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Date: 23rd July,2018

To:

The Vice President The Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street, MUMBAI – 400 001	The Vice President Listing Department National Stock Exchange of India Ltd EXCHANGE PLAZA Bandra-Kurla Complex, Bandra [E] MUMBAI 400051
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Sub : Inter-creditor Agreement for Resolution of Stressed Assets

Please refer to the press release by Indian Banks' Association (IBA) in connection with Inter-creditor Agreement for Resolution of Stressed Assets (ICA).

Pursuant to the approval of our board of directors, our Bank has entered into the ICA on 23.07.2018.

We request you to take the same on your record.

Thanking You,

कृते केनरा बैंक
For CANARA BANK



सहायक व्हा. प्रबन्धक और कंपनी सचिव
Assistant General Manager & Company Secretary

VINAY MOHTA

COMPANY SECRETARY

दिनय मोहता / VINAY MOHTA
कंपनी सचिव / Company Secretary
ACS - A28792

सचिवालय विभाग

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Indian Banks' Association

Chief Executive

No. C&I-I/ICA
July 20, 2018

The Chief Executives of Member Banks & FIs

Dear Sirs / Madam,

Committee Report on Resolution of Stressed Assets – Project Sashakt - URGENT

A. Brief Background:

The Reserve Bank of India (RBI), vide its circular dated February 12, 2018 has issued a revised framework for Resolution of Stressed Assets (“RBI Circular”). The RBI Circular inter-alia requires each bank to have board approved policies for dealing with stressed assets/ accounts. RBI also had scrapped all existing framework such as CDR/ S4A etc..

In view of the above, the **Sunil Mehta Committee (Stressed Assets)** was set up to look into the faster resolution of stressed assets. This Committee has submitted its report which comprises of a ‘Bank Led Resolution Process’ and a ‘Five-pronged Strategy to resolve Stressed Assets called as **Project Sashakt**’.

Pursuant to the recommendations of Sunil Mehta Committee, an Inter-creditor Agreement (**ICA**) has been prepared which shall serve as a platform for the banks and financial institutions to come together and take joint and concerted actions towards resolution of stressed accounts. The ICA would be an enabler Master Agreement and the Resolution Plan would be presented to the lenders by the Lead Bank. The salient features of the ICA are summarized below:

- a) *The ICA will be applicable to all corporate borrowers that have availed loans and financial assistance for an amount of Rs. 50 crore or more under consortium lending / multiple banking arrangements;*
- b) *The lead lender (i.e. the lender with the highest exposure) shall be authorized to formulate the resolution plan, which shall be presented to the lenders for their approval;*
- c) *The decision making shall be by way of approval of ‘majority lenders’ (i.e. the lenders with 66% share in the aggregate exposure). Once a resolution plan is approved by the majority lenders, it shall be binding on all the lenders that are a party to the ICA; &*
- d) *Each Resolution Plan that is formulated in terms of the ICA shall be in compliance with the RBI circular and all other applicable laws and guidelines.*

B. Execution of ICA:

In this connection, we are attaching the final Execution Version of ICA drafted by M/s Cyril Amarchand Mangaldas (CAM) in conformity with RBI guidelines along with a note on key changes made to the earlier version of ICA circulated to you.

It is proposed to have the signing of ICA on Monday 23rd July at IBA Office, Committee Room, 6th Floor, Centre-1, World Trade Centre, Cuffe Parade, Mumbai - 05 from 11.00 a.m. to 4.00 p. m. We request you to kindly convey your approval for signing the documents at IBA. The modalities for signing of ICA as advised by CAM are furnished in the attachment.

As stated in the attachment regarding 'Modalities for signing the ICA', each lender should carry a copy of their –

- (i) board / committee resolution approving the terms of this Agreement; and
- (ii) signing authority (POA, resolution, letter of authority etc.)

The copies of such documents shall also be maintained with the Custodian.

For the purpose of signing, the lenders should also carry their round stamp, authorised signatory stamp etc.

CAM has advised that signing of ICA by Banks is a material development for resolution of stressed assets and creates a new framework. CAM has, therefore, indicated that banks may need to make a public announcement about the ICA by disclosure to the respective stock exchanges where their shares are listed. In this connection, CAM has prepared drafts of the press release to be issued by IBA and the disclosure letter to stock exchange by each bank, which are attached to this mail.

- C. We are also appointing a Security Trustee Company Limited as the Security Trustee for custody of agreements and documents. Stamp duty for the two agreements (2 x 1100) would be paid in the name of State Bank of India and shall be arranged by Security Trustee.

We request you to take it on top priority and please make it convenient to execute the ICA as per schedule given above.

Yours faithfully,



V. G. Kannan

