ABC Ltd
2	UFCE in whole Banking System	Rs. 137178.00 Lakhs
3	EBID	Rs. 1717.00 Lakhs
4	Likely Loss= UFCE x High Volatility USD/INR for last 10 yrs(obtained from FEDAI)	137178 * 12.49% = 17133.53 Lakhs
5	LL/EBID%{(4)/(3)*100%}	146.23%(>75%), Incremental Provision=0.80%; Additional RW=25%
6	IOB fund based o/s	Rs. 59666.04 Lakhs
7	IOB NFB O/s	Rs. 45000.00 Lakhs
8	Additional Provision(6 * 0.80%)	=59666.04 * 0.80%=477.33 Lakhs
9	Existing RWA	Rs. 59680.47 Lakhs
10	Additional RWA(9*25%)	=59680.04*25%=14920.12 Lakhs
11	Additional capital requirement	Rs. 1492 lacs(@10%)

❖ **<u>CAPITAL CHARGE FOR MARKET RISK</u> :-**

➢ **Introduction:** Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices.

➢ The market risk positions subject to capital charge requirement are:

(i) The risks pertaining to interest rate related instruments and equities in the trading book; and

(ii) Foreign exchange risk (including open position in precious metals) throughout the bank (both banking and trading books).

➢ **Scope and Coverage of Capital Charge for Market Risks :** These guidelines seek to address the issues involved in computing capital charges for interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk (including gold and other precious metals) in both trading and banking books.

➢ Trading book for the purpose of capital adequacy will include:

(a) Securities included under the Held for Trading category
(b) Securities included under the Available for Sale category
(c) Open gold position limits
(d) Open foreign exchange position limits

(e) Trading positions in derivatives, and
(f) Derivatives entered into for hedging trading book exposures.

- Capital for market risk would not be relevant for securities, which have already matured and remain unpaid. These securities will attract capital only for credit risk.

- On completion of **90 days' delinquency**, these will be treated on par with NPAs for deciding the appropriate risk weights for credit risk.

CAPITAL CHARGE FOR OPERATIONAL RISK :

- **Definition of Operational Risk :** Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

- **The measurement methodologies:** The New Capital Adequacy Framework outlines three methods for calculating operational risk capital charges in a continuum of increasing sophistication and risk sensitivity: (i) the Basic Indicator Approach (BIA); (ii) the Standardized Approach (TSA); and (iii) Advanced Measurement Approaches (AMA).

- However, to begin with, banks in India shall compute the capital requirements for operational risk under the **Basic Indicator Approach**.

PART B: SUPERVISORY REVIEW AND EVALUATION PROCESS(SREP)

- It envisages the establishment of suitable risk management systems in banks and their review by the supervisory authority.

PART C: MARKET DISCIPLINE

- It seeks to achieve increased transparency through expanded disclosure requirements for banks .

- The aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes and hence, the capital adequacy of the institution

PART D: CAPITAL CONSERVATION BUFFER FRAMEWORK(CCB): -

- The capital conservation buffer (CCB) is designed to ensure that banks build up capital buffers during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period.

- The requirement is based on simple capital conservation rules designed to avoid breaches of minimum capital requirements.

- Outside the period of stress, banks should hold buffers of capital above the regulatory minimum. When buffers have been drawn down, one way banks should look to rebuild them is through reducing discretionary distributions of earnings. This could include reducing dividend payments, share buybacks and staff bonus payments.

- The capital conservation buffer can be drawn down only when a bank faces a **systemic or idiosyncratic stress.**

- Banks are required to maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 capital, above the regulatory minimum capital requirement of 9%.

PART E: LEVERAGE RATIO FRAMEWORK :

- An underlying cause of the global financial crisis was the build-up of excessive on-and off-balance sheet leverage in the banking system.

- The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

  Leverage Ratio = Capital Measure/Exposure Measure

- The Basel Committee will use the revised framework for testing a minimum Tier 1 leverage ratio of 3% during the parallel run period up to January 1,2017.

- Currently, Indian banking system is operating at a leverage ratio of more than 4.5%.

- The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework**.**

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

PART F: COUNTERCYCLICAL CAPITAL BUFFER FRAMEWORK

- The aim of the Countercyclical Capital Buffer (CCCB) regime is two fold.

- Firstly, it requires banks to build up a buffer of capital in good times which may be used to maintain flow of credit to the real sector in difficult times.

- Secondly, it achieves the broader macro-prudential goal of restricting the banking sector from indiscriminate lending in the periods of excess credit growth that have often been associated with the building up of system-wide risk.

- The CCCB may be maintained in the form of Common Equity Tier 1 (CET 1) capital only, and the amount of the CCCB may vary from 0 to 2.5% of total risk weighted assets (RWA) of the banks.
- The CCCB decision would normally be pre-announced with a lead time of 4 quarters. However, depending on the CCCB indicators, the banks may be advised to build up requisite buffer in a shorter span of time.

IMPORTANT DEFINITION :

- **Basis Risk :** The risk that the interest rate of different assets, liabilities and off-balance sheet items may change in different magnitude is termed as basis risk.

- **Debentures:** Bonds issued by a company bearing a fixed rate of interest usually payable half yearly on specific dates and principal amount repayable on a particular date on redemption of the debentures.

- **Deferred Tax Assets:** Unabsorbed depreciation and carry forward of losses which can be set-off against future taxable income which is considered as timing differences result in deferred tax assets. The deferred Tax Assets are accounted as per the Accounting Standard 22. Deferred Tax Assets have an effect of decreasing future income tax payments, which indicates that they are prepaid income taxes and meet definition of assets. Whereas deferred tax liabilities have an effect of increasing future year's income tax payments, which indicates that they are accrued income taxes and meet definition of liabilities.

- **Net Interest Margin :** Net interest margin is the net interest income divided by average interest earning assets.

- **Net NPA :** Net NPA = Gross NPA – (Balance in Interest Suspense account + DICGC/ECGC claims received and held pending adjustment + Part payment received and kept in suspense account + Total provisions held)'.

  Basel III International framework for liquidity risk measurement, standards and monitoring" was issued in December 2010 which presented the details of global regulatory standards on liquidity. Two minimum standards, viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity were prescribed by the Basel Committee for achieving two separate but complementary objectives.

LIQUIDITY COVERAGE RATIO (Ref. RBI Circular dated June 9, 2014)

- The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.
- Liquidity Coverage Ratio(LCR) is effective from **January 1, 2015** in a phased manner.

	Jan 1,2015	Jan1,2016	Jan1,2017	Jan1,2018	Jan1,2019
Minimum LCR	60%	70%	80%	90%	100%

- The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.
- **DEFINITON OF LCR:**

(Stocks of High Quality Liquid Assets/Total Net Cash outflow for 30 days)>= 100%

NET STABLE FUNDING RATIO :(Ref. RBI Circular dated May 17,2018 and dated 29.11.2018)

- The NSFR promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis.

- The objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's regular sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

- **Minimum Requirement and Implementation date :**

  NSFR =[(Available Stable Fund(ASF))/(Required Stable Fund(RSF))]>=100%

  <u>NSFR will be implemented w.e.f. 01.04.2020</u>

POLICY ON FRAUD RISK MANAGEMENT & FRAUD INVESTIGATION POLICY -2017

(Ref. IOB Circular no. Misc/480/2018-19 dated 27.12.2018 issued by RMD(FRMC) Validity of policy till 30/11/2020)

Definition of Fraud:

- A fraud is defined as "Any behavior by which one person intends to gain a dishonest advantage over another". Fraud is defined u/s 421 of IPC and u/s 17 of Indian Contract Act.

- RBI has defined fraud as an act of commission and/or abetment which is intended to cause illicit gain to one person(s)/entity and wrongful loss to the other, either by way of concealment of facts, by deceit or by playing a confidence trick.

➢ **Fraud Risk Management:**

- Frauds in banks arising out of both system and human failures may be grouped into four categories on the basis of perpetrator of fraud: -

(a) Frauds committed by employees
(b) Frauds committed by employees in collusion with outsiders who may or may not be customers of the Bank.
(c) Frauds committed by outsiders/customers with insider support/involvement.
(d) Frauds committed exclusively by outsiders who may not be customers of the Bank.

➢ In order to have uniformity in reporting, frauds have been classified by RBI, as under:

a) Misappropriation and criminal breach of trust
b) Fraudulent encashment through instruments, manipulations of books of accounts or through fictitious accounts and conversion of property.
c) Unauthorized credit facilities extended for reward or for illegal gratification.
d) Cash shortages
e) Cheating and forgery
f) Fraudulent transactions involving foreign exchange and
g) Any other type of frauds not coming under the specific head as above.

The following cases where fraudulent intention is not suspected /proved at the time of detection will be treated as fraud: -

a) Cases of cash shortage of more than Rs. 10,000(including at ATMs) and
b) Cash shortage more than Rs. 5000/- if detected by the Management/Auditor/Inspecting Officer and not reported on the day of occurrence by the persons handling cash.

INCIDENT REPORTING

- The suspected frauds/frauds detected shall be reported by the branches to the Controlling offices within **Twenty-Four hours.**

- Branches shall apprise controlling office instantly over phone and submit a Report immediately when a major fraud is detected.

- This reporting has to be followed by a detailed report within a period of **three days.**

- **Reporting to RBI :** Approval from following competent authority as indicated below and then reporting of fraud will be done to RBI:

Amount Involved	Competent authority to decide to report to RBI
< Rs. 1 Lac	GM,RMD,CO
>=Rs. 1 lac< Rs. 1 cr	Committee of GM,RMD and two DGMs(One each from Inspection and Operation Dept.) **Quorum : 02; If no DGM available then 2nd line functionaries**
>=Rs. 1 Cr. < Rs. 10 Cr	Committee of 3 GMs, one each from RMD, Inspection and Mid. Corporate **Quorum : 02; 2nd functionaries in case, there is no GM in the departments**
>=Rs. 10 Cr.	Committee headed by ED and three GM- one each from RMD, Inspection and Large Corporate **Quorum : 03**

- Bank shall furnish **Fraud Monitoring Return(FMR)** in individual fraud cases, irrespective of the amount involved, to RBI electronically using FMR application in XBRL system within **three weeks from the date of detection.**

- In respect of fraud cases where the amount involved is Rs. **5 Cr. and above**

Bank shall furnish Flash Report(FR) within a week of such frauds are being reported at bank's CO.

- **Reporting of Cheque related Frauds: -**
  - In case of the frauds involving fake/forged instruments sent in clearing in respect of truncated instruments are to be reported only by the paying banker and not by the collecting banker.
  - However, in the case of collection of an instrument which is genuine but the amount is collected for credit to the account of a person who is not the true owner, the collecting bank which is defrauded will have to file fraud report with the RBI and complaint with the police.
  - In the case of collection of instrument where the amount has been credited before realization and subsequently the instrument is found to be fake/forged and returned by the paying bank, it is the collecting bank that has to file FMR. 1 with the RBI and complaint with the police as the collecting bank is at loss by parting the amount before realization of the instrument.
- **Corrective action:**
  - Once a fraud is reported, irrespective of the amount, the Regional Head shall visit the branch immediately on reporting of fraud to CO.
  - Where the amount involved is **Rs. 10 cr.** and above, the GM of ZO shall visit the branch to boost the morale of the staff and to oversee remedial action taken.
  - The CVO may visit the branch or nominate some higher official at his discretion to visit where the amount of fraud is **more than Rs. 10 cr.**
- **Action against Third Party Entities(TPEs):** In cases where such TPEs are involved in the frauds, the details shall be reported to IBA.
- **Penal Measure for Fraudulent Borrowers:** Information on borrowers who have defaulted and also have committed a fraud on the bank would be provided to the authorities concerned so that the borrower is debarred from availing bank finance from SCBs, Development Finance Institutions, Government owned NBFC'S, Investment Institutions etc for a period of **five years from the date of full payment of the defrauded amount.**

FRAUDS IN BORROWAL ACCOUNTS INVOLVING MULTIPLE BANKING ARRANGEMENTS(MBA)

- In case it is decided at the individual bank level to classify the account as fraud straightway at this stage itself, the bank shall report the fraud to RBI within **21 days** of detection and also report the case to CBI/Police.
- **Further within 15 days** of RFA/Fraud classification, the bank which has red flagged the account would ask the consortium leader under MBA to convene a meeting of the JLF to discuss the issue.

- Based on voting**(at least 60% share in the total lending),** the account shall be red flagged by all the banks and subject to a forensic audit initiated by the largest lender under MBA.

- The Forensic Audit must be completed within a maximum period of **three months** from the date of JLF meeting authorizing the audit,

- **Within 15 days** of the completion of the forensic audit, the JLF shall reconvene and decide on the status of the account.

- In case the decision to change the account from RFA status to fraud in all banks, it shall be reported to RBI on the CRILC platform within a week of the said decision,

- Within 30 days of the RBI reporting, the bank initiating the forensic audit should lodge a complaint with CBI on behalf of all the banks in the MBA.

- The overall Time allowed for the entire exercise to be completed is **six months from the date** when the 1st member of the bank reported the account as RFA or Frauds on CRILC platform.

- **Cases of attempted frauds:**

  - The system of reporting attempted fraud cases of **Rs. 1 cr and above** to RBI stand discontinued in terms of revised instructions received from RBI.

  - Bank shall continue to place the Report to Individual of attempted fraud involving an amount of Rs. 1 cr and above before the ACB.

- **Report on Fraud Outstanding to RBI:**
  - Bank shall submit a Quarterly Report on Frauds outstanding in Fraud Monitoring Report(**FMR-2)**toRBI.

- As part of FMR 2 bank shall furnish a certificate confirming reporting of all individual fraud cases of Rs. 1 lac and above to RBI in FMR-1 during the quarter and placement of the same to the Bank's Board.

➢ **Closure of Fraud cases:**

- Closure of fraud cases will be handled by RMD.

- Bank shall report to RBI the details of fraud cases of Rs. 1 lac and above closed along with reasons for closure after completing the process.

- Banks are allowed for limited statistical purposes, to close those fraud cases involving amounts upto Rs. **25 lacs where:**

  ✓ The investigation is on or challan/charge sheet has not been filed in the court for more than **three yearfrom the date of filling of FIR by CBI/POLICE.**

- CVC has advised that only if staff of the bank is involved in the fraud cases of below Rs. 1 lac and above Rs. 10000/-, would need to be reported/file complaint to the local police station by the bank branch concerned.

- In view of RBI/CVC guidelines, henceforth, cases of frauds reported to RBI involving amount less than Rs. 1 lakh will be closed by the bank with the approval from ED where the entire amount is recovered and no staff lapse/staff side action completed.

➢ **Reporting cases of Theft, Burglary, Dacoity and Bank Robberies:** The cases of Theft, Burglary, Dacoity and Bank robberies will not be treated as fraud.

➢ **MONITORING OF FRUADS BY COMMITTEE:**

- **At CO:** All frauds involving an amount of **Rs. 1 cr and above** should be monitored and reviewed exclusively by the Special Committee of the Board constituted for this purpose:
- **The special committee shall consists of:**
  1) MD & CEO
  2) ED
  3) GOI Nominee Director
  4) Part time Non-Official Director(Member of ACB) and
  5) Part time Non-official Director(Member of Board)

- **SPECIAL INVESTIGATION TEAM:** Where the amount involved is less than Rs. 1 cr, the regional heads shall arrange for Investigation.

- The CBI complaint shall be lodged under the signature of Regional Heads after getting the draft of the same vetted by Vigilance Department.

REPORTING OF FRAUDS TO POLICE/CBI

Category of Bank	Amount Involved in the fraud	Agency to whom complaint should be lodged	Complaint to be lodged by	Remarks
PSB	< Rs. 3 CR. 1. >=Rs. 10K < Rs. 1 L	State Police	Branch	If committed by bank staff
	2. >=Rs. 1L<Rs. 3 cr	State CID/EOW of the state concerned	Regional Head	To be lodged by Regional Head
	>=Rs. 3 CR <=Rs. 25 CR	CBI	Regional Head	To be lodged with Anti corruption of CBI(where the staff involved is prima facie evident)/EOW of CBI(Where staff involved is prima facie not evident)
	>Rs. 25 CR<=Rs. 50 CR	CBI	Regional Head	To be lodged with Banking Security and Fraud Cell(BSFC) of CBI
	>Rs. 50 CR	CBI	Regional Head	To be lodged with the Joint Director(Policy) CBI, HQ, New Delhi

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

- **CENTRAL FRUAD REGISTRY:** A CFR based on the fraud monitoring returns, filed by the banks and the select FIs, including the updates thereof, has been made available by RBI.

- **General Guidelines to be followed by branches/RO on reporting of frauds:-**

- **Within three weeks from the date of detection** where the amount involved is less than **Rs. 5 cr.**

- **Within seven days from the date on which the matter come to the notice of CO** where the amount involved is Rs. **5 cr and above.**

CREDIT RISK RATING MODULE(CRRM)

INTERNAL RATING OF BORROWAL ACCOUNTS WITH EXPOSURE LESS THAN Rs. 1 Cr.- CREDIT RISK RATING MODULE(CRRM)

(Ref. IOB circular no. MISC/541/2018-19 DATED 29/03/2019)

- Our Bank has procured new rating models from **M/S IMaCS Ltd(ICRA Management Consulting Services Ltd)** and the package is named as 'New CRRM'.

- New CRRM shall be used for rating MSME Borrowers and Agri Borrowers with limits **less than Rs. 1 Crore.**

- **Salient Features of New CRRM :**

- The New CRRM Rating is based on Industry Standards having 10 points rating scale, as against the 7 points rating scale of the existing CRRM.

- In addition to having a qualitative assessment module for assessing Financial Risk, the new CRRM rating models capture the macroeconomic effects of a borrower by adopting both the **"Through the Cycle"(TTC)** and **"Point in Time"(PIT)** rating philosophies.

- The TTC parameters used are Return on Capital Employed(ROCE), Earning Before Interest, Tax, Depreciation and Amortization(EBIDTA)/Net Sales, Average Sales, Sales Growth and cash flow adequacy.

- Under PIT parameters, Gearing Ratio and Quick Ratio are used.

- **Models available in New CRRM:** Total 7 Models: 4 Models for MSME and 3 Models Agri categories.

- **The four models available for rating the MSME borrowers are:**

S.No.	Model	Business Segment
1	Micro Model 1(M1C)	To evaluate borrowers with exposure up to Rs. 2 Lacs
2	Micro Model 2(M2C)	To evaluate borrowers with exposure between Rs. 2 lacs to Rs. 10 Lacs
3	Small and Medium Enterprise Model(SMM)	To evaluate borrowers with exposures between Rs. 10 lacs and Rs. 1 cr. This model is applicable only to mfg. companies
4	Small and business	To evaluate borrowers with exposures

	Service Model(SBS)	between Rs. 10 lacs and Rs. 1 cr. This model is applicable only to Trading companies

➢ **The three models available for rating the Agri borrowers are:**

S.N.	Model
1	Agri Processing Unit Model(APU)
2(a)	Agriculture Model Term Loan(ATL)
2(b)	Agriculture Model Working capital Loan(AWC)
3(a)	Agri-allied activities model-Term Loan (ALT)
3(b)	Agri-Allied Activity Model-Working Capital(ALW)

➢ **Ineligible Accounts in New CRRM:-**

a. Accounts backed by 100% liquid security, Jewel Loans
b. Agri Loans under KCC Scheme, SHGs
c. Loan against Deposits
d. Accounts exclusively sanctioned for Liquirent purpose, under Non-CRE category.
e. NFB limits backed by 100% cash margin or deposit margin.
f. NPA advances.

➢ **Rating Workflow:**
Level 1- Originator(Scale I,II & III)
Level 2 – Approver(Scale III and above)
Level 3-Validator(RO Risk Manager and ZO Risk Manager)

➢ The work flow for Rating Origination, Approval and Validation shall be as under:

Aggregate FB limits upto Rs. 40 Lakhs			
Layers of Authority	**Origination**	**Approval**	**Validation**
Branch headed by Scale II & below	Branch	RO Advance Dept	Not required
Branch headed by Scale III & above	Branch	Branch Head	Not required
Aggregate FB limits above Rs. 40 Lakhs			
Layers of Authority	**Origination**	**Approval**	**Validation**
Branch headed by Scale III & below	Branch	RO Advance Dept	*RO Risk Manager
Branch headed by Scale IV & above	Branch	Branch Head	*RO Risk Manager

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Vetted by : Shri Praveen kumar

- Rating shall be valid for a period of **12 months from the date of finalization** of the rating.

- The **Hurdle Rate for rating** under New CRRM will be **IOB 7.**
- **Renewal without Enhancement for Existing accounts rated below Hurdle Rate(IOB 8 and above): Scale IV and above**

- **Renewal with enhancement for existing accounts rated below Hurdle Rate(IOB8 only):** RLCC and above only at exceptional cases if any three of these conditions are satisfied:-

  a. The borrower is having a long standing banking relationship with our bank, with at least 5 years satisfactory relationship.
  b. The rating downgrade is temporary in nature.
  c. There is strong group support available for the borrower
  d. There is a collateral coverage of 60% and above.

- Enhancement is not possible for IOB9 and above

- Fresh loans can be considered for borrowers **upto IOB 8 only(by RLCC)**

- Branches can sanction fresh loan **upto IOB 7 only**

- For IOB 9 rated borrowers, no fresh sanction or enhancement is permitted.

- **Common Scale Rating Mapping with IOB Scales:**

MSME Models

Common Scale	Micro 1	Micro 2	SME Model	SBS Model	Category
IOB 1	--	--	--	--	Investment Grade
IOB 2	--	--	SMM 1	--	
IOB 3	M1C 1	M2C 1	SMM 2	SBS 1	
IOB 4	M1C 2	M2C 2	SMM 3	SBS 2	
IOB 5	M1C 3	M2C 3	SMM 4	SBS 3	
IOB 6	M1C 4	M2C 4	SMM 5	SBS 4	
IOB 7	M1C 5	M2C 5	SMM 6	SBS 5	
IOB 8	M1C 6 & 7	M2C 6 & 7	SMM 7	SBS 6 & 7	Non – Investment Grade
IOB 9	M1C 8 & 9	M2C 8 & 9	SMM 8 & 9	SBS 8 & 9	
IOB 10	M1C 10	M2C 10	SMM 10	SBS 10	

Agro Models:

Common Scale	Agro Processing Unit	Agri - Term Loan	Agri – Working Capital Loan	Agri-Allied – Term Loan	Agri-Allied – Working Capital	Category
IOB 1	--	--	--	--	--	Investment Grade
IOB 2	APU 1	ATL 1	AWC 1	ALT 1	ALW 1	
IOB 3	APU 2	ATL 2	AWC 2	ALT 2	ALW 2	
IOB 4	APU 3	ATL 3	AWC 3	ALT 3	ALW 3	
IOB 5	APU 4	ATL 4	AWC 4	ALT 4	ALW 4	
IOB 6	APU 5	ATL 5	AWC 5	ALT 5	ALW 5	
IOB 7	APU 6	ATL 6	AWC 6	ALT 6	ALW 6	
IOB 8	APU 7	ATL 7	AWC 7	ALT 7	ALW 7	Non – Investment Grade
IOB 9	APU 8 & 9	ATL 8 & 9	AWC 8 & 9	ALT 8 & 9	ALW 8 & 9	
IOB 10	APU 10	ATL 10	AWC 10	ALT 10	ALW 10	

- **Clarification regarding MSME Online Processing Portal :**The risk assessment part in the in-house MSME Online Processing Portal(Up to Rs. 10 Lakhs) will be dis-integrated and all accounts processed in the portal **has to be necessarily rated in New CRRM.**

- **Clarification regarding accounts routed through "PSBloansin59minutes" Portal:** For new accounts, it is compulsory to route the proposal through PSB loan in 59 minutes portal. If he proposal comes to 'safety' and is acceptable, the proposal has to be rated under new CRRM also to get a rating grade.

- In case of new accounts, any borrower which gets a 'Safety' assessment in PSBloansin59minutes Portal and scores adversely i.e. rating is below hurdle rate in new CRRM, it should be re-assessed to find the reasons for variance. If required, it has to be referred to RMD,CO with complete details for the final decision.

RISK ASSESSMENT MODEL(RAM)/ Dynamic Rating/External Rating and New Scoring Model

INTERNAL RATING OF BORROWAL ACCOUNTS-RISK ASSESSMENT MODEL(RAM)

(Ref IOB circular no. MISC/370/2018-19 dated 22.06.2018 and MISC/530/2018-19 dated 13.03.2019)

- Up gradation of RAM version from basic version i.e. Active Server Page(ASP) to advanced version i.e. Java Server Page(JSP).
- There are total 11 models(6 new models added) available on JSP RAM shall include:
  1. Bank Rating Model(Not available for Branch)(NEW)
  2. Large corporate(LT)
  3. Traders(TR)
  4. Small and Medium Enterprises(SME)-Manufacturing
  5. Small and Medium Enterprises(SME)-Service(NEW)
  6. NBFC(NEW)
  7. Real Estate Developer(NEW)
  8. Contractor Model(NEW)
  9. Infrastructure Power Project
  10. Infrastructure Road Project
  11. Infrastructure Telecom(NEW)

- A set parameters has been introduced know as "**Guard Rails"** which will prevent analyst from doing highly favorable/unfavorable assessment by tweaking the Business Risk Parameters. It will be operational when for a particular borrower, the difference between **Business Risk(BR)** grade and **Industry Risk(IR)** grade is more than 3 notches or difference between **Financial Risk(FR)** grades and **Business Risk(BR)** grade is more than 2 notches.

- **Revised Eligibility Norms :** The borrowal account with a total exposure(both FB and NFB) of **Rs. 1 cr and above** (irrespective of SME and Non SME) has to be rated under **RAM Model.**

- Interest Rate Linked to RAM Rating: 1) 1 cr and above for NON SME & 2) 2 cr and above for SME

- The credit decision and interest rate should be decided on the basis of final validation reports only.

- **The following should be added in all Terms of sanction:** When the rating of a borrower is **downgraded,** the ROI will be automatically reset in line with the rating and rate as applicable for lower rating will be applicable. The higher pricing will be with immediate effect and without waiting till renewal/review of such loans. However, in case of rating upgraded, the changes in the ROI will be considered at the time of renewal/review only.

- **Trader Model** shall be used for trading advances, if the turnover is less **than Rs. 75 cr;** but if the T/O for trading advances is Rs. 75 Crore and above, then the **Large Corporate Model** shall be used.

- **All agriculture advances** with aggregate limit of **Rs. 1 crore and above** shall be rated under **TR** Model, if the T/O is less than Rs. 75 crore, otherwise to be rated under **LT Model.**

- **Advance to CRE with an aggregate limit of Rs. 1 crore and above shall be rated under TR model, if the T/O of the account is less than Rs. 75 cr otherwise to be rated under LT model.**

- **Ineligible accounts under RAM Rating :-**
  a. All accounts under Schematic Lending
  b. Accounts exclusively sanctioned for Liquirent Purpose
  c. NPA Advances
  d. NFB Limit backed by 100% cash margin or deposit margin
  e. Loan against Deposits.

<u>INTRODUCTION OF DYNAMIC RATING OF BORROWAL ACCOUNTS</u>

(Ref. IOB Circular No, MISC/423/2018-19 dated 20.09.2018)

- Those account rated between April to October on the basis of Provisional Financial Statement should be re-rated immediately upon receipt of Audited Financial Statement.
- **Dynamic Rating** means reviewing the rating more than once in a year at least on a half yearly basis. The dynamic rating shall be triggered in the following circumstances:-

  - External Rating of an account is downgraded/outlook changed.(Rating of accounts should be done within **7 days** and should be confirmed to RMD,CO)
  - Externally Unrated accounts having exposure of Rs. 200 cr. and above- Borrowers having exposure of **Rs. 200 Cr. and above** and are not externally rated should be rated internally at half yearly periodically mandatorily. In such accounts, rating will be valid only for **6 months.**

Compulsory External Rating of Borrowal accounts with aggregate credit limits of <u>Rs. 25 Crores and above excluding MSME Borrowal accounts</u>

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

(Ref.: IOB Circular No. ADV/429/2019-20 dated 25.11.2019 by CSSD)

- External rating is now compulsory for all the accounts having aggregate exposure (other than MSME) of Rs. 25 crores and above.
- All the new connection with aggregate exposure of Rs. 25 Crores and above(other than MSME) are to be compulsorily rated externally w.e.f. **01.04.2020.**
- However, all existing accounts(other than MSME and Special Schemes) with exposures of Rs. 25 Crores and above have to be rated externally on or before **01.12.2020.** If the borrower fails to obtain external rating within the stipulated time, the sanctioning authority must stipulate a sanction condition to charge an additional interest of 1%.
- MSME accounts and all special schemes having an exposures of Rs. 25 crores and up to Rs. 100 crores are exempted from compulsory External Rating.

New Scoring Model for Micro Small and Medium(MSME) Enterprises to Assess & Filter the Entry Level MSME Applicants

(Ref.: IOB Circular No. ADV/104/2017-18 dated 18.05.2017)

- **"New Scoring Model for MSME"** is introduced with the approval of the Board, to assess & filter the New MSME Borrowers at the entry level, for credit limits **from Rs. 2.00 lakh & above upto Rs. 200.00 Lakh.**
- The new scoring model will reduce TAT.
- This new scoring model works on a **scoring matrix, by keying in answers a set of questions** framed on management behavioral score, management score, business score and financial score.
- The applicant is eligible for Bank finance, provided the marks scored by him / her are 60% & above, otherwise the application should be rejected.
- New Scoring Model for MSME and it is ported at IOB ONLINE->BRANCH PRODUCT->BRANCH MIS REPORT/MENU->. Branches to login with their Branch Code->Roll No.->Chris Password

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

MISCELLANEOUS MATTERS/TERMINOLOGY RELATED TO FINANCE

REPURCHASE TRANSACTION(REPO) (RESERVE BANK) DIRECTIONS, 2018

[Ref. RBI circular no. RBI/2018-19/24 dated July 24,2018]

- **"Repo"** shall have the same meaning as defined in **Section 45U (c)** of RBI Act, 1934.
- **"Reverse Repo"** shall have the same meaning as defined in Section **45U (d)** of RBI Act, 1934.
- A 'repo' transaction by an entity is 'reverse repo' transaction for the counterpart entity. For the purpose of these Directions, the word 'repo' is used to mean both 'repo' and 'reverse repo' with the appropriate meaning applied contextually.
- **"Tri-party repo"** means a repo contract where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction.
- **Eligible Securities for Repo :**
  a. Government securities issued by the Central Government or a State Government
  b. Listed corporate bonds and debentures, subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity.
  c. Commercial Papers (CPs) and Certificate of Deposits (CDs)
  d. Any other security of a local authority as may be specified in this behalf by the Central Government.
- Repos shall be undertaken for a minimum period of **one day and a maximum period of one year.**
- Repo transactions may be traded on any recognized stock exchanges, or an electronic trading platform (ETP) duly authorised by the Reserve Bank or in the over-the-counter (OTC) market. However, prior approval of the Reserve Bank is required for trading repos on any trading platform, including on recognized stock exchanges.
- **Settlement of trades under these Directions shall be-**

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

(a) The first leg of all repo transactions shall settle either on a T+0 or T+1 basis.
(b) All repo transactions shall settle on a Delivery vs Payments (DvP) basis
(c) All repos in government securities shall settle through CCIL or any other clearing agency approved by the Reserve Bank.
(d) All repos in corporate bonds and debentures shall settle through the clearing house of exchanges or any other entity which has been approved by the Reserve Bank.

- Listed corporate bonds and debentures shall carry a minimum **haircut of 2%** of market value. Additional haircut may be charged based on tenor and illiquidity of the security.
- CPs and CDs shall carry a minimum haircut of **1.5%** of market value.
- Securities issued by a local authority shall carry a minimum haircut of **2% of** market value
- Funds borrowed under repo including tri-party repo in government securities shall be **exempted fromCRR/SLR** computation and the security acquired under repo shall be **eligible for SLR provided** the security is primarily eligible for SLR as per the provisions of the Act under which it is required to be maintained.
- Borrowings by a bank through repo in corporate bonds and debentures shall be reckoned as liabilities for Cash Reserve Ratio/ Statutory Liquidity Ratio requirement and, to the extent these liabilities are to the banking system, they shall be netted as per section 42(1) of the RBI Act, 1934.
- **Tri-Party Agent:**
  - All tri-party agents need prior authorisation from the Reserve Bank to act in that capacity.
  - Scheduled commercial banks, recognized stock exchanges and clearing corporations of stock exchanges or clearing corporations authorised under PSS Act., are eligible to be tri-party agents.
  - The applicant should have minimum paid up equity share capital of Rs. 25 crore which should be maintained at all times.
  - The applicant should have past experience of at least five years in the financial sector, in India or abroad, preferably in custody, clearing or settlement services

(Ref.: Master Circular Cash Reserve Ratio and Statutory Liquidity Ratio; RBI Master Circular No. RBI/2015-16/98 dated July 01.2015)

- With a view to monitoring compliance of maintenance of statutory reserve requirements viz. CRR and SLR by the SCBs, the Reserve Bank of

India has prescribed statutory returns i.e.Form A Return (for CRR) under Section 42(2) of the Reserve Bank of India (RBI) Act, 1934 and Form VIII Return (for SLR) under Section 24 of the Banking Regulation Act, 1949.

- In terms of Section 42(1) of the RBI Act, 1934 the Reserve Bank, having regard to the needs of securing the monetary stability in the country, prescribes the CRR for SCBs without any floor or ceiling rate.
- In terms of Section 42(1A) of RBI Act, 1934, the SCBs are required to maintain, in addition to the balances prescribed under Section 42(1) of the Act, an additional average daily balance, the amount of which shall not be less than the rate specified by the Reserve Bank in the notification published in the Gazette of India from time to time.
- As the Reserve Bank of India has been authorized in terms of **Section 42(1C)** of the RBI Act, 1934, to specify whether any transaction or class of transactions would be regarded as a liability of banks in India.
- **Demand Liabilities** of a bank are liabilities which are payable on demand. These include current deposits, demand liabilities portion of savings bank deposits, margins held against letters of credit/guarantees, balances in overdue fixed deposits, cash certificates and cumulative/recurring deposits, outstanding Telegraphic Transfers (TTs), Mail Transfers (MTs), Demand Drafts (DDs), unclaimed deposits, credit balances in the Cash Credit account and deposits held as security for advances which are payable on demand. Money at Call and Short Notice from outside the banking system should be shown against liability to others.
- **Time Liabilities** of a bank are those which are payable otherwise than on demand. These include fixed deposits, cash certificates, cumulative and recurring deposits, time liabilities portion of savings bank deposits, staff security deposits, margin held against letters of credit, if not payable on demand, deposits held as securities for advances which are not payable on demand and Gold deposits.
- **ODTL include** interest accrued on deposits, bills payable, unpaid dividends, suspense account balances representing amounts due to other banks or public, net credit balances in branch adjustment account, any amounts due to the banking system which are not in the nature of deposits or borrowing. Such liabilities may arise due to items like collection of bills on behalf of other banks, interest due to other banks and so on. If a bank cannot segregate the liabilities to the banking system, from the total of ODTL, the entire ODTL may be shown against item II (c) 'Other Demand and Time Liabilities' of the Return in Form 'A' and average CRR maintained on it.

- The balance outstanding in the blocked account pertaining to segregated outstanding credit entries for more than **5 years** in inter-branch adjustment account, the margin money on bills purchased / discounted and gold borrowed by banks from abroad, should also be included in ODTL.
- Cash collaterals received under collateralized derivative transactions should be included in the bank's DTL/NDTL for the purpose of reserve requirements as these are in the nature of **'outside liabilities'.**
- Interest accrued on deposits should be calculated on each reporting fortnight (as per the interest calculation methods applicable to various types of accounts).
- **Liabilities not to be included for DTL/NDTL computation : -**
    - Paid up capital, reserves, any credit balance in the Profit & Loss Account of the bank, amount of any loan taken from the RBI and the amount of refinance taken from Exim Bank, NHB, NABARD, SIDBI.
    - Net income tax provision Amount received from DICGC towards claims and held by banks pending adjustments thereof;
    - Amount received from ECGC by invoking the guarantee;
    - Amount received from insurance company on ad-hoc settlement of claims pending judgement of the Court.
    - Amount received from the Court Receiver
    - The liabilities arising on account of utilization of limits under Bankers' Acceptance Facility (BAF);
    - District Rural Development Agency (DRDA) subsidy of Rs. 10,000/- kept in Subsidy Reserve Fund account in the name of Self Help Groups;
    - Subsidy released by NABARD under Investment Subsidy Scheme for Construction/Renovation/Expansion of Rural Godowns;
    - Net unrealized gain/loss arising from derivatives transaction under trading portfolio
    - Income flows received in advance such as annual fees and other charges which are not refundable;
    - Bill rediscounted by a bank with eligible financial institutions as approved by RBI;
- **Exempted Category :**

  (i) Liabilities to the banking system in India as computed under clause (d) of the explanation to Section 42(1) of the RBI Act, 1934;

  (ii) Credit balances in ACU (US$) Accounts; and

(iii) Demand and Time Liabilities in respect of their Offshore Banking Units (OBU).

(iv) The eligible amount of incremental FCNR (B) and NRE deposits of maturities of **three years and above** from the base date of July 26, 2013, and outstanding as on March 7, 2014, till their maturities/pre-mature withdrawals, and

(v) Minimum of Eligible Credit (EC) and outstanding Long term Bonds (LB) to finance Infrastructure Loans and affordable housing loans, as per the circular DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15, 2014 extant instructions.

- Loans out of Foreign Currency Non–Resident Accounts (Banks), (FCNR [B] Deposits Scheme) and Inter-Bank Foreign Currency (IBFC) deposits should be included as part of bank credit while reporting in **Form 'A' Return.**
- In order to improve cash management by banks, as a measure of simplification, a lag of one fortnight in the maintenance of stipulated CRR by banks was introduced with effect from the fortnight beginning November 06, 1999.
- With a view to providing flexibility to banks in choosing an optimum strategy of holding reserves depending upon their intra fortnight cash flows, all SCBs are required to maintain minimum CRR ~~**balances up to 95 per cent** of the average daily required reserves for a reporting fortnight on all days of the fortnight with effect from the fortnight beginning **September 21, 2013**~~ ***balance up to 90% of the average daily required reserves for a reporting fortnight on all days of the fortnight with effective from the fortnight beginning April 16,2016.(Ref. RBI circular dated 5th April, 2016)***
- In view of the amendment carried out to RBI Act 1934, omitting sub-section (1B) of Section 42,the Reserve Bank does not pay any interest on the CRR balances maintained by SCBs with effect from the fortnight beginning March 31, 2007.
- Under Section 42(2) of the RBI Act, 1934, all SCBs are required to submit to Reserve Bank a provisional Return in Form 'A' within 7 days from the expiry of the relevant fortnight which is used for preparing press communiqué. The final Form 'A' Return is required to be submitted to RBI within 20 days from expiry of the relevant fortnight.
- Annexure A to Form 'A' Return showing all foreign currency liabilities and assets and Annexure B to Form 'A' Return giving details about investment in approved securities, investment in non-approved securities, memo items such as subscription to shares /debentures / bonds in primary market and subscriptions through private placement.

- The present practice of calculation of the proportion of demand liabilities and time liabilities by SCBs in respect of their savings bank deposits on the basis of the position as at the close of business on **30th**September and **31st**March every year (cf. RBI circular DBOD.No.BC.142/09.16.001/97-98 dated November 19, 1997) shall continue in the new system of interest application on savings bank deposits on a daily product basis.
- The average of the minimum balances maintained in each of the month during the half year period shall be treated by the bank as the amount representing the "time liability" portion of the savings bank deposits. When such an amount is deducted from the average of the actual balances maintained during the half year period, the difference would represent the "demand liability" portion.
- In case of default in maintenance of CRR requirement on a daily basis which is currently 95 per cent of the total CRR requirement, penal interest will be recovered for that day at the rate of **three per cent per annum above the Bank Rate on the amount by which the amount actually maintained falls short** of the prescribed minimum on that day and if the shortfall continues on the **next succeeding day/s, penal interest will be recovered at the rate of five per cent per annum above the Bank Rate.**
- In cases of default in maintenance of CRR on average basis during a fortnight, penal interest will be recovered as envisaged in sub-section (3) of Section 42 of Reserve Bank of India Act, 1934.
- **STATUTORY LIQUIDITY RATIO :** The value of such assets of a SCB shall not be less than such percentage not exceeding 40 per cent of its total DTL in India as on the last Friday of the second preceding fortnight as the Reserve Bank may, by notification in the Official Gazette, specify from time to time. SCBs can participate in the Marginal Standing Facility (MSF) Scheme introduced by Reserve Bank with effect from May 09, 2011. Under this facility, the eligible entities may borrow up to two per cent of their respective NDTL outstanding at the end of the second preceding fortnight from April 17, 2012.
- Within the mandatory SLR requirement, Government securities to the extent allowed by the RBI under Marginal Standing Facility (MSF) are permitted to be reckoned as the Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing Liquidity Coverage Ratio (LCR) of banks.
- In addition to this, banks are permitted to reckon up to another 5 per cent of their NDTL within the mandatory SLR requirement as level 1 HQLA.

Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar

- Cash or (b) in Gold valued at a price not exceeding the current market price, or (c) Investment in the following instruments which will be referred to as "Statutory Liquidity Ratio (SLR) securities":
    - Dated securities issued up to May 06, 2011 as listed in the Annex to Notification DBOD.No.Ret.91/12.02.001/2010-11 dated May 09, 2011;
    - Treasury Bills of the Government of India;
    - Dated securities of the Government of India issued from time to time under the market borrowing programme and the Market Stabilization Scheme;
    - State Development Loans (SDLs) of the State Governments issued from time to time under the market borrowing programme; and
    - Any other instrument as may be notified by the Reserve Bank of India.
- The cash management bill will be treated as Government of India Treasury Bill and accordingly shall be treated as SLR security.
- The procedure to compute total NDTL for the purpose of SLR under Section 24 (2A) of Banking Regulation Act, 1949 is broadly similar to the procedure followed for CRR. SCBs are required to include inter-bank term deposits / term borrowing liabilities of all maturities in 'Liabilities to the Banking System'. Similarly, banks should include their inter-bank assets of term deposits and term lending of all maturities in 'Assets with the Banking System' for computation of NDTL for SLR purpose.
- If a banking company fails to maintain the required amount of SLR, it shall be liable to pay to RBI in respect of that default, the penal interest for that day at the rate of **three per cent per annum above the Bank Rate** on the shortfall and if the default continues on the next succeeding working day, the penal interest may be increased to a rate of five per cent per annum above the Bank Rate for the concerned days of default on the shortfall.
- Banks should submit to the Reserve Bank before 20th day of every month, a Return in Form VIII showing the amounts of SLR held on alternate Fridays during immediate preceding month with particulars of their DTL in India held on such Fridays or if any such Friday is a public holiday under the Negotiable Instruments Act, 1881, at the close of business on preceding working day.
- Banks should also submit a statement as Annexure to Form VIII Return giving daily position of (a) assets held for the purpose of compliance with SLR, (b) excess cash balances maintained by them with RBI in the prescribed format, and (c) mode of valuation of securities.

(RBI Circular dated April 13, 2018 on Sovereign Gold Bond Scheme 2018-19 series I)

- The Bonds under this Scheme may be held by a person resident in India, being an individual, in his capacity as such individual, or on behalf of minor child, or jointly with any other individual. The bond may also be held by a Trust, HUFs, Charitable Institution and University. “Person resident in India” is defined under section 2(v) read with section 2(u) of the Foreign Exchange Management Act, 1999.
- The Bonds shall be denominated in units of one gram of gold and multiples thereof. Minimum investment in the Bonds shall be one gram with a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts and similar entities notified by the government from time to time per fiscal year (April – March),
- The issue price of the Gold Bonds will be Rs. 50 per gram less than the nominal value to those investors applying online and the payment against the application is made through digital mode.
- The Bonds shall bear interest from the date of issue at the rate of 2.50 percent (fixed rate) per annum on the nominal value. Interest shall be paid in half-yearly rests and the last interest shall be payable on maturity along with the principal.
- Payment shall be accepted in Indian Rupees through cash up to a maximum of Rs. 20,000/- or Demand Drafts or Cheque or Electronic banking. Where payment is made through cheque or demand draft, the same shall be drawn in favour of receiving office.
- The Bonds shall be repayable on the expiration of eight years from May 04, 2018, the date of issue of Bonds. Pre-mature redemption of the Bond is permitted from fifth year of the date of issue on the interest payment dates.
- The redemption price shall be fixed in Indian Rupees and the redemption price shall be based on simple average of closing price of gold of 999 purity of the previous 3 working days, published by the India Bullion and Jewelers Association Limited.
- Bonds acquired by the banks through the process of invoking lien/hypothecation/pledge alone shall be counted towards Statutory Liquidity Ratio.
- The Bonds may be used as collateral for loans. The Loan to Value ratio will be as applicable to ordinary gold loan mandated by the RBI from time to time. The lien on the Bonds shall be marked in the depository by the

authorized banks. The loan against SGBs would be subject to decision of the bank/financing agency, and cannot be inferred as a matter of right.

- Interest on the Bonds shall be taxable as per the provisions of the Income-tax Act, 1961. The capital gains tax arising on redemption of SGB to an individual has been exempted.
- An individual Non - resident Indian may get the security transferred in his name on account of his being a nominee of a deceased investor provided that:
    - the Non-Resident investor shall need to hold the security till early redemption or till maturity; and
    - the interest and maturity proceeds of the investment shall not be repatriable.

- Commission for distribution shall be paid at the rate of Rupee one per hundred of the total subscription received by the receiving offices on the applications received and receiving offices shall share at least 50% of the commission so received with the agents or sub-agents for the business procured through them.

(RBI Master Direction on Gold Monetization Scheme, 2015 dated October 22, 2015 ast updated as on Jan 9, 2019)

- GMS, which modifies the existing 'Gold Deposit Scheme' (GDS) and 'Gold Metal Loan Scheme (GML), is intended to mobilise gold held by households and institutions of the country and facilitate its use for productive purposes, and in the long run, to reduce country's reliance on the import of gold.
- Collection and Purity Testing Centre (CPTC) - The collection and assaying centres certified by the Bureau of Indian Standards (BIS) and notified by the Central Government for the purpose of handling gold deposited and redeemed under GMS.
- Medium and Long Term Government Deposit (MLTGD) - The deposit of gold made under the GMS with a designated bank in the account of the Central Government for a medium term period of 5-7 years or a long term period of 12-15 years or for such period as may be decided from time to time by the Central Government.
- Scheme - Gold Monetization Scheme, 2015 which includes Revamped Gold Deposit Scheme (R-GDS) and Revamped Gold Metal Loan Scheme (R-GML).
- Short Term Bank Deposit (STBD) - The deposit of gold made under the GMS with a designated bank for a short term period of 1-3 years.

- The principal and interest on STBD shall be denominated in gold. In the case of MLTGD the principal will be denominated in gold. However, the interest on MLTGD shall be calculated in Indian Rupees with reference to deposit the value of gold at the time of the.
- Persons eligible to make a deposit - Resident Indians [Individuals, HUFs,Proprietorship & Partnership firms, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations, Companies, charitable institutions, Central Government, State Government or any other entity owned by Central Government or State Government can make deposits under the scheme. Joint deposits of two or more eligible depositors are also allowed under the scheme and the deposit in such case shall be credited to the joint deposit account opened in the name of such depositors. The existing rules regarding joint operation of bank deposit accounts including nominations will be applicable to these gold deposits.
- Interest on deposits under the scheme will start accruing from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC or the bank's designated branch, as the case may be, whichever is earlier.
- On the day the gold deposited under the scheme starts accruing interest, the designated banks shall translate the gold liabilities and assets in Indian Rupees by crossing the London AM fixing for Gold / USD rate with the Rupee-US Dollar reference rate announced by RBI on that day.
- The quantity of gold will be expressed up to three decimals of a gram.
- **Acceptance of Deposit:** The minimum deposit at any one time shall be 30 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the scheme.
- **Type of Deposits:** The short term deposits shall be treated as bank's on-balance sheet liability. These deposits will be made with the designated banks for a short period of 1-3 years (with a facility of roll over). Deposits can also be allowed for broken periods (e.g. 1 year 3 months; 2 years 4 months 5 days; etc.). The rate of interest payable in the case of deposits for maturities with broken periods shall be calculated as the sum of interest for the completed year plus interest for the number of remaining days at the rate of D/360*ARI.
- The deposit will attract CRR and SLR requirements as per applicable instructions of RBI from the date of credit of the amount to the deposit account.

- The deposit under this category will be accepted by the designated banks on behalf of the Central Government. The receipts issued by the CPTC and the deposit certificate issued by the designated banks shall state this clearly.
- This deposit will not be reflected in the balance sheet of the designated banks
- The Medium Term Government Deposit (MTGD) can be made for 5-7 years and Long Term Government Deposit (LTGD) for 12-15 years or for such period as may be decided by the Central Government from time to time.
- The rate of interest on such deposit will be decided by Central
- Government and notified by Reserve Bank of India from time to time.
- The current rate of interest as notified by the Central Government are as under:

(i) On medium term deposit – 2.25% p.a.
(ii) On long term deposit – 2.50% p.

- The rate of interest payable in the case of deposits for maturities with broken periods shall be calculated as the sum of interest for the complete year plus interest for the number of remaining days at the rate of D/360*ARI.
- The periodicity of interest payment on these deposits is annual and shall be paid on 31st March every year. A depositor will have an option to receive payment of simple interest annually or cumulative interest at the time of maturity, in which case it will be compounded annually. This option shall be exercised at the time of deposit.
- A Medium Term Government Deposit (MTGD) is allowed to be withdrawn any time after 3 years and a Long Term Government Deposit (LTGD) after 5 years.

Type of deposit	Lock-in period (years)	Actual period for which the deposit has run (years)	
		>3 and < 5	≥5 and < 7
MTGD	3	Applicable rate for MTGD at the time of deposit minus 0.375%	Applicable rate for MTGD at the time of deposit minus 0.25%

Type of deposit	Lock-in period (years)	Actual period for which the deposit has run (years)		
		>5 and < 7	≥ 7 and < 12	≥12 and < 15
LTGD	5	Applicable rate for MTGD at the time of deposit minus 0.25%	Applicable rate for LTGD at the time of deposit minus 0.375%	Applicable rate for LTGD at the time of deposit minus 0.25%

- In the case of MLTGD, the redemption of principal at maturity shall, at the option of the depositor, be either in Indian Rupee equivalent of the value of deposited gold at the time of redemption, or in gold. However, any pre-mature redemption of MLTGD shall be only in INR. Where the redemption of the deposit is in gold, an administrative charge at a rate of 0.2% of the notional redemption amount in terms of INR shall be collected from the depositor.
- Central Government has decided that with effect from November 5, 2016, designated banks will be paid handling charges (including gold purity testing, refining, transportation, storage and any other relevant costs) for MLTGD at a flat rate of 1.5% and commission at the rate of 1% of the rupee equivalent of the amount of gold mobilized under the scheme until further notice.

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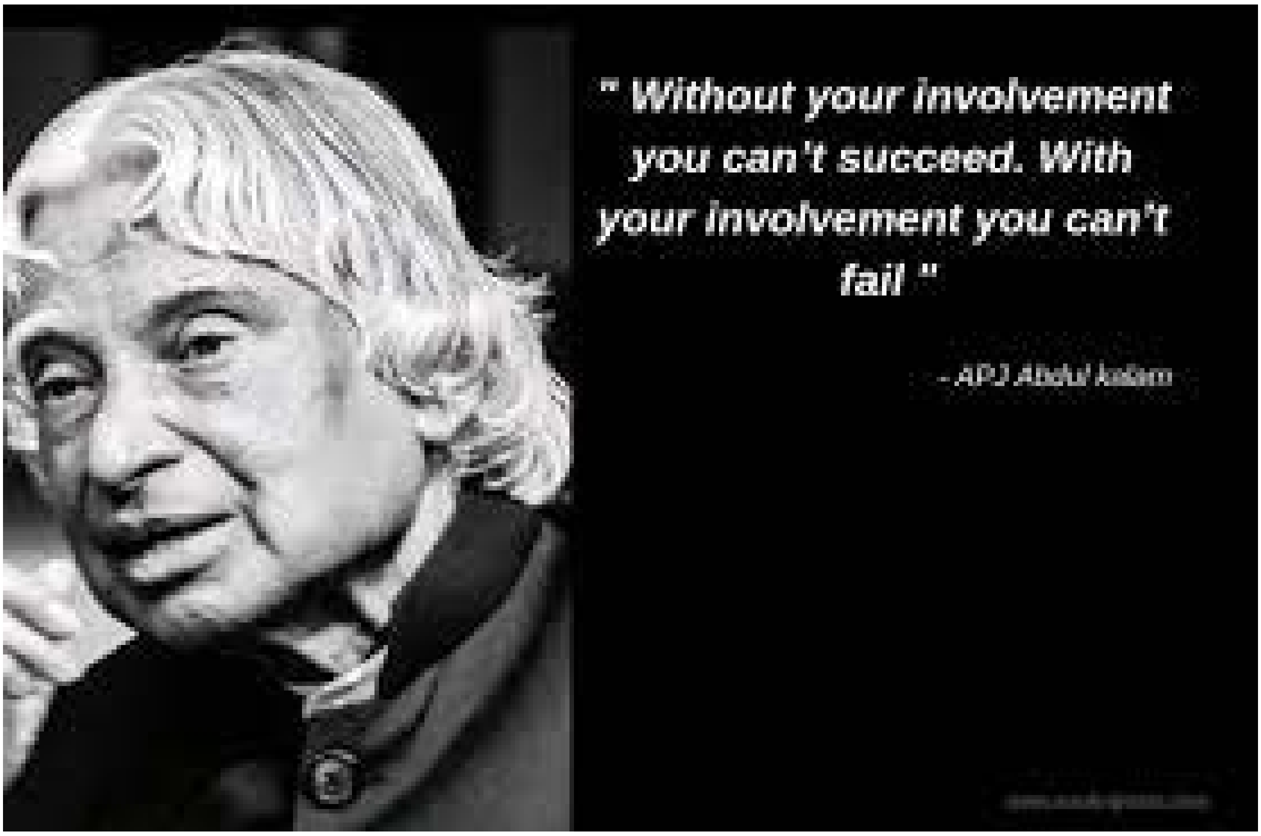
Prepared by:ShriRanjay Kumar Jha
Vetted by : Shri Praveen kumar


" Without your involvement
you can't succeed. With
your involvement you can't
fail "
- APJ Abdul kalam

MODULE-F

Para Banking
&
Miscellaneous Activities

IOB GIFT CARD SCHEME

Salient Features of the new Gift card scheme:

- Gift cards can be issued for any value between Rs.100 and Rs.50,000, in multiples of Re.1/- as per the choice of the customer.
- Gift card is issued as a Pre-paid instrument, supported by Magnetic Stripe band technology with a 16 digit number, under VISA platform.
- At the time of dispatch of stock to branches, the cards will **not be loaded with any value**.
- Only at the time of issue of the card to the customer, amount remitted by the Purchaser will be loaded in the Card.
- Option to re-load the amount in the same card (Top up) is **not permitted.**
- Gift cards **cannot be used to** withdraw cash in ATM/Branch.
- Gift Cards can be used in domestic Merchant Establishments accepting Visa Cards with PIN number provided along with the Card.
- Gift cards can also be used in Internet for domestic online transactions.
- The card will have a validity period of ONLY **one year** from the date of issue by the branch to the customer, irrespective of the date of validity printed on the card.
- No interest will be paid on the card balance.
- Cardholders can view the balance available in the Card through IOB ATM using the PIN provided in the PIN mailer sent along with the card. They can also view the balance through Bank's website www.iobgiftcard.in. For this purpose, the cardholder has to use the Gift card number as the initial login and access code provided in the PIN mailer as the initial password.
- In case of loss/damage of the card, the card can be hot listed by the cardholder through Bank's website www.iobgiftcard.in. Branches can also hotlist the card through the Gift Card Portal in IOBONLINE.
- Cards reported Lost can be blocked by branch in the Gift card portal.
- Bank will consider issue of replacement card to the card holder against a request for the Lost/Damaged/Expired Gift Card made by the Purchaser at the branch where he/she originally purchased the Gift card.

On receipt of the stock of card, branches should log on to **Gift card portal** available in IOBONLINE under 'Branch Products' and acknowledge receipt of the stock in the menu option. Unless stock is entered, branch will not be able to issue Gift cards to their customers.

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Vetted by : Shri Anil Thej Kolanti

Gift Cards can be issued only to the KYC complaint customers (Cir dt ITEC/50/2017-19 dt 26.12.2017)

Branches should obtain the particulars of **the purchaser duly filled** and signed in the application form. The Terms and conditions portion which is printed in the application form itself, may be cut and retained by the purchaser for his/Beneficiary's future reference. The same is also available in the welcome letter sent along with the card.

Branches can obtain details of the Beneficiary **in the application** form itself, **which is optional**.

Applicant can purchase any number of Gift cards and can use single application form/single cheque for the same. However, credit vouchers should be prepared separately for each card.

A Commission of Rs.50/- (inclusive of Service Tax) per card will be collected from the applicant towards issuance of the Gift card.

Staff members/Ex-staff members applying for purchase of Gift cards are exempted from payment of this commission at the time of purchase.

Purchaser should be advised that if the amount loaded in the card is not utilized within the validity period of **one year** from the date of issue of the card, the balance amount will be **forfeited.**

An alert SMS message will be sent to the Purchaser 15 days in advance prior to the date of expiry. SMS alert will also be sent to the cardholder if his mobile details are available in the system.

Branches should **compulsorily obtain mobile number of the applicant** at the time of issuance of Gift card to facilitate issuance of suitable alert messages. Branches may also additionally obtain e-mail id of the purchaser.

The balance amount outstanding in the expired cards as at the end of each half- year will be transferred to Bank's P&L account during the first week of subsequent April and September every year.

Thus during the first week of September, balance amount available in all expired cards as on 31st March will be transferred to Bank's P & L account.

In case the purchaser approaches the branch for claiming the balance amount available in the expired card, **before the same was transferred to P&L account**, branches can issue a replacement card.

Reissuance of Gift cards for Lost/Expired cards:

In case of Loss/Damage/Expiry of the card and if there is balance available in the card, **the original Purchaser of the card may give a written request** and claim the balance amount at the branch where the card was initially purchased.

Branch will verify the balance available in the old Lost/Damaged/Expired card through the Gift Card portal and issue a replacement card.

The branch will issue a replacement card after collecting Rs.25/- towards processing fee, which is inclusive of Service Tax.

For replacement cards, Staff members/Ex-staff members are NOT **exempted** from processing fee.

Branches can issue replacement card for an amount less than Rs.100/- also, since the balance in the old Lost/Expired Gift card may be less than Rs.100/-, after deducting processing fee. For instance, if the balance in the old card is Rs.75/-, replacement card will be issued for Rs.50/- after deducting Rs.25/- towards processing fee. Any fraction amount (paise) available in the old Lost/Damaged/Expired card can also be credited to the above P&L code of 8813.

Besides, issuance of gift cards to individual customers, branches will also be able to issue Gift Cards to Corporates and Government Organisations by keying in one application at a time.

Branches need to enter the gift card details in our CBS system as well as in the Gift Card portal.

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IOB PREPAID CARD SCHEME

Salient Features of the Prepaid card scheme:

- Our Bank has introduced Prepaid Cards (Visa & RuPay) in January 2017. These cards are issued as Chip cards as open system Cards. Hence, this can be topped up by Cash or debit from Account. These cards will work in ATM /POS/ E-com. These cards are valid for payments only in India.
- This card can be issued as Non-Personalized card and issued only to the customers who are full KYC compliant
- The minimum value that can be loaded in the card is Rs.500/- and the maximum amount of balance that can be outstanding at any point of time is Rs.50000/-
- Cash withdrawals through ATMs is permitted up to Rs.20000/- per day and E-Com/PoS transactions can be made for the full value available in the card or Rs.50000/- whichever is less
- Validity period of the Prepaid Card is Minimum 6 months and Maximum 5 years from the date of issuance or till the validity period printed on the card.
- Minimum Balance on the Card below which Card usage will not be permitted is Rs.200/-, This is to take care of any surcharges, AMC and other charges for recovering at the later date.
- Bank will send caution information in reasonable regular intervals about expiry of cards during 30 days period prior to expiry of the card. This will be taken care by ITD by sending Alerts to the Registered Mobile Numbers.
- Prepaid cards issued to the purchaser for his own use can be loaded/reloaded by purchaser through payment by cash /debit to the Bank account (under the same CIF)/eligible Net Banking account at our Bank. Prepaid cards issued to dependent and family members can be loaded from the fully KYC complied bank account of the purchaser only. Prepaid payment instruments issued to the corporate for onward issuance to their employees/staff/contract workers shall be loaded / reloaded only by debit to the bank account, which are subject to full KYC, maintained by the corporate for this purpose with the same branch.
- Prepaid card application can be downloaded from our bank website
- Branch to use the DCMS module with the menu HPPCI to enter KIT number to register the card details. Cash Top up also can be done

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Vetted by : Shri Anil Thej Kolanti

- If the customer wants to surrender the card, he can withdraw the cash from ATM with the stipulated minimum balance left. In case of loss of card branch can issue the replacement card and recover the charges as applicable(HPPCMNT)
- Prepaid cards can be loaded by any of the following methods.
  - Payment by cash (HPPCI)

    Debit to the bank account attached to the card.
  - Internet banking in the following menu

    IOB Cards → IOB Prepaid Card →Top Up
  - Mobile banking app IOB Mobile in the following menu

    Funds transfer → within bank → mobile to account →Enter 16 digit card number
- No Interest is payable on the PPI balances.
- PPIs with no financial transactions for a consecutive period of one year shall be made inactive.
- Multiple issuance of PPIs at different locations, leading to circumvention of limits prescribed for the issuance, should be prevented.
- In the case of cards issued on the strength of CIF ID of the Corporates to their employees, individual KYC document of the employees should be obtained and updated in the system.

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Vetted by : Shri Anil Thej Kolanti

SAFE DEPOSIT LOCKER

A. Allotment of locker

- If sufficient number of lockers is not available for allotment, Branches shall maintain a waiting list of applicant for the purpose. All such applications received for allotment of lockers **shall be acknowledged** and given the **waiting list number.**
- Branches shall advise their Regional Offices, every quarter, the vacant position of the lockers. These details shall be consolidated by Regional Offices and the consolidated position of the vacant lockers may be displayed in a **local newspaper once in a quarter**.

B. Hiring Lockers

1. Lockers should be rented only to respectable persons, properly introduced to the Branch. Lockers can be rented to:
    - **Individuals — Singly or jointly including non-resident Indians**
    - **Trusts, Hindu Undivided Family concerns**
    - **Societies, Clubs and Associations**
    - **Proprietary concerns**
    - **Partnership**
    - **Firms & Limited companies**
    - **Government Departments, Courts etc. where the nature of their work/business involves safe keeping of articles/documents etc.**
    - **Illiterate customers, visually impaired customers**
    - **Staff members of our Bank**
2. Lockers should not be hired with "Former or Survivor" clause.
3. Lockers should not be rented to minors.
4. Lockers should be rented to Trusts only with the prior permission of the Regional Office
5. Deposit for Safe Deposit Lockers not to be made compulsory. Alternatively, 3 Years' Annual rent may be collected in advance. (BOD/EST/104/2015-16 dt.01.08.2015)

C. Addition/deletion of names

1. Whenever locker hirers wish to add/delete names in the existing locker account, the locker account should be closed and a fresh contract should be entered into with all the hirers in whose names the lockers are to be rented out, in the Safe Deposit Locker Agreement (Form 125 AX).

2. Since the closing / opening of the locker is carried out only to facilitate addition/ deletion of names, branch should ensure that atleast one of the original hirers continues to be a hirer in the new contract also.

3. Branches need not collect any additional rent for the purpose of such closure and opening on account of addition / deletion of names

D. Forms and Registers to be used:

Locker Application and Agreement: F.125

AX Power of Attorney for Single Hirers:

F.122 AX Power of Attorney for Joint Hirers:

F 122 BX Trust Account Opening Form: F.

551

Hindu Undivided Family Letter F. 303 X

E. Other procedures for hiring locker

- At the time of breaking open the locker there should be sufficient evidence to show that the hirer failed to pay the rent due in spite of registered notices.

F. **Charges** (BOD/EST/104/2015-16 dt.01.08.2015)

- **For Visits/ Operations** : Rs.45 + ST per operation over and above **12 free** operations in a year
- **For delay in remittance of Locker rentals : Rs.2%** of rent due per month as penalty (for both staff & public)
- **For Loss of Locker keys :** Rs.440+ST in addition to break opening charges

G. Break opening of lockers

1. Locker hirers must either operate the locker or surrender it where the lockers have remained not operated for more than three years for **medium risk category OR one year for higher risk category**

2. Branch must contact locker-hirer without loss of time and obtain in writing the reason for not operating the locker. The details are to be furnished to Regional office by way of status report. (BOD/cir letter dt.04.09.2014)

3. After a follow-up by the branches when Regional Office finds that the locker- hirer does not respond / operate the locker and where an acknowledgement as per Annexure II is held by the branches, Regional Office will accord permission to branch for their breaking open the

locker after giving due notice to the hirer as per instructions in force.

4. The locker should be broken open by the representative mechanic of the manufacturers in the presence of **3 respectable outside witnesses and 2 officers of the Bank.**

5. The contents, if any, should be removed to vacant locker and kept in the joint custody of the Manager and Deputy Manager of the Branch with the triplicate copy of the list of contents also deposited therein along with the articles, pending the receipt of instructions of Regional Office/Central Office regarding their disposal.

6. A registered notice on form 122 J form 122 K as the case may be along with the quadruplicate copy of the list of contents should be sent to hirer(s). In the case of joint accounts such notice should be sent to each person.

H. Access to Lockers

1. If the hirer, accompanied by a third party desires that the third party, be allowed to accompany him inside the vault, the hirer may be permitted to do so at his specific written request and at his sole risk and responsibility

2. Access to locker may be allowed to the hirer's appointee or Authorised person only against a Power of Attorney in form 122 AX or Form 122 BX as the case may be (single hirer or joint hirers).

I. Responsibility of the Officer in charge of the locker units

1. It is the responsibility of the custodian of the vault to check all lockers operated during the day and ensure that they are properly locked and that no articles / valuables are left behind by the locker hirers in the strong room/ locker room

2. The lock of a surrendered locker must be interchanged with that of another vacant locker before being let out to another hirer and the entry in the Locker Key Register should be amended accordingly under the authorisation of the official concerned

J. **Procedures to be followed – When Locker left open by the Hirer**.

1. A declaration to that effect should be obtained in writing from the hirer to that effect.

2. In case the hirer who has left the locker unlocked is not immediately available the contents may be listed in the presence of the Manager, Deputy Manager the custodian and one or two customers.

3. In case the key is left in the unlocked locker the contents should be

kept locked in the locker and the key should be kept in the joint custody of the Manager and Deputy Manager or the custodian.

4. In case the key is not left behind the contents should be kept in a vacant locker and the key should be kept in the joint custody of the Manager and Deputy Manager or the custodian.

K. Settlement of Claim on account of missing persons

1. Satisfactory proof evidencing the death of the constituent(s) must be tendered along with the claim papers.

2. In respect of missing persons, the presumption of death can be raised after a lapse of **seven years** from the date of his/her being reported missing.

   - The legal heirs or the nominee have to raise an express presumption of death of the depositor under Section 108 of the Indian Evidence Act before a competent court.

   - If the court presumes that he/she is dead, then the claim in respect of assets left by a **missing person** can be settled on the basis of the same.

   - The order of the Competent Court will be **accepted in lieu of death certificate** for settlement of claims in favour of **Legal heirs / nominee** as the case may be along with other documents prescribed for settlement of deceased claim

3. The value of the claim in respect of articles kept in Locker / Articles kept in Safe Custody is done by taking inventory of the articles in the presence of Legal heirs/Nominee along with **2 witnesses**.

4. While taking inventory, branches are not required to open any sealed/closed packet(s) left in the Safe Deposit Locker /Safe Custody with the branch. Also, documents of title to landed property need not be valued at the current value of the property as the title can pass on to the claimants only through a subsequent legal procedure.

5. After taking inventory of the Articles in Safe Deposit Lockers / Safe Custody left by the missing person, the same should be valued at **the current market value for arriving at the value of claim**. If the value of the articles exceeds ` 25,000/- branch should insist for the order of the competent court presuming the missing person as dead.

6. Branch should also obtain all other documents prescribed for settlement of normal death claim (in favour of nominee or legal heirs) other than the death certificate.

7. The threshold limit for the value of the articles kept in Safe Deposit Locker / Safe custody , left by missing person could be settled without insisting on production of court order is fixed at ` 25,000/- subject to:-

   - Considering the Claim for settlement only after lapse of **7 years** from the date of his/her being reported missing.
   - The claimant /legal heirs should produce enquiry form, legal heir ship certificate, affidavit, consent letter, etc except the death certificate, as prescribed for the normal death claim. In addition to the above, the claimant /legal heirs should also produce the following documents:-
     - FIR for reporting missing of the person.
     - Non traceable report issued by the police authorities
     - indemnity by the claimants/legal heirs / nominee

Prepared by: Shri Elavenil AA
Vetted by : Shri Anil Thej Kolanti

LOAN SECURE INSURANCE POLICY

New Banc assurance — General Insurance Product

Tie UP with Universal Sompo General Insurance Co. Ltd.,
This Insurance Policy serves as safety net for repayment of the loan in the event the borrower suffers unfortunate diagnose of 18 listed Major Medical Illnesses or undergoing of Surgical Procedures, or death due to Accident or Permanent Total Disablement on account of Accident resulting in inability and unable to repay the loan availed.
New Insurance Plan, coverage can be provided to any individual borrower/s who have availed loans in 10B like Educational Loans, Housing Loans, Vehicle loans, Clean loans, personal loans, MSME /SME Loans including Mudra Loans, Gold Loans etc., and also other loans supported by collateral security.
The loans covered by liquid securities like Bank deposits, LIC policy, IVP, NSC etc are not covered under this Policy.

Coverage of NPA accounts: Existing NPA accounts can also be covered under this policy.

Who can avail this Policy:
Principal Loan Borrowers and Co Applicants from age 20 yrs to 65 yrs. Our staff members can also avail this policy for the loans availed by them in our Bank.

Sum Insured option
Sum insured option available ranging from minimum Rs 50000/- to max Rs 3 Crores.

Pre Insurance Health Check UP
Medical examination for loan borrower / co applicants with sanctioned loan Amount as stated below:

Age	Sanctioned loan amount Sum insured	No medical test required subject to no adverse health condition
Upto 50 Years	Upto Rs. 3.00 Crore	
51- 65 years	Up to I Crore	

Customer may have to undergo Medical test in following cases:

1. Sum Insured more than Rs 1 Crore and if customer's age is 51 years and above
2. If customer has declared a Preexisting diseases condition under the Proposal Form.

The Proposer will have to undergo the tests at his own cost. (Annexed with the terms &Condition) If the proposal is accepted, 50% cost of Health checkup will be refunded to Insured.

Policy Tenure
The Policy can be taken for 1 year/ 2 Years/ 3 Years.

Prepared by: Shri Elavenil AA
Vetted by : Shri Anil Thej Kolanti

Renewal Age

All the covers opted for shall be renewed till the loan tenure or lifetime of insured (subject to renewal at 1/2/3 years as per borrower choice) whichever is earlier, except on grounds of fraud, moral hazard or misrepresentation or noncooperation by Insured Persons.

What is covered under this Policy

Policy is offered with following coverage

Section I - Major Medical Illnesses & Surgical Procedures Section II - Personal Accident.

Section 1 - Major Medical Illnesses & Surgical Procedures:

The coverage is available for 18 Major Medical Illnesses & Surgical Procedures, during the Policy Period if the Insured Borrower unfortunately contracts with any of the 18 major Medical Illnesses or undergoes Surgical Procedures for the first time during the Period of Insurance.

Insured Event: For the purposes of this Section and the determination of the Company's liability under it, the Insured Event in relation to the Insured person, shall mean any Illness, medical event or Surgical Procedure as specifically defined below whose signs or symptoms first commence more than 90 days after the commencement Period of Insurance.

Section II - Personal Accident

This section covers the Insured Borrower against accidental risks as under: -(Normal/Natural Death is not covered under this policy ie., Death due to accident only covered).

A. **Death due to an Accident:**

If the Insured Borrower, die within a period of 12 months from the date of bodily injury due to Accident and such bodily injury be the direct cause of the death, then the Sum Insured, under the Policy shall become payable.

B. **Permanent Total Disablement due to an Accident:**

It covers the borrower for having met with an accidental bodily injury resulting in Permanent Total Disablement subject to the following that the disablement;

i. Continues for a period of twelve (12) consecutive months, and
ii. is confirmed as total, continuous and permanent by a Medical Practitioner after the period of twelve (12) consecutive months, and
iii. Entirely prevents the Insured Borrower from engaging in or giving attention to gainful occupation of any and every kind for the remainder of your life.

Waiting Period:

90 days to be completed from the commencement of period of Insurance.

Coverage under the Policy

Coverage under this policy is for Fixed Sum. In case of term loan and demand loans the Policy can be taken for a fixed Sl-Jm insured with a maximum of Rs3.00 Crore or the loan sanctioned amount whichever is lesser. However if the sanctioned limit in demand loans and terms loans are not fully availed the insurance cover can be done

only up to the maximum utilized portion.
In case of Cash Credit limits the coverage will be up to sanctioned limit or the maximum utilised portion or Rs3.00crores whichever is lesser.

If the borrower wants to restrict the coverage only up to a level within the Insurable limits as aforesaid, it can be permitted. (Ex. The loan sanctioned is Rs 2.00 crores the outstanding is Rs l.50 crores however the borrower wants to restrict the insurance only upto Rs l.00 Crore, it can be allowed).

Policy issuance in case of Joint Borrowers in single loan

In the case of joint borrowers the apportionment of Sum Insured shall be covered on equal basis amongst all insured persons in single Policy. (Ex. If the loan is for Rs l0.001acs with two joint borrowers the coverage will be Rs 5.00 lacs for each borrower totaling Rs 10.00 lacs loan amount). In case of more than 2 persons (Principal Loan Borrower & more than One Co — Applicant), separate policy would be issued for each person with proportionate share of Sum Insured.
In case if any one of the joint borrower is having pre-existing disease in the joint borrowal account the company may either accept or reject the proposal for entire loan.

Premium Payment

Policy is based on a one-time premium payment for the full Policy term. Branches are advised to source this policy only for the loans sanctioned in the respective branch. (Ready reckoner of premium calculation for one year, two years and three years for loan amount with age band is attached herewith). Branches may retain the copy of the proposal form in record.

Policy Issuance:

In the normal course, policy would be issued within 5 working days from the date of premium credited in the collection account. In case of proposal with pre — existing disease declaration, acceptance or rejection would be communicated within 10 working days from the date on which all the medical reports are submitted. Policy will be issued in the name of individual borrower name, since it is a retail policy.

Renewal of the Policy: Policy can be renewed for minimum 1 year and for maximum of 3 years' period. If the loan period is more than 3 years, the policy should be renewed for further period on or before the expiry date of the existing policy.

Free Look Period:

Free Look Period is available at the inception of the Policy and:

1. Insured will be allowed a period of at least 15 days from the date of receipt of the Policy to review the terms and conditions of the Policy and to return the same if not acceptable.
2. If Insured have not made any claim during the Free Look period, the policy holder shall be entitled to
   a) A refund of the premium paid less any expenses incurred by company on Insured's medical examination and the stamp duty charges or;
   b) where the risk has already commenced and the option of return of the Policy is exercised by Insured, a deduction towards the proportionate risk premium for period on cover or;
   c) Where only a part of the risk has commenced, such proportionate risk premium commensurate with the risk covered during such period.

Cancellation of the Policy:
In case of prepayment of the loan the policy can be cancelled by giving 15 days' notice.

Commission to Bank: 15% of the net premium.

Income tax rebate: Premium paid is eligible for tax rebate under Sec 80D of Income Tax Act 1969.

Premium payment and Claim Administration:
Branches are advised to follow the same manual procedure & claim administration procedures presently adopted while marketing the USGIC General Insurance products like Asset Insurance, Vehicle insurance.

Premium should be collected separately from the borrower and to be credited to collection account No. 012802000004109 at our Mumbai Bandra Branch, by mentioning the Loan Account Number and Borrower Name in the Credit narration. Premium should not be debited to Loan account.

Claim intimation:
The claim should be intimated by the borrower to M/S Universal Sompo General Insurance Company immediately upon the occurrence of the Insured event but not later than 90 days.

Settlement of the claim: The claim proceed will be sent directly to the policy sourced branch. (Ref No.: MISC/ 656 /2019-20 Dated 04/1 1/2019 by Marketing and Development Department)

Prepared by: Shri Elavenil AA
Vetted by : Shri Anil Thej Kolanti

IOB HEALTH CARE PLUS

- IOB Health Care Plus (Revision) Product is a revamped health insurance solution offered by USGICL for all our customers (including NRIs where treatment in India only is covered under the scheme) with more features and value additions are included at a revised premium.

Features	
Type of customers	All IOB Customers (including NRIs where only treatment in India is covered under this scheme)
Entry Age	Enrolment age under the policy is from 1 day to 65 years. Minimum age of the proposer and adult dependent should be 18 years. (Note: • The maximum age till which dependent male child can be covered is 21 years and dependent female child can be covered is 25 years or till she marries, whichever is earlier. • Dependent child from day one can be covered with at least one parent under the policy)
Maximum entry age / cover ceasing age	65 years and Life Long Renewal
Sum Insured Options	Choice of sum Insured ranges from Rs. 50,000 to Rs. 15,00,000. ➢ Sum Insured Option from Rs.50,000 to Rs.500,000 in multiples of Rs. 50,000. ➢ Above Rs. 500,000 the Sum Insured Options are available at Rs. 7,50,000; Rs.10,00,000; Rs. 12,50,000; Rs. 15,00,000
Policy Term	One Year, Two Year and Three Year Term available respectively with 5%& 10% discount for policy duration 2 years & 3 years.
Premium	Premium is calculated on the basis of the age of the Proposer.
Coverage	Self, Spouse, Dependent Children, Dependent Parents.
Plan Options	Plan A Proposer + Spouse + Maximum Two Dependent Children Plan B Proposer + Spouse+ Maximum Two Dependent Children + Two Dependent Parents
Pre-existing Diseases	Covered after waiting period of 48 months of continuous coverage

Prepared by: Shri Elavenil AA
Vetted by : Shri Anil Thej Kolanti

<table>
<tr><td>Personal Accident Death Coverage*</td><td>Optional Coverage Available Identical to the Health Insurance Sum Insured Limit
<table>
<tr><td>Insured Person</td><td>% of Sum Insured</td></tr>
<tr><td>In case of Death of Account Holder</td><td>100%</td></tr>
<tr><td>In case of Death of Spouse</td><td>50%</td></tr>
<tr><td>In case of Death of Children above 12 years of age</td><td>20%</td></tr>
<tr><td>In case of Death of Children up to 12 years of age</td><td>10%</td></tr>
</table>
*Note: PA cover is not available for parents</td></tr>
<tr><td>Maternity</td><td>Covered for upto 5% of the sum insured with waiting period of 9 months (expenses up to Rs75000/- are covered for Rs15 lacs sum insured policy)</td></tr>
</table>

Benefits:

- Policy can be issued on Real Time Basis through System.
- Long Term Discount - Policies can be purchased for a period of one / Two / Three years with a discount of 5% and 10% in premium for two and three years respectively.
- Life Long Renewability
- Reimbursement of Cost of Health Check-up— In case of hospitalization of children below 12 years, a lump Sum amount of Rs. 1000/- is payable as Out of Pocket Expenses.
- No Medical Check-up - up to the age of 50 years.
- Out of pocket expenses - Covered Ambulance
- Charges — Covered
- Premium is calculated on the basis of the age of the Proposer

Additional Benefits:

- In case of hospitalization of children below 12 years, a lump sum amount of Rs. 1000/- as Out of Expenses to any of the parents during the policy period.
- Ambulance charges in connection with any admissible claim limited to Rupees 1000/- per policy period.
- In case of death in hospital, funeral expenses are reimbursed up to Rs.1000/ over and above the Sum insured subject to the original illness/accident claim admitted under the policy.

MAJOR EXCLUSIONS:

- Expenses on Vitamins and Tonics only if forming part of treatment as certified by the attending Medical Practitioner.
- The Hospitalization expenses incurred for treatment of any one illness under agreed package charges of the Hospital/Nursing Home will be restricted to 75% of the Sum Insured.

Co-Payment:

- 20% co-payment is applicable on each and every claim of insured above 55 years of age.

Pre-Medical Check-up:

- Pre Medical Check-up will be applicable for customers above 50 years of age and sum insured option of Rs12.501acs and above. 50% of the medical examination cost will be reimbursed by USGIC if the proposal is accepted.

Existing policy holders:

- The existing policy holders whose policy is due within 90 days of the launch of the revised produce will have the option to migrate to revised product or to renew the existing policy. The decision of migrating or continuing the existing policy for next one year lies with the policy holders.
- The existing policy holders whose polices are due for renewal after 90 days from the date of the launch of the revised product will have to choose the revised product. Also the policy holder will have choice to migrate to any other product available with the company or to cancel the policy.
- The existing policy holder can directly opt up to the maximum sum insured limit of Rs15,00 lacs. They will be getting all the benefit up to the existing sum insured and for the additional coverage for pre-existing conditions and waiting periods will be applicable afresh as per policy terms and condition of the revised product.

(Ref No.: MISC/669/2019-20, Dated 22/1 1 /2019 by Marketing and Development Department)

PUBLIC PROVIDENT FUND

Features

- Only one account can be opened in the name of a person.
- Individual can open account on his behalf or on behalf of minor of whom he is the guardian. HUF are not eligible.
- Non-Resident Indians (NRIs) are not eligible.
- Every individual who is desirous of subscribing to the fund under the scheme for the first time either in his own or on behalf of a minor shall make an apply to in Form A with a initial minimum subscription of Rs.100, and thereafter deposit of any sum in multiples of fifty rupees shall be made
- Twelve deposits can be made in a financial year.
- Minimum deposits in a year is Rs.500 and maximum is Rs. 1,50,000/-
- Any account in which the account holder, having deposited five hundred rupees in the initial year, fails to deposit the minimum amount in the following years, shall be treated as discontinued. An account treated as discontinued, may be revived during its maturity period on payment of a fee of fifty rupees along with arrears of minimum deposit of five hundred rupees for each year of default: Provided that the balance in a discontinued account not revived by the account holder before its maturity shall continue to earn interest at the rate applicable to the Scheme from time to time.
- Interest as informed by Govt. shall be eligible for a calendar month on the lowest balance at the credit of an account between the close of the fifth day and the end of the month. Interest shall be credited to the account at the end of each year. Interest shall be credited at the end of the year irrespective of the change of the account office due to transfer of the account during the year
- Loans at any time after the expiry of one year from the end of the year in which the initial subscription was made but before expiry of five years from the end of the year in which the initial subscription was made, the account holder may, apply in Form-2, to the accounts office for obtaining a loan consisting of a sum of whole rupees not exceeding twenty-five per cent. of the amount that stood to his credit at the end of the second year immediately preceding the year in which the loan is applied for
- Fresh loan is not allowed when previous loan or interest thereof is outstanding.

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- The principal amount of a loan shall be repaid by the account holder before the expiry of thirty-six months from the first day of the month following the month in which the loan is sanctioned: Provided that the repayment may be made either in one lump sum or in instalments. After the principal amount of the loan is fully repaid, the account holder shall pay interest thereon in not more than two monthly instalments at the rate of one per cent. per annum of the principal for the period commencing from the first day of the month following the month in which the loan is drawn upto the last day of the month in which the last instalment of the loan is repaid: Provided that where the loan is not repaid, or is repaid only in part, within a period of thirty-six months, interest on the amount of loan outstanding shall be charged at six per cent. per annum instead of at one per cent. per annum with effect from the first day of the month following the month in which the loan was obtained, to the last day of the month in which the loan is finally repaid.
- Withdrawal is permissible from **Sixth financial** year from the year of opening, limited to one in a financial year.
- Amount of withdrawal is limited to **50 %** of balance at the end of the fourth preceding year less amount of outstanding loan or 50% of balance at the end of immediate preceding year of withdrawal less amount of outstanding loan, if any whichever is less.
- A subscriber can close the account in the 16th financial year. The account can also be continued with or without subscription, for further one or more blocks of **5 years.**
- Account holder after 5 years shall be allowed premature closure of his account or the account of a minor or person of unsound mind of whom is the guardian on an application to the accounts office in Form-5. For the treatment of life threatening disease, higher education of the account holder, or dependent children, or on change in residency status of the account holder.
- Deposits are qualified for Income Tax rebate under section 80C of Income Tax Act.
- Deposits completely exempted from wealth tax. Interest is completely tax free.
- The interest rates on various small savings schemes for **every quarter** year will be notified by the Government. The rate of interest on PPF, 1968 is 7.9% p.a from July 1, 2019. For All Small Savings Schemes interest rates can be found in the following link path www.rbi.org.in → Home→Publications→ Annual→ Handbook of Statistics on Indian Economy → Table 115 : Small Savings Schemes

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SUKANYA SAMRIDDHI SCHEME

1. The scheme is operated as per the Sukanya Samriddhi Account Rules,2014, section 15 of the Government Savings Banks Act, 1873 (5 of1873)

2. The account can be opened in Post office or Bank branches authorized for the purpose.

3. Opening of Account

   - The account may be opened by the natural or legal guardian in the name of a girl child from the **birth of the girl child** till she attains the age of 10 years
   - A girl child who is born on or after 02.12.2003 can open the account.
   - Guardian is the **depositor** and Girl child is the **accountholder**

4. A **depositor** (guardian) may open and operate only one account in the name of a girl child under these rules.

5. A depositor shall be allowed to open the account for two girl children only

6. Documents to be submitted for opening the account;

   - Birth certificate of a girl child in whose name the account is opened
   - Documents relating to identity and
   - Residence proof of the depositor.

7. **Deposits**

   - The account may be opened with an initial deposit of **Rs.250** and thereafter any amount in **multiple ofRs.100**
   - A minimum of **Rs.250** shall be deposited in a financial year
   - The total money deposited in an account on a single occasion or on multiple occasions shall not exceed **Rs.1,50,000** in a financial year

8. Deposits in an account may be made **till completion of 15 years**, from the date of opening of the account.

9. An irregular account where minimum amount as specified above has not been deposited may be regularized on payment of a **penalty of Rs.50** per year along with the said minimum specified subscription for the year (s) of default any time till the account completes 14years.

10. **Interest**;

- Interest at the rate, to be notified by the Government quarterly. At present, the interest rate offered is 8.4% (since 1st July 2019)
- Compounded yearly
- Shall be credited to the account till the account completes 14years.

11. **Operation of account**;

- The account shall be opened and operated by the depositor till the girl child attains the **age of 10years**
- On attaining age of 10 years, the account holder that is the girl child may herself operate the account. However, deposit in the account may be made by the guardian or any other person or authority.

12. **Premature closure of account**;

- In the event of death of the account holder, the account shall be closed immediately on production of death certificate and the balance at the credit of the account shall be paid along with interest till the month proceeding the month of premature closure of the account, to the depositor.
- In cases of extreme compassionate grounds such as medical support in life- threatening diseases, where the Central Government is satisfied that operation or continuation of the account is causing undue hardship to the account holder, it may, by order, for reasons to be recorded in writing, allow pre-mature closure.

13. **Transfer of account:** The account may be transferred anywhere in India if the girl child in whose name the account stands shifts to a place other than the city or locality where the account stands

14. **Withdrawal**:
Withdrawal up to 50% of the balance at the credit, at the end of preceding financial year is allowed;

- Only when the account holder child attains the age of18
- to meet the financial requirements of the account holder for the purpose of higher education and marriage

15. **Closure on maturity**;

- If the marriage of the account holder takes before the account completes 21 years from the date of opening, the account shall mature on completion of 21 years from the date of opening of the account.
- The operation of the account shall not be permitted beyond the date of her marriage

16. The account attracts income tax benefit under sec 80C of IT Act.

17. No nomination is permitted in the account.

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Vetted by : Shri Anil Thej Kolanti

RTGS TRANSACTIONS

A. **Customer Window**:

- It is a channel through which funds remitted by customers are routed outward to the credit of other Bank Customers through RBI.
- A customer can transfer funds through RTGS only if the amount is Rs**. 2 lakh** and above.

B. **Inter-Bank Window**:

- It is a channel through which bank to bank settlement takes place like funding of clearing adjustment, LC payment, Bill Payments etc.
- There is **no restriction** on the amount to be transferred.
- Routing customer payments under inter-bank mode is a gross violation of RBI norms and it is being viewed by the Regulator as a serious lapse.

C. **Return of Inward RTGS Transactions**:

- Returns of inward RTGS customer transactions should always be routed through inter-bank settlement.
- In the case of any inward RTGS customers' transactions received by branches, they have the following options:

1. Vouch the transactions to the credit of the beneficiary's account with us.

   Return the inward transaction, immediately, back to the sender's bank with the option 'return'.

2. If it is a local holiday for the branch or the branch has finished the 'day end' jobs, at the time of receipt of RTGS inward transaction(s), our Software provides an option to keep the transaction in Sundry Creditors A/c of the respective branch General Ledger, automatically.
3. In such cases, immediately, after the branch does the day begin jobs on the next working day, the entries shall be vouched to the credit of the customer's account or returned back to the sender's bank through the 'return' option available in the system (which reverses the entry in the Sundry Creditors and sends the message to the other Bank with full particulars of the inward message.
4. NEFT uses the **Public Key Infrastructure (PKI**) technology to assure end-to-end security and the Indian Financial Network (**INFINET**) to connect bank branches for electronic transfer of funds

D.if it is not possible to credit the funds to the beneficiary customer's account for any reason, the funds received by the RTGS member bank will be

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returned to the originating bank within one hour of receipt of the payment at the Payment Interface (PI) or before the end of the RTGS Business day, whichever is earlier. Once the money is received back by the remitting bank, the original debit entry in the customer's account needs to be reversed.**Levy of service charges by RBI** (RBI Cir dt. 11.06.2019)

- The Reserve Bank has since reviewed the various charges levied by it on the member banks for transactions processed in the RTGS and NEFT systems. In order to provide an impetus to digital funds movement, it has been decided that with effect from July 1, 2019, processing charges and time varying charges levied on banks by Reserve Bank of India (RBI) for outward transactions undertaken using the RTGS system

- He membership fee has been marginally enhanced and the new structure will be as follows:

• Type of Entities	• Monthly Membership Fee (exclusive of service tax)
• Scheduled Commercial Banks (SCB)	• ₹ 5,000
• Banks other than SCBs, Primary Dealers, clearing entities, other special entities, etc.	• ₹ 2,500

E. Service charges levied from RTGS customers by our bank (Misc/675/19-20)

Amount	Branch counter transactions	Transactions through alternate delivery channels
Rs. 2 lacs to Rs. 5 lacs	Rs. 24	Rs. 24
Above Rs. 5 lacs	Rs. 49	Rs. 49

- o In order to give further impetus to digital retail payments, it has now been decided by the RBI (Cr. Dt.16.12.19) that member banks shall not levy any charges from their savings bank account holders for funds transfers done through NEFT system which are initiated online (viz. internet banking and/or mobile apps of the banks).

F. Remittance to the credit of NRE accounts

- o Only foreign inward remittances and remittance originated from NRE accounts in India are eligible for credits in NRE accounts.

- o While branches originate a transaction the **originator** must ensure that the funds are either received from abroad or a NRE account maintained in India is debited, before the transaction is originated.

o While remittance of funds to the credit of NRE accounts, the following steps should be followed.

1. In the field tag 7495 (sender to receiver information), the branch should select 'NRE', instead of 'FT' available as default.
2. In case "NRE' is mentioned in field tag 7495, then the field tags 5516/5517 become mandatory and the details of the ordering institutions have to be given.
3. If the field tag 7495 contains the word 'NRE', it is assumed that the **sending bank** is certifying the source of fund and payment bank must ensure STP

G. Government Accounts – transactions

1. Outward transactions

Branches originating outward Govt. Transactions can do so only when the receiving bank is in agreement with our bank to receive funds through prior arrangement. In such a case, branches have to use the interbank mode (PACS 009 message type) for such transfers

2. Inward transactions

We are one of the accredited banks, receiving credits to Govt. accounts. Therefore, branches shall ensure that any inward credit in RTGS from other banks to credit of Govt. accounts,

a. Is always supported by a chalan sent in either through Fax/post

b. The receipt from the other bank is through interbank (PACS 009 message type) mode with complete information , in appropriate XML tag 7495.

H. Penalty

- In case of any delay in providing credit to the beneficiaries' account, the recipient / beneficiary's bank has to pay compensation at current **repo rate plus 2%** to the beneficiary customer **per day**.
- Delay in credit on the same day attracts compensation to the customer for one day.
- The compensation amount should be credited to the customer's account automatically without any request.
- In case, it is not possible to credit the funds to the beneficiary's account for any reason e.g. account does not exist, account frozen, etc., funds will be returned to the originating member bank within **Two hours of the receipt of the payment** at the Member Interface of the recipient member bank or before the end of the RTGS Business day, whichever is earlier.

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I. **RTGS timer window** (Misc/616/2019-20 26.08.19)

Sl No.	Time event	Regular days including Saturdays (except second & fourth Saturdays of the month)
1.	Open for Business	7.00 Hrs
2.	Initial Cut-off (Customer transactions)	18.00 Hrs
3.	Final Cut-off (Inter-bank transactions)	19:45 hours
4.	IDL (intra day liquidity) reversal	19:45 hours - 20:00 hours
5.	End of the day	20:00 hours

NEFT TRANSACTIONS:

- NEFT has **no amount restrictions** and accepts cash up to Rs. 50,000 for originating transactions. All NEFT receipts shall have the new 15-digit number; otherwise, the receipts are liable to be rejected.
- Credits are accepted through NEFT to **SB,CDCC** and **loan** accounts.
- In order to facilitate non-customers to make remittances under NEFT and to have uniformity, a nominal Current Account titled "**NEFT-Non Customer Pool Account**" has been opened in all CBS branches by ITD. The account No. is **641120 and module ID is 'CDCC'. 13511001?**
- For the purpose of remitting such funds received by cash, branches should use the **code no. 50**.
- The remitter has to produce identification documents like Passport/PAN/ Driving license/Telephone Bill/certificate of identification issued by employer in India with details and photograph etc
- In our CBS system, NEFT remittances are received through a process known as **Straight-Through-Process (STP).**
- If the customer doesn't provide e-mail id/mobile number, branches should use branch e-mail id.
- In the case of inward NEFT transactions, if the branches are not able to apply funds to beneficiary's account, they should return the transaction (using the return mode available in the system) **within two hours of the batch time under which the remittance was received**. The return transactions are on B+2 basis
- In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination branch in the completion of funds transfer pursuant to receipt of payment instructions by the destination branch leading to delayed payment to the beneficiary, **the destination branch has to pay compensation at current RBI LAF Repo Rate plus 2% for the period of delay.**
- In the event of delay in return of the funds transfer instructions for any reason whatsoever, the destination branch has to refund the amount together with interest at the current RBI LAF **Repo Rate plus 2% till the date of refund.**
- In cases of delayed credits, banks resort to value-dating of the credit in the customer's account to avoid payment of penalty **which is not in accordance with the instruction issued by RBI in this regard**
- During the NEFT operating hours, originating branches should endeavour to put through the requests for NEFT transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, **not exceeding two hours from the time of receipt of the requests.**
- Banks have to put in place a mechanism which would enable NEFT

participating banks to provide a **positive confirmation to the remittance originator** confirming the successful credit of funds to the beneficiary's account.

Cut of Timings (Outward & Inward return)

- RBI has made available NEFT system on 24*7 basis (RBI cir. dt 6.12.19)
- There will be 48 half-hourly batches every day. The settlement of first batch will commence after 00:30 hours and the last batch will end at 00:00 hours.

General:

- FIRC should not be issued for remittances to NRE/NRO Accounts made through RTGS/ NEFT/NECS/ECS etc.
- Issuance of FIRC to the beneficiaries for inward remittance should be only by the Bank which has received the proceeds in Foreign Currency i.e. the Bank which converts the foreign currency into Rupees should only issue the FIRC.
- As per the revised guidelines from RBI, in the RTGS/ NEFT/ NECS/ ECS credit transactions, **the responsibility to provide correct information** in the payment instructions, particularly the beneficiary account number information **rests solely with the remitter/ originator**.
- Destination branches (branch which is crediting beneficiary accounts) will rely only **on the account number information** for the purpose of affording credit.
- **NECS/ECS-Credit**
  - The destination branches would be held liable to pay interest at the current **RBI LAF Repo Rate plus two percent from the due date of credit till the date of actual credit** for any delayed credit to the beneficiary's account even if no claim is lodged.
- Banks should provide the option to the originating customer to choose between these NEFT & RTGS at the time of initiation of the funds transfer.
- **High value reporting : B**ranches have to report, well in advance, all high value transaction of **Rs.5 Crores and above** (both inflow and outflow) which are routed through NEFT/RTGS/Clearing along with the details to Money Market Desk at Treasury over telephone.
- RTGS works under 'RTGS system Regulation 2013'
- 'Hybrid' and 'Future value dated transaction' features are two features in RTGS system. (rbi cir dt.20.06.2014)

Hybrid:

- RTGS system can handle two types of payments viz. Urgent payments & Normal payments with minimum amount of liquidity.

- The **urgent payments** are processed as soon as they are received by the RTGS and using as much liquidity as required from the settlement account of the sending Participant.
- The **normal payments** are processed differently, following some strict processing rules which do not apply to the urgent payments
- The settlement of normal payments can occur only if several participants, simultaneously, have sent normal payments to each other.
- If 0 % of allowance is set in parameter value (centrally), in that scenario the transactions would look for settling transactions without using any amount from the settlement account, i.e., settlement will happen purely on **offsetting mode.**
- If an allowance of 1% is set in the parameter in that scenario, the transactions would try to settle using a percentage of the amount from the settlement account. If the parameter value is set as 10, 10% of the balance in the settlement A/c would be taken for settlement in the offsetting mode.
- The Hybrid feature will be configured to do off-setting **every 5 minutes**
- The transactions with normal priority would be settled in off-setting mechanism, with a maximum of two attempts i.e. the maximum time taken for a transaction in "normal" queue would be is **10 minutes**.
- If the condition for payment in normal mode is not possible within 2 attempts, the system will automatically promote the transaction to urgent mode.

Future Value Transactions

This feature will allow Participants to send RTGS payments which are **not** submitted for settlement immediately, but at a later date

RTGS waits until the respective value date is reached for settlement

The **value date** must be within a certain time period which is controlled by system parameter of the application (**3 working days**).

When sending a future value payment, the sender must ensure that the respective value date is a **working date** according to the present RTGS calendar. If not, the system will reject the transaction.

If the calendar of RTGS is modified by RBI and as a result some future value payment already present in the system have their value date falling on a non-working date, the respective transactions will not be canceled. The items will remain in the system and they will be submitted to the settlement process on the first working day following the original value date.

A future value dated transaction **can be manually cancelled** at any time, as long as its status is FUTURE.

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Vetted by : Shri Anil Thej Kolanti

IOB'S INTERNATIONAL CREDIT CARD SCHEME

1. Our credit card is a global card valid not only in India and Nepal but also throughout the world

2. **Type of Credit Cards:**

- Our credit cards are affiliated to VISA International.
- **Classic Cards: The** cards issued with the limit slabs of Rs.10000/-, Rs.25000/-, and Rs.50000/-
- **Gold Cards:** The cards issued with the limits of Rs.60000/- and above and up to Rs.500000/- (maximum credit limit)
  - Credit Limit fixation for customers:

a. The limits are to be fixed on the basis of income as follows

Gross monthly income(Rs)	Credit limit(Rs)
Rs.5000 -less than Rs.10000	Rs.10000
Rs.10000 – less than Rs.20000	Rs.25000
Rs.20000 – less than Rs.30000	Rs.50000
Rs.30000 – less than Rs.35000	Rs.60000
Rs.35000 – less than Rs.40000	Rs.75000
Rs.40000 – less than Rs.50000	Rs.100000
Rs.50000 – less than Rs.75000	Rs.150000
Rs.75000 – less than Rs.100000	Rs.200000
Rs.100000 – less than Rs.150000	Rs.300000
Rs.150000 - less than Rs.200000	Rs.400000
Rs.200000 and above	Rs.500000

b. Take home pay should be minimum 50% of gross monthly income.
c. For Self-employed, Gross annual income shall be converted into gross monthly income and limit is fixed based on the gross monthly

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income as mentioned above.

d. For credit card against deposits, limit is fixed upto 90% of deposit value.

3. **Staff eligibility:** All confirmed employees of our Bank irrespective of the cadre with a minimum take home pay of Rs.4000/- are eligible for credit cards

Limits for Staff Members:

Cadre	Gross salary per month (Rs.)	Limit (Rs.)
Sub Staff	5000 – less than 8000	10000
	8000 and above	25000
Clerical / JM I	5000 – less than 8000	10000
	8000 - less than 20000	25000
	20000- less than 25000	50000
	25000 and above	60000
MM II / MM III	8000 - less than 20000	25000
	20000- less than 25000	50000
	25000- less than 30000	60000
	30000 and above	75000
SM IV		100000
AGM		150000
DGM		200000
GM and above		300000

Online Application by Customer

 Customer can apply credit card through link given in the www.iob.in

 Customer has to click the link given in our Bank's website

 One text box will be opened for accepting fifteen-digit account number of the applicant.

 Customer has to enter his/her fifteen-digit SB/CD/CC account number.

 OTP will be generated and sent to registered mobile number of the customer.

 Customer has to enter the OTP in the online application portal, on successful validation, online application available to customer for entering details. All the fields are self-explanatory

 Customer has to enter minimum details required for issuing credit card which are not available in CBS.

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 Customer has to send scan copy of the financial statement like IT return, salary slip and any other proof of income by mail to respective branch. Mail id of the branch will be displayed at the time of submitting the application.

 Maker of the branch has to receive the online application through given menu in branch product. System is enabled to show the details entered by the customer along with details available from CBS.

 Branch in-charge has to verify the correctness of the online application submitted by the applicant and financial statements

 Branch Manager Can Sanction/Reject the credit card proposal based on the financial statements, past dealing, credit worthiness of the customer and any other valid reasons. Rest of the process is as explained in the previous method.

 Physical application and attested copy of the financial statements should be obtained before delivering the card to the customer without fail.

 Physical copy of the application and related financial statements should be preserved at Branch for verification and certification by CO/RO inspectors.

 As online application system is introduced, Present system of sending physical applications is dispensed.

Credit Card Limit Sanctioning Process:

Branches/Regional offices are advised to follow below given instructions while sanctioning of credit card limits

a. Applicant should comply KYC norms

b. Applicant should submit signed application cum terms & condition form. In case of online application, obtained at the time of delivering the card.

c. Applicant should be credit worthy

d. If Applicant comes under

I) Salaried class employed in Government departments, PSU, reputed private firms, reputed private companies etc. Latest salary slips copy need to be produced.

II) Self-employed who have regular and independent source of income from agriculture/Profession/business. Self-employed should be an income tax assesse and to produce latest IT return.

e. Applicants who are NRI and holding Indian passport are also eligible for credit cards.

f. Applicant should not be a defaulter to other banks/institutions in respect of any other borrowings based on the latest CIBIL report.

g. Branch should check the CIBIL report before sanction. CIBIL score should have a credit score of 650 or above.

h. For CIBIL score less than 650, branch may sanction credit card limit against deposit with 10% margin.

i. For credit card limit against deposit, income criteria can be relaxed to that extent of available income source to cover the repayment.

j. Rating of applicant should be based on following inputs and marks above 50 should be considered for credit limit sanction except limit against deposits.

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4. **Billing and Payment Options**

Each card would be billed once in a month. The details of the billing cycle are given below.

Billing cycle: 21st of a month to 20th of succeeding month

Billing date: 20th of every month

Pay by date: 10th or 09th of subsequent month

5. **Interest Rate**

For Staff: Linked to BPLR at present 14.0% p.a. (Annualized)

For Customers: 30.0% p.a. (Annualized, at present)

(Interest applicable on Outstanding Balance only.)

6. **CEILINGS IN CARD TRANSACTIONS**

- Cash withdrawal - 40% of Credit Limit
- Purchase at Jewellery Shops - 50% of Credit Limit
- Per day Ceiling Cash through ATM – Gold cards /Classic cards Rs.25000/- Rs.15000/¬
- Per day cap on all transactions: 50% of credit limit

7. **Baggage Insurance**: The baggage of IOB-VISA cardholders will be covered for a maximum sum of Rs**. 25,000**/- while on travel. The coverage is operative whilst on inland travel outside the city/town of domicile. The maximum liability covered per cardholder during a policy year is **Rs.25000**/¬

8. **Purchase Protection**: Any item purchased through IOB-VISA is insured against the risk of fire, riots, strike, malicious damage, terrorism and theft during transit (from the place of purchase to the residence) and whilst kept/situated at the premises of the cardholder, subsequently totally for a period of 30 days from the date of purchase for a maximum sum of Rs.25,000/- per year.

9. **Insurance:**

- For Gold Cards:

  Personal Accident – Death due to

Air crash	i. Self	Rs.10.00 lac
	ii. Spouse	Rs. 2.00 lac
Road / Rail	i. Self	Rs. 2.00 lac
	ii. Spouse	Rs. 1.00 lac

- For Classic Cards :

  Personal Accident – Death due to

Air crash	i. Self	Rs.4.00 lac
	ii. Spouse	Rs.2.00 lac
Road / Rail	i. Self	Rs.2.00 lac
	ii. Spouse	Rs.1.00 lac

10. **Compensation** In case of erroneous debits arise out of fraudulent or other transactions;

    - The Bank would compensate the customer forthwith without demur, where the bank is at fault.
    - The Bank would compensate the customer even when neither the bank nor the customer is at fault and the fault lies somewhere in the system.
    - Where it is established that the bank had issued and activated the credit card without the written consent of the recipient, the bank would not only reverse the charge immediately but also pay a penalty without demur to the recipient – amount to twice the value of charges reversed.

11. Status of undelivered cards (TBD/432/2014-15 dt.05.08.2014)

    All sanctioned and undelivered cards will be **'blocked'** after the expiry of **three months** from the month of issue of the credit card. Such undelivered cards will be marked as closed on expiry of **six months** and instructions will be given to the branches for destroying the cards.

Pre-Approved Credit Card to Housing Loan Customers

Housing Loan customers are identified as one of the potential segments of customers for promoting credit cards. Extending the facility to housing loan customers is more secure and ensures the prompt payment in time. Hence forth credit card applications should be bundled with housing loan application by default. The facility should be extended to existing housing loan borrowers also by sending sanctioning letter by mail to the housing loan customers.

Housing loans are granted against mortgage of housing properties and customers who are having regular income for repaying the dues. Hence Credit Card issued to those customers will be more secured and expected to be regular in payment of dues. Required documents and personal details are already available with branch for processing credit card. Branch can estimate maximum eligible credit card limit based on the available documents particularly income proof and PAN. The estimated credit card will be advised to housing loan customers in the enclosed letter format. Considering the above favourable environment, Branches are advised to issue pre-approved credit card (provisionally sanction letter as per **Annexure I**) to housing loan customers. Operational guidelines are as follows:

Operational Guidelines for New Housing Loan:

- Credit card limit should be fixed at the time of processing the housing loan based on the income proof submitted by the customer for availing housing loan. The estimated credit limit will be sanctioned by appropriate authorities as per the circular dated 04.11.2017 on revised discretionary powers.
- Welcome letter to be mailed to customer in the given format where branch has to write the estimated credit limit in the given blank space
- The welcome letter should be mailed to the customers after completing housing loan sanction and before execution of documents.
- Credit card application should be obtained at the time of executing housing loan documents or the customer approaches for credit card.
- If more than one customer, credit card application should be obtained from each customer and limit should be fixed based on the individual income.
- Branch may suggest add on card for the customer who is not having independent income source
- Application details to be entered in online application portal and approved by appropriate authorities.
- Credit card application will be processed by our vendor and make it available to customer within ten days from the date of approval.
- The card will be delivered to the customer on or before the customer availing second instalments of housing loan.

Existing Housing Loan Borrowers

- Pre-approved credit card will be issued to housing loan borrowers who is regularly repaying the dues.
- Branches can estimate the eligible credit limit based on the income proof already submitted to branch for the purpose of availing housing loan.
- Welcome letter to be mailed to customer in the given format where branch has to write the estimated credit limit in the given blank space.
- Credit card application should be obtained from the interested customers who approach branch Manager.
- Credit card application details to be entered in online application portal and approved by appropriate authorities.
- The card will be issued within seven to ten days from the date of approval in the online application portal.

Green PIN for IOB Credit Card

Green PIN facility has been introduced for Credit Card in order to reduce the turnaround time and hassle free services to our valued customers. Customer can create his/her own PIN in IOB ATMs.

DEBIT CARD

A. Under VISA plat form

1. Our Bank issues VISA Debit Cards with **BIN '422132'.**

2. Our bank issues the following 5 types of cards with

VISA Debit Card - Classic

VISA Debit Card - Gold VISA

Debit Card – Platinum

VISA Debit Card – SIGNATURE

SME Debit Card (SME/ADV/449/2013-14 dt.04.02.2014)

3. Eligible customers for using debit cards: Cards can be issued only in the name of Individuals. The following account holders are eligible for issuance of Debit Card.

- SB – Individuals – Single, A or S, Minor accounts operated by Guardian.
- Visually impaired customers.
- CD – Individuals – Single, A or S.
- CD – Proprietary Firms (Card will be issued in the name of the Proprietor).
- CC- Individuals – single, A or S (the customers who enjoy cash credit limits against deposits and other readily realizable securities (except shares) for personal purpose are eligible for Debit Cards.

4. When a customer has forgotten his PIN and has keyed wrong PIN in any ATM for **more than 5 times his card will be blocked temporarily.**

5. The cash bins in our ATMs are configured **for 50, 100, 200 500 & 2000 denominations notes.**

6. Withdrawal of cash from **other Banks ATM** is also possible. The charges are given below: (BOD/EST/85/2014-15 dt.06.11.2014)

- Cardholders of our bank can use our bank AIMs for cash transactions and other non-financial transactions like balance, enquiry, mini-statement, etc. **any number of times** without any charges.
- Number of free ATM transactions allowed for SB account customer of other bank's ATM located in 6 metro centres (Mumbai, New Delhi, Chennai, Kolkata, Bengaluru & Hyderabad) is **only three** per month (inclusive of both financial & non- financial transactions).

Prepared by: Shri Anil Thej Kolanti
Vetted by : Shri Elavenil AA

- SB Small/No-frills / BSBD account holders are allowed to enjoy **five free transactions.**
- The overall limit **for free usage** at other bank ATMs, located other than in the above metro centres, for SB account holders **is five** only.
- The number of free transactions permitted per month at other bank ATMs to Savings Bank account holders shall be **inclusive of all types of transactions,** financial and non-financial.
- For SB Customers, maximum cash withdrawal would be **Rs.10000** per transaction at other bank ATM
- For SB customers, transactions exceeding free limits in a month attract levy of service charges of Rs. 20/- per transaction. These transactions shall be inclusive of all types of transactions, **financial or non-financial.**
- In case of Non-SB customers, there will not be any free cash withdrawals.
- Beyond the above free usage limit, cardholder will be charged **Rs.20/ + applicable Service Tax** per transaction (financial and non-financial).

7. The maximum number of currency notes our Bank's ATM can dispense through the dispensing slit: **40.**

8. Scheduled Commercial Banks to install off-site ATMs at centres/places identified by them without having the need to take permission from the Reserve Bank in each case subject to certain conditions. Banks are now free to offer all their products and services through the ATM channels provided the technology permits the same (RBI Cir dt. 14.01.2016)

9. **FAST CASH**: The facility to withdraw cash, in pre-defined slabs from 500 to 50000.

   - In this option the transaction will be completed before the disbursement of cash and card will be ejected, so that the customer can leave immediately after collecting the card and cash,

10. Accounts with continuous **zero balance** for **30 days** gets automatically **blocked.**

11. **Insurance for Cash in ATM.** The cash inside the ATM is covered under the master policy taken by Central Office. The policy covers ATM cash up to RS.20 lacs.

12. ATM branch is permitted to hold the captured card **for two working days** (excluding the day of capture) only.

It is mandatory for the banks to reimburse the customers; the amount wrongfully debited on account of failed ATM transactions, within a maximum period of **7 working days** from the date of receipt of the customer complaint.

13. For any failure to re-credit the customers account within **7 working days** from the date of receipt of the complaint, the bank shall pay **compensation of Rs.100/-, per day**, to the aggrieved customer, by the issuing bank.

14. Any Customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank **within 30 days of the date of the transaction.**

15. The complaints submitted by the customers are lodged in the **online complaint register on the same day,**

16. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when the bank affords the credit for the failed ATM transaction.

17. The issuing bank is entitled to claim such compensation paid to the customer from the acquirer bank, if the delay is attributed to the latter. By the same logic the ATM network operators shall compensate the banks for any delay on their part.

18. All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through the **ATM System Provider only.**

19. Other Charges

✓ The following debit card holders are exempted from the payment of the above Annual Maintenance Fee.

- SB account holders under Special Schemes, like, SB-SILVER and SB-GOLD category.
- SB account holders under SB-Students Scheme.
- Staff Members

✓ Annual fee of **Rs.100 + service tax** is collected from the Debit Card holders only from 2nd year onwards. No fee is collected from the card holder till one year from the date of generation of the Debit card

✓ collect Rs.100/= plus applicable Service Tax for re-issue of cards if lost/stolen/damaged and

✓ Rs.20/= plus applicable Service Tax for re-issue of PINs to customers

20. Renewal of cards

Our Bank is presently issuing Debit cards with 10 years validity.

But for Student cards validity period is 5 years.

Only active Cards i.e. cards which have been used atleast once during the

Prepared by: Shri Anil Thej Kolanti
Vetted by : Shri Elavenil AA

past **6 months** are renewed automatically.

21. Add on cards

- ✓ Add on card is an additional facility provided to **SB account holders** (except students accounts) that enables their family members to avail Debit card facility for the same account, without becoming a joint holder for that account.
- ✓ Add on cards **can be issued even for Joint accounts** with 'E or S' /'A or S' operations, provided all the account holders sign the application.
- ✓ The number of Add on cards that can be issued to an account will be **restricted to one**.
- ✓ The Add on card holder will be treated **as a Mandate holder**.
- ✓ Add on **card holder must be KYC compliant** and branches should obtain KYC documents
- ✓ The name of the Add on cardholder cannot be added in the same account.
- ✓ All the existing terms and conditions for normal Debit cards will apply for Add on cards also.
- ✓ Only Personalized cards will be issued
- ✓ **Daily Cash withdrawal** limit will be fixed separately for Add on cards.
- ✓ Add on card holders will also be allowed to enjoy free transactions in other Bank ATMs in a calendar month, which is similar to regular card holders.
- ✓ If the primary card is hot listed, then the add-on cards also will get hot listed automatically.
- ✓ Add on cards will be issued free of charges like normal debit cards. However, Annual fee will be levied for usage of add on card from second year onwards.

22. White Label ATMs:

- ATMs set up, owned and operated by Non-bank entities are known as "White Label ATMs" (WLAs).
- This requires authorisation from RBI under the Payment and Settlement Systems (PSS) Act 2007.
- These Non-bank entities must have net worth of at least **Rs 100 crore as per the last audited balance sheet.**

- These entities provide the banking services to the customers of banks in India, based on the cards (debit/credit/prepaid) issued by banks.
- The WLAO's role would be confined to acquisition of transactions of all banks' customers and hence they would need to establish technical connectivity with the existing authorised shared ATM Network Operators / Card Payment Network Operators.
- The cash sourced from the sponsor bank only is loaded into WLAs, thus ensuring quality / genuineness of the notes.

23. **Merchant Discount Rates** (MDR) for transactions undertaken with debit cards as under: (RBI cir. Dt.28.06.2012)

✓ **Not exceeding 0.75%** of the transaction amount for value upto Rs 2000/-;

✓ **Not exceeding 1%** for transaction amount for value above Rs 2000/-.

24. Cash withdrawal at Point of Sale (POS) - Prepaid Payment Instruments issued by banks. (RBI Cir dt. 27.08.2015).

- The limit of cash withdrawal is ₹ 2000/- per day (for debit cards and open system prepaid cards issued by banks in India) in tier III to VI centres. In Tier I and II centre the limit is ₹ 1000 per day.
- Customer charges, if any, levied on cash withdrawals shall not exceed 1% of the transaction amount at all centres irrespective of the limit.

B. Under RuPay Plat form

1. Our bank issues card under RuPay platform also.
2. RuPay card has been launched by National Payment corporation of India (NPCI) under the brand name **'RuPay'**.
3. The Rupay Debit Cards are issued under following types;
    - Classic Debit Cards
    - Platinum Debit cards
    - MUDRA Debit cards (SME/ADV/605/2015-16 dt.04.09.2015)
4. Cards are issued as both Personalised and Insta cards
5. All SB customers are eligible for RuPay Debit card in their individual names
6. Joint SB accounts with 'E or S' /'A or S' operations
7. CD accounts opened in individual names and with Proprietor mandate are also eligible for RuPay Debit card
8. The Daily cash withdrawal limit, POS and E-Com limit are

similar VISA classic cards

9. It is mandatory for every customer to be registered with '**PaySecure'** for e-commerce.

10. RuPay Card holders **in the age group of 18 years to 70 years** are eligible for Personal Accident (accidental Death & permanent disablement Only) Insurance cover of **Rs.1,00,000/-**

11. Acceptance of claim subject to usage of the card;

    - Classic card during the preceding **90 days**

    - Platinum Card during the preceding **45 days**

    of the date of the cause of claim**.** (TBD/ITEC/65/2015-16 dt.07.12.2015).

12. This insurance is available only for one card for each card holder/customer, if he uses more than one RuPay card. (TBD/ITEC/52/2014-15 dt.22.09.2014&ITEC/463/2014-15 dt.29.10.2014). The insurance is provided by NPCI

C. Master Cards (TBD/ITEC/64/2015-16 dt.26.11.2015)

- MasterCard Debit Cards are issued as Classic type of cards.
- The cards can be used for Domestic transactions and also for International transactions through ATMs and PoS Terminal subject to daily limit of **USD 500**.
- All SB customers are eligible for MasterCard card in their individual names except accounts under the schemes of SB-Small and SBBSBDA.
- For Joint accounts, with E or S / A or S operations, all the joint holders are eligible to obtain a Card in their individual name.
- CD accounts opened in individual names and with Proprietor mandate are also eligible for MasterCard Debit card.
- Cards can be used in ATMs of our Bank as well as other Banks with MasterCard logo.
- Cards can also be used in Merchant Establishments through PoS terminals which accept Master Cards with PIN authentication.

10B NCMC Cards under RuPay

National Common Mobility Card(NCMC), a Contact less card with Wallet facility (for off-line transactions) as per Govt of India, Ministry of Finance Circular No F.No.6/21 / 201 2- FI(C-54424) dated 21 .08.201 8 is being launched. The NCMC card will be under RuPay Network and NPCI have provided product specification for development by Banks.

1. National Common Mobility Card (NCMC):

With the vision of One Card for all Payment systems, a National Common Mobility Card (NCMC) has been conceptualized by the Government of India, as an easy and convenient payment instrument, which can be used across Public transport (Bus, Metro Rail, Toll Plaza etc.) and can also be used for retail payments.

This card can be used as a normal debit card and also has a unique stored value feature, which can be used for digital payments in offline mode, thus making it a solution of choice for Public Transport and small retail shop.

NCMC card is designed as a combination of both contact and contact less features with Near Field Communication Technology (NFC).

2. Contactless Feature of RuPay NCMC Card:

As of now, all POS transaction of Contact Debit Cards are processed only after the entry of PIN by the concerned Cardholder in the POS Device with the Vendors /Shop keepers. RBI vide its circular No. DPSS.CO.PD.No.21 63/02.01 .003/201 4-201 5 dated 1 5.05.2015, relaxed the requirement of PIN for small value card present transactions. Hence the technology of NFC introduced to relax the PIN requirement for transactions up to a maximum value of Rs.2000/- per transaction.

Under NFC technology PIN number is not required to be entered for completing the transaction and the card needs only to be tapped on the POS Terminal/Device to complete the transaction. It is called Contactless method as the card need not be inserted in the Pos machines and the NFC technology reads the data in the card tapped within 4 cm distance i.e Contactless payments can be made through keeping the card in close proximity to the device without inserting/swiping in the device.

3. NCMC — Wallet Features (Off-line transactions):

Wallet is a virtual allocation within the EMV Chip of the Card to store the balance of permitted amount that can be transferred from the attached SB/CDCC account to make Off-line payments in Public Transport like Metro Rail & BIJSeS, Toll Plaza etc. Money can be Added to the Wallet either in the form of Cash or by debit to the account by using the NCMC Debit Card. Money Add can be done only at RuPay qSparc Certified NCMC compatible Terminals(PoS).

Offline transactions mean, transactions, initiated and completed between the Card and Acquirer Terminal only

All such offline transactions will be reaching the issuer at the end of the day along with settlement files through RGCS.

After reconciliation the off-line transactions will be accounted for and the virtual prepaid account at CBS will be populated with the off-line transactions.

4. Other Features of NCMC Card:

NCMC card facilitates both (a) Contact as well as contactless online transaction and (b) Contactless offline transactions.

NCMC Card provides a unique feature of storing balance on the EMV Chip of the card which facilitates quick transaction processing in offline environment.

Like all debit cards all the contact and contactless online mode transactions are linked to CASA accounts whereas the offline Wallet balance of the card will be brought under virtual account with separate account number.

Contactless offline transactions are performed on the basis of stored value in the EMV chip of the card which is linked to the above virtual account created in CBS.

Contactless payments are simply the transactions that require no physical connection between the Card and Physical POS terminal. (An application of Contactless Smart Chip technology).

Contactless transactions are permitted up to the value of Rs.2000/- without PIN / Signature, as per RBI circular.

RuPay NCMC Contactless transactions can be performed in qSparc Certified POS terminals only. • Transaction above Rs.2000.00 will be mandatorily conducted over the Contact interface with PIN.

Dedicated Storage areas (Service Compartments) for Merchants/Operators (Max.20 Service IDs can be created).Service Id can be created for transit, toll, parking and small value merchant Payments.

No/ Minimal Risk, since the transaction is permitted against the available balance in the Local wallet of each service Id.

5. Money Add Service Id (Card wallet)

Money Add is a financial transaction which is initiated by Customer from a RuPay dedicated Contactless terminal deployed at Merchant side, to add/top-up money into the wallet of the card.

Customer will pay the amount to be topped-up in cash to the merchant/ operator and operator will tap the card on the POS and perform Money Add / Reload transaction.

6. Balance Enquiry Transaction — Offline:

Balance Enquiry (Non-financial) transactions can be performed on the RuPay Contactless terminal using contactless interface in offline mode.

In offline balance enquiry transaction performed on RuPay contactless terminal, card holder's 'Card Balance' i.e. store value on the card will be displayed on the PoS Terminal.

7. Loss of Card:

In case the NCMC Card is lost, the customer should immediately Block the Card by contacting Branch or by other options available through website, net-banking, mobile banking, IVRS, or by calling the ATM Help Desk.

If Card is blocked successfully, then both Contact and Contactless online transactions will be blocked from the time of effective blocking of the Card. However, before the card is blocked, Contactless online transaction and offline transactions cannot be prevented. Even after, blocking the Card, Contactless offline transaction through wallet cannot be ruled out as balance stored in the Card Wallet cannot be blocked until the card is used in a contact transaction.

8. Risk Mitigation measures for Contactless mode:

For all online contact transactions, NCMC cards will work as normal contact debit cards. Following measures are suggested to protect the customers from various risks related to the operations:

- Domestic Contactless, Wallet transactions can be enabled at the time of issuance of the Card to the Customers at the request of the Customers or subsequently. Option to enable the same is available in HDCMSMT/ HDCMS Menus in Finacle. Branches can enable/disable contactless mode through Finacle, at the option of the customers, when that facility is not required.

- All International Transactions are by default disabled at the time of issuance of the Card to the Customers as per RBI norms and Branches to enable international operations through above Finacle Menus at the request of the Customer.

- Customer is permitted to perform 5 contact less transactions continuously and the 6th transaction should necessarily be a contact one, to mitigate the loss to the customer in the event of loss of the card, before blocking.

A limit of Rs.1 000/- has been permitted as wallet balance for Contactless Offline transactions.

9. Card limits:

The new NCMC card being introduced for the time being under Rupay Platinum category (BIN 652279) and hence the following Per day transaction limits are

ATM	PoS	E- Commerce
Rs. 30,000.00 per day	Rs. 75,000.00 per day	Rs. 75,000.00 per day

10. Upgrade / Replacement Card:

- Branches can issue upgrade / replacement card and recover the charges as applicable to RuPay Platinum debit card.
- Any left out transaction to be vouched for old card to be carried over to new card.

11. Closure / Surrender of Card:

Customer to visit the branch.

Branch to check the latest balance on the card wallet using balance enquiry

On the basis of the balance enquiry bank to decide on transferring the funds to customer account.

Branch to get a letter to the effect that after reconciliation and completion of vouching, any recoveries due to the Bank will be recovered from this balance.

Branch to ideally wait for 15 days before transferring the wallet amount.

12. Marketing & Customer awareness:

All staff members should go through the Circular and understand the Concepts clearly so that Creation of customer awareness is not a challenge in marketing the product. Customers need to be educated to look for the 'contactless' logo on the card as well as at the merchant location to identify that the contactless payments are accepted at that location. Customers should be educated to keep minimum balance in the Wallet, so that off-line transactions can take place within that balance only.

13. Charges:

As applicable for RuPay Platinum EMV Chip Cards

Features	VISA/DEBIT CARD - CLASSIC	VISA DEBIT CARD - GOLD	VISA DEBIT CARD - PLATINUM
Eligibility	All SB accounts, CD/CC accounts in the name of individuals or Proprietary concerns (Classic cards are also issued on Rupay platform)	All SB accounts and CD/CC accounts in the name of Individuals or Proprietary concerns, with an **average balance of Rs.50,000/- per quarter** in their accounts. For new accounts, the card can be issued at the discretion of the Regional Heads and the review of the average balance can be done once in a quarter	All SB accounts and CD/CC accounts in the name of Individuals or Proprietary concerns, with **an average balance of Rs.75,000/- per quarter** in their accounts. For new accounts, the card can be issued at the discretion of the Regional Heads and the review of the average balance can be done once in a quarter
Daily Cash withdrawal limit (Rs,)	20,000	30,000	50,000
Daily limit (Rs) for usage in Merchant Establishments (PoS)	50,000	75,000	2,00,000

Prepared by: Shri Anil Thej Kolanti
Vetted by : Shri Elavenil AA

Daily limit (Rs.) for usage in Internet (E-com)	50,000	75,000	2,00,000
Charges for issuance of Card (Rs.)	100	200	250
Annual Maintenance fee	150	150	200

Features	**VISA DEBIT CARD – SIGNATURE**	**VISA CONNECT Cards**	**SME Debit Card**
Eligibility	All SB accounts and CD/CC accounts in the name of Individuals or Proprietory concerns, with an average balance of **Rs.1 lakh per quarter** in their accounts. For new accounts, the card can be issued at the	All eligible young customers in the age group of 10 to 28 years	Micro, Small or Medium Enterprises sector borrowers-prop, partnership & companies The borrowal account should have a satisfactory track record for a minimum period of 2 years/Fresh accounts

	discretion of the Regional Heads and the review of the average balance can be done once in a quarter.		In case of RAM rated accounts the rating should be SME 4 and above
Daily Cash withdrawal limit (Rs,)	50,000	20,000	(Card limit -10 % of the fund based WC limits or Rs. 5.00 Lacs whichever is less) Max.Rs.50,000
Daily limit (Rs) for usage in Merchant Esta (PoS)	2,70,000	50,000	(Card limit -10 % of the fund based WC limits or Rs. 5.00 Lacs whichever is less) Max. Rs.1,00,000 Not in jewellery shops
Daily limit (Rs.) for usage in Internet (E-com)	2,70,000	50,000	(Card limit -10 % of the fund based WC limits or Rs. 5.00 Lacs whichever is less) Max. Rs.1,00,000
Charges for issuance of Card (Rs.)	350	NIL	NIL

Annual Maintenance fee (Rs.)	750	NIL for replacement of card either due to loss or damage or for any other reason, a fee of Rs.100 is charged	NIL
Remarks	High spending power with a no pre-set spending limit or a minimum of US$6000 spending limit. US$ 1,00,000 personal travel accident insurance (or local currency equivalent).	The cards will be issued as 'Magstripe' cards The cards will be printed in 2 attractive designs, one for Boys and Young Men and another for Girls and Young Women The name on the Insta card will be printed as "IOB GENNEXT GROUP'	The card may be issued in the name of the firm. Only card for one firm. In cases where the borrowal account has not completed 2 years or a fresh account, NBGM has the power to sanction the SME Debit card limit For accounts no completed – limit carved out as sub-limit

Features	RuPay Classic Debit cards	RuPay Platinum Debit Cards	MUDRA Debit card
Eligibility	All SB in their individual names. For Joint accounts, with E or S /A or S operations, all the joint holders are eligible to obtain a Card in their individual name. CD accounts opened in individual names and with Proprietor mandate	All Customers maintaining an average balance of Rs.50,000/- per quarter in their SB/CDCC accounts. For Joint accounts, with E or S /A or S operations CD for individual/proprietor mandate only	Micro units in non corporate sector viz. Individuals, proprietary & partnership firms engaged in non-farm activities for income generation.
Daily Cash withdrawal limit (Rs,)	Rs.20,000	Rs.30,000	**Subject to a max.of 20% of WC limit** Shishu : ₹ 2000 Kishore : ₹ 20000 Tarun: ₹ 20000
Daily limit (Rs) for usage in Merchant Establishments (PoS)	Rs.50,000	Rs.75,000	**Subject to a max.of 20% of WC limit** Shishu : ₹ 1500 Kishore : ₹ 20000 Tarun: ₹ 40000
Daily limit (Rs.) for usage in Internet	Rs.50,000	Rs.75,000	**Subject to a max.of 20% of WC limit** Shishu : ₹ 1500 Kishore : ₹ 10000 Tarun : ₹ 40000

(E-com)			
Charges for issuance of Card (Rs.)	Free Replacement for lost card & PIN (Rs.100 + Rs.20) + ST	Rs.150 + ST Replacement for lost card & PIN (Rs.100 + Rs.20) + ST	Card is issued free of charges.
Annual fee	Rs.150 + ST	Rs.150 + ST	Rs.100 + ST
Other details	Validity :10 years Personal Accident (Death Only) Insurance cover of Rs.1,00,000/-. (Ref: TBD/ ITEC/ 42 /2013-14 Dt: 11.03.2014)	Validity :10 years Joint SB accounts with 'E or S' /'A or S' operations NPCI also provides some extra facilities (Ref: TBD/ITEC/56/2015-16 dt.10.04.2015)	Issued under **RuPay brand** A separate CC account is opened and allot a sublimit to the extent of 20% WC limit for exclusive card operations. Max. card limit – Shishu – ₹ 1,000; Kishore – ₹ 1,00,000 & Tarun – ₹ 2,00,000 (Ref:SME/ADV/605/2015-16 dt.14.09.2015)

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Features	Master card - classic		
Eligibility	All SB customers are eligible for Master Card card in their individual names except accounts fall under the schemes of SB-Small and SBBSBDA For Joint accounts, with E or S/ A or S operations, all the joint holders are eligible to obtain a Card in their individual name. CD accounts opened in individual names and with Proprietor mandate are also eligible for MasterCard Debit card.		
Daily Cash withdrawal limit (Rs,)	₹ 20,000		
Daily limit (Rs) for usage in Merchant Establishments (PoS)	₹ 50,000		

Daily limit (Rs.) for usage in Internet (E-com)	₹ 50,000		
Charges for issuance of Card (Rs.)	100		.
Annual fee	150		
Other details	Validity :10 years 2nd factor authentication - Master Card Secure code facility (Ref: TBD/ ITEC/ 64 /2015-16 Dt: 26.11.2015)		

APPLICATION SUPPORTED BY BLOCKED AMOUNT (ASBA)

- SEBI has introduced an alternative mode of payment for Initial Public Offer called Application Supported by Blocked Amount

- Under this process, the application amount will be blocked and will be debited to applicant's account only upon allotment.

- In case of part allotment, part amount only will be debited and the block for the remaining amount will be removed.

- Similarly, in the case of non-allotment, block for the entire amount will be removed.

- In order to encourage ASBA facility, ASBA banks are now being offered a marketing fee by the issuing companies.

Members in the process:

- Investor who applies for an IPO
- NSE/BSE – which will receive application data and transmit to RTA
- Registrar and Transfer Agent (RTA) who will process and finalise allotment details in consultation with Stock Exchange
- Designated Branches (DB) which can accept ASBA applications and make data entry in our CBS system and block the account
- Controlling Branch (CB) which will upload all the data entered in CBS to NSE, download all allotment data received from RTA, debit allottees' bank accounts and unblock bank accounts of unsuccessful applicants. We have designated our Chennai DP branch as the Controlling branch,

Bank Accounts eligible for blocking in our Bank:

- Savings Bank
- Current Account

Please note that CC-Public, which was earlier allowed, is NOT allowed now.

- **Self-Certified Syndicate Bank is a Bank (SCSB)**, who have been recognized by Securities and Exchange Board of India (SEBI) to accept application (ASBA) for an Issue from the customers who hold bank accounts with our bank.

- SCSB should accept only ASBA applications.

- Our Bank has been recognized as ASBA Bank (SCSB) by SEBI included in SCSB list w.e.f 15.11.2010 and permitted to accept the ASBA Applications from 01.12.2010.

- After receipt of ASBA Applications, the branches should provide acknowledgement to the Investors, enters the data in our CBS package.
- After approval of the entries, the bank accounts (with any branch of our Bank) are blocked to the extent specified by investors.
- All applications received should be punched on the same day.
- All the entries will be uploaded to NSE/BSE by the Controlling Branch
- The application particulars are transmitted to Registrar & Transfer Agents (RTA) to Issue by NSE/BSE.
- RTA finalises allotment and sends file to each ASBA Bank i.e. to the Controlling Branch
- The ASBA Application will be retained by the SCSB for a period of 6 months and thereafter forwarded to the issuer.
- As the Bank account and demat account of the customers are being opened at Banks/DPs only after complying with all KYC norms including verification of PAN, there is no responsibility for the branch receiving the ASBA application form.
- Even the account holder can be different from the applicant. Hence, ASBA application has a provision for the signature of the applicant and of the account holder.
- SEBI has restricted an account for only 5 applications,
- Only for blocking the account, the branch has to verify the signature with that available in the application or in the relevant box (if the applicant is different from account holder.
- After finalisation of the basis of allotment, when the data provided by the Registrar is run at the controlling branch, amounts in the accounts held at various branches are automatically debited/part-transferred/ unblocked depending upon the status of allotment. The Escrow account opened at the controlling branch is also credited automatically.
- The funds collected in the account are transferred to the account of Bankers to the Issue/Company as the case may be by means of RTGS.
- **All branches** of Indian Overseas Bank have to accept ASBA applications tendered at the Branch by any IPO / FPO / Rights applicant.
- No ASBA application completed in all respects and which is eligible for being accepted can be rejected by any of the branches of the Bank for any reason.

- Rejection of a valid ASBA application by any Branch would attract severe action on the Bank by **the Regulatory Authority**.

Advantages to Client:

- Money does not move out of his account till the allotment is made
- Earns interest in the account as funds do not move out till allotment
- No refund order is involved for non-allotment or partial allotment, only blocking is removed for the balance amount whereby there is no chance of loss of Refund Order.
- Easy to monitor for the client.

Advantages of Bank:

- By providing the facility to Client, CASA funds do not move out of the bank
- Can attract more customers by offering the facility and Improve CASA
- Earn marketing fees/processing fees on ASBA applications received directly by our Bank/ applications received through Syndicate Members respectively.
- As the programme is developed under CBS, the facility can be easily extended if necessary to all CBS branches without much/any additional input.

ASBA - There are two types.

- Submitted by investors who will be directly giving to the designated ASBA Branch of the branch who will be punching the details in the system and also blocking the amount.
- Submitted by Brokers/Syndicate Members to 17 Syndicate ASBA designated branches (which is available in 12 cities selected by SEBI) only for blocking the funds. The details of the application would have been punched by the Syndicate Member/Broker
- All our Indian branches (barring specialized branches like Large Corporate branches, Mid-Corporate branches etc.) have been designated as "ASBA" branches and 17 branches have been designated as 'Syndicate ASBA Branches'. The list of branches are displayed in 'iobonline'
- NOW EASYBANKING CUSTOMERS CAN LODGE ASBA APPLICATIONS ONLINE THROUGH EASBA

PENSION ACCOUNTS MAINTENANCE & AGENCY COMMISSION

A. Pension account maintenance

1. All pensioners of the Central Government Pensioners and those State Governments which have accepted such arrangement can open **Joint Account with their spouses**. (RBI FAQ 01.06.2015)

2. The account is **not allowed** to be operated by a holder of Power of Attorney. However, the cheque book facility and acceptance of standing instructions for transfer of funds from the account is permissible**.** (RBI FAQ 01.06.2015)

3. The banks should not insist on opening of a new account in case of Central Government pensioner if the spouse in whose favour an authorization for family pension exists in the Pension Payment Order (PPO) is the survivor and the family pension should be credited to the existing account without opening a new account by the family pensioner for this purpose. (RBI FAQ 01.06.2015

4. The disbursement of pension by the paying branch is spread over the **last four working days of the month** depending on the convenience of the pension paying branch except for the month of March when the pension is credited **on or after the first working day of April.** (RBI FAQ 01.06.2015

5. A Pensioner is entitled for compensation for delayed credit of pension/arrears thereof at the fixed rate **8%** and the same would be credited to the pensioner's account automatically by the bank on the same day when the bank affords delayed credit of such pension / arrears etc without any claim from the pensioner. (RBI cir dt.14.03.2012)

6. **Obtention of certificates for pensioners**

- The following certificates are to be obtained from the Central/Civil/Defence/Telecom/Railway Pensioners in the month of November every year by the pension paying branches.

   a. Life certificate

   b. Non-employment certificate

   c. Family pensioner- Re-marriage/marriage certificate

- **Digital life certificates for pensioners**

  The Government of India has since launched "**Jeevan Pramaan**", a digital life certificate based on Aadhaar Biometric Authentication, aimed at simplifying

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Vetted by : Shri Elavenil AA

the process of submission of life certificate and facilitating accuracy and timeliness in disbursal of pensions. (RBI Cir dt. 09.12.2014)

7. **Refund of overpayment of pension to the Government Account** (RBI Cir dt. 13.03.2015)

- whenever any excess payment of government pension is detected, the entire amount should be credited to the government account immediately
- If the agency bank is of the view that the excess/wrong payment to the pensioner is due to errors committed by the government, they may take up the matter with full particulars of the cases with respective Government Department for a quick resolution of the matter.

8. **Recovery of excess payments made to pensioners** (RBI cir dt. 17.03.2016)

- As soon as the excess/wrong payment made to a pensioner comes to the notice of the paying branch, the branch should **adjust the same against the amount standing** to the credit of the pensioner's account to the extent possible including lumpsum arrears payment.
- If the entire amount of over payment cannot be adjusted from the account, the pensioner may be **asked to pay forthwith** the balance amount of over payment.
- In case the pensioner expresses his inability to pay the amount, the same may be adjusted from the future pension payments to be made to the pensioners. For recovering the over-payment made to pensioner from his future pension payment in instalments **1/3rd of net (pension + relief) payable each month** may be recovered unless the pensioner concerned gives consent in writing to pay a higher installment amount.
- If the over payment cannot be recovered from the pensioner due to his death or discontinuance of pension then **action has to be taken as per the letter of undertaking** given by the pensioner under the scheme.
- The pensioner may also be advised about the details of overpayment/ wrong payment and mode of its recovery.

9. **Guidelines For Disbursement of Freedom Fighters Pensions** (CPPC/Transient Series Circular No.15 Dated 30.09.2014)

- In all cases where the pensioners are of the age of **80 years and above** the **Life Certificate** are accepted from October onwards (However, it differs from state to state as per State Govt. Notification).
- In case of daughters, the certificate regarding their marital status have to be **countersigned by a Revenue Officer** of the Rank of Tehsildar and above

- Branches / CPPC should not pay an arrear exceeding 12 months at their level. All such cases of payment of arrears beyond 12 months should be referred to the Ministry

B. The agency commission payable to agency banks – Govt. Transactions

1. **Rates of agency commission** (RBI Circular dated 01.08.2019)

Sr. No.		Type of Transaction	Unit	Revised Rate
a.	(i)	Receipts - Physical mode	Per transaction	Rs. 40
	(ii)	Receipts - e-mode	Per transaction	Rs. 9
b.		Pension Payments	Per transaction	Rs. 75
c.		Payments other than Pension	Per Rs.100 turnover	6.5 paise

- The number of commissionable transactions for payment of agency commission on account of pension in a year **should not exceed 14**. (RBI Cir dt. 21.01.2016).

- Some of the Central Government Departments and State Governments prefer to compute the pension figures on their own and pass them on to banks for payment. Such transactions may be included under non-pension payments, on which agency commission is payable on a turnover basis as per the existing norms (currently at 5.5 paise per Rs. 100/-).

- Payments into Government Account through Debit / Credit cards and Net banking: permissible period for remittance is **T+1 working day** including put through date. (RBI Cir dt. 21.01.2015)

2. Agency banks will be liable to pay penal interest at **Bank Rate plus 2%** for any wrong claims of agency commission settled. (RBI master cir DGBA.GAD.No.2/ 31.12.010/2015-16 updated upto 21.01.2016)

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Vetted by : Shri Elavenil AA

STAFF MATTERS

1. Identity card & uniform

Non-wearing of identity card and uniform, while on duty, is a minor misconduct as per bipartite settlement**.** (IRD/EST/08/2014-15 dt.03.09.2014)

2. Staff Clerical:

- Duties attracting special pay in our bank
  - Special Assistants
  - Head/Chief Cashier – II
  - Single Window Operator 'B"
- **Some of the duties of Single Window Operator 'A'**
  - Passing and cash payment of all cheques/withdrawal forms/banker's cheques/gift cheques etc upto and including of **Rs.10,000/-**
  - Passing independently clearing and transfer cheques/vouchers etc upto and including of **Rs.15,000**/-
  - Receipts of cash and issuance of pre-signed drafts/gift cheques/travellers's cheques/pay orders/bank orders etc., upto and including **Rs.15,000/-**
- **Some of the duties of Single Window Operator 'B'**
  - Passing and cash payment of all cheques/withdrawal forms/banker's cheques/gift cheques etc upto and including of **Rs.20,000/-**
  - Passing independently clearing and transfer cheques/vouchers etc upto and including of **Rs.25,000/-**
  - Receipts of cash and issuance of pre-signed drafts/gift cheques/travellers's cheques/pay orders/bank orders etc., upto and including **Rs.25,000/-**

3. **Cash Department**:

- For any shortage in cash balance held under the single custody of the cashier, he / she is solely responsible. Hence the shortage must be recovered on the same day from the concerned cashier.
- As regards the **genuineness and quality of the currency notes** of all denominations, the responsibility for the same will vest on the cashier who has accepted such notes.
- For any **shortage in vault balance, the joint custodians** viz., the supervising official and the cashier shall be jointly responsible.

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- In case of any shortage in any book of notes, **the Officer and/or cashiers** who have signed the denomination slips shall be responsible for the shortage.
- Any excess in the cash balance must be **credited to Sundry Creditors** Account on the same day after the preparation of a credit voucher bearing complete particulars of such excess cash.
- Such instances of excess cash should be reported to Regional Office on the same day.
- Amounts which have been lying unclaimed for **more than six months** will be transferred to Central Office every half year by March and September.
- **Cases of 'negligence** and cash shortages' upto **Rs.10,000/-** to be reported as fraud if the intention to cheat/defraud is suspected/proved.
- However, the following cases where the fraudulent intention is not suspected/proved at the time of detection will be treated as fraud and reported accordingly;
  a. Cases of cash shortage more than **Rs.10,000/-** and
  b. Cases of cash shortage more than **Rs.5,000/-** if detected by management/auditor/inspector and not reported on the day of occurrence by the persons handling the cash.
- The cashier preparing the packets remains responsible for both the quality and quantity of the notes in the packets prepared by him for denominations from Rs.1/= to Rs.100/=.
- The cashier is solely responsible for quality of notes of denominations above Rs. 100/-.
- The Officer/SA or any authorised official who recounted notes packet are jointly responsible for quantity of notes in such packets

4. Surprise check of Hand Balance with the Cashier/Chief Cashier During Business Hours

A surprise check at each branch is to be conducted by any officer of the Bank (Scale III & above) and who is not the joint custodian of cash at that branch during the business hours.

- The Regional Offices concerned will nominate the officer for this purpose and the periodicity can also be decided by Regional Offices.
- The Inspecting official should satisfy himself that the cash balance corresponds exactly with the entries in the system-generated cash balance printout.
- If any excess/short cash is found the same should be reported to Regional Office on the same day.

5. **Jewel Loan Verification**

All Jewels should be checked physically along with movement register and should be tallied once in a month without fail.

6. Checking of supplementary/reports

- Checking of supplementary is a must even in CBS environment.
- It helps the Branch to detect the fraudulent transactions/wrong posting of vouchers so that necessary remedial measures can be immediately taken to avert the loss and to avoid customers' complaints/ grievances.
- The Supervising staff checking the supplementary shall ensure that the number of vouchers shown in the supplementary corresponds to the number of vouchers available for verification.
- All reports of exceptional transactions have to be checked and authenticated by Branch Manager.

7. **Commencement of employee's working hours** – 15 minutes before the commencement of working hours : **Goiporia Committee** Recommendations.

8. Rotation of duties in respect of both workmen and officer employees: **Ghosh Committee Recommendations.**

9. **Second signature in vouchers – passing by supervisory staff**

- In case of cash payments exceeding **Rupees Twenty thousand.**
- In clearing Cheques for amounts exceeding **Rupees Fifty thousand.**
- Transfer debit vouchers using Cheques for amounts exceeding Rupees **Fifty thousand**.
- Debits vouchers exceeding Rupees **One lakh Fifty thousand** must be Countersigned and passed finally by the Branch Manager
- Special cadre assistants can pass independently, manually or online, cash instruments **up to Rs.35000/-** and also clearing and transfer instruments**.**

10. **Holding of second set of strong room keys** (IRD/EST/97/2015-16 dt.23.05.2015)

In case required confirmed officers are not available in branch, the second set of strong room keys can be handed over to the confirmed clerical staff, other than the cashier, as per branch seniority, on rotation basis, by paying the special pay applicable to Head Cashier-11 for the period he/she officiates. Such members, if paid some other special pay, are eligible for only one allowance, whichever is higher.

11. **Staff Subordinate:**

- Some of the duties

  – carrying of cash not exceeding Rs.5,000/-

12. **Outsourcing of sweeping work** (IRD/EST/98/2015-16 dt.25.05.2015)

Branches do not engage any unauthorized persons for casual/ temporary/adhoc labourers for sweeping and other miscellaneous works, under any circumstances. Guidelines for outsourcing sweeping work are to be followed.

MISCELLANEOUS POINTS

1. Equity investment by banks (RBI Cir dt. 16.09.2015)

Banks which have **CRAR of 10 %** or more and have also made net profit as of March 31 of the previous year need not approach RBI for prior approval for equity investments in financial services companies where after such investment, the holding of the bank remains **less than 10 %** of the investee company"s paid up capital, and the holding of the bank, along with its subsidiaries or joint ventures or entities continues to remain **less than 20 %** of the investee company"s paid up capital.

2. **Aadhaar**:

- It is a **12-digit** unique identification (UID) number which the Unique Identification Authority of India (UIDAI) is issuing for all Indian residents.
- The UID number is stored in a centralised database and linked to the basic demographics and biometric information – photograph, ten fingerprints and iris – of each individual.
- This has an **additional four digits** that will be hidden from the common man. These four digits, which the authority terms a „virtual number", will change as and when the resident changes his pin number or residence
- As far as people are concerned, there would only be a **12-digit number** that would be relevant for their identification and use.
- Use of Aadhaar Card and seeding of bank accounts with Aadhaar numbers is purely voluntary and it is not mandatory.(RBI Cir dt. 14.01.2016).
- It has been informed by IBA vide letter No.PS&BT/Govt 2066 dt.05.02.2016 in line with Hon.Supreme court order dt.11.08.2015 that Aadhaar numbers are being collected by various public as well as private agencies for delivery of services, it is the responsibility those agencies to:
  - ✓ protect the identify of Aadhaar card holder by maintaining the necessary confidentiality of his Aadhaar number and
  - ✓ to ensure that Aadhaar numbners are not posted, displayed or made available in public domainsuch as internet, web, public notices etc. (Cir No.12 (File 7 C) of 2015-16 dt.20.02.02016)

3. **Lok Adalat : Eligible Accounts**

- Pre-litigative cases / accounts with outstanding upto Rs.20 lacs
- Suit filed cases/accounts where the plaint amount does not exceed Rs.20 lacs.
- the cases referred to Lok Adalat conducted by the DRT – No ceiling

4. **Acceptable use policy** (ITEC/26/2012-13 dt.12.02.2013)

Acceptable use policy deals with the use of **information** and **information system**

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Vetted by : Shri Elavenil AA

assets for purposes and in the manner acceptable to the bank.

5. Interest subvention for Agri. Advances

- Interest subvention scheme for Short Term Crop Loans has been extended for the current year 2019-20.
- Interest subvention of 2 % p.a. will be made available for **short-term crop loans** up to **Rs.3,00,000**/- per farmer.
- Interest subvention is available provided the banks make available short term credit at the ground level **at 7% per annum** to farmers.
- This amount of interest subvention will be calculated on the crop loan amount **from the date of its disbursement**/drawal up to the date of actual repayment of the crop loan by the farmer or up to the due date of the loan fixed by the banks whichever is earlier, subject to a **maximum period of one year.**
- Additional Interest subvention **of 3%** as an incentive to those farmers who repay their short term crop loans as per schedule.
- In respect of KCC Scheme, the following 2 categories are only covered under the Interest Subvention Scheme;
    - ✓ To meet the short term credit requirements for cultivation of crops
    - ✓ Post-harvest expenses
- Interest subvention on post-harvest (to **Small & Marginal Farmers)** loans up to **6 months** against negotiable warehouse receipt was also available to KCC borrowers.
- Claims in respect of 2 % interest subvention, banks are required to submit their claims on a **half-yearly basis** as at September 30 and March 31, of which, the latter needs to be accompanied by a Statutory Auditor's certificate.
- In respect of the **3% additional subvention**, banks may submit their **one- time consolidated claims** pertaining to the disbursements made during the entire year 2019-20 latest by April 30, 2020, duly audited by Statutory Auditors certifying the correctness.

6. Guidelines for relief measures by Banks in areas affected by Natural calamities (RBI Cir dt. 21.08.2015).

- State Level Bankers" Committees/District Level Consultative Committees/banks to take a view on rescheduling of loans if the crop loss is 33% or more.
- Banks may allow a maximum period of repayment up to **2 years** (including the moratorium period of 1 year) if the loss is **between 33% and 50%.**
- If the crop loss is **50% or more**, the restructured period for repayment may be extended to a **maximum of 5 years** (including the moratorium period of one

year).

7. **Minority communities**: The following communities have been notified as **minority communities** by the Government of India, Ministry of Welfare; Sikhs, Christians, Muslims, Zoroastrians, Buddhists & Jains (RBI cir dt.03.12.2014)

8. **Double Poverty Line:** Families having annual income of Rs. 98000/- in rural areas and Rs,1,20,000 in urban areas are considered as below Double Poverty Line

9. **National calendar:** (MSD/MISC/239/2012-13 dt.30.01.2013)

Government of India has accepted **Saka Samvat** as **National Calendar**. All Government statutory orders, notifications; Acts of Parliament, etc. bear both the dates i.e., Saka Samvat as well as Gregorian calendar. Instrument written in Hindi having date as per Saka Samvat calendar is a valid instrument. Cheques bearing date in Hindi as per the National Calendar (Saka Samvat) should, therefore, be accepted by banks for payment.

10. **Scheme of incentives and penalties for bank branches based on customer service : Incentives** (RBI cir t.01.07.2019)

- Exchange of soiled notes / adjudication of mutilated banknotes
  a. Exchange of soiled notes –Rs. 2.00 per packet upto Rs.50 denomination.
  b. Adjudication of mutilated notes – Rs.2.00 per piece
- Distribution of coins across counter: Rs.25 per bag

11. **Scheme of Penalties for bank branches including currency chests based on performance in rendering customer service to members of public**

(RBI cir t.01.07.2019)

Penalties

Penalties to be imposed on banks for deficiencies in exchange of notes and coins/remittances sent to RBI/operations of currency chests etc. are as follows:

Sr. No.	Nature of Irregularity	Penalty
	Shortages in soiled note remittances and currency chest balances	**For notes in denomination up to ` 50**  ` 50/- per piece in addition to the loss **For notes in denomination of ` 100 & above** Equal to the value of the denomination per piece in addition to the loss. In case of shortage in soiled note remittances/chest balances, the amount of shortage/loss thereof will be recovered immediately Penalty will be levied immediately on detection of shortage in soiled note remittances/chest balances, irrespective of the number of pieces detected.
ii.	Counterfeit notes detected in soiled note remittances and currency chest balances.	Penalty on account of detection of counterfeit notes by RBI from soiled note remittance of banks and in currency chest balances shall be levied in terms of the instructions issued by DCM (FNVD) No.G-1 /16.01.05/2019-20 dated July 01, 2019.
iii.	Mutilated notes detected in soiled note remittances and currency chest balances	` 50/- per piece irrespective of the denomination In case of mutilated notes detected in soiled note remittances and currency chest balances, the amount of loss thereof will be recovered immediately. Penalty will be levied immediately on detection of mutilated notes in soiled note remittances / currency chest balances, irrespective of the number of pieces detected.

iv.	Non-compliance with operational guidelines by currency chests detected by RBI officials Non-functioning of CCTV Branch cash/documents kept in strong room Non-utilization of NSMs for sorting of notes (NSMs not used for sorting of high denomination notes received over the counter or not used for sorting notes remitted to chest/RBI)	Penalty of ` 5000 for each irregularity.  Penalty will be enhanced to ` 10,000 in case of repetition. Penalty will be levied immediately.
v.	Violation of any term of agreement with RBI (for opening and maintaining currency chests) or deficiency in service in providing exchange facilities, as detected by RBI officials e.g. Non-issue of coins over the counter to any member of public despite having stock. Refusal by any bank branch to exchange soiled notes / refusal by any currency chest branch to adjudicate mutilated notes tendered	` 10,000 for any violation of agreement or deficiency of service.  ` 5 lakh in case there are more than 5 instances of violation of agreement/deficiency in service by the branch. The levy of such penalty will be placed in public domain. Penalty will be levied immediately.

	by any member of public Non conduct of surprise verification of chest balances, at least at bimonthly intervals, by officials unconnected with the custody thereof and by the officials from the Controlling Office once in six months. Denial of facilities/services to linked branches of other banks. Non acceptance of lower denomination notes (i.e. denomination of ` 50 and below) tendered by members of public and linked bank branches. Detection of mutilated /counterfeit notes in re-issuable packets prepared by the currency chest branches.	

12. Clean Note Policy

Under the present system of mechanized processing of bank notes, inscription or scribbling on any part of the bank notes get **treated as soiled banknotes** and cannot be re circulated (RBI cir dt.14.08.2013).

13. Central Office Inspection

- The system of present auditing is **Risk Based Internal Audit** (RBIA) (Inspection/ Misc/237/2012-13 dt. 19.01.2013).
- The software used for Risk Based Internal Audit is called **'eTHIC'.**
- The audit plan for a branch will be fixed by mapping the inherent business risk and Control Risk in an **Audit Risk Matrix (ARM)**. (Misc/ 263 /2012-13 dt. 30.03.2013).
- **Audit Periodicity:** The overall risk category referred above in **ARM** will determine the audit intervals of the branch concerned:

Overall risk category	Audit intervals in months	Extension of time, if necessary permissible by gm inspection.

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Low	15	Maximum by 3 months
Medium	12	Maximum by 2 months
High/Very High/ Extremely High	09	Maximum by 1 month
Newly opened/ Upgraded/taken over branches.	09	...

- Branches will be rated as below:

Grading	Risk
Very Good	Low
Good	Low
Satisfactory	Medium
Moderate	Medium
Poor	High
Critical	High

- Time schedule for submission of reply by;
  - ✓ All Branches: within 60 days from the closure of audit.

14. **Implementation of formation of Preventive Vigilance Committee**: Preventive Vigilance Committees should be formed in all branches, ROS and ZOS and the meetings of the committee should be conducted as detailed below:

Grading	Constitution	Periodicity of Meetings
All High Risk Branches	Branch head (Member convener of committee), two officers & two award staff member (on Half yearly rotation basis) and one officer from RO to be nominated by CRM.	Monthly
All Medium Risk/Fraud Reported branches*	Branch head, two officers & two award staff members (on half yearly rotation basis)	Quarterly
Branches having strength of 10 above (staff including watch and ward)	Branch head, two officers & two award staff members (on half yearly rotation basis)	Quarterly
All other branches	Branch head, one officer and one award staff (on yearly rotation basis)	Half Yearly

Regional Office	Regional head, ACM / CM attached to RO, ACM / CM/SM of local branch (on rotation in half yearly intervals) RVO who shall be the convener.	Quarterly
GM ZO	GM ZO, DGM/AGM of Zonal Inspectorate (preferably Inspectorate Head), Local Regional Head and the ACM / DGM of Zonal Office who shall be the coordinator.	Quarterly

*Risk Management Department will prepare list of fraud reported branches on quarterly basis and display the same in 10B online.

Fraud – reporting (MISC/ 228 /2012-13 dt. 27.12.2012)

- The cases of **negligence and cash shortages'** and **irregularities in foreign exchange transactions'** are to be reported as **fraud irrespective of the amount** if the intention to cheat / defraud is suspected /proved.
- However, the following cases where fraudulent intention is **not even suspected /proved** at the time of detection still it shall be treated as **fraud.**
  - ✓ Cash shortage of more than Rs. 10,000 and
  - ✓ Cash shortage more than Rs. 5,000 if detected by the Management/ Auditor /Inspecting Officer and not reported on the day of occurrence by the persons handling cash.
  - ✓ Cash Shortage cases up to Rs. 5,000 will **not** be treated as a fraud if the intention is not suspected/ proved.

Current Structure for filing Police/CBI complaints for Frauds:

Category of Bank	Amt Involved	Agency to whom complain to be lodged	Remarks
Private Sector/ Foreign Banks	Rs.1 lakh and above	State Police	
	Rs.10000 and above if committed by staff	State Police	
	Rs.1 crore and above	SFIO (State Fraud Investigation Office)	In addition to state police
Public Sector Banks	Below Rs.3 crore	State Police	
	Rs.3 crore and	CBI	Anti-Corruption Branch

	above and up to Rs.25 crore		of CBI (where staff involvement is prima facie evident) Economic Offences Wing of CBI (Where staff involvement is prima facie not evident)
	More than Rs.25 crore	CBI	Banking Security and Fraud Cell (BSFC) of CBI (irrespective of the involvement of a public servant)

15. Issuance of high value demand drafts

- Branches headed by AGM and above are permitted to issue High Value drafts (for Rs.10 lacs and above but less than Rs.10 crores -the maximum permissible in our bank).
- Branches headed by Managers in Scale I to IV have to forward their request to their respective Regional Office.
- After forwarding the request to Regional Office, branch should create lot and post the details in the „High Value data entry menu' in CBS to enable Regional Office to authorise the transaction and enable the branch to post and pass.

16. SMS >< REDRESS

- In order to offer the customers with much convenient and faster way to access the bank, introduced the "**SMS >< REDRESS**" facility.
- The customer has to type"REDRESS Space IOB Branch Code" in his mobile. SMS has to be sent to +919551099007.

17. SPGRS

- Electronic mode of complaint handling system called "Standardised Public Grievances Redressal System (SPGRS)

18. **Pradhan Mantri Fasal Bima Yojana (PMFBY)** (RBI Cir dt. 17.03.2016)

- Pradhan Mantri Fasal Bima Yojana (PMFBY) which replaced the existing schemes of National Agricultural Insurance Scheme (NAIS) & Modified National Agricultural Insurance Scheme (MNAIS) from Kharif 2016.
- PMFBY would be available to the farmers at very low rates of premium which would be maximum upto 1.5% for Rabi and upto 2% for Kharif for Food crops,

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Vetted by : Shri Elavenil AA

Pulses and Oilseeds and upto 5% for Annual Horticulture/ Commercial Crops.

- This scheme would provide insurance cover for all stages of the crop cycle including post-harvest risks in specified instances.

19. **Weather Based Crop Insurance Scheme** (ARID/ADV/653/2015-16 dt.31.03.2016)

- **Department of Agriculture, Cooperation and Farmers Welfare** under Ministry of Agriculture & Farmers Welfare is implementing the scheme.
- Weather Based Crop Insurance Scheme (WBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss **resulting from adverse weather conditions** relating to rainfall, temperature, wind, humidity etc
- Food Crops (Cereals, Millets and Pulses), Oilseeds & Commercial / Horticultural crops are covered.
- The Scheme shall operate on the principle of "**Area Approach**" in selected notified **Reference Unit Areas** (RUA). Notification by state Government.
- The Sum Insured (SI) for each notified crop is pre-defined and will be same for loanee and non-loanee farmers, which will be based on the „Scale of finance' as decided by the District Level Technical Committee.

20. **Unified Package Insurance Scheme (UPIS)** (ARID/ADV/654/2015-16 dt.31.03.2016)

- **Department of Agriculture, Cooperation and Farmers Welfare** under Ministry of Agriculture & Farmers Welfare is implementing the scheme.
- The UPIS will be implemented in **45 selected districts** on Pilot basis from **Kharif 2016** season. A farmer (both Loanee and Non- Loanee) can access to Banks whereas non-loanee farmer shall be covered through banks and/or insurance intermediaries.
- UPIS contain total **7 Sections** out of which Section 1 (**PMFBY**) is mandatory. However, farmers have to choose **at least 2** other sections (out of remaining 6) to avail the applicable subsidy under PMFBY section.

  a. **Crop Insurance** is covered through (Pradhan Mantri Fasal Bima Yojna (PMFBY) / Weather Based Crop Insurance Scheme (WBCIS)
  b. Personal Accident Insurance – coverage as per **Pradhan Mantri Suraksha Bima Yojana – PMSBY**
  c. **Life Insurance-** as per Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY)
  d. Building and contents insurance (Fire & allied perils)
  e. **Agriculture pump set insurance** (upto 10 HP)
  f. Student Safety insurance
  g. Agriculture Tractor insurance

- Crop Insurance is based on area approach whereas all other sections are

Prepared by: Shri Anil Thej Kolanti
Vetted by : Shri Elavenil AA

on individual basis.

- The cover will be for **one full year except for section 1** (which will be bi-annual separately for Kharif and Rabi seasons) renewable from year to year.
- The scheme would be offered / administered through AIC & empanelled General Insurance companies to be selected as implementing agency of PMFBY.

21. Details of MICR code and IFSC code of the branch must be made available in the passbook/ statement of account of all account holders (MSD/MISC/139/2012-13 dt.24.05.2012)

22. **Charge creation on assets**
    - Hypothecation is defined in **SARFAESI Act 2002**
    - Pledge is defined in **Contract Act 1872**
    - Mortgage is defined in **Transfer of property act 1882**

23. **Paripassu charge:**
    - The phrase is used to indicate simultaneous and proportionate charge and to describe similar ranking of securities
    - The use of "Pari Passu" when creating a charge means that when company/firm goes into dissolution, the assets over which the charge has been created will be distributed in proportion to the creditors' respective holdings.

24. **Small Savings Scheme- Senior Citizen Savings Scheme – 2004**
    - The interest rates on SCSS 2004 will be aligned with G-Sec rates with a spread of **100 bps** (1%).
    - The interest rates will be notified **quarterly**.
    - As per the rules of small savings schemes, the rate of interest on an investment made in all schemes except PPF, 1968 on a particular date, remains unchanged for the entire duration of the investment, till maturity, irrespective of the revisions in subsequent years.

25. **E-collection of Customs Duty – EASeR-C**
    - Our Bank is one of the 17 accredited agency banks for handling online payment of **Customs duty**.
    - Our Bank has been enabled to receive Customs Duty on behalf of all customs locations in India on "Anytime Anywhere" basis.
    - Every branch of our Bank can help their customer to make payments through their own accounts.
    - Income @ Rs. 45/ per chalan (transaction)

26. **Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH)**

- The Ministry of Housing & Urban Poverty Alleviation, Government of India has set up the **CRGFTLIH**
- The Trust guarantees housing loans extended by eligible lending Institution(s) to an new eligible borrower in the **low income housing sector** (both EWS/LIG categories) in urban areas for housing loan not exceeding **5 lakh** by way of housing loans on or after entering into an agreement with the Trust.
- Banks may assign **zero risk weight** for the guaranteed portion. The balance outstanding in excess of the guaranteed portion would attract a risk-weight as appropriate to the counter-party. (RBI cir. Dt.16.04.2013)
- In case the advance covered by CRGFTLIH guarantee becomes non-performing, **no provision** need be made towards the guaranteed portion

29. Documentation (CSS/ADV/382/2013-14 dt.27.08.2013)

Section 14 of Credit Information Companies (Regulation) Act provides for collection (of credit information from members) and furnishing (to specified users) by credit information companies. Credit Information Companies Act provides statutory backing for sharing of credit information by credit institutions with credit information companies subject to conditions stipulated therein.

Therefore, consent clause in documents become redundant.

30. **Data ownership policy** (MSD/MISC/321/2013-14 dt.02.09.2013)

- It is the policy of the Bank that data and information will be available to employees as it is necessary to perform the functions required by their position at the Bank
- Data classification label:
  - ✓ **SECRET:** This classification applies to the most sensitive business information which is intended strictly for use within the bank
  - ✓ **CONFIDENTIAL**: This classification applies to less sensitive business information which is nonetheless intended for use within the bank
  - ✓ **PRIVATE / INTERNAL**: This classification applies to personal information which is intended for use within Bank
  - ✓ **UNCLASSIFIED or PUBLIC:** This classification applies to all other information which does not clearly fit into any of the above three classifications

31. Structured Financial Messaging System (SFMS) : Public Sector Banks issue LC or LG through **SFMS**.

32. **GIRO** based Bharat Bill Payment System (BBPS) (RBI Cir dt.28.11.2014)

GIRO stands for **G**overnment **I**nternal **R**evenue **O**rder.

- The objective of the BBPS is to implement an **integrated bill payment system** in the country that offers interoperable and accessible bill payment services to

Prepared by: Shri Anil Thej Kolanti
Vetted by : Shri Elavenil AA

customers through a network of agents, enabling multiple payment modes, and providing instant confirmation of payment.

- Bharat Bill Payment Central Unit (**BBPCU**) will be the single authorized entity operating the BBPS. The BBPCU will set necessary operational, technical and business standards for the entire system and its participants and also undertake clearing and settlement activities.
- Bharat Bill Payment Operating Units (**BBPOU**s) are the authorised operational units working in adherence to the standards set by the BBPCU.

33. **IOBREWARDZ** – Scheme to Reward Debit/Credit Card customers for using the card in Merchant Establishments/Internet

34. **Insurance business:** **(**RBI Cir dt. 15.01.2015)

- Banks are not allowed to undertake insurance business **with risk participation** departmentally.

  Banks are allowed to undertake insurance business with risk participation only through a **subsidiary/JV** set up for the purpose. The eligibility criteria for setting up such JV/subsidiary (as on 31st March of the previous year) are;

  a. The net worth of the bank should not be less than ` 1000 crore;

  b. The CRAR of the bank should not be less than 10 %;

  c. The level of net non-performing assets should be not more than 3 %.

  d. The bank should have made a net profit for the last three continuous years;

- **Banks undertaking corporate agency functions/broking functions departmentally**
  - ✓ Banks **need not obtain** prior approval of the RBI to act as corporate agents on fee basis, **without risk participation**/undertake insurance broking activities departmentally, subject to IRDA Regulations, and compliance with the conditions.
  - ✓ **No incentive** (cash or non-cash) should be paid to the staff engaged in insurance broking/corporate agency services by the insurance company.

35. **Road map for implementation of Ind Accounting Standards converged with International Financial Reporting Standards (IFRS)**

Scheduled commercial banks (excluding Regional Rural Banks (RRBs), All-India Term-lending Refinancing Institutions (i.e. Exim Bank, NABARD, NHB and SIDBI) and Insurers/Insurance companies would be required to prepare **Ind AS** based financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. **Ind AS** would be applicable to both consolidated and individual financial statements. (Ministry of corporate affairs dt.18.01.2016 & RBI Cir dt. 11.02.2016)

36. Sale of India Gold coin (IGC) (RBI Cir dt. 21.01.2016)

- Designated banks as defined in the Master Direction on Gold Monetization Scheme, dated October 22, 2015, are allowed to sell the IGCs minted by MMTC. The gold used for the IGC will be only that mobilized domestically **under the existing Gold Deposit Scheme (GDS) and Gold Monetization Scheme** (GMS).

- IOB has entered into an agreement with MMTC wherein our Bank acts as consignee undertaking to sell and distribute IGC products through its branches – for a period of **3 years** from 16.02.2016. (Treasury/FX/2015- 16 dt.16.03.2016).

- Bank is only a selling agent for MMTC

- Bank is entitled to a commission of 1% + ST on sales.

- The Indian Gold Coin is of 24 carat purity, 999 fineness and has national emblem of Ashok Chakra engraved on one side and the face of Mahatma Gandhi on the other.

- Currently coins are available in denominations of 5 grams, 10 grams & 20 grams

- These are minted by Security Printing and Minting Corporation of India Limited (SPMCIL) and hallmarked by the Bureau of Indian Standards (BIS).

AMENDMENT TO COMPANIES ACT 2013

(LAW/ MASTER/11/2018-19 DATED 11.12.2018)

1. Amendment to Section 10A- Commencement of business (new section)

Re-introduction of Commencement of Business: A company incorporated after the commencement of the companies (Amendment) Ordinance 2018 and having a share capital shall no commence any business or exercise any borrowing powers unless:

i. A declaration is filed by a director within a period of 180 days of the date of incorporation of the company, with ROC that every subscriber to MOA has paid the value of the shares agreed to be taken by him on the date of making of such declaration and

ii. The company has filed with ROC a verification of its registered office as provided in section 12.

Penal Provision: If default is made in complying with the requirements of this section, the company shall be liable to a penalty of Rs.50000 and every officer who is in default shall be liable to a penalty of Rs.1000 for each day during such default continues but not exceeding and amount of Rs 100000.

Removal of name of company: Where no declaration has been filed with ROC within 180days of the date of incorporation of the company and ROC has reasonable cause to believe that the company is not carrying on any business or operations, he may initiate action for the removal of the name of the company from the register of companies under section 248.

2. Section 77- Duty to register charge

The period of 300 days for creation and modification of charge has been reduced to 60 days i.e., 30 days of normal filing period and 30 days with additional fees.

ROC may on an application, allow such registration to be made within a further period of 60 days after payment of such advalorem fees as may be prescribed for the charges created after the companies (Amendment) ordinance, 2018.

Note: After 120 days, creation/modification of charge shall not be registered. Charges created before the commencement of the Ordinance can be registered within 6 months of commencement of the Ordinance.

3. Section 14- Alteration of articles

The power to approve the conversion of public company into a private company has been vested with the Central Government, which may delegate the same to any other authority: Earlier the said power was with NCLT.

Further, any application pending before NCLT as on the date of commencement of the Companies (Amendment) Ordinance, 2018 shall be disposed of by NCLT in accordance with the provisions applicable to it before such commencement.

4. Section 12- Registered office of company

ROC may cause a physical verification of the registered office of the company and the ROC has reason to believe that the company is not carrying into business/operation after physical verification; he may initiate action to strike off the name of the company.

5. Section 164-Disqualificaiton for appointment of director

New ground of disqualification for Directorship has been added:

If a person has not complied with the number of directorship u/s 165(1) i.e. maximum number of directorship in 20 Companies provided maximum number of directorship in 10 public Companies present.

6. Section 454A- Penalty for repeated default (new section)

A new section 454A has been inserted to provide that where a penalty in relation to a default has been imposed on a person under the Act. And the person commits the same default within a period of 3 years from the date of order imposing such penalty, passing by the adjudicating officer or RD, as the case may be, it or he shall be liable for the second and every subsequent defaults for an amount equal to twice the amount provided for such default under the relevant provision of the Act.

PSBS- REFORMS AGENDA-EASE- ENHANCED ACCESS & SERVICE EXCELLENCE

(Compliance Department Misc/359/2018-19 dated 21.05.2018 and Misc/417/2018-19 dated 15.09.2018)

Ease has as many as 62 action points with fixed time lines. GOI has made it clear that capital infusion is directly linked to the compliance under EASE points. The action points are the outcome of brain storming sessions by top executives of all the PSBs and MOF officials in PSB Manthan that took place in November 2017.

REFORMS AGENDA FOR PSBs:

The Reforms Agenda titled Responsive and Responsible PSBs- Banking Reforms Roadmap for a New India aims at Enhanced Access and Service Excellence (EASE) and has been further subdivided in to 6 themes as given below:

1) Customer Responsive (CR)- EASE for customer comfort
2) Responsible Banking (RB) – Financial Stability, governance for ensuring outcomes and EASE for clean and commercially prudent business.
3) Credit off-take (CO)- EASE for the borrower and proactive delivery of credit.
4) Udayami Mitra for MSME(UM)- EASE of financing and bill discounting for MSMEs.
5) Deepening Financial Inclusion & Digitalization (FIDI)-EASE through near-home banking, micro-insurance and digitalization.
6) Ensuring Outcomes- Governance/HR (BRPSB)-Developing personnel for brand PSB.

The six themes of action have been divided in to 30 action points and further sub divided into 62 sub-action points.

The success of implementation of EASE depends on the enthusiastic involvement and cooperation at all levels so that we have an edge over other peer banks and emerge as winners.

Boston Consultancy Group (BCG) is assigned the job by IBA as per the instruction of DFS to quantify and get the data from different sources to finalize the ranking models.BCG will be collecting the data from different sources including customer survey, structured branch visit, incognito visits to quantify the progress on different parameters.

BCG has partnered with KANTAR IMRB to conduct the customer and branch survey as a part of EASE index program. The survey will be carried out in 2.5% of the branch network and they will conduct survey with 4-5 customers.

Prepared by: Shri Pankaj Kumar Mohanty
Vetted by : Shri Omkar Saswat Gajapati

COLLECTION OF CHEQUE

Collection of Foreign cheques

- USD cheques - Below USD 10000 is being collected via Bank of America. The branches are to send the cheques duly endorsed to fed cash letter services, Treasury Foreign, Central Office Chennai.
- USD cheques – Above USD 10000- has to be sent for collection directly by the branches to the collecting/paying bank as mentioned in the cheque providing Nostro particulars of IOB (account details are available in IOB online)
- GBP cheques- Irrespective of the amount, cheques should to be sent to central office after due endorsements and seal and sign to fed cash letter services. The same shall be forwarded from co to standard chartered bank.
- EUR cheques- Irrespective of the amount, cheques should to be sent to central office after due endorsements and seal and sign of the desk officer as well as customer to fed cash letter services. The same shall be forwarded from co to standard chartered bank.
- Mutilated cheques cannot be sent for collection.
- FCRA certificate wherever applicable must be updated
- Cheques can be collected only for permissible activities and the rules similar to inward remittance applies

Collection of Inland cheques

- **Local Cheques**
  - ✓ All cheques and other Negotiable Instruments payable locally would be presented through the **clearing system** prevailing at the centre.
  - ✓ All branches will fix up the day's cut off time for the inclusion of instruments for clearing, taking into account the clearing cycle and other related factors, like distance from clearing house, communication facility, local established practices, methodology being followed by other banks in the particular centre etc.
  - ✓ Display board will be placed in the banking hall, indicating the cut off time limits for receipt of cheques for payment to Government Accounts like income-tax etc.
  - ✓ Cheques deposited at branch counters and in collection boxes within the

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Vetted by : Shri Anil Thej Kolanti

branch premises before the specified cut-off time will be presented for clearing on the **same day**.

- ✓ Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the **next clearing cycle**.
- ✓ As a policy bank would give credit to the customer's account on the **same day** clearing settlement takes place.
- ✓ Withdrawal of amounts as credited would be permitted as per the Cheque return schedule of the clearing house.
- ✓ Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest.

- **Immediate credit of local/outstation cheques/instruments:**

  Branches/Extension counters of the Bank will consider providing immediate credit to outstation instruments which include Demand drafts drawn on other Banks, Interest Warrants and Dividend Warrants upto the aggregate value of Rs.15000/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months.

- Immediate credit will be provided against such collection instruments at the **specific request** of the customer or as per prior arrangement.
- The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists.
- The facility of immediate credit will be offered on **savings Bank/Current/Cash Credit** Accounts of the customers.
- For extending this facility there will **not** be any separate stipulation of minimum balance in the account.
- Under this policy, prepaid instruments like demand drafts, interest/ dividend warrants shall be treated **on par** with cheques.
- In the event of dishonour of cheques against which immediate credit was provided**, interest** shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.
- Bank **shall levy** normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection.
- Exchange charges applicable for cheque purchase will **not** however be

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Vetted by : Shri Anil Thej Kolanti

charged

Satisfactory conduct of account;

- Opened at least **6 months** earlier and complying KYC norms
- Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
- Where no cheques/instruments for which immediate credit was afforded returned unpaid for financial reasons.
- Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

2. Purchase of local and outstation cheques:

- Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement.
- Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque**.**

3. Cheque Truncation System (CTS):

- In order to utilize the technological innovations in banking services "Cheque Truncation System" (CTS) is introduced in certain centres in which physical exchange of cheques to drawee bank in clearing will be dispensed with and instead, the images of the cheques will be viewed and acted upon by the drawee bank branches, for payment or return as warranted. It will be introduced to other centres in a phased manner**.**
- In case any drawee bank desires to verify **the government cheque** in physical form before passing it for payment, the image would be returned unpaid under the reason **"present with documents**" The presenting bank on such instances shall ensure that the instrument is presented again in the next applicable clearing session without any reference to the account holder (payee).. (RBI cir dt.18.09.2014)
- The presenting banks are required to preserve the physical cheques in their custody securely for a period of **10 years** as required under CTS.
- The government cheques paid by a drawee bank across its counter by way of **Cash withdrawal or Transfer** also need to be truncated and preserved for **10 years.** (Memorandum of instructions for reporting Government transactions).
- Dispensed with the current requirement of forwarding the paid Central

Government cheques in physical form (commonly known as P2F) to the Government departments (RBI Cir dt. 31.12.2015)

4. Time frame for collection of Local/ Outstation cheques / Instruments

- In case of local cheques presented for clearing, the bank shall permit usage of the shadow credit afforded to the customers' account immediately after closure of relative return clearing and withdrawal shall be allowed on the **same day** or maximum within **an hour of the** commencement of business on the next working day subject to usual safeguards.
- Cheques/Instruments presented in high value clearing (with the minimum value of **Rs 1 lac)** shall be credited on the **same day** (applicable only in areas covered by high value/same day clearing).For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied

  ✓ Cheques presented at any of the four major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres: Maximum period of **7 days**.

  ✓ Metro Centres and State Capitals (other than those of North Eastern States and Sikkim) Maximum period of **10 days**

  ✓ In all other Centres: Maximum period of **14 days**

5. Payment of interest for delayed collection of Outstation Cheques:

- As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned above.
- Such interest shall be paid without any demand from customers in all types of accounts.
- There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

6. Interest for delayed collection (for inland cheque only)shall be paid at the following rates:

- **Local cheque**: interest will be paid at **savings bank rate** for the corresponding period of delay
- **Outstation Cheques :**

  ✓ **Savings Bank rate** for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.

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Vetted by : Shri Anil Thej Kolanti

- ✓ Where the delay is **beyond 14 days**, interest will be paid at the rate applicable to for **term deposits** of the respective period.
- ✓ In the case of extraordinary delay, i.e., delay exceeding **90 days**, interest will be paid at the rate **of 2% above** the corresponding Term deposit rate.
- ✓ In the event of the proceeds of Cheque under collection was to be credited to an overdraft / loan account of the customer, interest will be paid at the rate applicable to **the loan account**.
- ✓ For extraordinary delays, interest will be paid at the rate of **2% above** the rate applicable to the loan account.

7. Cheques/Instruments lost in transit, in clearing process or at paying Bank's Branch

In line with the compensation policy of the bank the bank will compensate the account holder in respect of instruments lost in transit in the following way:

- In the event a Cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the account holder can inform the drawer to record stop payment
- The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the Cheque.
- In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates as **applicable for delay**.
- In addition, bank will pay interest on the amount of the Cheque for a further period of **15 days** at **Savings Bank rate** to provide for likely further delay in obtaining duplicate Cheque/instrument and collection thereof.
- The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate Cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/institution who would charge a fee for issue of duplicate instrument.
- Bank will reimburse the related charges debited in the account of the drawer (of collection/clearing cheque deposited by the customer which is lost in transit) by the drawee bank branch.

8. Charging of interest on cheques returned unpaid where credit was given

- Bank will seek the consent of the beneficiary-customer for debiting his/her account towards recovery of discounted value of the cheque which is returned unpaid and interest thereon.

- If the Customer's consent is not forthcoming, Paid value of the cheque and the interest thereon will be collected from the customer by debiting his/her account with prior notice.

- In case the recovery is found to be difficult, necessary legal action will be initiated.

9. Force Majeure

The bank **shall not be liable** to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters and other "Acts of God" war, damage to the Bank's facilities or of its correspondent bank(s) absence of the usual means of communication or all types of transportation, etc beyond the control of the Bank prevents it from performing its obligations with the specified service delivery parameters.

10. Charging of interest on cheques returned unpaid where instant credit was given

- ✓ If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account.

- ✓ The customer will **not** be charged any interest from the date immediate credit was given to the date of return of the instrument unless the bank had remained out of funds on account of withdrawal of funds.

- ✓ Interest where applicable would be charged on the **notional overdrawn** balances in the account had credit not been given initially.

- ✓ If the proceeds of the Cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will **not qualify** for payment of interest when the Cheque is returned unpaid.

- ✓ If the proceeds of the Cheque were credited to an overdraft/loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft /loan from the date of credit to the date of reversal of the entry if the Cheque/instrument was returned unpaid to the extent the bank was out of funds.

11. Cheque return charges shall be levied only in cases where the customer is **at default** and is responsible for such returns**.**

12. Policy for dishonour of Physical/ Truncated for less than Rs. 1 Crore (BOD/MISC/279/2013-14 dt.07.05.2013)

- Branches should affix a rubber stamp with message on the front upper wrapper of cheque book that issue of cheque **without** maintaining sufficient balance in the account will disqualify the drawer for additional cheque books.
- Branches should report on **daily basis** the particulars of all the dishonoured cheques for Rs. **One Crore** and above and return of all cheques irrespective of amount issued in favour **of stock exchanges** by stock broker entities to the respective Regional Offices.
- When cheque is returned for the **third time** pertaining to a particular account in a financial year, branches should send a **caution advice** to the customer requesting him to maintain the account properly and in accordance with the Bank rules and regulations.
- In the event of dishonour of cheques drawn on a particular account of the drawer on **four occasions in a financial year**, the branch should record the reasons which lead to the dishonour of cheques in the account and **no fresh cheque books should be issued.**
  - If the customer does not maintain the account properly even then, the branch should send a letter to the account holder by **Registered post with acknowledgement** due & also notice by certificate of posting (in addition to Regd letter) requesting that the account holder should maintain the account properly and also cautioning him that the Bank will close the account if it is not conducted properly within **one month**.
- Even after expiry of the notice period if the account is not conducted properly the branch should **close the account** and remit the balance payable to the customer by draft by **Registered post with** acknowledgement due & notice by certificate of posting..
- The branch should call for return of the unutilized cheque leaves from the customer and effectively follow up to obtain the same.
- However, if branches, despite cheque returns, desirous of continuation of account after the notice period should refer to the Regional Office.
- Regional Managers are vested with authority to allow continuation of the account even after the notice period, taking in to consideration merits of the case.

- When the account holder is also a borrower, the returns are to be reported to the sanctioning authorities and the same is to be reckoned while the account is appraised for review / renewal/ enhancement of limits.

13. Policy for dishonour of Physical/ Truncated for Rs. 1 Crore and above

Format for sending letter as annexed to the policy document.

14. Policy for dishonour of ECS mandates

- The Electronic clearing envisages lodgement of mandate by a customer with his Banker authorizing him to debit his account when a claim is made by a user institution through ECS Clearing**.**

- When an ECS mandate is dishonoured for the **third time** in a financial year branches should send a **caution advice** to the customer requesting him to maintain the account properly and in accordance with the Bank rules and regulations.

- Branches should also draw the attention of customers that if the Mandate is dishonoured for **fourth time** even after receipt of the ECS will be stopped.

- The branch should send a letter to him by Registered post with acknowledgement due & a notice by certificate of posting, requesting him that he should maintain the account properly failing which there is no alternative to the Bank but to close the account.

- However, if branches, despite dishonour of ECS mandates, desirous of continuation of account after the notice period should refer to the Regional Office.

- Regional Managers are vested with authority to allow continuation of the account even after the notice period, taking in to consideration merits of the case.

15. Dishonour of electronic funds transfer request for insufficiency of funds in banks – Penalty Clause;

- The provisions contained in Section 25 of the **payment and Settlement Systems Act, 2007** accord the same rights and remedies to the payee against dishonour of electronic funds transfer as are available to the payee under section 138 of the Negotiable instruments Act.

- The sub-section (5) of Section 25 of the **Payment and Settlement Systems Act, 2007 provides for punishment of 2 years and twice the amount of electronic funds transfer, or both** for dishonour of electronic funds transfer as has been stipulated for dishonour of cheques under the Negotiable

Prepared by: Shri Elavenil AA
Vetted by : Shri Anil Thej Kolanti

instruments Act.

16. Collection Of Account Payee Cheques Prohibition On Crediting Proceeds To Third Party Account

- Banks **cannot collect** account payee cheques for any person other than the payee constituent.
- Branches may consider collecting account payee cheques drawn for an amount **not exceeding Rs 50000/-** to the account of their customers who are Co-operative Credit societies, if the payees of such cheques are the constituents of such co-operative credit societies.

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Prepared by: Shri Elavenil AA
Vetted by : Shri Anil Thej Kolanti

Staff College, Chennai