



**Saraswat
Bank**

THE SARASWAT CO-OP. BANK LTD. (A Scheduled Bank)

Corporate Centre, Prabhadevi, Mumbai.

Code of Bank's Commitment to Micro and Small Enterprises

August 2015

*T*his is a Code, reflecting the bank's positive commitment to its Micro and Small Enterprise (MSE) customers to provide easy, speedy and transparent access to banking services for their day-do-day operations and in times of financial difficulty.

This Code is not only a Charter of Rights of MSE customers but also their responsibilities vis-à-vis their bank. **The provisions of the Code of Bank's Commitment to Customers will also be applicable to Micro and Small Enterprise customers wherever relevant.**



TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	Objectives of the Code	1
1.2	Application of Code	2
2	KEY COMMITMENTS	2
2.1	Our key commitments to you	2
2.1.1	To act fairly and reasonably in all our dealings with you	2
2.1.2	To help you to understand how our financial products and services work	3
2.1.3	To help you use your accounts or service	3
2.1.4	To deal quickly and sympathetically with things that go wrong	4
2.1.5	To treat all your personal and business information as private and confidential	4
2.1.6	To publicise the Code	5
2.1.7	To adopt and practice a Non - Discrimination Policy	5
3	INFORMATION – TRANSPARENCY	5
3.1	General	5
3.2	Interest rates	6
3.3	Tariff Schedule	7
3.4	Terms and Conditions	7
4	PRIVACY AND CONFIDENTIALITY	8
4.1	Credit Information Companies	9
5	LENDING	9
5.1	Application	10
5.2	Credit Assessment	11
5.3	Sanction / Rejection	13
5.4	Central Registry	14
5.5	Post Disbursement	14
5.6	Non-Fund Based Facilities	16
5.7	Insurance	16
5.8	Financial Difficulties	16
5.9	Nursing Sick MSEs and Debt Restructuring	18
5.10	One Time Settlement	19
5.11	Securitisation of loans / Dues	19
6	COLLECTION OF DUES AND POLICY ON SECURITY REPOSSESSION	20
6.1	Collection of Dues	20
6.2	Policy on Collection of Dues and Security Repossession	20
	Annex - Glossary	23



Introduction

This Code sets the minimum standards of banking practices that banks will follow when they are dealing with **Micro and Small Enterprises** (MSEs) as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to you and explains how banks are expected to deal with you in your day-to-day operations and in times of financial difficulty.

The Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India (RBI) and we will comply with such instructions / directions issued by the RBI from time to time. The provisions of the Code may have set higher standards than those prescribed in the regulatory or supervisory instructions and such higher standards will prevail, as the Code represents best practices agreed to by us as our commitment to you.

In the Code, 'you' denotes the MSE Customer and 'we', the bank that you deal with.

1.1 Objectives of the Code

The objectives of the Code are –

- a. To give a positive thrust to the MSE sector by providing easy access to efficient and appropriate banking **services**.
- b. To promote good and fair banking practices by setting minimum standards for dealings with you.
- c. To increase transparency so that you can have a better understanding of what you can reasonably expect of the services.
- d. To improve our understanding of your business through effective communication.
- e. To encourage market forces, through competition, to achieve higher operating standards.
- f. To promote a fair and cordial relationship between you and us.
- g. To ensure timely and quick response to your banking needs.
- h. To foster confidence in the banking system.

The standards of the Code are covered by the key commitments in Section 2.



1.2 Application of the Code

As defined in the MSMED Act, 2006, MSEs cover Micro and Small Enterprises engaged in the manufacturing or production or processing or preservation of goods and those engaged in providing or rendering of services.

Unless it says otherwise, this Code will apply to all the products and services listed below, under current regulatory instructions, provided by our branches, subsidiaries, joint ventures or agents, whether across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other mode. However, all products discussed here may not be offered by us.

- a. Loans and other **credit facilities** which include fund based such as **cash credit, overdraft**, cheque and **bill purchase / discounting** (both inland and foreign), negotiation under reserve of documents tendered under **Letter of Credit** (both inland and foreign) and **non-fund based** such as establishment of inland and / or foreign Letter of Credit (D/P or D/A), issuing of **Guarantee** (both inland and foreign), inland or foreign bill or cheque for collection, Co-acceptance and **avalisation of bills**, buyer's credit, etc.
- b. Foreign Exchange Services as permitted under Foreign Exchange Management Act, 1999 (FEMA) / Reserve Bank of India's guidelines, including money changing.
- c. Third party insurance and investment products marketed through our branches and / or our authorized representatives or agents.
- d. **Factoring services.**
- e. Merchant Services.

The meanings of words in **bold black** have been given in the Glossary.

2. KEY COMMITMENTS

2.1 Our Key Commitments to you

2.1.1 To act fairly and reasonably in all our dealings with you by

- a. Providing banking facilities of receipt and payment of cash / cheques at the bank's counter.
- b. Providing speedy and efficient credit and service delivery.



- c. Meeting the commitments and standards set in this Code, for the products and services we offer, and in the procedures and practices we follow.
- d. Making sure our products and services meet relevant laws and regulations in letter and spirit and are appropriate to your needs.
- e. Ensuring that our dealings with you rest on ethical principles of integrity and transparency.
- f. Operating secure and reliable banking and **payment and settlement systems**.
- g. Considering cases of financial difficulty sympathetically (see paragraph 5.8 below).

2.1.2 To help you understand how our Financial Products and Services work by

- a. Giving you information about our financial products and services in Hindi, English and the concerned regional language.
- b. Ensuring that our advertising and promotional literature is clear and not misleading.
- c. Ensuring that you are given clear and full information about our products and services, the terms and conditions and the interest rates / service charges, which apply to them.
- d. Ensuring that there is no mis-selling of our / third party products.
- e. Giving information on the facilities provided to you, how you can avail of these and whom and how you may contact for addressing your queries / grievances.

2.1.3 To help you use your Accounts or Service by

- a. Providing you regular appropriate updates.
- b. Keeping you informed about changes in the interest rates, charges or terms and conditions.
- c. Displaying in our branches for your information:
 - i. The services we provide.
 - ii. Minimum balance requirement for Current Accounts and charges for non-maintenance thereof.



- iii. Name of the official at the branch whom you may approach if you have a grievance.
 - iv. Name and address of the Regional / Zonal Manager / Principal Nodal Officer (PNO) whom you can approach if your grievance is not redressed at the branch.
 - v. Name, address and contact No. of Chief Vigilance Officer of our Bank.
 - vi. Name and contact details of the **Banking Ombudsman** under whose jurisdiction the branch falls.
 - vii. List of policies / documents available in booklet form.
- d. Displaying on our website our policies on :
- i. Deposits
 - ii. Cheque Collection
 - iii. Grievance Redressal
 - iv. Compensation
 - v. Collection of Dues and Security **Repossession**.

2.1.4 To deal quickly and sympathetically when things go wrong by

- a. Correcting mistakes promptly and cancelling any bank charges that we may have applied by mistake and pay compensation for any financial loss you may have incurred due to our mistake in terms of our **compensation policy**.
- b. Acknowledging receipt of your complaint and handling your complaints promptly.
- c. Telling you how to take your complaint forward if you wish to do so.
- d. Providing suitable alternative avenues to alleviate problems arising out of technological failures of the bank.

2.1.5 To treat all your personal and business information as private and confidential

We will treat all your personal and business information as private and confidential subject to matters mentioned in paragraph No. 4 below.



2.1.6 To publicise the Code

We will:

- a. Provide existing customers with a copy of the Code, free of cost, on request, over the counter or by electronic communication or mail.
- b. Provide all new customers with a copy of the Code, free of cost, when credit facilities are granted to them.
- c. Make available this Code for perusal at every branch and on our website.
- d. Ensure that our staff are trained to provide relevant information about the Code and to effectively put the Code into practice.
- e. Take other steps to increase awareness of the customers about the Code and its provisions.

2.1.7 To adopt and practice a Non-Discrimination Policy By

Not discriminating on the basis of age, race, gender, marital status, religion or disability, if any, of the promoter / proprietor/ partner/s of the enterprise.

3. INFORMATION - TRANSPARENCY

You can get information on interest rates, fees and charges through any one or more of the following:

- a. Contacting our branches or help-lines.
- b. Through our website.
- c. Contacting our designated staff / help desk.
- d. Referring to the **Tariff Schedule** (see paragraph 3.3 below), which is available at our branches and on our website.

3.1 General

We will:

- a. Give you information on all schemes offered by us specifically for MSEs.
- b. Give you information and explain the key features of our loan and products, viz. **cash credit**, term loans, **bill discounting / purchase**, guarantees, letters of credit and our fees and charges.



- c. Endeavour to customize the product and service that you choose, to suit your needs.
- d. Tell you if we offer products and services in more than one way (for example, through ATMs, on the Internet, over the phone, in branches and so on) and tell you how to find out more about them.
- e. Tell you what information we need from you to prove your identity and address, for us to comply with legal, regulatory and internal policy requirements.

3.2 Interest Rates

We will give you information on:

- a. The interest rates which apply to your deposit and loan accounts.
- b. In case of loans at **fixed rate of interest**, details of interest reset clause, if any, in the loan agreement and the effective date thereof.
- c. In case of loans at **floating rate of interest**, the **reference rate** to which your floating rate will be linked and the premium or discount applied to the reference rate for determining the actual rate of interest on your loan.
- d. Whether you have the option for converting your loan from fixed rate to floating rate and vice versa and, if so, the charges therefor.
- e. Periodicity at which we pay interest on your deposits or charge interest on your loan accounts.
- f. How we apply interest to your deposit and loan accounts and how we calculate interest thereon.

3.2.1 Changes in Interest Rates

We will inform you of changes in interest rates on our loan products and changes in the reference rate to which the floating rate of interest is linked within a fortnight of the decision by any of the following means:

- i. Letter
- ii. e-mail
- iii. SMS

We will also display this information on the Notice Boards in our branches as also on our website.



3.3 Tariff Schedule

3.3.1 Fees & Charges

- a. We will make known to you all charges applicable to the products and services chosen by you.
- b. We will ensure that our fees and service charges for various services are approved by the bank's Board or any competent authority, duly authorized by the Board to take decisions in this regard and that they would be **reasonable** and non-discriminatory for similar class of customers.
- c. We will place our Tariff Schedule on our website and make a copy available at every branch for your perusal.
- d. We will display on our website and in our branches a list of services which are rendered free of charge.
- e. We will also provide you information about the penalties leviable in case of non-observance / violation of any of the terms and conditions governing the product / services chosen by you.
- f. We will not levy any charge on account of the bank / branch upgrading its technology.

3.3.2 Changes in Fees & Charges

If we increase any fee or charge or introduce a new fee or charge, it will be notified through statements of accounts / e-mail / 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.

3.4 Terms and Conditions

- a. We will advise you the relevant terms and conditions for the products/ services you have asked us to provide.
- b. All terms and conditions will be fair and will set out respective rights, liabilities and obligations clearly and as far as possible in plain and simple language.

3.4.1 Changes to Terms and Conditions

- a. We will tell you of changes in terms and conditions through any one or more of the following channels one month prior to the revised terms and conditions becoming effective:



- i. Letter
- ii. Statements of account
- iii. SMSs
- iv. e-mail

If the change is applicable to customers in general, such information will also be made available on the Notice Boards in our branches and our website.

- b. Normally, changes will be made with prospective effect giving notice of one month.
- c. If we have made any change without notice, we will notify the change within 30 days. If such change is to your disadvantage, you may within 60 days of the notice, close your account or switch to any other eligible account without having to pay revised charge or interest.

4. PRIVACY AND CONFIDENTIALITY

- a. We will treat all your personal and business information as private and confidential (even when you are no longer a customer), and shall be guided by the following principles and policies. We will not reveal any information or data relating to your accounts, whether provided by you or otherwise, to anyone, including other companies/ entities in our group, other than in the following exceptional cases:
 - i. If we have to disclose the information as required by law or if required by the banking regulator.
 - ii. If there is a duty towards the public to reveal the information.
 - iii. If our interests require us to give the information (for example, to prevent fraud). However, we will not use this as a reason for giving information about you or your accounts (including your name and address) to anyone else, including other companies in our group.
 - iv. If you authorise us to reveal the information.
- b. We will not use your personal and business information for marketing purposes by anyone including ourselves unless you specifically authorize us to do so.



4.1 Credit Information Companies

- a. When you apply for a credit facility, we will explain to you the role of **Credit Information Companies (CICs)** as also the checks we may make with them and the effect that the information they provide can have on our decision to grant credit facilities to you.
- b. When you avail of a credit facility from us, we will report the loan details to CIC/s.
- c. Updated information about credit availed from us will be reported by us to the CIC/s at periodic intervals.
- d. Information reported to CIC/s will also include personal debts you owe us even when:
 - i. You have fallen behind in your payments
 - ii. The amount owed is in dispute
- e. If your loan account has been in default and thereafter regularised, we will update this information with the CIC/s in the next report.
- f. We shall keep the CIC/s updated of your account details when your account becomes 'standard' after a period of being 'sub-standard' and / or immediately after the account is regularized / closed to our satisfaction.
- g. We will on request, and on payment of prescribed fee, furnish you a copy of the credit information obtained by us from the CIC.
- h. We will explain to you the repercussions of adverse credit information record with CIC and their impact on your ability to get credit in future from us or other banks, when you make a settlement under One Time Settlement with us and close your account/s with us.

5. LENDING

- a. Our loan policy will be reflective of the objectives and spirit of the National Policy and the Regulatory Prescription. We will endeavour to provide facilities through a Single Window Mechanism.
- b. We shall place the Policy relating to Lending to **Micro and Small Enterprises and Rehabilitation** on our website and also make it available to you at the branch for perusal. On request we will make available a copy at a nominal charge.



- c. We will inform you, if applicable, about the salient features, including benefits available and charges payable and terms of Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises which is extended by eligible banks and is popularly known as CGTMSE guarantee scheme for MSEs and which is available at present to new as well as existing Micro and Small Enterprises including Service Enterprises with a maximum credit cap of ₹100 lakh (Rupees One hundred lakh) per borrower, excluding retail trade, educational institutions, training institutes and Self Help Groups (SHGs) as per the said Scheme.
- d. Where a loan is eligible to be covered under any other credit guarantee scheme or any subsidy schemes in force, we will explain to you the features of such scheme and any requirement you will need to fulfill.
- e. We will endeavour to conduct programmes to enhance knowledge on financial management of prospective borrowers.
- f. We shall endeavour to organize meetings of MSE customers at periodic intervals as a regular channel for exchange of ideas and suggestions.

5.1 Application

We will:

- a. Make available, free of cost, simple, standardized, easy to understand, application form(s) for loans.
- b. Provide you with a 'check list' of documents to be submitted (compliant with legal and regulatory requirements) along with the loan application form to enable you to submit the application complete in all respects. If required, we will assist you in filling up your loan application form.
- c. At the time of making available the application form, provide you information about the interest rates applicable along with the annualized rates of interest and the fees / charges, if any, payable for processing, pre-payment options and charges, if any, and any other matter such as availability of CGTMSE guarantee, so that a meaningful comparison with rates / fees of other banks can be made and an informed decision can be taken by you.



- d. Acknowledge the receipt of your loan application, whether submitted manually or online, indicating therein the time frame within which the application will be disposed off.
- e. Normally collect all particulars required for processing the application for credit facility at the time of application. In case we need any additional information, we will contact you within seven working days from receipt of application.
- f. At the time of renewal of an existing loan facility, which has been satisfactorily conducted, we will endeavour to obtain from you only such additional information which are already not in our possession.
- g. Give you the Most Important Terms and Conditions (MITC) governing the loan / credit facility you have sought to avail.
- h. Endeavour to enable you to know the status of your application.
- i. Not charge any processing fee for loans up to ₹5 lakh, whether sanctioned or not.
- j. Dispose of your application for a credit limit or enhancement in existing credit limit up to ₹5 lakh within two weeks; and for credit limit above ₹5 lakh and up to ₹25 lakh within 3 weeks; and for credit limit above ₹25 lakh within 6 weeks from the date of receipt, provided your application is complete in all respects and is accompanied by documents as per 'check list' provided.

5.2 Credit Assessment

- a. We will:
 - i) Verify the details mentioned by you in your application by contacting you through staff / agencies appointed by us for this purpose at your business address / residence.
 - ii) Before lending you any money or increasing your overdraft or borrowing limit/s, we shall carry out proper assessment of your loan application undertaking detailed due diligence and appraisal.
 - iii) Satisfy ourselves about the reasonableness of the projections made by you.
 - iv) While assessing your credit requirement, take into account the seasonality or cyclicity of your business and, where required, fix separate peak and non-peak credit limits.



- b. We may require the following information to enable us to make a fair assessment:
- i) Purpose of borrowing.
 - ii) Your business plan.
 - iii) Your business' cash flow, profitability and existing financial commitments supplemented, if necessary, by account statements.
 - iv) Your personal financial commitments.
 - v) How you have handled your finances in the past.
 - vi) Information from Credit Information Companies.
 - vii) Ratings assigned by reputed credit rating agencies, if any.
 - viii) Information from others, such as other lenders / creditors.
 - ix) Market reports.
 - x) Wherever Plant & Machinery or immovable property is offered as **security**, Valuation report and Legal Scrutiny report on the same will be required from Engineer / Advocate empanelled by us.
 - xi) Whether the customer is agreeable to cover the loan under CGTMSE guarantee where applicable.
 - xii) Any other relevant information.
- c. We will:
- i) Not accept collateral security where prescribed for loans up to ₹10 lakh or up to the limits specified by the Reserve Bank of India, from time to time.
 - ii) Consider, if applicable, providing collateral free loans up to ₹25 lakh if we are satisfied about your track record and financial position being good and sound.
 - iii) Seek your consent, if applicable, to cover the credit facilities sanctioned to you within credit cap of ₹100 lakh (Rupees One hundred lakh) under the Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises and accordingly will not insist on collateral security and / or Third party Guarantee for facilities within a maximum limit of



₹100 lakh (Rupees One hundred lakh) if the facility approved by us is an eligible facility and has been covered under the CGTMSE scheme and for which you have agreed to.

- iv) Provide you (manufacturing units) working capital limits computed on the basis of a minimum of 20 per cent of your projected annual turnover.
- v) Consider your request for suitable enhancement in the working capital limits in cases where the output exceeds the projections or where the initial assessment of working capital is found inadequate and you have provided necessary evidence therefor.

d. Guarantees

If you want us to accept a guarantee or other security from someone else for your liabilities, we will ask you for your permission to give confidential information about your finances to them or to their legal adviser. We will also

- i. Encourage them to take independent legal advice to make sure that they understand their commitment and the possible consequences of their decision (where appropriate, the documents we ask them to sign will contain this recommendation as a clear and obvious notice).
- ii. Tell them that by giving the guarantee or other security they may become liable for the credit facilities availed of by your firm / you.
- iii. Give a copy of the terms and conditions of the loan sanctioned/ loan agreement to the guarantor(s).
- iv. Send a copy of the annual statement of account of your term loans / demand loans to the guarantor(s) of the loan.

5.3 Sanction / Rejection

We will:

- a. Not insist on any deposit as 'quid pro quo' for sanctioning credit facility/ies.
- b. While offering you an overdraft, or an increase in your existing overdraft limit tell you if your overdraft is repayable on demand or otherwise.



- c. Put down in writing the terms and conditions and other caveats governing credit facilities agreed to and duly certify the same and give you a copy thereof.
- d. Supply, at our cost, authenticated copies of all the loan documents executed by you, with a copy each of all enclosures quoted in the loan document and the list thereof.
- e. Convey in writing the reasons for not acceding to your request for a loan or credit facility.
- f. Follow a rating system, the parameters of which will be shared with you.
- g. Permit prepayment of fixed rate loans up to ₹50 lakh without levying any prepayment penalty.
- h. Permit prepayment of floating rate loans without levying any prepayment penalty.
- i. Ensure disbursement of the loan sanctioned within two working days from the date of compliance with all terms and conditions governing such sanction.
- j. Provide you an amortization schedule (schedule of repayment of principal and interest for the duration of the loan).
- k. Ensure periodic review and renewal of facility as per terms and conditions in the sanction letter given to you.

5.4 Central Registry

When you avail of a loan facility involving immovable property, as primary or collateral security, we will advise you the functioning of the Central Registry and the fact that their records will be available for search by any lender or any other person desirous of dealing with the property.

5.5 Post Disbursement

We will:

- a. Refrain from interference into your business affairs except as may be required in terms of sanction of loan, loan agreement or when new / adverse information comes to our knowledge.
- b. Endeavour to be constructive in our monitoring process and sympathetically deal with genuine difficulties that you may face in your dealings with us.



- c. Require you to inform us of any subsequent credit facility you avail of from any other lending institution.
- d. Obtain the following information from you on an ongoing basis:
 - i) Stock and other statements at periodical intervals.
 - ii) A comparison of the forecasts made in your business plan with the actual results.
 - iii) Progress on important aspects of your business plan.
 - iv) Annual accounts such as Balance Sheet and Profit and Loss Account and other supporting documents.
 - v) Age-wise break up of your creditors and debtors and the amounts involved.
- e. Allow draws against your limits as per usual safeguards.
- f. If your business circumstances change, talk to you about any new information we will need from you.
- g. Convey our consent or otherwise within two weeks of receipt of a request for transfer of the borrowal account, either from you or from the bank / financial institution that proposes to take over the account.
- h. Release all securities immediately on repayment of loan and in any case within fifteen days of the repayment of all dues agreed to or contracted. If any right to set off is to be exercised for any other claim, we will give due notice with full particulars about the other claims and retain the securities / documents/title to mortgaged property till the relevant claim is settled / paid.
- i. Effect pledges/deliveries on the same day of receiving your request.
- j. Grant you increase in the drawing power, subject to sanctioned limit, within 24 hours of lodgment of security.
- k. In addition to providing periodical statements for operating accounts, provide you with an annual statement of account of your term loans / demand loans.
- l. Provide you with the loan statement, more often, if required, at a cost which will be indicated in the Tariff Schedule.
- m. Monitor the progress made by you through any or more of the following modes:



- i) Scrutinising periodic statements of stocks you hold.
 - ii) Watching the transactions in your account with us.
 - iii) Visits by either our staff or authorised representative to your premises for verification of the stocks and / or assets financed.
 - iv) Obtain wherever necessary market reports on how your business is going on.
- n. If your account is continuously irregular and shows signs of becoming a **Non-performing Asset** [NPA], endeavour to send you timely alerts on not only transaction related but also on other related critical parameters through letter / mail or SMS including the status of your account.
- o. Give you notice, sufficiently in advance, if we decide to recall / accelerate payment or performance under the agreement or seek additional securities.

5.6 Non-Fund Based Facilities

We may offer **non-fund based facilities** for purchase of capital equipment or raw materials / consumables, etc. through issuance, advising, confirmation of Letters of Credit (LCs) or by issue of Guarantees. Facilities such as Letters of Credit and Guarantees are governed, besides national laws, by relevant rules and applicable publications of the International Chamber of Commerce (ICC) brought out from time to time.

5.7 Insurance

- a. We will inform you if we, as agents of any insurance company, offer any type of insurance.
- b. We will ensure that we have your written consent to avail of these insurance products.
- c. In case of securities lodged with us for loans availed by you, we will not insist on your obtaining insurance cover from any particular provider.

5.8 Financial Difficulties

How we can help

5.8.1 We will consider cases of financial difficulty sympathetically and positively. You will usually identify problems first and should let us



know about these as soon as possible. If we become aware of problems, we will let you know of it in writing. If speedy action is warranted, we may contact you by phone, fax or e-mail.

5.8.2 The following are a few examples of what will be of concern to us, particularly when you do not inform us:

- a. Delay in commencement of commercial production and there is cost overrun etc.
- b. Inordinate delays in submission of periodic information like stock statement, renewal data, audited financial statements, etc.
- c. High incidence of cheque returns in your Cash Credit / Current Accounts.
- d. Exceeding your sanctioned limits frequently.
- e. Large changes in your business turnover without proper clarification from you.
- f. Any stoppage/ suspension of work for an unreasonably long time.
- g. The business is incurring loss.
- h. Sudden loss of a business partner or co-promoter or a key customer or employee.
- i. Change in the primary activity or sale of a large part of your business.
- j. Use of credit facility/ies for purposes other than those agreed with us or diversion of the funds for purposes other than intended business.
- k. Not servicing interest at prescribed intervals.
- l. Failure to adhere to the agreed loan repayment schedule.
- m. Bills drawn by you on your customers are returned unpaid frequently.
- n. Not honouring bills drawn on you by your suppliers frequently.
- o. Guarantees issued by us on your behalf are frequently invoked.
- p. Increase in book debts / debtors out of consonance with turnover in your account.
- q. Sale proceeds are not routed through your account.
- r. Non-compliance with conditions set out in the loan agreement.



- s. The agreed information is not furnished on time.
- t. Any creditor bringing a winding-up petition or other legal action against your business.

5.8.3 We will do all we can to help you overcome your difficulties. With your active co-operation, we will develop a plan for dealing with your financial difficulties and we will tell you, in writing, what we have agreed to.

5.8.4 We will endeavour to provide you with credit counseling services so that we can be of help to you in dealing with your financial problems.

5.8.5 a. If you are in difficulties, we will work with your advisers, if you ask us to. It is important that you act in good faith, keep us informed about developments, keep to your agreement with us and are prepared to make necessary changes early enough.

b. We may ask you for more financial information / commitments to help us work together to understand your problems.

5.9 Nursing Sick MSEs and Debt Restructuring

5.9.1 We will consider a nursing / debt restructuring programme in case any of your borrowal account remains NPA for three months or more or there is erosion in the **net worth** due to accumulated losses to the extent of 50% of net worth during the previous accounting year.

5.9.2 For considering your request for rehabilitation / debt restructuring we will:

- a. Examine whether your unit / project is viable / potentially viable and advise you about our view within three months of the unit becoming sick.
- b. If your unit is found to be viable / potentially viable, initiate timely corrective action for its revival.
- c. In case your unit is potentially viable and is under consortium / multiple banking arrangement, and if we have maximum share of outstanding, work out the restructuring package.
- d. Work out a **rehabilitation package** which will also include your contribution in accordance with RBI stipulations and implement the same within a maximum period of 60 days from the date of receipt of your request.



e. In case your unit is declared unviable, you will be given an opportunity to present your case before our next higher authority.

5.9.3 If we do not think that the rehabilitation plan will succeed, we will explain the reasons why and help you and your advisors consider other options.

5.9.4 If we cannot reach an agreement, we will make it clear why we feel unable to continue to support you and tell you when we will withdraw our financial support.

5.10 One Time Settlement

- a. In case the bank comes out with a “One Time Settlement” scheme, wide publicity will be given by placing it on the bank’s website and through other possible means of dissemination.
- b. In case we offer you a One Time Settlement (OTS) for repayment of dues, we will explain to you the details of the offer.
- c. We will spell out, in writing, the terms and conditions of the OTS offered to you.
- d. We shall allow reasonable time to you to submit the application and make payment of the dues so that you may avail of the benefits of the scheme.
- e. If the OTS proposal is agreed to, we will explain to you the implications of such settlement on your credit history maintained by the Credit Information Companies (CICs).

5.11 Securitisation of Loans / Dues

- a. In case we securitise (sell) your loans / dues to another entity, we will advise you the name and contact details of such entity along with the amount of your loan / dues transferred to them. In the normal course, loans / dues, which are not standard are considered for sale to an Asset Reconstruction Company (ARC) through assignments.
- b. In such a case, you will be liable to pay the entire amount due to the entity to which the loan / dues have been transferred.
- c. The entity to which the loan / dues have been transferred will continue to report your credit information to the CICs.
- d. We will endeavour to assist you in case you have a grievance against the entity to which your loan / dues have been transferred by us.



6. COLLECTION OF DUES AND POLICY ON SECURITY REPOSSESSION

6.1 Collection of Dues

- a. Whenever we give loans, we will explain to you the repayment process viz. amount, tenure and periodicity of repayment. However, if you do not adhere to repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues.
- b. We will have a Board approved policy for Collection of Dues and Security Repossession as also appointment of Recovery Agents.
- c. All relevant laws, regulations, guidelines and conditions of approval, licensing or registration will be taken into account when appointing Recovery Agents.
- d. We will ensure that our Recovery Agents are properly trained to handle their responsibilities with care and sensitivity. We will also ensure that they do not exceed their brief.
- e. The process will involve reminding you by sending you a notice or by making personal visits before any decision to repossess the security is taken.
- f. In case of default, we may refer the case to the recovery agent. We will inform you that recovery proceedings have been initiated.
- g. On initiating recovery proceedings, we will also tell you that in case you have a complaint to make in this regard you may contact our helpline number.
- h. We will investigate your complaints about unfair practices by our recovery agents. In the event of receipt of any complaint from you that the bank's representative / recovery agent has engaged in any improper conduct or acted in violation of the Code, we will investigate the matter and communicate the findings to you within one month from the date of receipt of complaint and wherever justified, compensate you for losses, if any.

6.2 Policy on Collection of Dues and Security Repossession

We will follow the collection of dues and security repossession policy in consonance with the law. The policy will be displayed on our website and a copy of the same will be made available at our branches for perusal.



- a. Our collection policy is built on courtesy, fair treatment and persuasion. We believe in fostering customer confidence and long-term relationships. As part of our policy -
 - i. We will provide you with all the information regarding your dues and will endeavour to give sufficient notice for payment of dues.
 - ii. We will write to you when we initiate recovery proceedings against you and will inform you the name of the recovery agency/ agent, to whom your case has been passed on, as also their address and telephone numbers.
 - iii. We will post details of the recovery agency firms / companies engaged by us on our website.
 - iv. We will also make available, on request, further details about the recovery agency firms/companies at our branches.
 - v. Our staff or any person authorized to represent us in collection of dues or / and security repossession will identify himself / herself and display the authority letter issued by us and upon request display to you his / her identity card issued by us or under our authority.
 - vi. We will have a system of checks before passing on a default case to collection agencies so that you are not harassed on account of lapses on our part.
- b. All the members of the staff or any person authorised to represent our bank for collection or / and security repossession who would be subjected to due diligence, will follow the guidelines set out below:
 - i. You would be contacted ordinarily at the place of your business/ occupation and, if unavailable thereat, at your residence or in the absence of any specified place, at the place of your authorized representative's choice.
 - ii. Their identity and authority to represent us would be made known to you.
 - iii. Your privacy and dignity would be respected.
 - iv. Interaction with you would be in a civilised manner.
 - v. Normally our representatives will contact you between 0700 hrs and 1900 hrs, unless the special circumstances of your business or occupation require otherwise.



- vi. Your requests to avoid calls at a particular time or at a particular place would be honoured as far as possible.
- vii. Time and number of calls and contents of conversation would be documented.
- viii. All assistance would be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- ix. During visits to your place for dues collection, decency and decorum would be maintained. Our officials / agents will not resort to intimidation or harassment of any kind, either verbal or physical against any person, including acts intended to humiliate you or intrude into the privacy of your family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

However, it is your responsibility to keep updating your contact details. In case the bank is still unable to contact you, the bank will access information available from public sources and approach your friends / relatives to trace you.

- x. Inappropriate occasions such as bereavement in the family or other calamitous occasions would be avoided for making calls / visits to collect dues.



Glossary

Avalisation

To add an Aval is the specific endorsement on a Bill of Exchange or Draft by a bank, which guarantees payment, should the Drawee (the Importer) default on payment of the bill at maturity.

Bank Guarantee

Bank Guarantee is a promise by a bank on behalf of its customer to a third party to pay an amount specified in the guarantee deed in case the customer fails to perform the obligation as stipulated in the deed.

Banking Ombudsman

Banking Ombudsman is an independent dispute resolution authority set up by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.

Bills

Bills are financial negotiable instruments such as Bills of Exchange or Promissory Notes. Bill of Exchange is issued by a seller to his buyer directing him to make payment for the goods supplied/ services rendered. Bill in the form of a promissory note is issued by a buyer to his seller undertaking to make payment for the goods received/ services rendered.

Bill Purchase / Discounting

Bill purchase / discounting are modes of extending credit to the seller of goods who has raised demand / usance bill of exchange. Demand bills are purchased and usance bills are discounted.

Cash Credit / Overdraft

Cash credit/overdraft is a form of credit facility in which a borrower is sanctioned a pre-arranged limit with the freedom to borrow as much money as he requires. In case of flow of credit to the account, he can withdraw afresh subject to the limit sanctioned. As such, the limit works as a revolving line of credit. Bank charges interest on the outstanding balances.



Compensation Policy

Compensation Policy refers to the policy followed by a bank for compensating its customers for the financial losses incurred by them (the customers) due to the acts of omission or commission on the part of the bank.

Credit facilities/ Bank Loan

Credit facilities from the bank may be in the form of a term loan or in the form of overdraft or cash credit that is extended by a bank to its customer for a specified period and he is charged interest on the outstanding balances.

Credit Information Companies (CICs)

Credit Information Companies are companies formed and registered under the Companies Act, 1956 and which have been granted a Certificate of Registration by the Reserve Bank. These companies are empowered to collect data on credit from credit institutions who are its members and disseminate the same after analysis, to its members and specified users.

Factoring

Factoring is a financial option for the management of receivables. It is the conversion of credit sales into cash.

Fixed rate of interest

Fixed Rate of Interest on a loan means that interest rate is fixed for the entire period of the loan or it may be reset at specified intervals as per the reset clause stipulated in the terms and conditions of the loan.

Floating rate of interest

Floating Rate of Interest on a loan means that interest rate is not fixed but is linked to a Reference Rate and would vary with changes in the latter.

Guarantee

A promise given by a person.



Letter of Credit

A letter of credit is a document issued by a bank, which usually provides an irrevocable undertaking for payment to a beneficiary against submission of documents as stated in the Letter of Credit.

Micro and Small Enterprises

Micro and Small Enterprises are those enterprises engaged in manufacturing or rendering services.

A micro enterprise is defined as:

An enterprise engaged in the manufacture or production of goods pertaining to any industry where the investment in plant and machinery does not exceed ₹25 lakh

or

An enterprise engaged in rendering services where investment in equipment does not exceed ₹10 lakh.

A small enterprise is defined as :

An enterprise engaged in manufacture or production of goods pertaining to any industry where the investment in plant and machinery is more than ₹25 lakh but does not exceed ₹5 crore

or

An enterprise engaged in rendering services where investment in equipment is more than ₹10 lakh but does not exceed ₹2 crore.

Net worth

Net worth means sum of Capital and free reserves minus accumulated losses and intangible assets.

Non-Fund based facility

Non-fund based facilities are such facilities extended by banks which do not involve outgo of funds from the bank when the customer avails the facilities but may at a later date crystallise into financial liability if the customer fails to honour the commitment made by availing these facilities. Non-fund based facilities are generally extended in the form of Bank Guarantees, Acceptances and Letters of Credit.



Non Performing Asset

A Non Performing Asset (NPA) is a loan or an advance where

- i) interest and/ or installment of principal remain **overdue** for a period of more than 90 days in respect of a term loan.
- ii) the account remains '**out of order**' in respect of an Overdraft/Cash Credit (OD/CC).
- iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased or discounted.

'Out of Order' status

An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

Overdue

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Payment and Settlement System

Payment and Settlement System means financial system creating the means for transferring money between suppliers and user of funds usually by exchanging debits or credits among financial institutions.

PIN

A confidential number, use of which along with a card allows customers to pay for articles / services, withdraw cash and use other electronic services offered by the bank.

Reasonable

Governed by or being in accordance with reason and sound thinking; being within the bounds of common sense; not excessive or extreme.



Reference rate

It is the benchmark rate of interest of a bank to which interest on loans sanctioned under floating rate of interest is linked. The Reference rate of interest is determined / modified by individual banks in accordance with their policies.

Repossession

Repossession is the process by which a creditor with a loan secured on house or goods (e.g. car) takes possession of the security, if the debtor does not repay as per the terms of the loan agreement.

Rehabilitation Package

Rehabilitation package is the package drawn for the rehabilitation of a **sick unit**. The package has to be drawn in accordance with the RBI stipulations and it usually consists of

- i) Working Capital with relaxation in the rate of interest in terms of regulatory guidelines
- ii) Funded Interest Term Loan
- iii) Working Capital Term Loan
- iv) Term Loan
- v) Contingency Loan Assistance

Security

Represents assets used as support for a loan or other liability. In the event of the borrower defaulting on the loan, the lender bank can claim these assets in lieu of the sum owed.

Primary security is the asset created out of the credit facility extended to the borrower and / or which is directly associated with the business/project of the borrower for which the credit facility has been extended.

Collateral security is any other security offered for the said credit facility. For example, hypothecation of jewellery, mortgage of house, etc.

Services

- i) In respect of small and micro service enterprises, services refer to small road and water transport operators, small business, professional and self-employed persons, and all other service enterprises.



- ii) Services rendered by the banks include various facilities like remittance (issue of DDs, MTs, TTs, etc.), receipt and payment of cash, exchange of notes and foreign exchange etc. provided by the banks to the customers.

Sick Unit

Sick unit refers to a unit whose borrowal account remains NPA for three months or more or there has been erosion in net worth due to accumulated losses to the extent of 50% of the net worth during the previous accounting year.

Tariff Schedule

The schedule containing charges levied by a bank on the products and services offered by it to its customers.

The Code has been evolved by the **Banking Codes and Standards Board of India (BCSBI)** in consultation with the Reserve Bank of India, Indian Banks' Association and Member Banks. The central objective of the Code is to promote good and fair banking practices, set minimum standards, increasing transparency, achieving higher operating standards and above all, promoting cordial banker-customer relationship which would foster confidence of the common man in the banking system. BCSBI was set up in February 2006 as an autonomous institution "to monitor and ensure that the Banking Codes and Standards adopted by the banks are adhered to in true spirit while delivering their services". BCSBI has evolved two sets of Codes – **Code of Bank's Commitment to Customers** and the **Code of Bank's Commitment to Micro and Small Enterprises**. These Codes have been adopted by member banks of BCSBI which include scheduled commercial banks, urban cooperative banks and regional rural banks. BCSBI by its design and mandate is not a grievance redressal forum. However, BCSBI looks at complaints with a view to identifying systemic deficiencies, if any, in terms of gaps in policies, procedures and practices at the banks and initiates action for their rectification.

For further information about BCSBI please log on to the website www.bcsbi.org.in

