

## Private Clients - Credit Policy

### Barclays Investments & Loans (India) Pvt. Ltd. (BIL IPL)

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## Information on the Document

### Revision History

Version	Date	Status	Change Description
1.0	01-07-08	Draft	New Document Draft
2.0	23-11-10	Being adopted by BILIPL board in Nov 2010	Amended after inclusion of IPO funding product approval
3.0	01-03-13	Annual Review	<ul style="list-style-type: none"> <li>• BW renamed as PBOS</li> <li>• Logo changed of One Barclays</li> <li>• Correction of Typo error (Word “Service” printed twice, now deleted on page 14</li> <li>• Confirmation and mode of communication of Interest payment frequency clarified on page 16</li> <li>• Change in the hyperlink to the credit proposal template on page 17</li> </ul>
4.0	09-01-14	Annual Review	<ul style="list-style-type: none"> <li>• Aligning to regulatory directions received during the year</li> <li>• Lending against own debentures not allowed</li> <li>• Introduced non-discrimination in extending loan facilities to the physically / visually challenged applicants on grounds of disability</li> <li>• Added clarity on Demand / Call Loans as prescribed by RBI</li> <li>• Lending against Gold ETFs and Gold MFs not allowed</li> <li>• Change in the hyperlink to the Global Credit Risk Policy and PBOS lending discretion and delegation of powers and Credit Proposal Template</li> <li>• Paragraphs of lending against real estate property deleted</li> <li>• Section on IPO financing deleted as Product withdrawn</li> </ul>
5.0	01-04-14	Amended	<ul style="list-style-type: none"> <li>• Aligning to regulatory directions dated March 21, 2014 on ‘Early Recognition of Financial Distress Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets’</li> </ul>
6.0	01-09-14	Amended	Aligning to regulatory directions dated August 21, 2014 on ‘NBFCs- Lending against Shares’
7.0	07-07-16	Current after amendment to v 6.0	Aligning to regulatory directions post previous version of the policy
8.0	10-11-16	Draft proposal put up to Board for approval after RBI audit observation	Changes to the Asset Classification and Provisional Norms to include Write-off policy.
9.0	12-03-18	Annual Review	1. Aligning to regulatory directions post previous

			<p>version of the policy including Issue of Comprehensive Information reports</p> <p>2. Updated the latest version of Policy on Collection of Dues and repossession of Security</p>
10.0	08-06-18	Amended	<p>1. Changed Barclays Wealth to PBOS</p> <p>2. Changed BILIPL to BILIPL</p> <p>3. Update of various intranet referred links in the document</p> <p>4. Incorporated the Loss Given Default concept related to BILIPL</p>
11.0	04-12-18	Amended	Updated the Policy on Collection of Dues and Repossession of Security to amend excess monitoring and margin call process for equity shares
12.0	19-09-19	Amended	<p>1. PBOS to Private Clients</p> <p>2. Updated the Policy on Collection of Dues and Repossession of Security to amend the excess monitoring and margin call process for non-exclusive debt mutual funds</p> <p>3. Updated to align to regulatory directions dated 7th June 2019 on Prudential Framework for Resolution of Stressed Assets</p>
13.0	29-06-20	Amended	<p>1. Detailed the Method of Credit Approval Process</p> <p>2. Credit Committee re-named Credit Forum</p> <p>3. Credit Information Report to be taken on record.</p> <p>4. End use certificate to be taken on record</p>
14.0	11-11-20	Amended as recommended by Credit Risk	<p>1. Inclusion of guidance / oversight from Group</p> <p>2. Use of DG modes / Rating tools or expert judgement to grade a borrower</p>
15.0	07-06-21	Amended as recommended by Credit Risk	1. Inclusion of India Onshore CET Policy
16.0	30-12-21	Amended to align with recent RBI circulars	<p>1. Updated to align to regulatory directions</p> <p>a) dated 24<sup>th</sup> September 2021 on Transfer of Loan Exposures and</p> <p>b) 12<sup>th</sup> November 2021 on Prudential norms on income recognition, asset classification and provisioning pertaining to advances.</p>

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## A. Introduction

### 1. Objective

The Private Clients Credit Risk Policy is designed to provide Credit Risk Policy guidance to assist both Credit Risk Management and Business in obtaining and managing value enhancing business for Private Clients that is booked in Barclays Investments & Loans (India) Ltd. (hereinafter referred as 'the Company'). This document enables professional decision making and monitoring in an effective and timely manner and with a clear focus on risk and risk adjusted returns.

The guiding principles in this policy document covering the Indian Regulatory framework should be read in conjunction with the Global Private Clients Credit Risk Policy & Global Private Clients Credit Risk Procedures and Controls updated from time to time and followed in totality. (Both these documents can be accessed on the Barclays Intranet)

### 2. Application of Policy Document

This policy document applies to business undertaken by the Private Clients cluster and is independent of similar credit policy / process documents made for other Barclays clusters that have their own policies addressing the nuances of their target customer base.

### 3. Overall perspective

Credit facilities provided by Private Clients are specifically designed to meet its clients' need to secure / obtain liquidity support against existing assets. Security for the risk is provided by way of a legally enforceable charge on liquid assets deposited (in the form of a lien or pledge or hypothecation) for which a proper and accurate valuation should be carried out on a regular basis.

Few important points of the policy are as follows:

1. Any offer of credit must be consistent with the goals of both Private Clients and stay within the parameters of previously authorized products and/or business operations.
2. Beyond the financial and credit risk analysis, there are some basic issues such as Who is the obligor? What is the purpose of the loan? What is the source of repayment? and How will the interest be serviced? that are important.
3. Credits that do not conform to the policy should either be specifically stated in local delegation or should be referred to the next higher level delegated authority
4. A proposal declined at any level of delegation can only be appealed to the next higher level. It must not go to a different credit approver at an equivalent level nor presented to a lower level with reduced exposure.
5. Commercial pressure or time constraints do not justify compromising on the Company's decision criteria and procedures. While we would make all endeavors to respond to the request at the quickest possible time, this would never be at the cost of credit quality.

6. The Credit Risk functionalities will have a final say on the rating and approval of a credit file while the final say on pricing will rest with the business line.
7. Business managers proposing the credit facility shall be responsible for ensuring that the end use of the funds is in alignment with the regulatory requirements and prescriptions. BILIPL shall obtain the end use certificate from the borrowers so as to ensure the proper utilization of the funds.
8. The source of repayment must be understood. Future refinancing or any other conditional sources would not be relied upon while assessing the credit applications.
9. Commitment decisions must be based on a review of projections consistent with the underlying purpose and maturity of the facilities.

#### 4. General Principles

- **Business ethics:** The Company's image may be affected by the transactions in which it participates. Private Clients cluster is committed to the highest level of integrity and compliance with all ethical, regulatory, legal and tax rules prevalent in the country. Private Clients is respectful of the rights of any third party.
- **Conflicts of interest:** They may arise from Private Clients having several and different obligations towards a client, from conflicting situations between the interests of Private Clients and those of the client or those of its own representatives. These conflicts are to be examined and treated by the business/account officer in conjunction with Risk, Legal and Compliance representatives. Each officer must declare and explain to his hierarchy any conflict of interest he/she might be aware of and, in particular, the ones he/she is directly or indirectly involved in.
- **Prior validation:** Any new product or specialized activity must be validated through the establishment of adequate guidelines prior to any marketing or business development. The validation process involves proposing through New Product Approval (NPA) process, and all relevant Functions. Product/activity guidelines are reviewed when appropriate given the evolutionary nature of the markets, which may result in the Private Clients' total or partial withdrawal from certain activities or product distribution.
- **Risk responsibility** lies within the business cluster. Any **specialized activity** is to be carried out exclusively by or with the support of relevant specialists; activity or business specialists must not venture into activities different from their field of expertise.
- **Decision responsibility:** Credit decisions are made by the relevant delegation holders, based on the agreement which may be reached between the representatives of the Business both playing different but complementary roles with the common objective of the Private Clients' sound business development. However, the final decision regarding credit ratings and credit approval / rejection belongs to Credit Risk. Trust and control cannot be dissociated.
- **Authority:** Lending authority is determined according to the letters of delegation of power and considering all the credit risks borne by Private Clients, as a whole, on a particular borrower or group of borrowers which are economically related. If turned down, proposed facilities:
  - ↳ may be appealed at higher authority level;
  - ↳ must not be re-presented to an authority of a level equivalent to that of the one having turned it down unless significantly improved;

- **Resistance to pressure:** Commercial pressure or time constraints do not justify compromising on the decision making criteria and procedures.
- **Appropriate due diligence** is to be performed before the execution of final transaction documents, using any appropriate resources, either internal or external, encompassing any type of risks and contingencies for a given transaction. This includes, but is not limited to, all legal, technical, compliance and operational issues, in accordance with all principles expressed in the present Global Credit Policy.
- **Follow-up:** The credit process does not end with the transaction's approval. Each risk must be monitored on an on-going basis and periodically reviewed in a formal manner. Such process may lead to any decision deemed appropriate.
- **Focus on risk-reward:** Private Clients objective is to optimize its risk/reward return, which implies:
  - ↳ a focus on "value-added service" to the Private Clients' customers;
  - ↳ an accurate internal Counterparty Rating assessment process;
  - ↳ a revenue commensurate with the risk (as reflected by the credit pricing mechanism), the final decision with respect to pricing belonging to the Business Lines;
  - ↳ a dynamic yet selective approach of business development, without compromising on credit/portfolio quality to obtain additional business.

## 5. General Definition and Purpose of Client Risk-Taking & Client Profiling

The purpose of taking risks is to earn income from clients in keeping with the expectations of Private Clients' clients.

Private asset growth can be funded for productive purposes by providing special credit facilities offering the client the opportunity to:

- leverage on existing long term assets
- obtain cash against capital market or other securities / assets without disinvestment
- acquire new assets

In each case, the economic basis for each transaction should be clear to the Company and should meet sound strategic objectives on the part of the borrower, which the Company has a duty to assess.

The level of credit facilities offered to a client must always be viewed in the context of the client's overall net wealth, debt servicing ability, and investment profile and specifically the end use of the facility in line with extant regulatory guidelines.

It is incumbent on the Company to ensure that all necessary Due Diligence and KYC has been completed on a client prior to a formal offer (sanction) of a credit facility or it should be clearly specified that availability of credit will be subject to that. Credit limits cannot be established until a client relationship has been fully established within the submitting Private Clients business.

Due to their nature, these transactions may bring about results, which are contrary to the client's objective and even loss of a substantial amount of capital possibly increased by the leverage effect

produced by the provision of loan funds. The Company should make sure that the client is fully aware of the risks involved.

#### **6. Applicability of guidelines and circulars issued by Reserve Bank of India:**

Private Clients India's credit policy will always be subject to the Reserve Bank of India regulations applicable from time to time.

In particular, this policy is subject to RBI's exposure norms, prudential norms on assets classification and income recognition, instructions relating to directed credit and prohibition of credit as restricted by RBI from time to time.

In this connection, the contents of the various RBI circulars, not restricted only to loans and advances, and related matters should always be kept in mind. The maximum credit exposure to individual/group borrowers shall always be restricted within the Single Borrower Limits (SBL) levels as stipulated by RBI.

If due to any specific RBI regulation, including any changes that may be announced therein after formulation of the policy, parts of the Global Credit Policy become inadmissible, it shall be deemed that such parts are deleted from the policy. Accordingly, any changes to the RBI regulations would be deemed to be part of this policy as and when the same are made applicable by RBI.

The Company shall not,

- (i) lend to
  - (a) any single borrower exceeding fifteen per cent of its owned fund; and
  - (b) any single group of borrowers exceeding twenty-five per cent of its owned fund;
- (ii) invest in
  - (a) the shares of another company exceeding fifteen per cent of its owned fund; and
  - (b) the shares of a single group of companies exceeding twenty-five per cent of its owned fund;
- (iii) lend and invest (loans / investments taken together) exceeding
  - (a) twenty-five per cent of its owned fund to a single party; and
  - (b) forty per cent of its owned fund to a single group of parties

#### **7. Acceptability of Collateral and Type of Security**

Private Clients seeks to lend to fundamentally strong counterparties where primary exit from income, earnings, cash flow, liquidity, collateral is demonstrated in the Credit Proposal.

The client's request contains an instruction from the proposed pledgor to create a charge over the particular assets held by the client. The facility limit must at all times be within the approved Lending Value Percentages (LVPs).

All assets as per the Private Clients Global Credit Lending Policy for each security type shall be recommended along with each recommended security type for approval.

BIL IPL will not lend against its own debentures. BIL IPL will also not lend against Gold MFs and Gold ETFs where the underlying investment is bullion.

Unsecured facilities will not be extended under normal circumstances and will only be considered if they carry the appropriate level of support, please refer to Private Clients Global Credit Risk Policy for further details.

## B. Credit Forum

The Credit Forum will consist of the following members:

1. Private Clients Head - Credit Risk or his / her nominee
2. Private Clients Head – Credit Solutions or his / her delegate

Other participants may include invitees such as, Manager, Credit Operations, as appropriate. The credit proposals are to be presented to the committee by Head Credit Solutions. The Credit Forum may meet weekly or it could be presented via mail circulation.

It may also meet on an ad-hoc basis, based on requirements or review proposals by circulation. The decisions on proposals shall be maintained for audit review.

The Credit Risk Head or the Credit Forum may take guidance / oversight from the Group Risk resources for any credit request of INR equivalent of more than GBP 10 mn or any matter that would warrant a consultation and their inputs can be considered for decision by the Credit Forum.

## C. Methodology of Credit approval process

Credit request of the client can be sourced by any of BIL IPL employee. The proposals shall be assessed by the Private Clients credit solutions personnel and put up for approval to the Credit Forum.

BIL IPL shall carry out independent verification and analysis of borrowers' audited financials including audit reports (in case on Companies -) and credit information reports (CIRs). In case of non-corporate clients, audited Financials / net worth certificates from chartered accountants / IT returns / CIRs / portfolio holding statements etc. shall be relied upon. Further, since it is not mandatory for Trust to get the financials audited, BIL IPL may accept management certified financials while assessing/approving the loan.

The Credit Forum decision to advance a loan to a proposed obligor shall be based on multiple factors a few of which are enumerated below:

1. Obligor and, as relevant, Group background;
2. Obligor, and as relevant, Group leverage;
3. Ability to service debt (DSCR);
4. Liquidity within the proposed Obligor;
5. Liquidity within the Group;
6. Source of repayment of the facility
7. Availability of collateral and/or security;
8. End use of funds

The Credit Forum may consider any other factor / background / market news etc. or may apply human intelligence to arrive at a decision to advance / reject a loan to a proposed obligor. Rationale for the

Approval / rejection of the credit proposal shall be detailed by Credit Forum and communicated by Credit Risk.

Each obligor with one or more credit facility should be assigned an obligor grade and each credit facility should be assigned a Loss Given Default (LGD) grade. Credit grades shall be assigned using - Grading tools -as mentioned below, by or using expert judgement.

- a) PB Rating tool will be used for Individuals, HUFs, Pvt Investment companies and Trust (investment vehicle).
- b) SME Rating tool will be used for Operating companies up to Turnover of GBP 10 mn
- c) India Rating Replicator will be used for Operating companies which have Turnover > GBP 10 m

Expert Judgement is used when appropriate Models are not available or a Model has failed to produce a reliable grade, or if it's a requirement of the Model itself. Credit Risk team can have additional information not captured by the Model which may entail the use of override/ expert judgement.

While taking over a facility along with the underlying security from an existing lender, BIL IPL shall endeavour to write to the existing lender to provide the credit information of the borrower / classification of the account / facility being taken over.

#### **D. Methods for Controlling Risks**

##### **1. Control of Risks firstly depends on observing financing rules and the quality of legal documentation**

###### **(a) Financing rules**

Loan facilities are an important addition to the wide range of commercial products on offer in the Private Clients network. These rules form an integral part of the Private Clients Credit Policy.

The approval of Private Clients, India management is first required prior to accepting any non-marginable security. Secondly, any underlying transactions must be authorized by the relevant Committee / Credit delegation holder.

The rules presently in operation stipulate the permitted amount of lending exposure (financing ratio i.e. safety margin to be maintained between the market value of the portfolio pledged as security and the risk incurred) as well as the levels relating to margin calls and liquidation actions. Private Clients Global Credit Risk Policy and Collateral Evaluation Team (CET) as per their CET India Onshore Policy, specify the criteria for the diversification of any portfolio pledged as security and the eligibility of securities in terms of their quality, liquidity, ending Value Percentage, Margin Call Value Percentage and Close out Value Percentage.

However, local Credit Risk can override the Lending Value Percentage, Margin Call Value Percentage and Close Out Value Percentage prescribed by Collateral Evaluation Team. The final decision lies with BIL IPL Credit Team

Specific rules relating to risks resulting from market operations are among the general guidelines to be observed.

These rules are approved by the relevant levels of authority in Private Clients and Risk Management.

Pursuant to RBI's directive No. RBI/2014-15/186 DNBS (PD).CC.No.408 /03.10.001/2014-15 dated August 21, 2014 on NBFCs and any updates thereafter (notification RBI/2014-15/551DNBR (PD).CC.No.028/03.10.001/2014-15) - Lending against Shares, the Company while lending against collateral of shares, shall maintain a loan to value (LTV) ratio of 50% and accept only Barclays Group Credit Risk approved stocks out of the Group 1 securities (specified in SMD/ Policy/ Cir - 9/ 2003 dated March 11, 2003 as amended from time to time, issued by SEBI) as collateral for loans of value more than INR 5 lakhs, subject to periodical review by the Company. The same shall also apply to units of non-exclusive debt funds as clarified by RBI in Q.83 - FAQs – 'All you wanted to know about NBFCs'. Please refer para N. Policy on Collection of Dues and Repossession of Security.

**(b) Legal documentation**

For all categories of risk referred to above, the legal documents involved should contain provisions allowing the assets to be realized and protecting the Company from any involuntary unsecured exposure relating to the loan granted. In order to avoid future disputes with clients, the terms and conditions relating to credit procedures and/or operations must be clearly set out in any agreements, particularly the terms which entitle the Company to call for additional cover in and to liquidate positions, even without the prior consent of the client. Private Clients Legal Department. has an obligation to confirm that the documents and transactions concerned comply with prevailing local legal regulations.

In the event that the loan facility provided involves companies or other legal structures (trusts, foundations), Private Clients Legal Dept. should provide assurance that the legal validity of the documentation cannot be challenged in the jurisdiction in which such entities were established and that the signatories to any agreements and guarantees have the requisite authority to act. This must also be verified where joint accounts of individuals or powers of attorney are concerned.

**2. Control of Risks subsequently depends on efficient loan/security administration procedures**

The loan administration process should include continuous checks to compare the level of credit utilization against the assets pledged. The value of a standard portfolio pledged as security is exposed to constant fluctuations in market prices and the risk that the status of the issuer of the pledged instrument will decline. The possibility of realizing the assets is in itself contingent upon the existence of sufficiently liquid markets. The degree of Control applying in each location is fundamental to decisions on risk-taking. It is all the more important that portfolios pledged as security can vary in relation to specific agendas or management decisions relating to market movements. The Company must therefore be in a position to evaluate the portfolio pledged as security by the client at intervals which are appropriate to the portfolio and/or market situation and if necessary, inform the client of the amount of additional deposits or repayment to be made to ensure that sufficient collateral is maintained as security for the credit facility, in compliance with the conditions stipulated when the risk was approved.

As far as transactions secured by standby letters of credit or first guarantees are concerned, the office extending the loan must make sure that the commitment made by the guaranteeing institution provides sufficient security for the loan risk according to the terms stipulated at the time that approval was granted and that it is not subject to any prior conditions other than those of notification.

**(a) Collateral Management, Monitoring and Control of Limits**

For procedure of monitoring of limit and collateral management by Credit Operations please refer the Private Clients India Credit Framework and Procedure document. The procedures outline the methodology of collateral valuation, monitoring of limit, monitoring of facility expiry and procedure for annual review, steps undertaken when the value of covering assets has decreased, when the value of covering assets exceeds Close Out levels against the drawn balance, when the value of covering assets has increased, when the facility has not been utilised or utilised outside the sanctioned framework. Also refer to the Policy on Collection of Dues and Repossession of Security attached below.

### **3. Control of Risks ultimately depends on compliance with account opening procedures designed to minimize risks to reputation**

The opening of any account is subject to the rules of Compliance: client relations should only be entered into following a rigorous selection procedure based on strict verification of identity and knowledge of a client's activities. Knowledge of the client is the determining factor in deciding whether a new client account should be opened. Compliance must be consulted at the time of opening the account.

In the event that adverse market trends bring about results which are contrary to clients' objectives, it is imperative that the Company's image remains unaffected and in extreme cases, that its liability is not open to question. Besides arranging the legal documentation, Private Clients must make sure that clients have adequate knowledge of the risks inherent in these transactions and are willing to incur such risks. The theoretical total loan facility that can be granted can be determined from the value of the assets entrusted to the Company and from information gleaned from the client profile drawn up. By observing these rules, the Company is able to ensure that prime consideration is given to clients' interests.

Any loan transaction is subject to the obligation to exercise due diligence in order to prevent money laundering. Private Clients is obliged to obtain the required details from clients in order to evaluate the bona fides aspect of such transactions. In particular, they have a duty to check the purpose for which the client will use funds derived from such transactions and the methods used to repay the loan. This due diligence procedure is formally included in records relating to the client and is checked at regular intervals. In an additional capacity to its usual supervisory duties, Credit Risk should consult Compliance in the case of complex or unusual transactions and any information received should also be attached to the credit application. Such opinion shall be incorporated into the evaluation process for new transactions.

## **E. Target Clients**

BILIPL's offering mainly caters to client segment of High Net Worth individuals (HNIs) or companies including industrial enterprises, owned by such HNIs. Credit Offering will be focused on the following:

### **1. Client selection:**

- Only deals with clients sufficiently known to the Company or which have an unquestionable reputation in their markets or are introduced to BILIPL by respected third parties;
- BILIPL will target High Net Worth individuals as also their owned commercial entities.
- BILIPL shall ensure compliance to all relevant statutory directions including KYC Master directions issued by RBI from time to time.

- Requires the same level of integrity from its clients as it imposes on itself (as a result, the Company always makes itself comfortable with the origin of the funds in possession of its clients);
- Does not provide services to participants in industry sectors locally reputed as possibly associated with criminal organizations unless it is satisfied that appropriate verification have demonstrated that such clients are not involved in any suspect relationships;
- The NBFs will not discriminate in extending loan facilities to the physically / visually challenged applicants on grounds of disability.

## 2. Focus on risk-reward:

Private Clients objective is to optimize its risk/reward return, which implies:

- a focus on “value-added service” like investment services to the Company’s customers;
- an accurate internal client grading and counterparty assessment process, based on a balanced and rigorous credit analysis of the strengths and weaknesses of all transactions;
- a remuneration commensurate with the risk (as reflected by the assigned Counterparty assessment), the final decision with respect to pricing belonging to the Business;
- a dynamic yet selective approach of business development, without compromising on credit/portfolio quality to obtain additional business.

## 3. Client Eligibility

Clients who hold eligible and diversified assets.

- Adult Individuals (aged above 18 years), (sole or on a joint account basis)
- Hindu Undivided Families (HUFs)
- Individual centric commercial entities including industrial enterprises
- Trusts
- Private Investment Corporate Entities

a) Where offered on a joint basis, assets covered by our charge and taken into limit calculation will be all those assets held in joint names **plus** those held in individual names of both parties or any third party.

b) Where offered on an individual basis, assets covered by our charge and taken into limit calculation will be all those assets held in the sole name of the individual or any third party.

Entities that are connected, for example through shareholdings or key individuals, may, in aggregate represent a greater credit risk than would be evident from consideration of the entities in isolation. Such Group Entities in the global sense can be defined as “Connected parties of Interest and Purpose”

Please refer to relevant paragraphs on Connected Accounts / Aggregation in the Global Credit Risk Policy to understand the client grouping and definition thereof.

## F. Limit:

Need Based. The Maximum limit is based on the market value of eligible assets held by the clients and securitised with Private Clients, India after applying the relevant approved LVP on the particular asset.

The limit will be recalculated on a regular basis and move upwards or downwards in line with any movement in assets held. Limit changes will be advised to clients on request.

## G. Commercial Terms, Credit pricing and Interest Rates

In order to calculate a fair Credit price for a particular lending arrangement, one needs to bear in mind the following:

- the credit risk (probability of default, loss given default, exposure at default)
- the operating costs (fixed and marginal)
- the client relationship
- competitor/ market pricing
- our credit appetite/ headroom
- our strategic positioning

The spread shall factor the cost of capital adequacy based on Return on Risk Weighted Assets RoRWA of the total exposure amount.

It will be the prerogative of the Private Clients Business, i.e. Credit Solutions to decide upon the commercial terms, and interest rates and communicate on every case to operations after due consideration of the following factors:

- **'What if' pricing** - The ability to provide multiple scenario prices, before the final structure is agreed.
- **Break even pricing** - The ability to provide a break-even price for a particular risk
- **Bespoke (Risk adjusted) pricing** - The ability to use the prevailing risk models to provide pricing for bespoke (unique) transactions.
- **Client segmentation** - The ability to recognise different client segments so that pricing could be adjusted accordingly.
- **Asset class pricing** - The ability to recognise different (and in some cases multiple) asset classes so that pricing can be adjusted accordingly.
- **Spread & Fee** - The ability to be flexible
- **Regulatory & economic capital** consumption/ return for each trade
- **Other factors** – The ability to factor in other costs i.e. operational and other financial costs

Interest shall be payable by the borrower, in arrears at the frequency and rate, agreed with the lender and communicated in the disbursement / interest reset confirmation letter.

Credit Risk shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period. For all such loans, Credit Risk will stipulate the repayment date. The interest rate and frequency either at monthly or quarterly rests shall be agreed with the client before disbursement of such loans.

### **FOCUS ON RISK-REWARD:**

The Company's objective is to optimize its risk/reward return, which implies:

- an accurate internal client grading and counterparty assessment process, based on a balanced and rigorous credit analysis of the strengths and weakness of all transactions;
- a remuneration commensurate with the risk (as reflected by the assigned counterparty assessment), the final decision with respect to pricing belonging to the business;

**H. Term:**

Annually renewable – revolving / demand / call facility. Loans can be extended for longer periods based on the structures recommended by business and approved by Private Clients Credit Risk. However, the facilities will be reviewed for satisfactory compliance with the terms of sanction, by Private Clients annually and recommend renewal.

The Client may cancel this Facility at any time within 14 days of the date on which the Client signs this Offer Letter. If the Client has drawn down the Facility and subsequently cancels this Facility, it must, within 30 days of such cancellation, repay or pay in full any money lent to it. The Company may, in its discretion, charge the Client the full amount of any arrangement fee or other applicable costs and fees incurred in establishing the Facility and any accrued non-utilisation fee in respect of the period between signing and cancellation. If the Client does not exercise its right to cancel, this Facility will continue until it is otherwise terminated in accordance with the terms of the Offer Letter.

Pre-payment of the facility may be allowed at the sole discretion of the Company and the same shall be subject to charge that may be levied by the Company. It will be the prerogative of the Private Clients Business, i.e. Credit Solutions to determine and / or waive the break-cost and pre-payment fee and communicate on every case to operations.

**I. Repayment:**

The proposed credit facilities will be revolving on-demand loan facilities with tenor decided upfront at the time of disbursal. However, for credit or other several reasons, the Company will have the right to ask for the facilities to be repaid on demand at any time together with all interest and other charges accrued to the date of repayment, without set-off or counterclaim.

**J. Renewal of Loan Component**

The facility, may be renewed over at the request of the borrower. However, the Company shall according to the Private Clients Global Credit policy agree / disagree to review and renew all facilities on an annual basis.

The Company shall however not undertake renewal the facilities without doing any assessment.

**K. Credit Application:**

The Credit facilities shall be granted at the request of the client. The request / application may be verbal / written or communicated by any mode but shall be agreeable and understandable to the Company. The request / application should contain details of the client and facility requirement, along with instructions / mandates to debit the account for incidental charges such as stamping, processing fees, etc.

**L. Credit Proposal:**

The Credit Proposal Form (Refer intranet link of current template of Credit Proposal and GradingSheet) (<http://teams.barclays.intranet/sites/prodres-copy/India/banking/Wealth%20India%20Product/Forms/AllItems.aspx>) incorporates a summary, assets and liabilities schedule, the main body of the credit proposal and the Client Grading Form. Guidance notes on how to complete a credit proposal is provided in Credit Proposal Guidance Notes on the above template.

#### **M. Restructured Accounts**

A restructured account has been defined to be one where “the NBFC, for economic or legal reasons relating to the borrower’s financial difficulty, grants to the borrower concessions that the NBFC would not otherwise consider”. Restructuring means modification of terms of the loan, which would generally include alteration of repayment period or repayable amount / other commercial terms due to reasons other than competitive reasons”. Roll-over of short term loans, where proper pre-sanction assessment has been made and the roll-over is allowed based on the actual requirement of the borrower and no concession has been provided due to credit weakness of the borrower are not considered as “restructured accounts”.

Once an account has been classified as a restructured account, regulatory requirements on income recognition, provisioning and disclosure needs be followed. It has been clarified that commercially driven interest rate resets on loans are not to be counted as ‘roll-overs’.

#### **N. Policy on Collection of Dues and Repossession of Security**



Policy on Collection  
of Dues and Reposs

#### **O. Income Recognition, Asset Classification and Provisioning Norms**

The Company shall strictly adhere to the directions on Prudential Norms issued by the Reserve Bank of India’s applicable to “Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Directions, 2007 on February 22, 2007, vide Notification No.DNBS.193/DG (VL) – 2007 and vide circular No. RBI/2013-14/528 DNBS (PD) CC.No.371/03.05.02/2013-14 dated 21st March 2014 on Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery and which also addresses Asset Classification and Provisional Norms. The Company shall also strictly adhere to the directions on Prudential Framework for Resolution of Stressed Assets issued by the Reserve Bank of India vide circular No. RBI/2018-19/ 203, DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019. The Company shall also adhere to such future superseding notifications issued by the regulator from time to time.

##### **Penal Interest for delayed payments**

If an obligor fails to pay any amount payable by you under a finance document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) (a “default interest period”) at a rate which is two (2) per cent or such rate as may

be determined in accordance with prevailing market practices higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan in the currency of the overdue amount. Any interest accruing under default interest shall be immediately payable by the obligor on the Company's demand. Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each default interest period applicable to that overdue amount but will remain immediately due and payable

### Write-off of Loans

BILIPL Board may consider case-specific partial or full write off based on recovery prospects in the back-drop of the following after necessary approvals from the Credit Risk Officer having discretion over the case:

- a) recoverable security and the erosion over time in the value of security charged,
- b) case dynamics,
- c) extent of legal actions against the borrower,
- d) the time lag between an account becoming over-due and non-performing,
- e) uncertainty in terms of time and recoverable quantum from initiated legal actions, and
- f) historical provision made on such assets as sub-standard assets, doubtful assets and thereafter loss assets,

The broad criteria/parameters presently considered for effecting write-offs is tabled below:

Sr. #	Criteria	Remarks/Comments
<b>A. NPAs over 3 years (i.e. 2<sup>nd</sup> year of Doubtful 2 Category) with -</b>		
1.	100% provision held over 1 year	Except for unsecured exposures, secured exposures normally remain partially provided till 4 <sup>th</sup> year of NPA
2.	Recovery action having been initiated with negligible progress over one year since initiation of legal action	How many hearings held since filing of petition/suit & material developments
3.	Closed Operations	
4.	Unsecured Exposure & /Or Unenforceable security (identified issues with enforceability of security held)	The type of security & type of charge – viz. exclusive/1 <sup>st</sup> Pari-passu /2 <sup>nd</sup> pari-passu /subservient impacts enforceability & recoverability.
5.	Uncertainty over the time-frame & quantum of recoverable security	This is linked to / influenced by 2. 3. & 4. above & value of security cover
6.	Reported external triggers /factors like winding-up initiated by few creditors, assets/accounts attached by statutory bodies	Recovery prospects (incl. where there is an agreed restructuring) materially jeopardized by these external actions.
7.	Reported Fraud investigations by Regulatory / Govt. bodies	Initiated by RBI/SEBI/SFIO/CBI/EOW /etc.
<b>B. Exceptional Circumstances where write-offs can be considered before A. above (within 3 yrs of NPA)</b>		
8.	Auditors (RBI/Stat/Concurrent) re-classifying an asset as 'Loss Asset'	Based on their assessment /addl. knowledge about the case from auditing other co-lending Banks

- 100% of such Loss assets shall be written off. If the Board allows assets to remain in the books for any reason, 100% of the outstanding should be provided for.
- Each case may have a combination of the above circumstances for deciding partial/full write-off justifiable on case-specific basis as per RBI expectations.
- All valuation-related stipulation/guidelines to be followed by BIL IPL to be diligently expedited by the Credit Administration Department.
- All mandatory reporting (internal & external) to be in line with extant guidelines issued by RBI from time to time.
- All other prevailing regulatory guidelines on the subject, must be followed and fully complied with.

**P. Loss Given Default**

LGD is defined as expected loss which BIL IPL may incur in case of default by a borrower. LGD is assessed at facility level, or sub-facility level for multi-facilities and is calculated based on Exposure at Default (EAD), except in cases where there is no EAD, in which case LGD is calculated assuming full utilisation of the limit.

Private Clients India portfolio is fully secured by liquid financial securities, further lending value are offered post applying sufficient haircuts on these financial securities and therefore a standard floor of 10% is agreed for entire Private Clients India portfolio.

**Q. Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery**

The Company shall strictly adhere to the directions on Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery issued by the Reserve Bank of India applicable to all Non-Banking Financial Companies on 21st March 2014, vide RBI/2013-14/528 DNBS (PD) CC.No.371/03.05.02/2013-14 and future superseding notifications issued by the regulator from time to time. The Company shall also strictly adhere to the directions on Prudential Framework for Resolution of Stressed Assets issued by the Reserve Bank of India vide circular No. RBI/2018-19/ 203, DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019.

The exact due dates for repayment of each Facility, the frequency of repayment, the breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be specified in the Finance Documents and the borrower shall be apprised of the same at the time of sanction of the Facility and also at the time of subsequent changes, if any, to the sanction terms/Finance Documents till full repayment of such Facility.

Before a loan account turns into an Non Performing Asset (NPA), the Company will be required to identify incipient stress in the account by creating a sub-asset category viz. 'Special Mention Accounts' (SMA) with the three sub-categories as given in the table below:

Loans other than revolving facilities	Loans in the nature of revolving facilities like cash credit/overdraft
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SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Upto 30 days		
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days

In the above context, it is further clarified that borrower accounts shall be flagged overdue by BILIPL as part of the day-end process for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day-end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

Where the Company has exclusive / first charge on the pledged liquid financial asset and as agreed in the Facility and Security agreements, the Company shall take appropriate steps to give due notice to the borrowers and security providers, when Credit Risk triggers an invocation of pledge upon occurrence of event of default. For illiquid securities which are hypothecated / mortgaged to the Company will take appropriate steps to decide on a resolution strategy, contact the existing lenders to and evaluate forming the Joint Lenders’ Forum, access credit information from CRILC and formulate a corrective action plan as guided by RBI in its circular for SMA-2 clients. The Company will have 30 days from the date of default to start working on a resolution plan (RP) as per the regulatory guideline. Where a Resolution plan has been implemented, all the lenders shall sign the inter-creditor agreement within the 30 days’ period. Credit Operations will report SMA-1 and SMA-2 to Finance. The Company may choose to initiate legal proceedings for insolvency or recovery.

The Company shall implement the framework of Resolution Plan as guided by the Prudential Framework for Resolution of Stressed Assets issued by the Reserve Bank of India vide circular No. RBI/2018-19/ 203, DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019.

The Company shall identify “non-co-operative borrowers” based on inputs from Credit Risk as defined by RBI in the said circular, and give 30 days’ notice to clarify their stand before their names are reported as non-cooperative borrowers. The Company shall classify such non-co-operative borrowers in the reporting to RBI by Finance.

The Company through its Finance Department, shall report the relevant credit information on a quarterly basis or at such frequency as may be advised by RBI from time to time, in the prescribed formats. The Company shall make appropriate disclosures in its financial statements, under ‘Notes on Accounts’, relating to the implemented Resolution Plans.

Finance and Credit Risk will also report such cases to the Risk and Control Committee and will appropriately table it to the Board from time to time.

**R. Requirement as to capital adequacy**

The Company shall strictly adhere to the directions on Prudential Norms issued by the Reserve Bank of India's applicable to "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Directions, 2007 on February 22, 2007, vide Notification No. DNBS.193/DG (VL) – 2007 and future superseding notifications issued by the regulator from time to time.

**S. Transfer of Loans**

Pursuant to RBI's Master Directions dated 24<sup>th</sup> September 2021 on Transfer of Loan Exposures, BIL IPL hereby clarifies that BIL IPL does not resort to transfer of loan exposures as may be referenced on the said RBI's Master Directions. Should BIL IPL envisage to resort to transfer of loan exposures for whatever reason, BIL IPL shall incorporate the provisions of the said subject RBI's Master Directions and as may be amended from time to time in the credit policy after due approvals from the Board of Directors.

**T. Issue of comprehensive Credit Information Reports**

The company shall strictly adhere to the directions from Reserve Bank of India on Issue of Comprehensive Information reports and future superseding notifications issued by the regulator from time to time.

**U. Concentration of Credit / Investment**

The Company shall strictly adhere to the directions on Prudential Norms issued by the Reserve Bank of India's applicable to "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Directions, 2007 on February 22, 2007, vide Notification No. DNBS.193/DG (VL) – 2007 and future superseding notifications issued by the regulator from time to time.

**V. Rounding-off of Amounts**

BIL IPL shall rounded off to the nearest rupee all transactions, i.e. charging of interest on advances and principal amounts. Fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise shall be ignored. BIL IPL shall ensure that cheques/ drafts issued by clients containing fractions of a rupee are not rejected.

**W. Death of a client**

In the event of the death of a client who is party to a Current Facility Account, Private Clients Legal Department shall guide the client on action to be taken. The assets securing the facility could be a combination of joint and sole assets and the action we take on notification of death will be dependent on how these assets are held.

## **X. Exception Process**

All requests for exceptions to the procedures should be referred to the Business Managers in the first instance and agreed by Head of Credit Risk and Credit Solutions. Where appropriate, exceptions will be documented.

## **Y. Roles and Responsibilities**

### **a. The Credit Solutions Team are responsible for**

Training /coaching of various teams in credit product awareness, risk awareness, identification of key information and in the successful completion of credit applications.

Completion of routine applications & renewals and completion of the more complex applications.

Negotiating face to face with clients, especially for complex transactions.

Ongoing dialogue with other credit teams (and as appropriate other credit product development areas in the Barclays Group) to ensure the conveyance of best practice and product enhancement.

Liaising with Head of Risk, Private Clients or Nominated Deputy in respect of amendments to the credit product and to the Credit Policy and Procedures.

Providing guidance and in particular providing input on pricing and structuring for all credit transactions

Being updated with regulatory environment changes and recommends changes to the framework and credit products to concerned stake-holders.

### **b. The Credit Risk Team are responsible for**

Reviewing lending applications and provide opinion based upon a technical credit review.

Maintaining Watchlists, reviewing strategies in conjunction with the Private Clients Executives and Credit Admn. Team (CAT).

Reviewing excess reports on daily basis.

Establishing strategies where maintenance / close out margins have been breached.

Highlighting to Credit Solutions where applications are not completed comprehensively and to a high standard to enable Credit Solutions to undertake coaching / training.

### **c. The Credit Admin. / Operations Team are responsible for:**

Post sanction function dealing in the provision and monitoring of lending facilities to High Net Worth and Affluent clients.

The production of security documentation e.g. facility letters, charge forms and overseeing transactions from sanction through to drawdown. In the case of property transactions, Credit Admin, in conjunction with Legal to engage with external third parties such as solicitors and valuers on behalf of the Company to complete the Company's charging process.

The daily monitoring of security and lending positions is undertaken post drawdown of facilities and monitor where unauthorised account positions arise via the refer list.

Initiate and execute the asset recovery process after clearance from the Business & Credit risk Heads

Maintaining the data quality in the system and report monthly to Business Head and Credit Risk on:

1. MI as may be required from time-to-time.
2. All Over Due facilities and securities (close-ended) with ageing
3. All facilities exceeding Credit Limit and not cleared for > 30 days
4. All facilities exceeding Margin Call Ratios & Liquidation Ratios
5. All documentation irregularities

Undertake to report the Credit related periodic / ad-hoc regulatory. Pursuant to RBI's directive No. RBI/2014-15/186 DNBS (PD).CC.No.408 /03.10.001/2014-15 dated August 21, 2014 on NBFCs-Lending against Shares, the Credit Admin. / Operations Team shall report on-line to stock exchanges, in the prescribed format, information on the shares pledged in the Company's favour, by borrowers for availing loans. The reporting shall be done online to the stock exchanges through the authorized User Ids created for update of the data on the web links of respective Stock Exchanges.

## **Z. Membership to Credit Information Companies (CICs)**

BIL IPL shall become member of all 4 CICs viz. Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited and provide the requisite data to them, including historical data.

## **AA. Conclusion**

In applying the above, the Company will make use on a permanent basis of rules appropriate to different categories of risk with which it is essential to comply. They must also be regularly updated to allow for market trends and client expectations. This policy would be reviewed on an annual basis and the updated version of the same will be distributed as soon as the same is approved.

**Barclays Investments & Loans (India) Pvt. Ltd. (BILIPL)  
Private Clients**

**Policy on Collection of Dues and Repossession of Security**

**Document Management**

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## Information on the Document

### *Revision History*

Version	Date	Status	Change Description
1.0	02-05-08	Draft	New Document Draft
2.0	30-06-08	Amended and presented for Credit Risk final acceptance for NPSO	Changes as suggested by Head – Credit Risk Policies and Procedures
3.0	12-03-19	Review	Changes: 1) To reduce the margin call notice period 2) Included margin call trigger to exceed statutory timelines set for correction of excess position
4.0	05-12-18	Amended	1. Name change incorporated 2. Updated to amend the excess monitoring and margin call process for equity shares
5.0	16-9-19	Amended	1. PBOS to Private Clients 2. Updated to amend the excess monitoring and margin call process for non-exclusive debt mutual funds

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## 1. Introduction:

The debt collection policy of BIL IPL is built around dignity and respect to customers. BIL IPL will not follow policies that are unduly coercive in collection of dues. The policy is built on courtesy, fair treatment and persuasion. BIL IPL believes in following fair practices with regard to collection of dues and repossession of security and thereby fostering customer confidence and long-term relationship.

The repayment schedule for any loan sanctioned by BIL IPL will be fixed taking into account paying capacity and cash flow pattern of the borrower. BIL IPL will explain to the customer upfront the method of calculation of interest and how the Equated Monthly Installments (EMI) or payments through any other mode of repayment will be appropriated against interest and principal due from the customers. BIL IPL would expect the customers to adhere to the repayment schedule agreed to and approach BIL IPL for assistance and guidance in case of genuine difficulty in meeting repayment obligations.

BIL IPL's Security Repossession Policy aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property. The policy recognises fairness and transparency in repossession, valuation and realisation of security. All the practices adopted by BIL IPL for follow up and recovery of dues and repossession of security will be in consonance with the law.

## 2. General Guidelines:

All the members of the staff or any person authorised to represent BIL IPL in collection or/and security repossession would follow the guidelines set out below:

1. The customer would be contacted ordinarily at the place of his/her choice and in the absence of any specified place, at the place of his/her residence and if unavailable at his/her residence, at the place of business/occupation.
2. Identity and authority of persons authorised to represent BIL IPL for follow up and recovery of dues would be made known to the borrowers at the first instance. BIL IPL staff or any person authorised to represent BIL IPL in collection of dues or/and security repossession will identify himself / herself and display the authority letter issued by BIL IPL upon request.
3. BIL IPL would respect privacy of its borrowers.
4. BIL IPL is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and BIL IPL will adopt civil manners for interaction with borrowers.
5. Normally BIL IPL's representatives will contact the borrower between 0700 hrs and 1900 hrs, unless the special circumstance of his/her business or occupation requires BIL IPL to contact at a different time.
6. Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
7. BIL IPL will document the efforts made for the recovery of dues and the copies of communication set to customers, if any, will be kept on record.

8. All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
9. Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

**3. Giving notice to borrowers**

While e-mail or written communications, telephonic reminders or visits by BIL IPL's representatives to the borrowers place or residence will be used as loan follow up measures, BIL IPL will not initiate any legal or other recovery measures including repossession of the security without giving due notice in writing. BIL IPL will follow all such procedures as required under law for recovery/repossession of security.

**4. Repossession of Security**

Repossession of security is aimed at recovery of dues and not to deprive the borrower of the property / asset. The recovery process through repossession of security will involve repossession, valuation of security and realisation of security through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing the notice as detailed above. Due process of law will be followed while taking repossession of the property. BIL IPL will take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business.

**5. Valuation and Sale of Property / Security**

Valuation and sale of property repossessed by BIL IPL will be carried out as per law and in a fair and transparent manner. BIL IPL will have right to recover from the borrower the balance due if any, after sale of property / security. Excess amount if any, obtained on sale of property / security will be returned to the borrower after meeting all the related expenses provided BIL IPL is not having any other claims against the customer.

**6. Opportunity for the borrower to take back the security**

As indicated earlier in the policy document, BIL IPL will resort to repossession of security only for the purpose of realisation of its dues as the last resort and not with intention of depriving the borrower of the property. Accordingly, BIL IPL will be willing to consider handing over possession of property/security to the borrower any time after repossession and before concluding sale transaction of the property / security, provided BIL IPL dues are cleared in full. If satisfied with the genuineness of borrower's inability to pay the loan installments as per the schedule which resulted in the repossession of security, BIL IPL may consider handing over the property / security after receiving the installments in arrears. However, this would be subject to BIL IPL being convinced of the arrangements made by the borrower to ensure timely repayment of remaining installments in future.

## 7. Procedure on collection of dues and repossession of security – Margin Call

The bank should monitor all the accounts for any irregularity where credit facilities are availed by the clients regularly. The reasons for irregularity could be collateral shortfall i.e. fall in value of the securities to exceed the applicable Margin Call Percentage, such excess position exceeds the regulatory permissible timelines for rectification, interest not funded, no credit entry in an overdraft account for more than 90 consecutive days, expiry of facility or security or incomplete documentation, etc. The irregularity must be immediately reported to the client for correcting and taking necessary action.

Credit Operations shall monitor on a daily basis, credit files against securities listed on the recognised stock exchanges or mutual fund units for the Loan to Value Ratio (LTV). The LTV must always be equal to or less than the applicable Margin Call Percentage. If the LTV exceeds the Margin Call Percentage or such excess position exceeds the regulatory permissible timelines for rectification, necessary follow-up action needs to be undertaken with the client to ensure that the LTV is within the applicable Margin Call Percentage. In case the LTV reaches the Margin Call Percentage or continuous excess period that would breach the regulatory permissible timelines for rectification, liquidation notice of 3 days as approved by Credit Risk should be given to the client for the client to fund the account or pledge fresh eligible securities. In case of equity shares and non-exclusive debt oriented mutual funds, the excess position should be rectified so that the LTV ratio is equal to or less than 50% within 7 working days. In case of continuous fall of market prices of pledged equity shares and non-exclusive debt oriented mutual funds, the client is expected to correct the excess position on a rolling 7 working days' basis with a cap at Margin Call Percentage levels. In such cases, a notice shall be sent to the borrowers to inform the clients of excess position, so that such excess is rectified within 7 working days. If the LTV reaches the Close Out Percentage during the notice period or otherwise, BILIPL can exercise its right to proceed for liquidation of the securities as per legal documents executed at the time of sanction of the credit facility and the same shall be communicated in the Notice Letter. Exceptionally Credit Risk may agree to hold the liquidation process, depending upon the circumstance and past conduct history of the client.

When the LTV exceeds the Close Out Percentage or the client has not responded to the Margin Call Notice, Credit Operations shall initiate the liquidation process, after seeking Credit Risk's approval and ensure that the liquidation of the security is done to protect the pledgee's interest at the same time ensuring fairness to the pledgor. Following procedure needs to be followed:

1. Credit Operations shall inform the Business Head, Credit Risk and the FO and confirm whether to go ahead to liquidate the asset.
2. FO to respond to Credit Operations after speaking to the client with copies to Business Head & Credit Risk. In circumstances that require action to liquidate being postponed (examples could be market correction, funds under wire, personal reasons, protection of security value etc) then Business can raise a request and seek approval to Credit Risk. There should be a reasonable level of confidence in the alternate plan to follow this exception and evidence. Credit Risk will need to provide approval for any

decision not to progress with Close Out. These instances shall also be reported quarterly to MRCC and any other forum that MRCC deems fit.

3. In case of decision taken to proceed for liquidation, instructions by Credit Operations to contain security description, number of units, market price & value to be liquidated against outstanding dues. In case liquidation is not to be exercised, FO to seek approval from Credit Risk sighting reasons not to do so.
4. Credit Operations to instruct / prepare letters for invocation of pledge. Despatch instructions / letters of invocation of pledge to the concerned Counterparty who has registered the pledge.
5. Instruct broker / AMC/ Issuer to Sell / redeem the security pledged.
6. Receive the proceeds of the invoked and sold / redeemed security.
7. Check the settlement proceeds with fair market price.
8. Credit the proceeds to the outstanding facility account to recover all outstanding dues.
9. Cancel the facility and write letter to the client informing the liquidation along with supporting documents.
10. Obtain acknowledgement of the Letter and file.

In the event of maturity of the credit facility, client's instructions for either closure or renewal of the facility must be obtained. In case of closure, the client must be given notice of ten days or expiry of facility whichever is later for repaying the credit facility along with interest accrued and any other dues. If the client fails to repay all the dues on expiry of the credit facilities, the bank can proceed for liquidation of the securities pledged to recover the dues.

If the client has repaid all the dues on closure of the credit facilities, all the securities which were pledged/transferred in favor of the bank must be de-pledged/transferred back to the client's name. A no dues certificate may then be given to the client on request.

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