

Recovery Strategy of NPL

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Rescheduling

- Rescheduling can mean either the changing of the time at which a planned event(s) will happen, as in the rescheduling of train departure times during a weather emergency or the renegotiating of the terms of a loan.
- If a loan is rescheduled, it means that the original arrangement for repayments is altered, typically because the borrower is finding it difficult to pay back the lender.
- In other words, rescheduling, often referred to as *debt rescheduling*, is a way in which the repayment of debts may be reorganized. The borrower might be an individual, company, organization, or even a country.

Rescheduling

- Master Circular of Rescheduling: BRPD-15/2012, Dated 23/09/2012
- For considering Reschedule:-
- To be avoid the routine and repeat rescheduling.
- To be prohibit rescheduling of loans
- Business enterprises in unproductive sectors, or unprofitable business enterprises in productive sectors, fund divert, habitual defaulter.
- To be examine the cause as to why the loan has become Non-performing.
- Down payment should be give at a time in cash. For cheque, pay order process should be completed after collection.
- Bank should also consider ability, liability, Banks shall review the borrower's cash flow statement, audited balance sheet, income statement and other financial statements.
- Rescheduling of any loan must be justified in written statement by the bank's Credit Committee.

a) Time limit for rescheduling Continuous Loan:

Frequency	Classified as Sub-standard	Classified as Doubtful	Classified as Bad/Loss
First Rescheduling	Maximum 18 (Eighteen) months from the date of res	Maximum 12 (Twelve) months from the date of rescheduling	Maximum 12 (twelve) months from the date of rescheduling
Second Rescheduling	Maximum 12 (Twelve) months from the date of rescheduling	Maximum 09 (Nine) months from the date of rescheduling	Maximum 09 (Nine) months from the date of rescheduling
Third Rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling

Conditions: During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly installments. If the amount of defaulted installments is equal to the amount of 3(monthly) installments, the loan will be classified as Bad/Loss.

b) Time limit for rescheduling Fixed Term Loan:

Frequency	Classified as Sub-standard	Classified as Doubtful	Classified as Bad/Loss
First Rescheduling	Maximum 36 (Thirty six) months from the date of res	Maximum 24 (Twenty four) months from the date of rescheduling	Maximum 24 (Twenty Four) months from the date of rescheduling
Second Rescheduling	Maximum 24 (Twenty four) months from the date of rescheduling	Maximum 18 (Eighteen) months from the date of rescheduling	Maximum 18 (Eighteen) months from the date of rescheduling
Third Rescheduling	Maximum 12 (Twelve) months from the date of rescheduling	Maximum 12(twelve) months from the date of	Maximum 12 (twelve) months from the date of rescheduling

Conditions: During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly/Quarterly installments. If the amount of defaulted installments is equal to the amount of 6 monthly or 2 quarterly installments, the loan will be classified as Bad/Loss.(BRPD-06 , 29/05/2013)

c) Time limit for rescheduling Demand Loan:

Frequency	Classified as Sub-standard	Classified as Doubtful	Classified as Bad/Loss
First Rescheduling	Maximum 12 (twelve) months from the date of res	Maximum 09 (nine) months from the date of rescheduling	Maximum 09 (nine) months from the date of rescheduling
Second Rescheduling	Maximum 09 (nine) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling
Third Rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling

Conditions: During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly installments. If the amount of defaulted installments is equal to the amount of 3(monthly) installments, the loan will be classified as Bad/Loss.

c) Time limit for rescheduling for Short Term Agricultural and Micro Credit.

First Rescheduling	Repayment time limit for rescheduling should not exceed 2(Two) years.
Second Rescheduling	Maximum 1(One) year
Third Rescheduling	Maximum 6(Six) months

Conditions: In case of rescheduling of any classified Short-term Agricultural and micro-Credit 6(Six) months will be added with the following time-limit from the day after the expiry date/payment date of the last installment to determine the repayment schedule which will be started from the date of rescheduling. If the loan is rescheduled after the expiry date the above time limit will be applicable. (BRPD-06 Date- 29/05/2013)

Down Payment

- **DOWN PAYMENT OF TERM LOANS:**
- **a)** Application for first time rescheduling will be taken into consideration upon receiving cash payment of at least 15% of the overdue installments or 10% of the total outstanding amount of loan, whichever is less;
- **b)** Application for second time rescheduling will be considered upon receiving cash payment of minimum 30% of the overdue installments or 20% of the total outstanding amount of loan, whichever is less.
- **c)** Application for rescheduling third time will be considered upon receiving cash payment of minimum 50% of the overdue installments or 30% of the total outstanding amount of loan, whichever is less.
- **d)** The rate of down payments for Short-term Agricultural and Micro-Credit will be same as above.

Down Payment

- **DOWN PAYMENT OF Demand and Continuous LOANS:**
- **a)** If a Demand or Continuous Loan is converted into a Term loan, first rescheduling may take place against down payment on the basis of loan amount in the following manner.

Amount of overdue loan	Rate of down payment
Up to Tk 1.00(one) Crore	15%
Above Tk.1.00(One) Crore and Up To Tk 5.00(Five) Crore	10% (but not Less Than Tk.15.00 Lac)
Above Tk. 5.00(Five) Crore	5% (but not less than Tk. 50.00 Lac)

Second Time Rescheduling For Continuous and Demand Loan

- If any Continuous or Demand Loan is rescheduled for the second time (first time after being converted partly or wholly into Term Loan) and the repayment installments are fixed, the application for rescheduling of such loans shall be considered upon receiving cash payment of minimum 30% of the overdue installments or 20% of the total outstanding amount of loan, whichever is less. Similarly, for third rescheduling (second time after being converted partly or wholly into Term Loan) minimum 50% of the overdue installments or 30% of the total outstanding amount of loan, whichever is less, shall have to be repaid in cash.

Classification Of Reschedule loan

- To be classified any categories according existing financial soundness and repayment capacity of the borrower
- Interest not be credited to income.
- Provision should kept as per classification
- classifications will be reviewed by Bangladesh Bank inspectors.
- A rescheduled loan will not be considered a "defaulted loan," and the borrower will not be considered a "defaulted borrower“.

Reschedule Loan

- Given New Loan facilities
- **SPECIAL CONDITIONS FOR LOAN RESCHEDULING**
- **RESTRICTION ON EXTENDING THE TERM TO MATURITY OF A TERM LOAN**

Restructuring Of Loan

- BRPD-05 , Dated 29/01/2015
- Loan eligible for consideration
 - Large loan of
 - A particular borrower or group in a bank singly or in clubbed together form
 - Borrower having exposure in multiple banks may also approach by forming a consortium.
 - Minimum outstanding Tk. 500 crore or above in aggregate.
 - Should be considered for a particular account.
 - Borrowers indulging in **frauds** and **forgeries** will not be eligible for loan restructuring.

Restructuring Of Loan

- Application Procedure
- A) **Supporting Document /Information**
 - 1) Grounds for restructuring including the business plan.
 - 2) Financial justification and cash flow Projection by category-d C.A enlisted with B.B
 - 3) Viability Analysis in support of Restructuring.
 - 4) For Limited company Resolution of the Board.
 - a) Upon receipt application bank should consider back ground, capacity, capability of the borrower.
 - b) Restructuring of any loan must be justified by Bank's credit committee.
 - c) Board should Approved the proposal in presence most of the directors.
 - d) An application duly signed by CEO and M D to be send BRPD for” **No Objection.**”

Restructuring Of Loan

I. Term and condition

- a) **Tenure** :1. For fixed term loan maximum 12 years
2.For Continuous and Demand Loan maximum 6 years
- b) **Interest Rate**: Interest rate is changeable considering it's outstanding but not less than cost of fund plus 01%.
- c) **Moratorium** : Maximum 12 months within the total tenure of the restructuring.
- d) **Down payment** : At least 02% of outstanding for less than 1000 Crore and 01% for 1000 Crore and above.
- e) **Instalment**: Quarterly instalment with interest in moratorium period.
- f) **Liability Reduction** :Reduction of interest liability may be considered by the bank and adequacy of provision to absorb loss by the bank.
- g) **Default**: Failure to pay two (02) consecutive installments shall be considered as default and the restructured facility will stand cancelled.

Restructuring Of Loan

- I. Classification and provisioning : 1. Should be classified in SMA and Provisioning is applicable rate of SMA in addition 1%.
- II. Previous provision should be transfer to General provision if provision surplus against C. L.
- III. In case of default bank should filing suit under the Bankruptcy Act-1997.
- IV. Income from restructured loan shall be accounted for only when it is actually received.

Restructuring Of Loan

- **COLLATERALS**
- a) The bank shall ensure obtaining of the following instruments/documents:
 - i. Charge documents covering the restructured loan amount.
 - ii. Corporate Guarantee from all the business concerns of the group.
 - iii. Personal Guarantee from all the directors/owner(s).
- b) In addition, bank shall try to enhance the level of physical collaterals to cover the restructured loan.

Restructuring Of Loan

- NEW FINANCING FACILITY
- The borrower complies with all the terms and conditions of the restructuring and repayments of the installments are made in time:
- a) Working capital financing may be allowed up to 50% of the last sanctioned limit during the first 03(three) years of the restructured tenure. After completion of such period, the working capital requirement issue may be decided on the basis of banker-customer relationship and need of the business.
- b) Term financing may be allowed up to 60% of the last sanctioned amount during the first 05 (five) years, if needed for up-gradation or replacement of the existing facility, subject to proper due diligence. After completion of such period, the fresh term financing may be allowed on the basis of banker-customer relationship.

Restructuring Of Loan

- **OTHER PROVISIONS**

- a) Information on restructured loan shall be reported to the Credit Information Bureau (CIB) of Bangladesh Bank as SMA (RST) immediate upon restructuring become effective.
- b) Restructured loan will have to be shown in the CL-5 (Loan classification reporting format).
- c) Bank shall make full disclosure of the restructured loans in its published audited accounts in a separate note.
- d) No cash dividend shall be declared or personal drawings shall be made by the borrower during the first 03 (three) years of the restructured tenure. After that the borrower shall obtain prior consent of the bank(s) before declaration of such cash dividend or drawings.

Restructuring Of Loan

➤ MONITORING

- a) Bank shall set up a special cell headed by Head of Recovery for continuous monitoring of the restructured loan and the cell shall submit a quarterly report to the Board of Directors through Risk Management Committee of the Board. This report must contain, among others, compliance progress of the restructuring terms and conditions.
- b) Board of Directors of the bank shall review such quarterly report and forward the same along with its specific observations to the Department of Off-site Supervision of Bangladesh Bank through the CEO/MD of the bank.

One Time Exit

- a)Sector or Subsector
 - 1.Trading- Wheat , Food Item, Edible Oil, Refinery
 - 2.Ship Industry-Ship Breaking and Ship Building
 - 3. Iron and Steel Industry , **where Bank Has Huge Investment**
- b) Industry Related with Export and Import sector in specialized bank.
- c. For Other's Bank : Loan of actual business man which has been become B/L out of his control.

One Time Exit

- Condition for Rescheduling:
- Base period is 31/12/2018 .
- Down Payment is 2% and previous deposit should not be consider.
- Application Time Limit is 90 days from circular Date.
- Payment schedule will be 10 years with one year grace period case to case consideration.
- Interest Waver :Unclaimed Interest and Interest Suspense A/C figure absolutely.
- 1. Waved Figure should transfer to Blocked A/C without Interest.
- 2. After full payment it should be adjusted.
- 3. Interest : Cost of fund+3% on outstanding(waver) but not exceed 9%.
- 4. Applied from 01.01.2019.
- 5.Instalment should be monthly or Quarterly.
- 6. Monthly: 6 among 9 and quarterly: 2 among 3 the facilities should cancel and to be **B/L**.
- 7. Lawsuit should be stopped within 90 days complete solenama. If the facilities is cancel by breaking term and condition it will start again.
- 8. New loan Facility can provided by banked-customer relationship if default in payment of **New Loan** all facilities should be canceled.

One Time Exit

- **Condition for One Time Exit:**
- Base period is 31/12/2018 .
- Down Payment is 2% and previous deposit should not be consider.
- Application Time Limit is 90 days from circular Date.
- Payment schedule : Within 360 days if failed to payment the facility should be canceled and loan should **be B/L**.
- Interest Waver :Unclaimed Interest and Interest Suspense A/C figure absolutely.
- 1. Waved Figure should transfer to Blocked A/C without Interest.
- 2. After full payment it should be adjusted.
- 3. Interest : Cost of fund.
- 4. Applied from 01.01.2019.
- 7. Lawsuit should be stopped within 90 days complete solenama. If the facilities is cancel by breaking term and condition it will start again.

One Time Exit

- 4. **SOCB and FIs** should confirm Cost of fund Recovery.
- 5. All process should be completed within **45** days.
- 6. Other Instructions:
 - a) Classified into **SMA** and provision is **1%**.
 - b) CIB Reporting **Special RSDL** for rescheduling and **Special Exit for** one Time Exit according to **BRPD-05/2019**.
 - c) **Reporting in C.L -4**
 - d) Actual recovery then interest should be credited into Income.
 - e) **Up to 1.00 Crore – G.M Local office/ Divisional Office, up to 1 to 3 crore MD and CEO and above BOD.**