

Policy for One-Time Settlement (OTS) scheme for Micro & Small Enterprises (MSE) Sector

Particulars	Guidelines
General	In terms of RBI's Master Direction on "Lending to Micro, Small and Medium Enterprises (MSME) Sector", the Bank has put in place non-discretionary One-Time Settlement (OTS) Scheme for the recovery of Non-Performing Assets (NPAs) under MSE Sector as a part of its Board Approved 'Recovery Policy'. The salient terms and features of the said Policy are as below.
Units / Borrowers Covered:	This OTS Scheme shall cover all NPAs of borrowers from MSE sector (only MSE units as per the above referred RBI Master Circular), as at the end of previous month. Any eligible borrower who is in default and classified as NPA in the books of the Bank, intending to clear the outstanding dues through compromise/settlement, can submit the written settlement proposal to the Bank. The competent authority of the Bank, after examining the said proposal, shall revert on the acceptance or rejection of the said OTS proposal within 30 working days from the receipt of such a proposal.
Computation of Settlement Amount	<p>The minimum amount required for entering into a settlement/compromise would be 100% of the total outstanding balance/dues including interest as on the date of approval of compromise/settlement along with the expenses incurred by the Bank for recovery proceedings</p> <p>Interest from the date of settlement approval to the date of final payment shall be waived, provided the borrower adheres to the conditions as outlined in the settlement / compromise approval.</p> <p>Note - The outstanding balance means – the outstanding balance including interest in the loan account as on date of NPA plus unapplied interest from date of NPA (substandard) till the date of compromise/settlement minus any recoveries received plus expenses and charges</p>

	in the account till date, including but not limited to Cheque Bounce Charges, Late Payment fees, Repossession Charges, inventory holding costs, legal & court fees and auction charges.
Repayment Terms	<p>The settlement amount is to be repaid entirely in one lumpsum i.e. one tranche after the approval of OTS proposal.</p> <p>In case, lump sum payment cannot be made, then a minimum of 25% of the settlement amount to be paid upfront in the form of DD/RTGS/NEFT and deposited by the borrower immediately after the approval of settlement and the balance settlement amount along with simple interest at 10 % p.a from the date of settlement up to date of final payment to be paid within 60 days from the date of communication of acceptance of settlement proposal by the Bank.</p>
Source of Payment	The borrower intending to enter into compromise settlement has to provide a written statement/letter about source of settlement amount. The statement thus provided would be examined before official acceptance or rejection of the compromise proposal to ascertain the certainty and feasibility of the settlement proposal.
Non-compliance of settlement terms/default in payment	In case of default in payment of full dues or any tranche/instalment as per the settlement terms and non-compliance of other terms of settlement, the Bank reserves the right to cancel the OTS immediately and withdraw all relief, waiver and concessions given to the Borrower and restore the original dues prior to sanction of OTS proposal and shall initiate/continue with legal actions, for continued default beyond 90 days, to recover the dues prior to the settlement, minus amount already paid during settlement, along with future interest thereon till the date of receipt of all the outstanding dues.
Other General Terms	<ol style="list-style-type: none"> 1. All eligible customers should submit a written settlement proposal to the branch concerned. 2. The decision on the amount of one-time settlement and consequent sanction of waiver of unapplied

	<p>interest and / or write off shall be taken by the competent authority as per the delegated board approved powers.</p> <ol style="list-style-type: none">3. Wherever borrowers have filed cases against the bank/made counter claim in any Court or Tribunal, settlement under the Scheme shall be subject to withdrawal of the case/counter claim.4. OTS proposals submitted by the parties under MSE Sector which are not in accordance with this Scheme will be taken up and processed as per the Bank's existing Recovery and OTS Policy.5. Indian Banks' Association (IBA) vide Lr. No. CandI/Misc/1435 dated May 14, 2007 informed that Reserve Bank of India advised banks that they may enter into compromise settlement with wilful defaulters/fraudulent borrowers without prejudice to the criminal case against the borrower and that such cases of compromise settlement should be vetted by Management Committee/Board of the respective Banks.6. Wherever OTS amount is funded by other Banks/Financial Institutions/NBFCs/SC/RC, the Bank may assign the debt/ securities in their favour. In such cases, the guidelines framed for sale of financial assets will apply.7. There are cases, where Guarantors in NPA accounts come forward with settlement proposal so that they can seek release of their guarantees/securities or discharge them from payment of bank dues. Such proposals from guarantors and/or one of the Directors would be treated on par with the proposals received from Borrowers.8. This OTS scheme will be valid and may be subject to changes as per directions of the RBI in this regard from time to time.
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