



N. A. SHAH ADVISORS LLP

BULLETIN

ALLIED LAWS BULLETIN – JULY 2023

FRAMEWORK FOR COMPROMISE SETTLEMENTS AND TECHNICAL WRITE-OFFS BY REGULATED ENTITIES (“RE”)

◆ **Definitions:**

- 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 defaulter	Board of the RE
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:**

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

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



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