

GOVERNMENT OF ODISHA  
COOPERATION DEPARTMENT

No. 2684 /Coop., Date: 23.03.2017  
IV-CR-01/2017

From  
Shri S.K Misra  
Deputy Secretary to Government

To  
The Registrar of Cooperative Societies  
Odisha, Bhubaneswar

Sub: One Time Settlement (OTS) of Non Performing Assets (NPAs) of licensed  
Primary (Urban) Cooperative Banks

Ref: Your letter No.22294 dated 01.12.2016 and No.24014 dated 31.12.2016

Sir,

In inviting reference to the above mentioned subject, I am directed to say that the OTS proposal has been approved by the Government for all the Urban Cooperative Banks having valid license from RBI. The guidelines for One Time Settlement (OTS) of Non-Performing Assets (NPAs) of licensed Primary (Urban) Cooperative Banks is enclosed herewith which may be communicated to all the Urban Cooperative Banks. All possible care needs to be taken while implementing OTS so that there should not be any violation in any form of RBI guidelines and Government directives/ guidelines issued from time to time.

You are hereby requested to ensure proper implementation of OTS scheme in the Primary Urban Cooperative Banks of the State having valid license of RBI.

Yours faithfully

Deputy Secretary to Government

DIRECTORATE OF COOPERATIVE AUDIT : ODISHA : BHUBANESWAR.

Memo No. 2299 / Dated:- 5/4/17  
VI(I)35/15/ Audit-2

Copy to the all Asst. A.G.C.S. for information and necessary action. They are requested to circulate the above guidelines one time settlement (OTS) of Non performing Assets (NPAs) of licensed Primary (URBAN) Cooperative Banks among auditors and Chartered Accountant, as allotted for audit of UCBs.

Prasanna  
5.4.17  
Auditor General,  
Cooperative Societies, Odisha.

SD.

## **Guidelines for One Time Settlement (OTS) of Non-Performing Assets (NPAs) of licensed Primary (Urban) Cooperative Banks**

### **(A) Compromise settlement of chronic NPAs up to Rs.10.00 crore**

#### **1. Coverage**

- (a) The guidelines will apply to all Non-Performing Assets (NPAs) in all sectors irrespective of the nature of business/ activity/ purpose of advance, which have become doubtful or loss as on 31.03.2012 with outstanding balance of Rs.10.00 crore and below on the cut-off date.
- (b) The guidelines will also cover NPAs classified as Sub-Standard as on 31.03.2012 which have subsequently become doubtful or loss.
- (c) The following categories of loans will not be covered by the Scheme
  - (i) Cases of willful default, frauds and malfeasance.
  - (ii) Loans with tie-up arrangement for recovery (e.g. loans availed by salary earners).
  - (iii) Loans availed of or guaranteed by Directors or by close relatives of Directors or by firms/ companies/ institutions in which the Directors are interested or by ex-Directors of respective Urban Cooperative Banks.
  - (iv) Loans guaranteed by Government (including cases where Government guarantee has been invoked but not honoured by the Government).
  - (v) Loans due from Government Departments/ Undertakings.
  - (vi) Loans under Government directed programmes.

- (c) **Penal interest, other charges and payment of settlement amount in installments.**

The amount of settlement arrived at in both the above cases, should preferably be paid in one lump sum. In cases where the borrowers are unable to pay the entire amount in one lump sum, at least 25% of the amount of settlement should be paid upfront and the balance amount of 75% should be recovered in installments within a period of one year together with interest at the existing minimum lending rate fixed by the bank on advances as per Directive UBD. NO. DS PCB Cir 24/13.04.00/2002-03 dated 29 October, 2002 from the date of settlement up to the date of final payment Penal interest, legal charges and other charges could however, be waived.

- (d) OTS amount should not be less than the net present value of available marketable securities.

### **3. Competent Authority**

Competent authority under this scheme is the Committee of Management of the UCB. A Settlement Advisory Committee (SAC) shall be constituted by the Committee of Management to review all applications received and to recommend eligible cases to the competent authority for sanction. The powers to sanction waiver/ remission of penal interest/ charges and to take all related decisions is vested with the Committee of Management.

The scheme is to be approved by the Committee of Management of the UCB concerned within the provisions of the Cooperative Societies Act/ Rules/ Notification/ Administrative Guidelines issued by the Registrar of Cooperative Societies concerned Settlement Advisory Committee should be constituted by the UCB concerned to review at applications received and to recommend eligible cases to the Competent Authority for sanction. The powers to sanction waiver/ remission of penal interest/ charges and to take all related decisions is vested with the Committee of Management of UCB concerned within the provisions of

- (d) The last date for receipt of applications from borrowers would be as at the close of business on 31.10.2017. The processing of the applications received under the revised guidelines should be completed by 31.01.18.
- (e) These guidelines will also cover cases on which UCBs have initiated action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and also cases pending before Courts/ BIFR subject to consent decree being obtained from the Courts/ BIFR.

## 2. Settlement Formula – Amount and Cut-off date

### (a) **NPAs classified as Doubtful or Loss as on 31.03.2012.**

The minimum amount that should be recovered under the revised guidelines in respect of compromise settlement of NPAs classified as doubtful or loss as on 31.03.2012 would be 100% of the outstanding balance in the account as on the date on which the account was categorized as doubtful or loss asset, whichever happened earlier, as the case may be.

### (b) **NPAs classified as Sub-Standard as on 31.03.2012 which became doubtful or loss subsequently.**

The minimum amount that should be recovered in respect of NPAs classified as sub-standard as on 31.03.2012 which became doubtful or loss subsequently would be 100% of the outstanding balance in the account as on the date on which the account was categorized as doubtful asset, plus the minimum interest rate fixed by the bank on advances (as per RBI directive UBD. No.DS.PCB. Cir 24/ 13.04.00/ 2002-03 dated 29 October, 2002) from the date on which the account was classified as Doubtful/ Loss Category.

**(ii) Functioning of SAC**

The Committee of Management of UCB concerned may draw broad guidelines and procedures for the functioning of SAC. The Committee may recommend eligible cases for approval of compromise settlements within the powers delegated under the Orissa Cooperative Societies Act, 1962, Rules framed there under/ Administrative Instructions. Powers for compromise proposals, wherever delegated to the Committee of Management of Urban Cooperative Banks as per the Orissa Cooperative Societies Act, Rules framed there under should be only in the recommendation of SAC.

- (iii) The Committee of Management of the UCB concerned should review the decisions taken by the SAC every month and ensure that the process of settlement is complete within the stipulated period.

**(B) Compromise settlement of chronic NPAs over Rs.10.00 crore**

The Committee of Management and the Chief Executive Officer should personally supervise the compromise settlement of chronic NPAs on case to case basis, and should evolve policy guidelines regarding one time settlement of NPAs not covered under this guidelines as part of their loan recovery policy. Compromise settlement of such cases should be done only with the prior approval of the Registrar of Cooperative Societies.

**(C) Deviation only by RCS**

Any deviation from the above settlement guidelines for any borrower should be made only by the Registrar of Cooperative Societies.

**(D) Action against other defaulters**

In cases where restructuring is not feasible or defaulters have not come forward for compromise settlement, suits must be filed promptly for recovery of dues. The UCB concerned should follow up suit filed cases vigorously and effectively in the Courts to decide the cases and realization of dues at the earliest.

the Orissa Cooperative Societies Act, 1962, Rules framed there under/ Notifications/ Administrative Guidelines issued by the RCS

**4. Non-discretionary and non-discriminatory treatment**

The UCB concerned should follow the guidelines for compromise settlement of all NPAs covered without discrimination among the borrowers. The guidelines are non-discretionary and non-discriminatory in as much as the CEO/ Committee of Management should not deviate from the parameters indicated in the guidelines for compromise settlement of NPAs.

**5. (A) Settlement Advisory Committee (SAC)**

**(i) Constitution of SAC**

The Committee of Management shall constitute a SAC which will comprise of the following;

1)	President - Ex-officio Chairman of SAC
2)	One member of Committee of Management as Member (to be nominated by Committee of Management)
3)	Chief Executive – Member Convenor
4)	One senior staff (Expert) – Member

No other person shall be allowed to participate in the SAC meeting.

Provided that the official who had sanctioned the particular loan which has become NPA under his delegated authority should not participate in the SAC meeting where that loan account is under consideration for settlement. The SAC constituted as above may review requests for compromise settlements from eligible borrowers.

**(E) General**

- (i) In cases of NPAs where arbitration/ execution petitions have been filed and/ or decree obtained and recovery certificates issued, the settlement as per these guidelines will be with the consent of the Competent Authority.
- (ii) A long term multi-pronged and effective NPA management strategy should be put in place in each of the UCBs to arrest the incidence of fresh NPAs.
- (iii) The waiver that may be allowed by the banks in terms of these guidelines will have to be on their own strength and no financial support from Government or RBI would be extended.
- (iv) The UCB concerned should submit a report on the progress in recovery of NPAs under the guidelines every quarter to the Committee of Management.

**The OTS scheme should be non-discretionary and non-discriminatory. The scheme should be implemented as per the prescribed guidelines of Reserve Bank of India and there should not be any deviation to it.**

**The entire process of the OTS scheme should be completed within a period of one year from the date of implementation of the scheme.**

**The decisions taken by the SAC and the Committee of Management in the matter of One Time Settlement shall be subject to the supervision of the Directorate of Registrar, Cooperative Societies and regular audit by the Auditor General, Cooperative Societies.**

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*Signature*