

# Compromise Policy of the Bank

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**COMPROMISE**



# **Compromise Policy**

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**COMPROMISE POLICY OF THE BANK**

**HO CIR 147/2022**

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# Compromise Policy

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- ✓ **What is OTS?**
  - ✓ **A borrower has to pay Rs 2 cro. Bank agrees for a payment of Rs 1.50 cro.**
  - ✓ **Why bank foregoes 0.50 lac and settles the Account? Opportunity Cost**
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- ✓ **One Time Settlement (OTS) – For**
  - ✓ **Recovery/ Legal Action initiated Accounts  
(147/22)**
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# COMPROMISE

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- ✓ **Special Schemes-**
  - ✓ **OTS for Agricultural NPA Accounts (148/22)**
  - ✓ **OTS for MSME NPA Accounts (149/22)**
  - ✓ **OTS for Small Value NPAs including EL (150/22)**
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# COMPROMISE

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- ✓ **How the OTS amount is arrived?**
  - ✓ **3 Possibilities**
  - ✓ **RVS – Realisable Value of the security is sufficient to Recover the full dues**
  - ✓ **RVS and NW of the borrower/ guarantor sufficient**
  - ✓ **RVS and NW of borrower & Guarantor Not Sufficient**
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Particulars	Points	Settlement Formula
<b>RVS is sufficient to recover the contractual/decretal dues</b> <b>RVS – Realisable Value</b>	<b>8</b>	<b>Normally full amount. In case if party is paying less amount</b> <b>Book Liability plus simple interest at MCLR on 1.4.22</b> <b>+1.50% (2.50%)</b>
<b>RVS+NW of Borrower and Guarantor sufficient</b>	<b>6</b>	<b>BL + SI at MCLR on 1.4.22</b> <b>-0.50% (+1.50%)</b>
<b>RVS + NW of Borrower and Guarantor not sufficient</b>	<b>4</b>	<b>Recover Maximum amount possible</b>

# COMPROMISE

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- ✓ Simple interest to be calculated from the date of stoppage of interest on the account becoming NPA till the end of the quarter immediately prior to the date of submission of OTS proposal
  - ✓ Eg NPA date 10.1.2020 OTS date 10.8.2022
  - ✓ Simple interest from 10.1.2020 till 30.6.22
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- ✓ At the time of negotiation for OTS for Non willful defaulters if
  - ✓ Borrower died
  - ✓ Sale of Property is very difficult due to litigation, disputed property etc
  - ✓ Natural calamity leading to closure of business
  - ✓ One E auction failed due to no bidders
  - ✓ Maximum 2 points can be reduced for OTS
  - ✓ The minimum marks should not be below 4
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- ✓ Parties not able to pay the amount as calculated above. Is there any Way Out?
  - ✓ In exceptional cases OTS Proposals upto and Inclusive of Circle Head Powers to be placed before Next Higher Authority (NHA) – HO Power to be placed to RSAs
  - ✓ Accounts with book liability of Rs 1 cro and above where adequate securities are available to cover the contractual /decretal dues and Parties are willing to pay as per the formula or lesser then the OTS proposal upto CO CAS to be placed to GM/CGM HO CAC
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- ✓ **Who is the authority to settle OTS Proposals of Willful defaulters and Fraud Cases:**
  - ✓ **MC of the Board 526/21 – In exceptional cases after all recovery measures are exhausted.**
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- ✓ Whether OTS can be considered for EX Employees:
  - ✓ Normal OTS is applicable to them for the loans sanctioned to them as well as for the loans in which they are Co obligant/guarantor provided such loans were sanctioned to them after they cease to be in the services of the bank.
  - ✓ For loans sanctioned when they were in service OTS to be permitted by CAC of the Board- EG??
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# COMPROMISE

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- ✓ **What is Unapplied Interest for OTS purpose?**
  - ✓ **From the date of stoppage of interest till the end of the quarter immediately prior to the date of submission of OTS proposal.**
  - ✓ **It is for internal use.**
  - ✓ **Decreed and Non Decreed Accounts**
  - ✓ **SSA and DA Account**
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# Unapplied Interest - SSA

<b>Category of NPA</b>	<b>Unapplied Interest</b>
<b>Sub Standard – Non Decreed</b>	<b>One Year MCLR as on 1.4.222 plus 1.25% or contractual rate including penal interest if any (which ever is less) on simple basis on Book Liability</b>
<b>SSA – Decreed</b>	<b>The above rates or the rates awarded by the court which ever is less</b>

# Un Applied Interest Example

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- ✓ **SSA Non Decreed Account example**
  - ✓ **NPA date 1.10.21 OTS Proposal 1.8.22**
  - ✓ **Contracted rate 9% Penal Interest 2% = 11%**
  - ✓ **One Year MCLR 1.4.22 is 7.25%**
  - ✓ **7.25% Plus 1.25% = 8.50%**
  - ✓ **From Stoppage of interest till 30.6.22 at 8.50% Simple interest to be calculated on Book Liability**
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## Unapplied Interest - DA

<b>Category of NPA</b>	<b>Unapplied Interest</b>
<b>Doubtful – Non Decreed</b>	<b>One Year MCLR as on 1.4.222 minus 1.50% or contractual rate including penal interest if any (which ever is less) on simple basis on Book Liability</b>
<b>DA – Decreed</b>	<b>The above rates or the rates awarded by the court which ever is less</b>



# Unapplied Interest – Loss Asset

<b>Category of NPA</b>	<b>Unapplied Interest</b>
<b>Loss – Non Decreed</b>	<b>One Year MCLR as on 1.4.222 minus 3.50% or contractual rate including penal interest if any (which ever is less) on simple basis on Book Liability</b>
<b>Loss – Decreed</b>	<b>The above rates or the rates awarded by the court which ever is less</b>

# SACRIFICE AMOUNT

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- ✓ **Sacrifice Amount:**
  - ✓ **Book Liability + Unapplied interest (as per formula) minus the OTS amount offered by the party**
  - ✓ **Delegation depends upon the sacrifice amount**
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# Delegation of Powers

## ✓ Delegation of Powers

Rs in lac

Write Off & Unapplied int (Put together)	GM/CGM HO	ED CAC	CAC of Board	MC of the Board
Non Wilful	300	400	1200	Full Powers
Wilful & Fraud				Full Powers
ExEmp in Service loan			Full Powers	

# COMPROMISE DELEGATION

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## Write Off & Waiver of Unapplied Int Non Wilful and Non Fraud Cases      Rs in lac

AGM RO CAC	DGM RO CAC	AGM CO CAC	DGM CO CAC	GM CO CAC	CGM CO CAC
40	50	40	60	85	<100

SB/MB/LB can waive Unapplied interest upto Rs 0.75 lac. VLB Rs 1 lac and ELB Rs 2 lac. If Write Off involved the sanctioning authority AGM RO CAC and above authorities

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# OTS For Written off Accounts

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When Borrowers approach for OTS

<b>Basis</b>	<b>Sanctioning Authority</b>
<b>OTS amount more than 50% of BL</b>	<b>Branch In Charge</b>
<b>OTS amount less than 50% of BL</b>	<b>RO Head CAC</b>

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## Full Write Off Without any OTS

<b>Delegated Authority</b>	<b>Write Off + Unapplied interest put together</b>
<b>GM/CGM-HO-CAC</b>	<b>Up to Rs. 300 lacs</b>
<b>ED-CAC</b>	<b>&gt;Rs. 300 lacs up to Rs.400 lacs</b>
<b>CAC of the Board</b>	<b>&gt;Rs.400 lacs up to Rs.1200 lacs</b>
<b>MC of the Board</b>	<b>Full Powers</b>

**Accounts should have completed 5 years or more from the date of Sanction. NPA for 3 years and above. Should be loss assets as on 31<sup>st</sup> March Previous year**

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- ✓ **General:**
  - ✓ **Recover maximum at the time of settlement (10% to 15%) balance within a maximum period of 12 to 18 months.**
  - ✓ **Post dated cheques to be obtained.**
  - ✓ **Interest on the compromise amount to be charged is one year MCLR prevailing on 1.4.2022 + 1.50% simple from the date of conveying sanction till payment made**
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- ✓ **Sanctioning authority can permit 3 months time without charging interest**
  - ✓ **Circle Head CAC can permit 6 months time without charging interest**
  - ✓ **HO can waive full interest on compromise amount**
  - ✓ **Prior approval of ECGC/CGTMSE before communicating the sanction**
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- ✓ **Inform CBI/Police & after 15 days Sanction to be communicated**
  - ✓ **Inform the court /DRT through Panel Advocate**
  - ✓ **In the sanction – Minimum Period of 7 years the account will appear as settled in the records of CICs**
  - ✓ **Suit filed accounts – Sanction draft to be approved by Legal Section**
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- ✓ **Advisory Committee – Two Retd High Court Judges, 2 former bankers not below the rank of ED of Nationalised bank or Deputy Managing Direct of SBI and one from external agencies are members. The senior Most High Court Judge is the chairman. 407/22**
- ✓ **All OTS proposals involving total sacrifice amount of Rs 1 cro and above to be placed to this committee for views and then to the sanctioning authority**
- ✓ **If 12 months are lapsed from the due date mentioned in the sanction, OTS to be considered afresh**

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- ✓ If sacrifice does not exceed Rs 50,000 in each account OTS proposal as per HO Cir 115/2013 and other cases NF 724
  - ✓ RVS is as per valuation report given by panel valuer which should not be more than one year old- Branch to certify with Photo
  - ✓ If the original value of property is Rs more than Rs 5 cro – Two valuation to be obtained
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- ✓ in respect of securities of immovable properties which were valued at more than Rs.1.00 Cr at the time of last sanction /renewal and the reduction in the present value is more than 30 % of the same, in such cases, to ascertain the exact valuation, 2 valuation reports should be obtained and analyzed for reduction in the value before placing to the competent authority for fixing RP or for accepting OTS proposal.
- ✓ Review of OTS
- ✓ Staff Lapse. Dos and Don's in OTS – 501/22
- ✓ ~~Is TDS applicable in Sacrifice made under OTS?~~  
450/22 & 562/22

## Releasing the Guarantor/Coobligant with or without releasing the Security created by them

Particulars	Points	Settlement Formula
RVS in the name of guarantor & Co Obligant is sufficient to recover the contractual/decretal dues	8	Normally full amount. In case if party is paying less amount Book Liability plus simple interest at MCLR on 1.4.21 +1.50%
RVS+NW of Borrower and Guarantor sufficient	6	BL + SI at MCLR on 1.4.21 -0.50%
RVS + NW of Borrower and Guarantor not sufficient	4	Recover Maximum amount possible

## Releasing the Security Without releasing Personal Guarantee

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- ✓ **The amount should not be less than the market value of the security as per valuation report which is not more than one year old on the date of the proposal or the total dues in the account whichever is less**
  - ✓ **If property value is >Rs 5 cro two valuations to be obtained – Higher of the two values to be considered**
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## Releasing the Guarantor/Coobligant with or without releasing the Security created by them/Releasing Personal guarantee without Releasing Security - Delegation of Powers

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<b>Accounts</b>	<b>Delegation</b>
<b>Other than HO Monitored accounts (Non Wilful defaulters)</b>	<b>Circle Head CAC</b>
<b>HO Monitored Accounts</b>	<b>GM/CGM HO CAC</b>
<b>Wilful Defaulters/Fraud accounts</b>	<b>MC Of the Board</b>

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- ✓ **Whether bank can Sanction Fresh Facilities to Borrowers under compromise/concessions extended:**
  - ✓ **Non Willful defaulters – upto Rs 50000 by respective sanctioning authority for undertaking agriculture and allied activities or weaker section to take up any gainful activities**
  - ✓ **Paid atleast 10% of principal of earlier loan amount before compromise**
  - ✓ **After 3 months of paying the compromise amount**
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- ✓ **Jointly with Spouse or elderst family member (in the absence of spouse)**
  - ✓ **No due certificate from service area banks/Co op Societies/near by branch/bank**
  - ✓ **Commercial Segment:**
  - ✓ **Non Willful defaulters – Settled OTS with our bank and other banks – Circle Head CAC and above authorities**
  - ✓ **Proposals falling under Circle Head, prior clearance from CGM/GM HO CAC**
  - ✓ **Agri – RO Head CAC need based finance**
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## ✓ **Consumer Segment:**

- In case the credit history indicates the status as Written Off/Settled account (Not older than 3 years) then same shall be placed to Next Higher Authority.
  - However, in case the proposal falls under the delegated power of Circle Head CAC & above authorities, then same can be considered by the respective sanctioning authorities.
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- In case the credit history indicates the status as Overdue then the respective sanctioning authority as per Risk Grade shall take a suitable credit decision.
  - Reports having status as Written Off /Settled account which are more than 3 years old may be ignored for the purpose of linkage to delegation.
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# **SPECIAL SCHEME FOR SETTLEMENT OF NPAs IN MSME 149/22**

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- ✓ **NPAs classified as DA and Loss in MSME Sector as on 31.3.2022 with book liability (BL) of Rs 200 lac and below as on the date of settlement.**
  - ✓ **NPAs classified as SSA in MSE Sector as on 30.9.2021 with BL of Rs 200 lac and below as on the date of settlement categorized as sick/non viable for restructuring or rehabilitation**
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# **SPECIAL SCHEME FOR SETTLEMENT OF NPAs IN MSME – 149/22**

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- ✓ **SARFAESI Action initiated, Suit filed, decreed accounts are eligible**
  - ✓ **Accounts covered in CGTMSE are not eligible**
  - ✓ **Accounts where CGTMSE cover is rejected are eligible**
  - ✓ **Willful defaulters and Fraud accounts not eligible**
  - ✓ **Scheme will be in force from 1.4.2022 to 31.3.2023.**
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# SETTLEMENT FORMULA SSA ACCOUNTS (MSE) – SICK NON VIABLE 149/22

Security/NW	BL upto Rs 10 lac	>10 lac upto 100 lac	>100 lac upto 200 lac
RV alone sufficient to cover the total dues	90% of BL on the date of Settlement	95% of BL on the date of Settlement	100% of BL on the date of Settlement
RV + NW is sufficient	80% of BL on the date of Settlement	85% of BL on the date of Settlement	90% of BL on the date of Settlement
RV+NW not sufficient	65% of BL on the date of Settlement	80% of BL on the date of Settlement	85% of BL on the date of Settlement

**BL on the date of settlement can be generated through BI 291002**

# SETTLEMENT FORMULA DA ACCOUNTS

## MSME 149/22

<b>Security/NW</b>	<b>BL upto Rs 10 lac</b>	<b>&gt;10 lac upto 100 lac</b>	<b>&gt;100 lac upto 200 lac</b>
RV alone sufficient to cover the total dues	85% of BL on the date of Settlement	90% of BL on the date of Settlement	95% of BL on the date of Settlement
RV + NW is sufficient	65% of BL on the date of Settlement	75% of BL on the date of Settlement	80% of BL on the date of Settlement
RV+NW not sufficient	55% of BL on the date of Settlement	70% of BL on the date of Settlement	75% of BL on the date of Settlement

# SETTLEMENT FORMULA LOSS ACCOUNTS

## MSME 149/22

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<b>BL upto Rs 1 lac</b>	<b>&gt;1 lac upto Rs 10 lac</b>	<b>&gt;10 lac upto 100 lac</b>	<b>&gt;100 lac upto 200 lac</b>
<b>30% of BL on the date of Settlement</b>	<b>35% of BL on the date of Settlement</b>	<b>45% of BL on the date of Settlement</b>	<b>50% of BL on the date of Settlement</b>

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# **SPECIAL SCHEME FOR SETTLEMENT OF NPAs IN MSME – 149/22**

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- ✓ **OTS amount to be paid on receipt of sanction**
  - ✓ **In deserving cases 25% on sanction and 75% within 3 months**
  - ✓ **Another 3 months time can be permitted with interest at One Year MCLR on 1.4.22 +0.50% from the date of sanction till date of payment.**
  - ✓ **Delegation as per 147/22**
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# **SPECIAL SCHEME FOR SETTLEMENT OF NPAs IN MSME – 149/22**

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- ✓ **For liability upto Rs 10 lac Branch in charge can decide about the value**
  - ✓ **If liability is more than Rs 10 lac, the value to be backed by a valuation report given by panel valuer not older than 1 year from the date of proposal**
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# Special OTS for Agriculture NPA Accounts

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- ✓ **148 / 2022**
  - ✓ **Limits Sanctioned on or before 31.3.2016 -**
  - ✓ **Limit upto Rs 25 lac – All farmers including HUF, Partnership, Companies & other entities are eligible**
  - ✓ **NPA accounts**
  - ✓ **Accounts Eligible under SARFAESI not covered**
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# Special OTS for Agriculture NPA Accounts

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- ✓ **GL, VSL, Tractor Loans, backed by securities like deposit & approved securities, willful defaulters and Fraud accounts not covered**
  - ✓ **Accounts with Repayment holiday – should have been sanctioned on or before 31.3.2016 and first instalment should have fallen due on or before 31.3.2017**
  - ✓ **Scheme valid from 1.4.22 to 31.3.2023**
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# Special OTS for Agriculture NPA Accounts

## ✓ Settlement Formula:

Condition	Formula
Aggregate Sanctioned limit upto Rs 10 lac	25% of BL on the date of settlement
If the borrower is dead in the above	15% on the date of settlement
>10 lac upto Rs 25 lac	30% of BL on the date of settlement
If the borrower is dead in the above	20% of BL on the date of settlement

# Special OTS for Agriculture NPA Accounts

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- ✓ **Sanctioning Authority:**
  - ✓ **Sacrifice to be calculated as per loan recovery policy.**
  - ✓ **Branch Head is empowered to settle the loans with aggregate sanctioned limit upto Rs 5 lacs as per the guidelines outlined.**
  - ✓ **RO Head CAC are empowered to settle loans above Rs 5 lacs and upto Rs 25 lacs.**
  - ✓ **Branches/ RO/ CO's to note that irrespective of sacrifice amount, Branches/ RO's empowered to settle the loans.**
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# Special OTS for Agriculture NPA Accounts

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- ✓ **Terms of Payment:**
  - ✓ **10% at the time of settlement**
  - ✓ **25% within 30 days from the date conveying sanction**
  - ✓ **Balance within 3 months – No interest**
  - ✓ **Max 6 months with 6% Simple interest from the date of OTS till payment**
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# Special OTS for Agriculture NPA Accounts

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- ✓ **General:**
  - ✓ **Proposal to be obtained as per the format.**
  - ✓ **To be disposed off within 15 days from the date of receipt**
  - ✓ **Subsidy, DICGC claims etc., kept in non-interest bearing deposit / SL, wherever available, to the extent of appropriation shall be over and above the OTS amount.**
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## Special OTS for Small Value NPAs 150/22

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- ✓ **Small Value NPAs with Book Liability upto Rs 25 lac**
  - ✓ **EL with sanctioned Limit upto Rs 7.50 lac**
  - ✓ **Tractor and Farm Mechanisation loans with Original Loan Amount upto Rs 10 lac**
  - ✓ **Scheme is from 1.2.2022 till further orders**
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## Special OTS for Small Value NPAs

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- ✓ **Small Value NPAs:**
  - ✓ **DA and Loss – Outstanding for more than one year as NPA**
  - ✓ **BL Rs 25 lac or below as on date of NPA**
  - ✓ **Total loan/limit sanctioned not more than Rs 25 lac per borrower (all loans inclusive)**
  - ✓ **Suit filed, Decreed, Non Suit filed, Legal Action Waived, SARFAESI Action initiated including CANCARD liability are eligible**
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## Special OTS for Small Value NPAs

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- ✓ **GL, HL, Canara Mortgage & Canara Rent loans of Employees are not eligible**
  - ✓ **Canara Budget and other salaried accounts are covered provided no chance of recovery or the borrower is not having salary for a long period**
  - ✓ **Willful defaulters & Fraud accounts are not eligible**
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# Special OTS for Small Value NPAs Settlement Formula

BL as on date of NPA	Upto Rs 25000	>25000 upto 5 lac	>5 lac upto Rs 10 lac	>10 lac upto 25 lac
DA 1	60% of BL	80% of BL	85% of BL	90% of BL
DA>1-3	50%	70%	75%	80%
DA>3	45%	60%	65%	70%

Vehicle loan if RVS less than the stipulated amount as above, realisable amount to be recovered

# Special OTS for Small Value NPAs

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<b>Loss Asset BL as on the date of NPA</b>	<b>Settlement Formula BL on the date of Settlement</b>
<b>Upto Rs 25000</b>	<b>Maximum Possible Amount</b>
<b>&gt;25000 upto Rs 2.00 lac</b>	<b>Atleast 25% of BL</b>
<b>&gt;2 lac upto Rs 5.00 lac</b>	<b>Atleast 45% of BL</b>
<b>&gt;Rs 5 lac upto Rs 10 lac</b>	<b>Atleast 55% of BL</b>
<b>&gt;Rs 10 lac upto Rs 25 lac</b>	<b>Atleast 65% of BL</b>

***Delegation of power based on Sacrifice.***

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# Special OTS for Small Value NPAs

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- ✓ Branch in charges also can settle OTS upto the delegated powers upto 50 **Loss accounts** in a FY – Circle Head can increase the number
  - ✓ 10% to 15% of the OTS amount may be insisted at the time of settlement and balance OTS amount to be recovered within 3 months from the date of communication of settlement without interest.
  - ✓ Prior approval from ECGC/DICGC/CGTMSE
  - ✓ Subsidy, ECGC/DICGC/CGTMSE claims etc., are over and above settlement amount
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## Special OTS for EL

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- ✓ EL upto a limit of Rs 7.50 lac with no security-Scheme valid from 1.4.22 to 31.3.23
- ✓ DA & Loss Assets as on the date of settlement only are eligible
- ✓ Disbursed before 31 12.2014 – Short duration courses (upto 2 years) before 31.12.2017
- ✓ EL on stand alone basis can be considered irrespective of other loans
- ✓ Student borrower earning more than Rs 25000 PM not eligible
- ✓ Loans covered under CGFSEL/CGFSSD not eligible

# Special OTS for EL Settlement Formula Restructured Accounts

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<b>BL &gt;100% &lt;150% of limit Sanctioned</b>	<b>70% of BL on Settlement date</b>
<b>&gt;150% upto 200%</b>	<b>55%</b>
<b>&gt;200% upto 250%</b>	<b>45%</b>
<b>&gt;250%</b>	<b>35%</b>
<b>Student died</b>	<b>25%</b>

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# Special OTS for EL Settlement Formula Non Restructured Accounts

<b>Combined NW of all parties above Rs 25 lac</b>	<b>95% of BL on the date of settlement</b>
<b>Above 10 – 25 lac</b>	<b>90%</b>
<b>Above 5 - 10</b>	<b>85%</b>
<b>&lt;5 lac</b>	<b>80%</b>
<b>Student is died</b>	<b>50%</b>

**Branch heads can settle cases involving Unapplied interest only**

**-Small & Medium branch heads upto Rs 75000**

**Large Branch head upto Rs 1 lac**

**VLB/ELB Heads upto Rs 3 lac**

**10% to 15% on the date of settlement Balance within 3 months**

**without any interest**

# Special OTS for Tractor and Farm Mechanisation Loans under Agri

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- ✓ **NPA accounts**
  - ✓ **Disbursement Before 31.3.2017**
  - ✓ **Land holding not more than 16 acres**
  - ✓ **Original loan not to exceed Rs 10 lac**
  - ✓ **Stand alone basis irrespective of other loans can be considered for settlement**
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## Special OTS for Tractor and Farm Mechanisation Loans under Agri Settlement Formula

Loans Disbursed upto	Settlement Formula
31.3.2014	Base amount
From 1.4.2014 to 31.3.2017	Base amount + 1year MLCR as on 1.4.2022 minus 5.50% Simple

***Base amount = Amount disbursed + Expenses – Recoveries – Relief under ADW & DR Scheme  
SB & MB – Rs 1 lac LB Rs 1.50 lac VLB/ELB 2.50 lac  
sacrifice upto which OTS can be permitted***

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