

THE JANATA CO-OPERATIVE BANK LTD.

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Policy of Compromise/OTS/write off

The Policy of Compromise/OTS/write off in vogue has been reviewed by the Loan Sub-Committee taking into consideration the guidelines/circulars issued by Reserve Bank of India vide Circular No.DOR.STR.REC.20/21.20/21.04.048/2023-24 dated June 08, 2023 approved by the BoM/Board of Directors in its meeting held on 20.03.2024/30.03.2024 vide Resolution No.A.1(b)(ii) as under :

ReserveBankofIndiavidenotificationNo,DOR.STR.REC.20/21.04.048/2023- 24 dated 8th June 2023 extended comprehensive guidelines frame work for OTS and technical write off to UCBs, These guidelines aimed at strengthening the process for all regulated entities. It also further emphasizes the need for settlement policy and focuses on maximizing recovery and minimizing expenses with permissible sacrifice. As it has been mandated to have a Board Approved Policy for undertaking compromise settlement.

A. Compromise / OTS settlements:-

1. GENERAL: In terms of extant guidelines of RBI, policy needs to put in place non-discretionary One Time Settlement of Non-Performing Accounts (NPAs), salient features of which shall be as under:
2. Units/borrowers to be covered: It shall cover all NPAs of the borrower 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 a written proposal to the Bank, such proposal received shall be examined and be reverted within 30 days on its acceptance or rejection by the competent authority.

There may be cases where the guarantors in NPA account/s come forward for settlement proposals so as to release their guarantee/security or discharge them from payment of dues. Such proposals would be treated 'At Par' with the proposal received from the borrower classified as NPA.

3. The minimum amount shall not be less than the outstanding balance in Running Ledger as on the date of proposal plus the amount of interest& all other charges that the competent authority decides to recover either simple and/or compounding rate depending upon the realizable/distress value of the security available and waiver sacrifice that the bank can afford.



4. Repayment of compromise settlement: The Unit / borrower eligible shall deposit at least 25% of the sum offered along with the proposal. The settlement amount approved by the competent authority shall be repaid entirely inclusive of the sum deposited with the proposal, within weeks' time in one tranche. The competent authority may allow a maximum 90 days' time from the date of approval subject to interest cost as decided by the competent authority, in equal installments.

In case of default in payment of agreed full dues or any of the installments as per the terms of settlement, the Bank reserves the right to cancel the OTS and shall withdraw all the relief / sacrifice given and restore the original dues.

5. On receipt of the full sum of the OTS approved, Bank shall withdraw all legal cases filed / pending before any forum and file consent decree accordingly and shall also release the charges over the security interest created.

Wherever borrower/s has filed cases against the Bank / made counter claim in any court or tribunal, settlement under the scheme shall be subject to withdrawal of such cases/ counterclaim.

B. Technical/ Prudential Write-off (PWO):

1. In furtherance to the extended comprehensive guidelines on settlement and technical write off, Bank can now henceforth undertake technical write off/prudential write off exercise for accounting purpose only without entailing any waiver of claims against the borrower and guarantors without affecting right to recover in any way. As such Bank may consider technical / prudential write off exercise in the following cases: The NPA accounts / bad debts which are either considered as unrecoverable or whose recovery is likely to consume dis-appropriate resources of the Bank.
2. NPAs classified as Loss Assets and / or Doubtful 3 which are provided fully 100% to the extent of outstanding of its Running Ledger.
3. The borrower/s - NPA accounts wherein technical / prudential write off undertaken shall not be benefited in any manner and their legal obligations as well as the cost of such defaults for them remains unchanged vis-a-vis the position prior to technical write off.
4. For identity of the continuation of NPA accounts post technical write off shall reflect Running Ledger balance of Rs.100/-minimum and entailing right to recover entire sum with interest, cost from time to time.



5. The technical / prudential write off shall be for the accounting purpose only and all legal remedies available shall be followed suitably.
6. The bank shall write off in whole or in part any debt or other sums without the previous sanction of the Registrar of Co-operative Societies.

Provided that, the co-operative bank may write off the bad debts from the bad debts funds created out of profits subject to the limit of 10% (ten percent) of the bad debt fund or ten thousand rupees per annum whichever is more under Rule 78 of DCS Rules: 2003.

Further the OTS cases and cases involving technical / prudential write off undertaken shall be placed before the NPA Committee revert and its recommendation for approved of BOM / BOD for monthly intervals.

The post facto approval of BOM/BOD is mandatory.

7. Conclusion.

This policy will be taken up for review as and when there are major changes in the environment arising out of changes in the policy of Compromise/OTS/write off of Reserve Bank of India, fiscal policy of Government of India, or Government of India. However, in the absence of any such changes in the economic and banking scenario, this policy will continue to be in force. The changes made by the RBI and Government of India must be complied with and the Policy shall be revised, rectified and amended accordingly. This policy has been framed and shall be valid till it is revised.

For The Janata Co-operative Bank Ltd.

(P.S. Pathania)
Managing Director

