**CREDIT CIRCULAR 2021/06**

**April 1, 2021**

RELEASE/ REPALCEMENT / CANCELLATION

OF SECURITIES OF CREDIT FACILITIES

1. According to the Credit Policy and Procedures Manual securities of a credit facility cannot be released until settlement of the facility in full (Refer Page 23 Paragraph 32)
2. Accordingly, securities obtained in respect of facility cannot be released, substituted. rearranged or cancelled until the facility is settled in full. If the need arises to rearrange the securities of an existing facility such arrangements should be approved by the Head Office Credit Committee or the Board Credit Committee as appropriate depending on the original source of approval.
3. Such requirement should be evaluated as fresh credit facility in respect of **performing facilities only, as follows.**
   1. A credit proposal paper should be submitted to grant a fresh Loan against the proposed **new security** up to the amount outstanding in the existing facility and apply proceeds in settlement of the amount outstanding in the existing facility. (Use existing credit proposal format to evaluate such purposely).
   2. The proposal should be submitted to the Credit Department for consideration.

* 1. The proposal should ensure recovery of accrued interest during the interim period from the borrower.
  2. Branch Manager should justify the need to rearrange the security stating the **advantage to the company, when compared with the existing security.**
  3. Security documentation process should be conducted afresh, treating the rearrangement as a fresh facility backed by an Offer Letter,
  4. **Personal Guarantors should not be released / substituted under any circumstances if the facility is in the non performing segment and reported to CRIB. The guarantor should meet his liability.**
  5. As per above arrangements the Information Technology Department should ensure the there is **no provision to change the security recorded in the loan module,**
  6. Under the above procedure the need to change securities recorded in the system will not arise.

1. Branch Managers are required to bring the contents of this circular to all staff members and ensure compliance with immediate effect.

Signed Signed

**CHIEF RISK OFFICE CEO / EXECUTIVE DIRECTOR**