

BANK OF CEYLON – CHENNAI BRANCH

FAIR PRACTICE CODE FOR LENDING

Bank of Ceylon – Chennai should adapt the following practice, in lending operations, with effect from 1st January 2004.

General :

Bank of Ceylon – Chennai should extend its lending operations, subject to the directives/ norms/ instructions/ guidelines issued by Reserve Bank of India and Head Office – Colombo, from time to time.

1. Pre – Credit Stage

1.1. Credit requests from customers, shall be entertained directly, from the customers only and in no case, requests made through financial consultants/ or any type of intermediaries will be entertained. Bank should not discriminate the Applicants, for credit facilities, on the ground of sex, caste, religion in the matter of lending. This will not preclude the Bank, in participating in credit-linked schemes, framed for weaker sections to the society.

1.2. Customer Interview :

Before entertaining any credit requests, the customers will be called for a discussion, with any two members of the Credit Committee, consisting Vice President (Credit), as one of the member.

The details of credit facilities sought for, together with securities, shall be discussed and if there is a *prima-facie*, the credit request is within the norms of the Bank, the intervening members of the Credit Committee, shall entrust the work of further processing, to the Credit Department.

Unhealthy practice such as offering lower rate of interest, to other bank customers, shall be avoided.

1.3. Application Forms

The Credit Department should supply the required application forms, to the Applicants, free of cost, irrespective of the nature of facilities, along with the checklist containing the details, required from the Applicant, along with the application forms, for proceeding further.

1.3.1. Acknowledgement of Receipt of Loan Applications

Credit Department should acknowledge the receipt of the applications received and should send a letter of acknowledgement to the Applicant, within three days, on receipt of the applications.

1.3.2. Loan Applications Received Register

Credit Department should maintain the register of loan applications received and details should be entered.

1.3.3 Time frame for processing Loan Applications Maximum time for Disposal

Applications for loans up to 2.00 L and Weaker Sections

15 Days
(The time limit of 15 days extends from the date of submission of all details by the Applicant, required by the Bank)

Applications for loans above Rs.200,000/-

For SSI Units

Under Country Manager delegated authority
Beyond Country Manager delegated authority

30 Days
45 Days

For Others

Under Country Manager delegated authority	45 Days
Beyond Country Manager delegated authority	60 Days

1.3.4. Pre – Credit Inspection Charges

For loans up to Rs.200,000/- including loans For Weaker Section	NIL (If the inspection is carried within Chennai city)
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Actual expenses (if it is
outside Chennai)

For all other loans

Inspection charges will be
recovered, subject to the
inspection charges/ rules
of the Bank, depending on
the officials, conducting
such inspections.

1.3.5. Rejection of Loan Proposals

Rejection of the loan proposals can be done, only by the Country Manager, or next higher authority as per the provisions included in Credit Policy Manual of Chennai branch. Rejection of all credit proposals, should be made within 20 days, from the date of receipt of the application.

2. Assessment and Approval of Credit Proposals

2.1. The Credit Department should properly assess the credit need of the applicants, subject to the assessment systems in vogue. They shall call for any other additional details required, for assessing the limit, within 15 days, on receipt of the loan application.

2.2. In case of Consortium advances, on receiving the joint appraisal memorandum from the Consortium Leader, should go for independent appraisal. The decisions should be communicated, within a maximum period of 30 days.

3. Approval of Limits

When the loan applications are approved by the competent authority, such approval shall be communicated to the Applicant, within 5 days of such approval, in writing.

3.1. The approval letter should contain inter-alia, the terms and conditions governing such approval, duly signed by competent official.

3.2. The approval letter should contain the penalty clause, for non-compliance of approval terms and conditions. Such penalty should not exceed 2% of the limit sanctioned.

3.3. The Applicant should give his consent for compliance of the approval terms and conditions. Qualified acceptance should not be accepted by the Bank. In case, if any conditions are to be amended/ deleted, the Applicant should take it separately, before giving the consent letter, for the approval.

3.4. On receiving the consent letter, necessary security documents shall be got executed, within a maximum period of 7 days, unless and otherwise the delay is caused, by the Applicant.

3.5. The validity period of the approval letter is 30 days, for obtaining the consent letter from the Applicant and the Applicant should avail the approved credit facilities, within 90 days from the date of giving his acceptance letter. If the Applicant fails to avail the credit facilities within 90 days, after giving the acceptance, the approval of the facilities get lapsed automatically. It has to be revalidated again, by the approving authority, for disbursing the facilities, after 90 days.

3.6. Non availing the approved credit facilities, after accepting the approval by the Applicant, will attract commitment charges/ processing fees, as the case may be.

3.6.1. If the Applicant, after executing the security documents, is not at all utilising the credit facilities, or in case the utilisation is below 50%, commitment charges will be levied at 1% of unutilised portion of the credit limits.

If the Applicant, after receiving the approval letter, do not intend to avail the facilities, a processing fee of 1% of the loan amount sanctioned, shall be recovered, subject to a minimum of Rs.5,000/- and a maximum of Rs.100,000/- undertaking to that effect, shall be submitted by the Applicant, at the time of submission of the loan application.

However, the above stipulation with regard to processing fees/ commitment charges are not applicable, in case of loans up to Rs.200,000/- and loans to weaker sections.

The approving authority has the power to waive/ reduce such charges, after recording reasons.

3.7. The loan document should invariably have the following covenants that:

3.7.1. The credit facilities extended to the Applicant, is entirely at the discretion of the bank. The Bank is at its liberty, to recall the entire facilities at any time, during the currency of the loan period, if the Bank feels that the borrowal accounts are not conducted properly, irrespective of the period, for which they have been sanctioned.

3.7.2. The Bank is not bound to grant any additional credit facilities, on the ground of the business growth of the Applicant. However, it is the discretion of the Bank, to allow any further credits, by regular limits or by any adhoc limits, depending on the merits of each case. In any case, granting of additional facilities cannot be claimed, as a right of the borrowers.

4. Disbursement

4.1. Disbursement of approved loans, after documentation, shall be made immediately, subject to the terms and conditions.

4.2. In case of disbursal of loan in stages, the stage-wise disbursal should be made, in accordance with the stipulated conditions, without affecting the development of the project, for which the credit facilities are approved.

4.3. In case of subsequent changes in the approved conditions, with regard to interest rates, service charges, the Bank should communicate the same to the borrowers in advance, before the revised conditions are put in effect. No revision of interest rate and service charges are to be effected, with retrospective effect.

5. Post Disbursement Stage

5.1. Bank should make periodical asset verifications, unit visits to ensure the proper enduse of bank credit.

5.2. Inspection Charges : For loans upto Rs.200,000/- and for loans extended to weaker sections, no inspection charges shall be levied. For other loans, the inspection charges shall be levied, depending on the place of visit, status of the official conducting the inspection/ verification and his eligibility, as per service rules of the Bank.

5.3. If any irregularities are noticed on asset verification, which affects the security of the Bank's lendings, the Bank should call for an explanation for such irregularities and allow a reasonable period, not less than 15 days, to rectify the irregularities. Even after granting the opportunity to rectify the irregularities, the borrower do not take positive steps, in the opinion of the Bank, the Bank may decide to recall the entire credit facilities, such decision shall be communicated to the borrower, in writing.

5.4. When the borrower settle the loans completely, the securities lodged, shall be returned to the borrower. In case, if the Bank intends to retain the securities against any other legitimate dues of the borrower to the Bank, such exercise of legitimate rights are to be communicated in writing, with full particulars about the remaining claims and the documents, under which the Bank is entitled to retain the securities, till the relevant claim is settled.

6. Recovery Measures

6.1. The Bank is at liberty, to resort to any measures of recovery, which are not expressly prohibited, by any law. On the pretext of recovery, borrowers should not be put to undue and unlawful harassment of any nature.

6.2. Bank officials should not resort to persistently bothering the defaulted borrowers at odd hours and use of muscle power, for recovery of loans.

6.3. Bank should not depute/ entrust the work of recovery, to any persons/ agencies, other than Bank officials.

7. Transfer of Borrowal Accounts

When a request is received from the borrower, for transfer of his borrowa accounts with the Bank, or such request is received from the Banker, who proposes to take over the borrowal accounts, the Bank should convey its

decision, to grant its consent/ or its objections within 21 days, from the date of receipt of such requests.

8. Grievance Redressal Cell

All disputes arising out of the decision of various functionaries in the branch, shall be referred to the Grievance Redressal Cell.

The Grievance Redressal Cell is headed by the Country Manager and the other member of the Cell is the Head of Treasury.

The grievances settled/ unsettled, shall be referred to the Head Office, by a consolidated report, to the Deputy General Manager/ Corporate Credit/ International, on a quarterly basis.

9. Bank officials should not interfere in the affairs of the Borrowers, except for what is provided in the terms and conditions of the loan documents, unless any new information, not earlier disclosed by the borrower, has come to the notice of the lender. However, the Bank may advise the borrowers about the change in the economic scenario, with reference to the borrowers' trade, any adverse events affecting the trade of the borrower, which the borrowers do not aware.
