



Re: Terms and Conditions for empanelment of Resolution Agents for recovery of Non-Performing Assets (NPA)

Bank of Maharashtra invites application for empanelment of Resolution Agents for recovery in large NPA accounts.

Preamble:

Bank of Maharashtra intends to empanel Resolution Agents to facilitate expeditious resolution of large value NPAs. The Resolution Agent will be responsible for ensuring timely recovery in NPAs as per law, in accordance with Government and regulatory guidelines. The primary onus of initiating, continuance and follow up of recovery action (including legal proceedings) will be of the Resolution Agent. The Resolution Agent is expected to take recovery efforts in consultation with the Bank.

Scope of work

- Primary Onus in initiation and continuation of Recovery Action
- Assessment of Viability of the Unit/Business
- Scouting for investor in consultation with borrower, if the unit is viable
- Assist bank officials in initiation and or pursuit of recovery action
- Assistance in SARFAESI Enforcement – Possession/DM or CMM permission
- Formulation of Account wise Strategy and suggest suitable action viz., OTS, SARFAESI, Suit Filing, Attachment of unknown personal properties of Borrowers/Guarantors, Exploring possibility of diversion and willful default and action under the Bankruptcy Code.
(Seek the help of property investigation agents/detective agencies in consultation and approval of Zonal Heads)
- Obtain latest CIBIL Report of borrowers/guarantors (from ZO/Branch) and suggest suitable action.
- Scrutinize the account statement to ascertain fraud/diversion/willful default. With the help of branch records i.e., account statement, stock audit and credit audit reports and Personal Information Forms/Net worth statements.
- In case of Corporates, collect personal and financial information from public domain/Social Media on all companies related to Directors to assess borrower/guarantors repayment capacity.
- Ensuring recovery by execution / implementation of formulated recovery strategy

Operational guidelines:

It shall mandatory for the empanelled Agencies to:

A: Submit the following periodically (periodicity will be decided by the Bank)

- Post Visit Personal Information Memorandum duly counter signed by the Bank Officials (hereinafter referred to as the due diligence)
- Visit report/Call Records with gist of discussions
- Reporting in Annexure A and B

B Achievement of Milestones as specified

C The Resolution Agent may take assistance of panel advocate, panel Valuers etc. in consultation with Bank. The Resolution Agent will preferably take assistance of professionals on the panel of the bank. In specific cases the Resolution Agent may engage advocates other than on Bank's panel, subject to the approval of fees and sanction by Head Office/Zonal Office.

Eligibility Criterion

- 1) The Applicant should be registered as Asset Reconstruction Company, **or**
- 2) The Applicant should be empanelled as Resolution Agent by Asset Reconstruction Company, and in case of empanelled Resolution Agent, they should have Assets worth at least Rs. 50 Crore for resolution, as on 30.06.2016 **or**
- 3) The applicant -
 - a) Should be firm/company/LLP having minimum two years standing as on 30.06.2016 and
 - b) Should have Assets worth at least Rs. 50 Crores for resolution as on 30.06.2016

Outsourcing Clause

Resolutions Agents are expected to provide details of persons employed by the Agency for Bank's Work and ensure compliance of all statutory and regulatory requirements related to their engagement for bank's work.

An undertaking to the effect that due diligence in respect all such employees like KYC and Police Verification etc., is completed is to be submitted along with the application. This should be ensured throughout the period of contract. Those engaged in recovery job are required to complete the mandatory 100 hours training.

Remuneration of Resolution Agent

1. **Commission payable (This will be subject to moderation at rate given below)**

Category of NPAs	Commission payable
Recovery effected in secured assets	3% of cash recovery made in each account
Recovery effected in un-secured assets	5% of cash recovery made in each account

If account has tangible collateral asset of 10% or less, the account will be classified as unsecured asset. Similarly if account has tangible collateral asset of more than 10%, the account will be classified as secured asset. In case of any ambiguity in

classification of account as secured as unsecured, banks decision will be final and binding.

2. Moderation Factor:

The commission payable will be moderated at the following rate:

Sr. No.	Tenure	Moderation Factor
1	Recovery effected within one year of entrustment	150%
2	Recovery effected within two year of entrustment	125%
3	Recovery effected within three year of entrustment	100%
4	Recovery effected within four year of entrustment	75%
5	Recovery effected within five year of entrustment	75%

First date of month following the date of submission of due diligence by the Resolution Agent will be i.e. countersigning of PIM by Bank officials date of reckoning for calculating period of entrustment for commission payable. e.g. if the countersigned on 14/08/2016, date of reckoning will be 01/09//2016.

3. Recovery eligible for payment of commission:

Pure cash recovery after the date of due diligence as mentioned above, including recovery by settlement/ OTS, sale of assets under SARFAESI, sale of assets through Court, DRT will be eligible for calculating payment of commission.

In case accounts where the recovery action viz SARFAESI/DRT/Auction etc are in advance stage at the time of allotment of account, Bank reserves the right to determine commission payable on case by case basis.

However compensatory recovery, i.e. recovery by exercising right of set-off by Bank will not be eligible for calculating payment of commission.

Further, recovery by sale/assignment of asset (account) to ARC/NBFC/FI at any time after the allotment of the account will not be eligible for calculating payment of commission. Bank will have absolute right to sale of assets/ assignment of right title interest in favour of ARC or other permissible entity. Such accounts stand treated as withdrawn from resolution from the date of sale.

4. Reimbursement of Expenses:

Expenses

- The expenses pertaining to professional including advocate's fee, valuer's fee etc. will be payable by bank. Bank will directly make payment for professional fees to the professional.

S. N	Type	Basis
1	Advocate Fee	a) As per Bank's Advocates Fee Schedule. b) Fees as agreed by bank, exceeding Advocate's Fees Schedule
2	Court Fee	Actual
3	Stamp Duty	Actual
4	Incidental Charges (excluding conveyance/traveling)	Actual

2. Expenses pertaining to Enforcement of Security under SARFAESI

S. N	Type	Basis
1	Assistance in taking symbolic possession of secured assets and for preparing the Panchanama and inventory	Rs. 5,000/-
2	Assistance in taking actual possession of secured assets and for preparing the Panchanama and inventory without the help of CMM/DM	Rs. 15000/-
3	For obtaining orders from CMM/DM	Rs. 5,000/-

3. Security expenses

Sr. No	Type	Basis
1	For engagement of security guards/(s), to be decided in consultation with Bank consistent with Applicable Laws	Actual- To be agreed in writing by bank prior to engagement.

4. Other expenses viz. insurance, valuation, newspaper advertisement for sale of assets. Actual will be paid by bank.

The Resolution Agent shall raise monthly invoice on respective zones for the commission, incentive and approved expenses as stated above payable by bank.

Recovery Target/milestone

Time period	Cumulative target/ Milestone necessarily to be achieved
Within 1 year	10 % of Ledger Balance (Principal amount)
Within 1 to 2 year	25 % of Ledger Balance (Principal amount)
Within 2 to 3 year	50 % of Ledger Balance (Principal amount)
Within 3 to 4 year	60 % of Ledger Balance (Principal amount)

De-panelment/ removal/ Termination

Bank may de-empanel/ remove/ terminate the services of Resolution Agent in the following eventualities-

- On failure of reaching the recovery target of two milestones. However, while calculating achievement of recovery target, bank may take into account all the accounts entrusted to resolution agent, or
- On coming to know gross irregularity, material breach of terms of agreement, violation of IBA model code of conduct by its employees engaged in recovery

Bank reserves the right to withdraw any account by giving 15 days notice without assigning any reason.

However, Bank before de-panel/ removal/ termination, may give 15 days' notice to the resolution agent. Bank will not give any notice if the irregularity pertains to corruption, reputation of bank, use of any improper means or grave irregularity; in this bank will forthwith sever the relationship with agency.

Bank may, at its sole wisdom, after de-empanel/ removal/ termination of resolution agent, either entrust the matter/ account to other resolution agent/ recovery agent/ or recover through its own officials with or without the assistance of professionals engaged in coordination of resolution agent.

Notwithstanding anything mentioned herein, Bank will have unqualified right to cancel this agreement and terminate the services of Resolution Agent without assigning any reason after giving 30 days notice. Bank decision in this regard will be final and binding.

The power of termination of empanelment of Resolution Agent shall vest with General Manager, Recovery, Head Office, and whose decision in this regard shall be final and binding.

Dispute Resolution

Any dispute as to the payment or commission shall be taken up before the Settlement Advisory Committee (SAC) of the Bank where representation of agency shall be heard. Decision of SAC shall be binding on both bank and the Resolution Agent.