

Lead Bank/ SLBC (J&K)



Ref. No. LBD/SLBC-SPL/2014-211

All Members of the
State Level Bankers' Committee (J&K)

Dated: September 25, 2014

Sub: Minutes of the Special Meeting of J&K SLBC – for necessary action on actionable points

Sir,

We forward herewith a copy of **minutes of the Special Meeting of J&K State Level Bankers' Committee (SLBC) held on 23rd September, 2014** at J&K Bank Zonal Office Jammu for your kind information.

You are requested to go through the same and initiate action on the decisions / actionable points pertaining to your Organization/ Department.

Desired compliance/ progress may kindly be reported to this office over email- convenorbank@jkbmail.com / Fax 0194-2481925 enabling us to place the same before the house in next SLBC Meeting for review.

Yours Faithfully
For Convenor, J&K SLBC

Assistant Vice President
(Lead Bank/J&K SLBC)

Encls: **Minutes of Special SLBC Meeting**

Minutes of the Special Meeting J&K SLBC held on 23rd September 2014 at Jammu Zonal Office of J&K Bank Ltd at 10.30 AM.

1. A Special State Level Bankers Committee Meeting for taking stock of the devastation caused by floods in J&K State, Specifically in Kashmir Valley and devising suitable measures in effected areas for relief, rehabilitation, revival and restructuring of various types of credit facilities in the affected areas was convened by Jammu and Kashmir Bank (Convener J&K SLBC) at J&K Bank, Zonal Office, Jammu on 23.09.2014. The meeting was attended by Mr. Shantamanu, I.A.S, Divisional Commissioner Jammu, Mr. K.K.Saraf, Regional Director Reserve Bank of India, Mr. S.A. Pandey, Chief General Manager, NABARD, Mr. A.K. Dogra, Deputy Secretary, Department of Financial Services, Government of India, Mr. Mahapatra, Chief General Manager, SBI, Mr. Visheweshar, Advisor, Indian Banks Association, Mr. Showkat Aijaz, Director Finance, J&K Government and Dr Rakesh Gupta General Manager PNB. Top management of J&K Bank and other senior representatives of RBI, NABARD & various other Commercial banks, RRBs & Co-operative banks also participated.

The list of participants is enclosed as annexure

2. Mr. Mushtaq Ahmad, Chairman & CEO, J&K Bank (Convener of J&K SLBC) presided over the meeting and initiated the proceedings and discussions. He briefed the participants about the scale of the unprecedented devastation caused in the affected areas and highlighted the purpose and rationale of the special SLBC meeting. He expressed that the devastation in the Kashmir Valley has been extreme and since the business of the J&K State is interdependent and any losses in Kashmir will have an impact on businesses in Jammu and vice-versa. As such, the borrowers of all the banks banking with different banks in the state need immediate relief & rehabilitation to start their economic venture/business at the earliest. He expressed the hope that every member of banking fraternity operating in the state is well aware of the situation prevailing in the State. He urged all the participants of different banks to discuss the agenda in detail and reach a consensus, so that immediate relief from the perspective of banking is provided to people. He also informed the house that a meeting with Ministry of Finance, Govt of India and IBA was held on 22.09.2014 and it has been assured by the forum that all required help and support will be provided to the affected people through all banking channels and other measures. He cautioned that the conditions prevailing in the State of J&K are a major challenge for the banking fraternity and express optimism that despite hardships of damage to the banking premises, ATMs, loss of connectivity and other associated troubles, the banking fraternity will rise to the occasion and ensure normalcy of operations at the earliest possible. Mr. Mushtaq Ahmad appreciated the role and enthusiasm demonstrated by every member of banking fraternity in ensuring fast restoration of banking facilities and mitigating the troubles of the people at large through the banking operations. He informed the house that in state of J&K more than Rs.33000.00 Crores have been advanced by the different banks to various sectors of economy and for the banks in J&K State this is the major component of their retail & core

business. He expressed optimism that the forum will understand the seriousness and gravity of situation and ensure that no effort is spared for mitigating the sufferings of the people. He then requested representatives of RBI, NABARD & State Govt to express their views.

3. Thereafter, Mr. Shantmanu, Divisional Commissioner Jammu, representing Govt of J&K, informed the house that the surveys in the Jammu Region were conducted by them and around 15000 houses are fully damaged & approximately 25000 have been partially damaged in Jammu region. He further informed that one of the villages in Udhampur District with 127 families is completely devastated and is declared unsafe for the habitation. Besides there is economic loss in other areas as well. He also cautioned against the future challenge that the people of Valley will face due to worst condition of Jammu Srinagar National Highway. He requested to deliberate and discuss the package/agenda considering the humane angle associated with this huge & important task.

Mr. K K Saraf, Regional Director RBI, emphasized on the banks for restoration of full banking services in the State of J&K, particularly in Kashmir Valley. He informed that sufficient cash is being made available to the currency chests functioning in Valley.

Mr. A K Dogra, Ministry of Finance, Gol, emphasized on the banks to expeditiously put in place a suitable mechanism for the rehabilitation/economic revival of the people.

Mr. Showkat Aijaz, Director Finance, J&K State Govt informed the house that barring Districts of Leh & Kargil, State Govt has declared all tehsils of the other 20 districts as affected by natural calamity of floods.

Mr. Vishweshwar, Advisor to IBA, advised the banks to ensure that Help Desk are in place and functioning in an efficient manner. He also advised that telephone numbers of all the banks are shared with the operating agencies including regulators in the state.

The house then took up the agenda for deliberations as under:

Agenda Item No. 1

4. SPECIAL REHABILITATION/ REVIVAL AND RELIEF PACKAGE FOR THE BORROWERS AFFECTED BY NATURAL CALAMITY IN J & K STATE

The devastation caused necessitates rehabilitation/ revival of the affected people. Accordingly, a special rehabilitation/ revival package has been formulated for all affected borrowers identified by the Banks. The facility wise Package discussed and approved is as per the following:

Eligible Areas As notified by the Govt of J&K State.

Eligible Borrowers: Borrowers affected by Natural calamity in the State of J&K.

Eligible Loans Outstanding loans as on 01-09-2014 which were standard assets as on 30-06-2014

NATURE OF FACILITY TERM LOANS

I. Moratorium

Moratorium in repayment of principal instalments and interest for a period of 2 years w.e.f 01-09-14 in respect of the existing term loan.

II. Converted Term Loans:

The principal demand of the existing term loan along with interest during the period of moratorium of 2 years shall be funded by way of additional term loan (Converted Loan).

III. Repayment

- a. Repayment for converted term loan along with the existing residual term loan by the borrower after the moratorium period shall be made generally within a period between 3-5 years. However, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.
- b. It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.

IV. Fresh Facility

Need based fresh facility shall be provided upon proper assessment for repairs/ renovation/ replacement of damaged assets.

V. Rate of Interest:

- a. Rate of Interest on converted term loan shall be Base Rate with monthly rests.
- b. Rate of interest on existing remaining term loan (after conversion) and fresh facility shall be similar to the rate charged to existing Term Loan.

VI. Security:

Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted upon.

VII. Appropriation of insurance claims

Insurance claims to be received shall be first appropriated for adjustment of the converted loans and balance, if any, shall be adjusted to the existing term loan accounts.

5. NATURE OF FACILITY: WORKING CAPITAL

I. Conversion in to WCTL

Balance outstanding in excess of value of the primary security available shall be converted into WCTL.

II. Moratorium

WCTL so converted shall have moratorium period of 24 months w.e.f 01.09.2014 both in respect of repayment of principal and interest.

III. Repayment

- a. Repayment for WCTL shall commence after expiry of moratorium period. The converted WCTL shall have repayment period generally between 3-5 years; however, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.
- b. It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.

IV. Rate of Interest for WCTL:

Base Rate with monthly rests.

V. Treatment to regular portion

The regular portion of the limit shall be made available to the borrower as per the existing terms and condition.

VI. Additional Facility

As an immediate relief, in addition to regular portion of existing limit, the borrower shall be provided additional Working Capital facility to the tune of 50% of WCTL so converted. The facility shall have interest rate applicable as per the existing terms. The working capital limits shall be taken up for review/ reassessment after a period of 6 months for ascertaining need based WC requirements.

VII. Security

Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted upon.

VIII. Appropriation of Insurance Claims

Insurance claims to be received shall be appropriated towards adjustment of WCTL. Claim amount over and above the outstanding in WCTL shall be passed on to the beneficiary.

6. LOANS FOR AGRICULTURE AND ALLIED ACTIVITIES

Identification of loss

Identification of loss shall be done by the Govt. and certificate to the extent of loss/ damage caused to the affected area along with the affected crops shall be issued by District Collector or any other authority as may be notified by the Govt. Based on this certificate banks shall identify the affected borrowers for extending relief under the package.

A) NATURE OF FACILITY SHORT TERM CROP LOAN

- I. **Conversion into Term Loan**
The short term crop loan to the extent of damage as assessed by the Govt. with interest due upto 31-03-2016 shall be converted into term loan.
- II. **Moratorium**
Moratorium period of 24 months w.e.f 01.09.2014 both in respect of repayment of principal and interest
- III. **Repayment;**
 - a. Repayment for converted term loan shall commence after expiry of moratorium period. The converted term loans shall have repayment period generally between 3-5 years; however, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.
 - b. It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.
- IV. **Rate of Interest**
The rate of interest on converted term loans shall be Base Rate with annual rests.
- V. **Fresh Loan**
Fresh short term crop loan shall be extended to the eligible farmers' equivalent to the amount converted into term loan.
- VI. **Repayment:**
As per KCC guidelines.
- VII. **Rate of Interest:**
As per KCC guidelines.
- VIII. **Security**
Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted.
- IX. **Appropriation of Insurance Claims**
Insurance claims to be received shall be appropriated towards adjustment of converted term loan. Claim amount over and above the outstanding in converted term loan shall be passed on to the beneficiary.

B) AGRICULTURE TERM LOAN

I. Moratorium

Moratorium period of 24 months w.e.f 01.09.2014 both in respect of repayment of principal and interest.

II. Converted Term Loans:

The principal demand of the existing term loan along with interest during the period of moratorium of 2 years shall be funded by way of additional term loan (Converted Loan).

III. Repayment

Repayment for converted term loan along with the existing residual term loan by the borrower after the moratorium period shall be made generally within a period between 3-5 years. However, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.

It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.

IV. Fresh Facility

Need based fresh facility for replacement/repair/renovation of the damaged assets shall be provided upon proper assessment.

V. Rate of Interest

- a. Rate of Interest on converted term loan shall be Base Rate with annual rests.
- b. Rate of interest on existing remaining term loan (after conversion) and fresh facility shall be similar to the rate charged to existing Term Loan.

VI. Security

Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted upon.

VII. Insurance

Insurance claims to be received shall be first appropriated for adjustment of the converted loans and balance, if any, shall be adjusted to the existing term loan accounts.

7. OTHER TERMS OF THE PACKAGE.

- a. No penal interest/ default interest shall be charged to the affected borrowers covered under the package.
- b. No processing charges to be recovered in case of fresh advances granted to the affected borrowers.
- c. Need based credit facilities shall be extended to the affected persons/ business establishments presently not availing any credit facility from banking system. The facility shall be extended on softer terms i.e., relaxation in margin, security etc
- d. All other concessions/ relief measures allowed by RBI in terms of circular no. RPCD.No.FSD.BC 07/05.04.02/2014-15 dated July 1, 2014 shall also be applicable.
- e. In case of exigency arising on account of implementation of the package SLBC/ subcommittee of SLBC is authorized to take a decision.

8. The SLBC unanimously passed the resolution and approve the entire package discussed at para 4 to 7.

9. SPECIAL DISPENSATION REQUIRED

The package discussed hereinabove is necessitated on account of unprecedented and devastating floods across J&K State thus causing huge economic loss across all sectors of economy. This requires special rehabilitation and revival package to be implemented by banks operating in J&K State and hence package needs exemption in respect of following:-

- a) Relaxations/ concessions and reliefs under package may not be treated as restructuring for the purpose of provisioning including DIFV and disclosure as required under Master Circular of RBI on Prudential Norms on IRAC and Provisioning pertaining to IRAC.
- b) Asset Classification status prevalent as on 30.06.2014 to be retained till implementation of the package in respect of loan accounts of affected borrowers i.e. 31-03-2015.
- c) As onset of winter is approaching implementation of package will get adversely affected, as such, implementation period to be extended upto 31.03.2015 as against 90 days prescribed by RBI.
- d) Moratorium period of 24 months w.e.f 01.09.2014 in respect of repayment of principal and interest dues on all kinds of loans (outstanding as on 01.09.2014) of affected borrowers.
- e) Refinance to the banks on softer terms against loans affected by natural calamity be extended with repayment over a period of 10 years.
- f) 100% debt relief by State/ Central Govt in respect of business loans up to maximum limit of Rs.3.00 lacs or balance outstanding, whichever is less
- g) 100% Interest subsidy from Govt of India on the existing loans to the affected borrowers for a minimum period of 3 years.
- h) 3% interest subvention from Govt of India for a minimum period of three years on all fresh/ additional loans/ facilities to existing as well as fresh borrowers. This will include loan for renovation/ repairs and replacement of damaged assets/ machinery/

equipments and fresh Working Facilities/ crop loans for restarting the business/ productive activity.

- i) Adequate compensation or interest free soft loans from Govt of India be extended to business establishments to augment their capital requirements repayable over a period of 10 years after initial moratorium of 5 years.
- j) Guarantee and annual fee for Guarantee cover from CGTMSE on the funding by the Banks upto limit of Rs. 1.00 crores to the affected eligible borrowers shall be borne by the Government of India/State Government for a period of 5 years.

10. Recommendations of SLBC:

A. The SLBC strongly recommends special relaxations/dispensations in view of the devastating affects caused by the natural calamity to the borrower's viz-a-viz banks in the state of Jammu & Kashmir as follows:

- I. Relaxations/ concessions and reliefs under package may not be treated as restructuring for the purpose of provisioning including DIFV and disclosure as required under Master Circular of RBI on Prudential Norms on IRAC and Provisioning pertaining to IRAC.
- II. Asset Classification status obtaining as on 30.06.2014 to be retained till implementation of the package in respect of loan accounts of affected borrowers.
- III. As onset of winter is approaching implementation of package will get adversely affected, as such, implementation period to be extended upto 31.03.2015 as against 90 days prescribed by RBI.
- IV. Moratorium period of 24 months w.e.f 01.09.2014 in respect of repayment of principal and interest dues on all kinds of loans (outstanding as on 01.09.2014) of affected borrowers.

Expeditious action/approval is solicited

B. SLBC also made the following strong recommendation to State/Central Govt in respect of the following:

- I. Refinance to the banks on softer terms against loans affected by natural calamity be extended with repayment over a period of 10 years.
- II. 100% debt relief by State/ Central Govt in respect of business loans up to maximum limit of Rs.3.00 lacs or balance outstanding, whichever is less
- III. 100% Interest subsidy from Govt of India on the existing loans to the affected borrowers for a minimum period of 3 years.
- IV. 3% interest subvention from Govt of India for a minimum period of three years on all fresh/ additional loans/ facilities to existing as well as fresh borrowers. This will include loan for renovation/ repairs and replacement of damaged assets/ machinery/ equipments and fresh Working Facilities/ crop loans for restarting the business/ productive activity.
- V. Adequate compensation or interest free soft loans from Govt of India be extended to business establishments to augment their capital requirements repayable over a period of 10 years after initial moratorium of 5 years.
- VI. Guarantee and annual fee for Guarantee cover from CGTMSE on the funding by the Banks upto limit of Rs. 1.00 crores to the affected eligible borrowers shall be borne by the Government of India/State Government for a period of 5 years.

Expeditious action/approval is solicited.

11. Agenda Item No.2

❖ **Settlement of Insurance Claims.**

The ravaging and devastating flood have destroyed, devastated the Agriculture, Horticulture, Allied Activities, Trade, Services, Industry, Artisans, Houses, Vehicles (Commercial as well as Personal), tourism etc.

For ensuring relief all concerned Insurance Agencies, **both Life and Non-Life**, are required to settle the insurance claim of the affected claimants.

SLBC recommends to Central/State Govt. for issuing necessary instructions to the Insurance Companies to:

- a. Constitute and depute special teams to the affected areas for completing the process of survey, identification of the assets to be compensated by these companies immediately.
- b. Complete the process of settlement of insurance claim with minimum possible formalities and within a time frame i.e. latest by 30th Nov 2014.

12. Agenda No. 3

Discretionary powers to Divisional/Zonal Managers/Heads for sanctioning the restructuring/rehabilitation packages.

SLBC advised that adequate powers for fresh loan sanctions and restructuring of existing loans are vested with the District/Zonal Managers of individual banks, so that these functionaries have not to seek fresh approval from their controlling offices. This special delegation of powers should remain vested with the concerned Branches/Regional/Zonal Managers for a period upto at least 31.03.2015. Individual banks may, at their own discretion, extend the time line for such discretionary powers.

13. Agenda Item No. 4

Constitution of Sub-committee

During the course of implementation of this package, if there is any clarification/modification required to be obtained from Reserve Bank of India and/or any Government agency, a sub-committee comprising of J&K Bank, (Mr. Mohd Amin Mir & Mr. S K Bhat, Presidents), State Bank of India (Mr. Dinesh Priye, DGM), Punjab National Bank (Mr. Mohd Latief Mir, DGM) and NABARD (Mr. Dinesh Kapila, DGM) was constituted which is authorized to seek any clarification/modification from the concerned agencies. It was also taken on record that a representative from RBO will also attend the meeting as & when requested by the Sub-Committee.

14. Conclusions: The house was unanimous in joining the Chairman & CEO of J&K Bank (Convener J&K SLBC) in appreciating the high degree of responsibility and dedication shown by the staff members across all banks in most trying circumstances while providing the banking facilities to the distresses & needy people.

The convener of J&K SLBC thanked the participants for their overwhelming contribution during the course of deliberations.