



Bank of Bahrain and Kuwait B S C

Code of Banks Commitment to Micro and Small Enterprises

Lending

- a. Our loan policy will be reflective of the objectives and spirit of the National Policy and the Regulatory Prescription. We will endeavor to provide facilities through a Single Window Mechanism.
- b. We shall place the policy relating to Micro and Small Enterprises on our website and also make it available to you at the branch for perusal. On request we will make available a copy at a nominal charge.
- c. We will display on our website and also make available at our branches a copy of our policy on
 - Lending to the Micro and Small Enterprises
 - Rehabilitation for the Micro and Small Enterprises
- d. We will inform you about salient features including benefits available and charges payable and terms of Credit Guarantee Scheme of CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES which is extended by eligible banks and is popularly known as CGTMSE guarantee scheme for MSEs and which is available at present to new as well as existing Micro and Small Enterprises including Service Enterprises with a maximum credit cap of 100 lakh (Rupees One hundred lakh) per borrower, excluding retail trade, educational institutions, training institutes and Self Help Groups (SHGs) as per the said Scheme.

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- e. Where a loan is eligible to be covered under any subsidy scheme in force, we will explain to you the features of such scheme and any requirement you will need to fulfill.
- f. We will endeavour to conduct programmes to enhance knowledge on financial management of prospective borrowers.
- g. We shall endeavour to organize meetings of MSE borrowers at periodic intervals as a regular channel for exchange of ideas and suggestions.

Application

We will

- a. Make available, free of cost, simple, standardized, easy to understand, application form(s) for loans.
- b. Provide you with a checklist of documents to be submitted (compliant with legal and regulatory requirements) along with the loan application form to enable you to submit the application complete in all respects. If required, we will assist you in filling up your loan application form.
- c. At the time of making available application form provide you information about the interest rates applicable along with the annualized rates of interest and the fees/charges, if any, payable for processing, pre-payment options and charges, if any, and any other matter which affects your interest, so that a meaningful comparison with those of other banks can be made and informed decision can be taken by you.
- d. Acknowledge, in writing, the receipt of your loan application, whether submitted manually or online, indicating therein the time frame within which the application will be disposed of.

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- e. Normally collect all particulars required for processing the application for credit facility at the time of application. In case we need any additional information, we will contact you within seven working days from receipt of application.
- f. At the time of renewal of an existing loan facility, which has been satisfactorily conducted, we will endeavour to obtain from you only those additional information which are already not in our possession.
- g. Give you the Most Important Terms and Conditions (MITC) governing the loan / credit facility approved by us and which may be availed by you.
- h. Endeavour to enable you to know online the status of your application.
- i. Not charge any processing fee for loans up to 5 lakh, whether sanctioned or not.
- j. Dispose of your application for a credit limit or enhancement in existing credit limit up to 5 lakh within two weeks; and for credit limit above 5 lakh and up to 25 lakh within 4 weeks; and for credit limit above 25 lakh within 8 weeks from the date of receipt, provided your application is complete in all respects and is accompanied by documents as per 'check list' provided.

Credit Assessment

- a. We will
 - i. Verify the details mentioned by you in your application by contacting you through our staff / agencies appointed by us for this purpose at your business address/ residence.
 - ii. Before lending you any money or increasing your overdraft or borrowing limit/s, we shall carry out proper assessment of your loan application undertaking detailed due diligence and appraisal.
 - iii. Satisfy ourselves about the reasonableness of the projections made by you.

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- iv. While assessing your credit requirement, take into account the seasonality or cyclicity of your business and, where required, fix separate peak and non-peak credit limits.
- b. We may require the following information to enable us to make a fair assessment
 - i. Purpose of borrowing.
 - ii. Your business plan.
 - iii. Your business's cash flow, profitability and existing financial commitments supplemented, if necessary, by account statements.
 - iv. Your personal financial commitments.
 - v. How you have handled your finances in the past.
 - vi. Information we get from Credit Information Companies.
 - vii. Ratings assigned by reputed credit rating agencies, if any.
 - viii. Information from others, such as other lenders /creditors.
 - ix. Market reports.
 - x. Any **security** provided or whether CGTMSE guarantee cover is available if the credit requirement is within Rupees One hundred lakh.
 - xi. Any other relevant information.
- c. We will
 - i. Not insist on collateral for credit limits up to 10 lakh or up to limits specified by Reserve Bank of India, from time to time.
 - ii. Consider providing collateral free credit limits up to 25 lakh if we are satisfied about your track record and financial position being good and sound.
 - iii. Seek your consent to cover the credit facilities sanctioned to you within credit cap of 100 lakh (Rupees One hundred lakh) under Credit

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Guarantee Scheme of CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES and accordingly will not insist on collateral security and / or Third party Guarantee for facilities within a maximum limit of 100 lakh (Rupees One hundred lakh) if the facility approved by us is an eligible facility and has been covered under the CGTMSE scheme and for which you have agreed to.

- iv. Provide micro and small enterprises (manufacturing) working capital limits computed on the basis of a minimum of 20 per cent of your projected annual turnover.
- v. Consider your request for suitable enhancement in the working capital limits in cases where the output exceeds the projections or where the initial assessment of working capital is found inadequate and you have provided necessary evidence therefor.

d. Guarantees

If you want us to accept a guarantee or other security from someone else for your liabilities, we will ask you for your permission to give confidential information about your finances to them or to their legal adviser. We will also

- i. Encourage them to take independent legal advice to make sure that they understand their commitment and the possible consequences of their decision (where appropriate, the documents we ask them to sign will contain this recommendation as a clear and obvious notice).
- ii. Tell them that by giving the guarantee or other security they may become liable as well as you.
- iii. Give a copy of the terms and conditions of the loan sanctioned / loan agreement to the guarantor(s) of the credit facility availed by you.



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- iv. Send a copy of the annual statement of account of your term loans/ demand loans to the guarantor(s) of the loan.

Sanction / Rejection

We will

- a. Not insist on any deposit as 'quid pro quo' for sanctioning credit facility/ies.
- b. While offering you an overdraft, or an increase in your existing overdraft limit tell you if your overdraft is repayable on demand or otherwise.
- c. Put down in writing terms and conditions and other caveats governing credit facilities agreed to and duly certify the same and give you a copy thereof.
- d. Supply, at our cost, authenticated copies of all the loan documents executed by you, with a copy each of all enclosures quoted in the loan document and the list thereof.
- e. Convey in writing the reasons for not acceding to your request for a loan or credit facility.
- f. Follow a rating system, the parameters of which will be shared with you.
- g. Permit pre-payment of fixed rate loans up to ` 50 lakh without levying any pre-payment penalty.
- h. Permit prepayment of floating rate loans without levying any pre-payment penalty.
- i. Ensure disbursal of the loan sanctioned within two working days from the date of compliance with all terms and conditions governing such sanction.
- j. Provide you an amortization schedule (schedule of repayment of principal and interest for the duration of the loan).

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- k. Ensure periodic review and renewal of facility as per terms and conditions in the sanction letter given to you.

Central Registry

When you avail of a loan facility, we will advise you the functioning of the Central Registry and the fact of availability of their records for search by any lender or any other person desirous of dealing with the property.

Post Disbursement

We will

- a. Refrain from interference into your business affairs except as may be required in terms of sanction of loan, loan agreement or when new / adverse information comes to our knowledge.
- b. Endeavour to be constructive in our monitoring process and sympathetically deal with genuine difficulties that you may face in your dealings with us.
- c. Require you to inform us of any subsequent credit facility you avail of from any other lending institution.
- d. Obtain following information from you on an ongoing basis:
 - i. A comparison of the forecasts in your business plan with the actual results.
 - ii. Progress on important aspects of your business plan.
 - iii. Annual accounts such as Balance Sheet and Profit and Loss Account and other supporting documents.
 - iv. Age-wise break up of your creditors and debtors and the amounts involved.
- e. Allow drawals against your limits as per usual safeguards.
- f. If your circumstances change, talk to you about any new information we will need from you.

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- g. Convey our consent or otherwise within two weeks of receipt of a request for transfer of the borrowal account, either from you or from the bank / financial institution that proposes to take over the account.
- h. Release all securities immediately on repayment of loan and in any case within fifteen days of the repayment of all dues agreed to or contracted. If any right to set off is to be exercised for any other claim, we will give due notice with full particulars about the other claims and retain the securities / documents/title to mortgaged property till the relevant claim is settled / paid.
- i. Effect pledges/deliveries on the same day of receiving your request.
- j. Grant you increase in the drawing power within 24 hours of lodgment of security.
- k. Inform you of debits to your account arising out of interest application, fees and charges.
- l. In addition to providing periodical statements for operating accounts, provide you with an annual statement of account of your term loans / demand loans.
- m. Provide you with the loan statement, more often, if required, at a cost which will be indicated in the Tariff Schedule.
- n. Monitor the progress made by you through any or more of the following modes
 - i. Scrutinising periodic statements of stocks you hold.
 - ii. Watching the transactions in your account with us.
 - iii. Visits by either our staff or authorised representative to your premises for verification of the stocks and/or assets financed.
 - iv. Obtain wherever necessary market reports on how your business is going on.
- o. Endeavour to send you a communication through letter / mail or SMS about the status of your account before it becomes an NPA.

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- p. Give you notice, sufficiently in advance, if we decide to recall / accelerate payment or performance under the agreement or seek additional securities.

Non-Fund Based Facilities

- a. We may offer **non-fund based facilities** for purchase of capital equipment or raw materials/consumables etc. through issuance, advising, confirmation, negotiation, discounting of Letters of Credit (LCs). Facilities such as Letter of Credit, Guarantees, Collections are governed, besides national laws, by relevant Rules and applicable Publications of International Chamber of Commerce (ICC) published from time to time and you agree to the same.
- b. We may stand as a guarantor for your financial obligations.
- c. We may help you in collection of export bills and domestic outstation trade and service bills.

Insurance

- a. We will inform you if we, as agents of any insurance company, offer any type of insurance.
- b. We will ensure that we have your written consent to avail these insurance products.
- c. In case of securities lodged with us for loans availed by you, we will not insist on your obtaining insurance cover from any particular provider.

Financial Difficulties

How we can help

We will consider cases of financial difficulty sympathetically and positively. You will usually identify problems first and should let us know as soon as possible. If we become



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aware of problems, we will let you know in writing. If speed seems to be important, we may try to contact you by phone, fax or e-mail.

This list gives a few examples of what may concern us, particularly if you do not explain what is happening.

- a. If there is a delay in commencement of commercial production and there is cost overrun etc.
- b. If there is inordinate delay in submission of periodic information like stock statement, renewal data, etc.
- c. If there is high incidence of cheque returns in your Cash Credit / Current Accounts
- d. If you exceed your agreed sanctioned limits frequently.
- e. If there are large increases or decreases in your business turnover without proper clarification from you.
- f. If there is a stoppage/ suspension of work for an unreasonably long time.
- g. If you are incurring loss.
- h. If you suddenly lose a business partner or co-promoter or a key customer or employee.
- i. If you sell a large part of your business.
- j. If you use credit facility/ies for purposes other than those agreed with us or divert the funds for purposes other than intended business.
- k. If you do not service interest at prescribed intervals.
- l. If you fail to adhere to the agreed loan repayment schedule.
- m. If the bills drawn by you on your customers return unpaid frequently.
- n. If you do not honour bills drawn on you by your suppliers frequently.
- o. If guarantees issued by us on your behalf are not honoured by you when invoked.



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- p. If your book debts/debtors size is increasing not in consonance with turnover in your account.
- q. If all sales are not routed through your account.
- r. If you do not comply with conditions set out in the loan agreement.
- s. If you do not furnish agreed information on time.
- t. If another creditor brings a winding-up petition or other legal action against your business.

We will do all we can to help you overcome your difficulties. With your active co-operation, we will develop a plan for dealing with your financial difficulties and we will tell you, in writing, what we have agreed.

We will endeavour to provide you with credit counseling services so that we can be of help to you in dealing with your financial problems.

- a. If you are in difficulties, we will work with your advisers, if you ask us to. It is important that you act in good faith, keep us informed about developments, keep to your agreement with us and are prepared to make necessary changes early enough.
- b. We may ask you for more financial information /commitments to help us work together to understand your problems.

Nursing Sick MSEs and Debt Restructuring

We will consider a nursing/ debt restructuring programme in case your borrowal account remain**substandard** for over six months, or your unit is considered to be sick as per the policies of our bank.

For examining your request for rehabilitation /debt restructuring we will

- a. First see whether you are viable/potentially viable.

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- b. If you are found to be viable/potentially viable, initiate corrective action for your revival.
- c. In case your unit is potentially viable and is under consortium / multiple banking arrangement, and if we have maximum share of outstanding, work out the restructuring package.
- d. Work out a **rehabilitation package** which will also include your contribution in accordance with RBI stipulations and implement the same within a maximum period of 60 days from the date of receipt of your request.

If we do not think that the rehabilitation plan will succeed, we will explain the reasons why and help you and your advisors consider other options.

If we cannot reach an agreement, we will make it clear why we feel unable to continue to support you and tell you when we will withdraw our support.

Settlement of dues

- a. In case we offer you a One Time Settlement (OTS) for repayment of dues, we will explain to you the details of the offer.
- b. We will spell out, in writing, the terms and conditions of the OTS offered to you.
- c. If the OTS proposal is agreed to, we will explain to you the implications of such settlement on your credit history maintained by the Credit Information Companies (CICs).