

F.No.7/81/2011-BOA
Ministry of Finance
Department of Financial Services

Jeevan Deep Building
Sansad Marg, New Delhi
Dated, the 6th July, 2012

The CEOs of
All Public Sector Banks

Dear Sir,

TAKE OVER OF ACCOUNTS

Corporates seeking better facilities/higher credit from Banks often approach different lenders for sanction of credit facilities. Banks in turn, in search of good business or an opportunity to enter into a given Business Segment entertain such requests, subject to their Take Over Norms/Credit Policy.

2. However, the Central Vigilance Commission has noticed that sometimes existing accounts with one bank already showing signs of sickness are taken over by another bank. Such accounts, predictably turn NPA in the bank that had taken over the account within a short time.

3. Some accounts shift from one bank to another as senior functionaries are elevated to the ranks of EDs or CMDs and are moved from one bank to another bank. The CVC is of the opinion that sometimes “even influence from senior officials including Directors on the Board of Banks, play a vital role in pressurizing the field level staff as well as those working in Credit Departments of RO/ZO/HO to recommend sanction of such loans”. A copy of the CVC letter No.1114/BNK/17/176557 dated 31st May 2012 is enclosed.

4. It is apparent that there is a need to revamp the credit sanction/take over process to curb this unhealthy practice. To a large extent, this issue has been addressed by adoption of the ‘Committee Approach’ to sanction of credit facilities, and by having Joint Lending for loans of large amounts.

5. The Department of Financial Services had earlier consulted all the PSBs on this issue and after taking their comments/suggestions into consideration has come to the conclusion that the following guidelines are necessary for prevention of unethical/unjustified takeover of accounts:

- I. For taking over of any accounts, Banks must put in place, a Board approved Policy with regard to take over of accounts from another Bank as advised by RBI vide their letter No.DBOD.No.BP.BC-104/21.04.048/2011-12 dated 10th May, 2012 addressed to all Scheduled Commercial Banks. The above advisory must be incorporated in the Credit Policy/Takeover Policy of the Bank. A copy of the Board approved Policy may be sent to this Department for our information and record.
 - II. Normally, the accounts having ratings above the level approved by the Board should only be taken over subject to the precaution to be taken, in view of the observations of the CVC.
 - III. The concessionary facilities to taken over accounts should be extended only in extremely deserving cases with specific reasons recorded in writing.
 - IV. In all cases of takeover of accounts, it is necessary to do proper due diligence including visit to the premises of the customer, if needed, before the account is considered for takeover by the bank.
 - V. The guidelines of joint lending should be strictly applied in all cases where the borrower seeks to have additional exposure from the bank after taking over the account.
 - VI. No cases should be taken over by a Bank from any Bank where any of its ED or CMD have worked earlier. In case, any such cases need to be taken over, the proposal will need to be put up to the Board with specific reasons justifying the need for taking over the accounts.
6. You are requested to adopt these guidelines and send a line of confirmation to this Department at the earliest.

Yours faithfully,

Sd./-

(Pravin Rawal)

Deputy Secretary to the Government of India

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Copy to all Govt. Nominee Directors on the Board of PSBs