

# BULLETIN

ALLIED LAWS BULLETIN – JULY 2023

# FRAMEWORK FOR COMPROMISE SETTLEMENTS AND TECHNICAL WRITE-OFFS BY REGULATED ENTITIES ("RE")

#### Definitions:

- o Compromise settlements ("CS") refer to negotiated arrangements with borrowers to fully settle the claims of the RE against the borrower in cash.
- Technical write-offs ("TW") refer to cases where non-performing assets remain outstanding at borrower's loan account level but are written-off (fully or partially) by the RE only for accounting purposes, without involving any waiver of claims against the borrower.

#### Procedure:

- RE shall put in place Board-approved policies for undertaking CS and TW, by laying down the process to be followed, with specific guidance on certain conditions precedent such as:
  - Minimum ageing
  - Deterioration in the collateral value
  - Methodology for arriving at the realisable value of the collateral security
  - Delegation of powers for approval/sanction
- Delegation of powers for approval/sanction in case of CS should be as follows:

Sr. No.	Cases		Approving authority
1.	Fraud or	wilful	Board of the RE
	defaulter		
2.	Other cases		Authority which is at least 1 level higher
			in hierarchy than the one vested with
			power to sanction the credit exposure.

### Reporting:

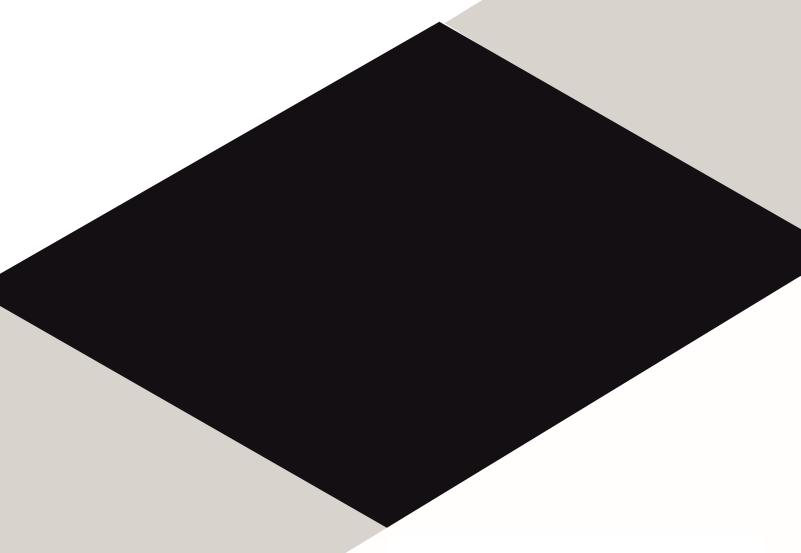
- The approving authority shall report the details of CS and TW to the next higher authority on quarterly basis based on a Board approved suitable reporting format.
- CS and TW approved by the MD & CEO / Board Level Committee should be reported to the Board.

## • Cooling Period:

o The cooling period for the fresh exposures to the borrowers which are subject to CS or TW is as follows:

Sr.	Cases	Cooling period		
No.				
For CS:				
1.	Farm credit exposures	As approved by the Board of the RE		
2.	Other cases	Minimum: 12 months		
		Maximum: As approved by the Board of		
		the RE		
For TW:				
1.	All cases	As approved by the Board of the RE		

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