

**CORPORATE LOAN ORIGINATION**



## Table of Contents

<b>1</b>	<b>INTRODUCTION .....</b>	<b>3</b>
1.1	GENERAL REQUIREMENTS .....	3
1.1.1	Capturing of the non-financial details of the customer .....	6
1.1.2	Total Indebtedness .....	11
1.1.3	Assessment of working capital / term loan requirement .....	11
1.1.4	Term loan .....	11
1.1.5	Risk Rating summary .....	12
1.1.6	Minimum economic quantity .....	12
1.1.7	Deferred Payment Guarantee, Letter of Guarantee, Co-acceptance of Bills .....	12
1.1.8	Consortium / Multiple arrangement .....	12
1.1.9	Compliance to terms and conditions .....	13
1.1.10	Modifications / waiver / relaxations in existing terms of sanction .....	13
1.1.11	Advances .....	13
1.1.12	Audit observations .....	14
1.1.13	Irregular features observed in monitoring report covering .....	14
1.1.14	Documentation details .....	14
1.1.15	Recommending / Sanctioning authority .....	14
1.1.16	Insurance .....	15
1.1.17	Internal .....	17
1.1.18	Corporate lending .....	21
1.1.19	Retail lending/Personal loans .....	21
1.1.20	Other loans .....	22
1.1.21	Operational default .....	31

# 1 INTRODUCTION

Appraisal and assessment is an activity before sanction of any credit product offering to the customer (including loans, trade finance, etc). All analysis with respect to the customer is done as a part of this activity. The basic inputs are derived from the customer information functionality. Recording sanction is the last event in this activity. The module should adequately support, taking basic inputs from the customer information file and passing on the output to the loan module.

The method of assessment varies according to product types, e.g. corporate loans, retail loans, agriculture loans etc. Thus the application should support defining the parameters for assessing applications for different products.

## 1.1 General Requirements

The system must support the generation of a unique reference number for applications received from each customer for any type of lending assistance.

Support multi-currency functionality for appraisal of loans and advances

Support straight through tracking and processing of application.

The system should be able to capture the following data:

- Date of receipt of application
- Registering the application details in a user defined format
- Clarifications Sought from customer
- Clarifications Received
- Proposal put up to committee/ sanctioning authority for in principle approval
- In principle approval
- Clarifications sought from customer / branch / RO / ZO / FGMO / CO for final approval/decision
- Proposal put up to committee/ sanctioning authority
- Sanction/rejection (along with reasons for rejection)
- Customer ID allotted in case of sanction (if not already allotted)

The calculation, accounting and recovery of application processing charges/lead bank charges (consortium advance leader) based on user-defined parameters.

All charges, including application processing, can be set up in the product parameters, and recovered from the customer at the time of booking the loan.

Support interface with external databases, of Credit Information Bureau, Reserve Bank of India, Export Credit and Guarantee Corporation caution list, Directorate General of foreign Trade etc., for verification of default status/credit rating of the applicant. If these Interfaces to external databases do not exist can they be customized?

Support access to internal database such as list of non-performing accounts, written off accounts, suit filed accounts, decreed accounts, credit information reports, etc. for verification of default status/credit rating of the applicant

Support links to any other databases

Support user definition of mandatory and optional stages of appraisal process for, each Product and Customer segment

Support creation of master records for the following:

- Customer acquisition method
- Customer type / segment
- Group (Associate / Sister concern; detailed profile of the group)
- Product codes
- Nature of facility
- Industry, sub-segment
- Product under which the customer is being financed
- Types of repayment schedules
- Consortium / multiple bank/institution name or code

Are there any free fields at the customer/ account level that can be used to capture these details?

If we receive files from the customer can the system upload data files received from customers concerning the following?

- Stock statements, book debt statements
- Monthly, quarterly, half-yearly reports etc.
- Advances data in bank specified format (Credit Monitoring Arrangement format specified by RBI)
- Financial Statements

### **Support tracking of credit exposure**

For this purpose provide for:

- Defining targets for industry, sub-industry, sector, sub-sector, geo-graphical area, period, and combination of the above
- Define policy flags (expand, reduce, contain exposure, etc.) for industry, sub-industry, sector, sub-sector, geographical area and combination of the above
- Defining exposure levels for group, borrower, borrower-constitution, etc.
- Tracking of credit exposure for borrower, group, industry, sector, etc.
- Tracking of exposures against targets

Does the system generate Reports, tracking for exposure for various categories of borrowers? If not then can the Targets can be stored in additional customised tables?

Does the system allow for a very flexible definition of exposure limits? Exposure limits for customers can be set up by group, within that for each individual company and for each company product wise or division wise, or a combination of these

The system must automatically track for any excesses on limits by each customer. Reports should be built for tracking exposure by industry, sector, etc.

Support calculation and validation against eligibility criteria for each facility / product and nature of facility being proposed. Allow modification of eligible amount

Maximum and minimum for each facility should be set up as a parameter for each product

### **Application for assistance**

Enable capture of the information from the master records and the Customer Information File. Apart from this enable capture of the following information:

These details can be captured as part of the customer master details or the account details

- Amount of assistance requested under each product/facility
- Details of deposits held by customer
- Details of third party deposits mobilized by customer

These details should be retrieved from the customer master or could be captured on one of the free fields

### **Capturing the financial data of the customer**

- Equity / capital details
- Credit facility sanctioned/availed by/from other banks/institutions (with latest outstanding and present status of the account)
- Current and historical (min 3\* years) profit and loss statement
- Current and historical (min 3\* years) balance sheet statement
- Notes to Accounts (free text field)
- Projected profitability details (min for the next 2\* years)
- Projected balance sheet details (min for the next 2\* years)
- Projected cash flows
- Projected fund flows

The projections must be user-definable; also must support multiple break ups for balance sheets.

Is the current system capturing all these details? Are additional fields or tables required to capture the rest? Can reports as required by the bank be generated using the data captured?

Can historical financial data be retrieved for all future proposals of the same customer?

Does the system capture of remarks (with replies) of latest internal/ external auditors (concurrent, statutory, stock audit, etc.), inspections (by RBI etc.)?

Can Text comments be captured along with capturing of remarks and irregularities pertaining to the account in the bank's monthly / quarterly monitoring reports.

### 1.1.1 Capturing of the non-financial details of the customer

- Management details.
- Names of Directors /Partners, their addresses and their PAN, Customer-IDs, if any. (Minimum of ten directors/partners)
- Installed and licensed capacities (where applicable) Industry details
- Project details (where applicable)

Will we require free fields or additional tables for these Text details?

Support capturing of following additional project details (where applicable) in free format:

- Sponsor / scheme
- Financial / technology partner
- Marketing details
- Raw material requirements
- Environmental clearances
- Other statutory clearances
- Schedule of implementation
- Date of commencement of business / project
- Competitor's details
- Industry trends

Support calculation of various ratios on the basis of profit & loss account and balance sheet such as:

- Sponsor / scheme
- Financial / technology partner
- Marketing details
- Raw material requirements
- Environmental clearances
- Other statutory clearances
- Schedule of implementation
- Date of commencement of business / project
- Competitor's details
- Industry trends

The system must have the ability to verify the application for completeness and provide alerts for non-availability of any information. The user should be able to define the checklist for verification. Once the gaps are identified, the system should aid the user to generate correspondence to the customer for additional information

## Appraisal/Assessment – Corporate

Support analysis of data based on the following criteria:

- Ratio Analysis (turnover, liquidity, profitability, leverage, debt service ratios, etc.)
- Balance sheet and Profit and Loss analysis
- Cash flow analysis
- Fund-flow analysis
- Internal Rate of Return (IRR)/ Net Present Value (NPV) analysis
- Calculation of monthly, quarterly, half-yearly, yearly projections, for desired periods
- Comparison of selected key ratios, financial parameters across borrowers within the industry classification
- Comparison of selected key ratios, financial parameters against bench marks

Support capturing the following financial indicators for assessing / appraising from profit & loss account and balance sheet for the current and historical (minimum two years) and minimum next two years from the above data:

- Paid up capital
- Reserves and Surplus
- Intangible assets
- Revaluation reserve
- Tangible net worth
- Long-term liabilities
- Capital employed
- Net block
- Investments
- Non-current assets
- Net working capital
- Current assets
- Current liabilities
- Net sales
- Other income
- Net profit after tax
- Depreciation
- Intangible assets written off
- Cash accruals
- ROCE (Return on capital employed)

In case of companies having many divisions, support division-wise:

- Storage and retrieval of financial data
- Financial analysis and aggregation for the company

Support analysis based on the following criteria, but not limited to

- Simulation of cash flow based on the various repayment schedules and amount of payments (principal and interest)
- Sensitivity analysis (what-if analysis)

Support definition/change of formulae for various ratios to be calculated

Support definition /change of criteria for selection of group of borrowers for inter-company comparison

Support definition of specific templates for financial analysis based on :

- Industry segment
- Product being offered
- Nature of facility being granted

Allow input of specific (standard/free format) recommendations to the proposal

### **Appraisal/Assessment – Retail/Priority Sector/Others**

Support capturing of the inputs of the following:

- Application reference number
- Rate/quotation/estimate of the asset being financed
- Land records/lease deed/rent agreement
- Financials
- Credit information/credit report/
- Norms prescribed by developmental agencies (such as scale of finance, unit cost, etc.)
- Salary/Income certificate
- Tax returns (such as Income Tax, Wealth Tax, Sales Tax, etc.)
- Educational qualification / training qualification
- Experience certificates
- Relevant licenses/registration numbers
- Proof of residence
- Details of cost and expenses
- Pre sanction inspection report
- Detail of the sponsors
- Availability, claim and receipt of subsidy
- Calculation of economics/profitability analysis
- Location/project site details
- No objection certificate from competent authorities
- Guarantee details
- No dues certificate from banks/financial institutions

Support analysis of data based on the following criteria:

- Ratio Analysis (turnover, liquidity, profitability, leverage, debt service ratios, etc.)
- Balance sheet and Profit and Loss analysis
- Cash flow analysis
- Fund-flow analysis
- Internal Rate of Return (IRR)/ Net Present Value (NPV) analysis
- Calculation of monthly, quarterly, half-yearly, yearly projections, for desired periods
- Comparison of selected key ratios, financial parameters across borrowers within the industry classification

- Comparison of selected key ratios, financial parameters against bench marks

Support capturing the following financial indicators for assessing / appraising from profit & loss account and balance sheet for the current and historical (minimum two years) and minimum next two years from the above data:

- Paid up capital
- Reserves and Surplus
- Intangible assets
- Revaluation reserve
- Tangible net worth
- Long-term liabilities
- Capital employed
- Net block
- Investments
- Non-current assets
- Net working capital
- Current assets
- Current liabilities
- Net sales
- Other income
- Net profit after tax
- Depreciation
- Intangible assets written off
- Cash accruals
- ROCE (Return on capital employed)

In case of companies having many divisions, support division-wise:

- Storage and retrieval of financial data
- Financial analysis and aggregation for the company

Support analysis based on the following criteria:

- Simulation of cash flow based on the various repayment schedules and amount of payments (principal and interest)
- Sensitivity analysis (what-if analysis)

Support definition/change of formulae for various ratios to be calculated

Support definition /change of criteria for selection of group of borrowers for inter-company comparison

Support definition of specific templates for financial analysis based on:

- Industry segment
- Product being offered
- Nature of facility being granted

Allow input of specific (standard/free format) recommendations to the proposal

### **Appraisal Note**

Support creation and maintenance of a list of standard user-defined terms and conditions, which will be included in the appraisal note and sanction letters. These may be different for different types of products, facilities, industry, etc. (E.g. primary / collateral security, documentation)

Ability to generate financial projections based on historical data and key assumptions

Ability to record syndication process across various institution and banks

As part of appraisal note, support capture of following information:

- Branch/Region/Zone/FGMO
- Date of receipt of application
- Customer / Company details (from CIF)
- Name of the account
- Credit rating of the borrower
- Asset Classification
- Date of asset classification
- Date of change in asset classification
- Constitution
- Address of registered / administrative office
- Address of factory / unit
- Date of incorporation
- Date of commencement of commercial production / business
- Date for commencement of customer relation
- Date since availing credit facilities from Union Bank of India
- Line of activity
- Industry sector / BSR code
- Product manufactured (licensed/installed capacity & capacity utilization)
- Name of directors / partners / proprietors
- Means of directors / partners / proprietors

### **Capital structure (amounts)**

- Authorized capital
- Paid up capital
- Book Value (latest financial year & per share)
- Market Value (latest year & per share)

### **Shareholding pattern (capturing number of shares, amount and percentages for each)**

- Promoters
- Associates
- Public
- Financial Institutions (FI)
- Others

### 1.1.2 Total Indebtedness

- Details of banking arrangement along with banks' shareholding pattern (fund based / non-fund based)
- Limits enjoyed with the financial institution / banks
- Name of Bank / FI
- Nature of facility
- Amount of sanction
- Present outstanding
- Details of overdue
- Status of the asset
- Securities offered
- Summary of account history / group history
- Customer / group evaluation

#### Summary of financial parameters with analysis

- Free format text fields for comments on financial indicators
- Comments on working results and financial position
- Free format text fields for comments on working results and financial position

### 1.1.3 Assessment of working capital / term loan requirement

- Comments on estimated / projected sales for current / next year with assumptions
- Free format text fields for comments on estimated / projected sales for current / next year with assumptions
- Inventory / receivable norms / holding (for working capital)
- Free format text fields for comments on inventory / receivable norms / holding (for working capital)
- Comments on current assets / current liabilities projections (for working capital)
- Free format text fields for comments on current assets / current liabilities projections (for working capital)
- Calculation of working capital limits
- Free format text fields for comments on working capital limits

### 1.1.4 Term loan

- Comments on estimation of project cost and break-up
- Free format text fields for comments on project cost and break-up
- Capital structuring – means of financing
- Free format text fields for comments on capital structuring – means of financing
- Estimation of future cash flows and scenario analysis
- Free format text fields for comments on future cash flows and scenario analysis
- Project risk evaluation and mitigation measures
- Free format text fields for comments on risk evaluation and mitigation measures
- Calculation Debt Service Coverage Ratio / Internal Rate of Return / Net Present Value

- Free format text fields for comments on Debt Service Coverage Ratio / Internal Rate of Return / Net Present Value

### 1.1.5 Risk Rating summary

- Free format text fields for comments on risk Rating summary
- SWOT analysis (strengths, weaknesses, opportunity, threats)
- Conclusion (free format text fields)
- Any other matter (free format text fields)
- In case of retail/priority sector advances capture ceiling/margin/maximum loan amount as prescribed by the bank/RBI
- Facility for sanction of composite loan

#### Assessment of non-fund based requirement

- Letter of credit (LC)
- Level of business / annual consumption
- Term of purchase
- Operating cycle
- Capacity utilization

### 1.1.6 Minimum economic quantity

- Lead period
- Cash-flow
- Working capital limit
- Past experience
- Free format text fields for comments on assessment of LC requirement

### 1.1.7 Deferred Payment Guarantee, Letter of Guarantee, Co-acceptance of Bills

- Free format text fields for comments on assessment of above non-fund based requirement

### 1.1.8 Consortium / Multiple arrangement

- Free format text fields for comments on consortium / multiple arrangement
- Comments on credit turnover in the account vis-à-vis sales and comparison with our share

#### Conduct of the account

Free format text fields to be provided for capturing the following:

Regularity in submission of:

- CMA data

- Financial statement
- QPR statement
- Stock statement
- Comments on operations/over dues

### 1.1.9 Compliance to terms and conditions

- Completion of mortgage facilities
- Registration of charges with Registrar of Companies
- Documents validity
- Compliance of RBI guidelines
- Capture the inspection details

#### **Collateral securities (with latest valuation)**

- Nature / description of collateral securities
- Value
- Date of valuation with name of valuer
- Insurance details
- Date of last inspection
- Remarks (free text format)

#### **Personal / Corporate guarantees (including means of guarantor)**

- Name of guarantor
- Means

### 1.1.10 Modifications / waiver / relaxations in existing terms of sanction

Free format text fields for comments on modifications / waiver / relaxations in existing terms of sanction

- Support capturing of interest rate
- Other liabilities of the company / directors / partners to the bank. Free format text fields for comments on other liabilities of the company / directors / partners to the bank
- Exposure to the customer / group. Free format text fields for comments on exposure to the customer'/group
- Value of account (During the last financial year)

### 1.1.11 Advances

- Interest income (provision for sub-classification minimum 5 fields)
- Fee based income (provision for sub-classification minimum 5 fields)

#### **Retail/Consumer finance (To employees/associates)**

- No. of accounts
- Amount

**Deposits (Own/third party)**

- Tenure
- Amount

**Exchange Income**

- Domestic
- Forex
- Name of company / directors figuring in RBI defaulter's list / caution list / willful defaulter's list / ECGC (validation through CIF database), Specific Approval List (SAL of ECGC)
- Confirmation regarding directors/ proprietors/partners being director in our/other banks or related to them
- Search report with Registrar of Companies (including irregularities) (free format text fields)

**1.1.12 Audit observations**

- Internal
- Concurrent
- Statutory
- RBI inspection
- Stock audit
- Revenue audit

**1.1.13 Irregular features observed in monitoring report covering**

- Date of report
- Irregularity
- Action taken
- Recommendations
- Matrix of facilities and limits
- Terms and conditions

**1.1.14 Documentation details**

- Nature of facility
- Date of document
- Details of documents
- Executed by

**1.1.15 Recommending / Sanctioning authority**

Zonal / Field General (Manager's) Office / Regional Office / branch

Based on the terms and conditions specified in the sanction, the system should be able to draw up the list of documents to be executed by the customer

While setting up parameters for each product, it is possible to set up a list of documents required - mandatory and otherwise - which can be updated at the time of opening the account for each customer.

Allow adding and modifying the terms and conditions after authorization  
Support calculation of the repayment amounts based on the repayment schedule selected. Support re-scheduling of loans in case of existing loan accounts

Support re-working of financial ratios for re-scheduling. Support capturing of the following details for each item of security.

- Item (shares, raw material, book debts, etc.)
- Description
- Margin
- Sub-limit (cap on value of security less margin; if the actual is above this cap, for allowing drawings only cap value will be reckoned)
- Valuation periodicity
- Insurance required/not required

#### 1.1.16 Insurance

- Extent
- Amount
- Periodicity of inspection
- Marking of lien e.g. RTO

Allow defining mandatory fields for the above. In the security register maintenance all these details can be captured for each type of security.

Support definition of outer-limits, inner limits, interchangeable limits, etc. The system must allow for a very flexible definition of limits, such that limits can be utilised interchangeably

Support calculation of the banks share in the consortium based on the percentage share specified by the user. Support automatic forwarding of the appraisal and assessment note with the user's recommendations to the next highest authority for approval based on the delegated authority defined

Allow the user to define the format of the appraisal note to be forwarded to the higher authorities. Support generation of report on 'value of connection', which should include, for the period specified by user

- Interest income earned on each product
- Exchange income earned on each product
- Commission earned on each product
- Aggregate LC's opened (Number and amount)

- Aggregate BGs opened (Number and amount)
- Aggregate DPGs opened (Number and amount)
- Aggregate bills purchased/discounted (Number and amount)
- Aggregate cheques purchased/discounted (Number and amount)
- Foreign currency sales affected (Number and amount)
- Foreign currency purchases affected (Number and amount)
- Deposit held in the name of family members (beneficiary of amount)
- Deposit held in the name of third party

Are there report writer capabilities offered by the system.

Support generation of report on adverse features, which should include, for the period specified by the user

- Bills returned unpaid (Number and amount)
- Cheques returned unpaid (Number and amount)
- Guarantees invoked (Number and amount)
- LC devolved (Date, number and amount)
- Term loan installments not paid (Number and amount)
- Deferred payment guarantee instalment devolved and not paid (Date, number and amount)
- Temporary overdraft
- Excess over sanctioned limit

Ability to generate summary report (preliminary 'credit report' on a customer which contains some basic client/project data for the 'in-principle approval') on the following:

- Technical feasibility
- Financial viability/analysis
- Market potential
- Management
- Capital market perception
- Evaluation of the sponsor and the project team
- Group concerns (related parties) – Customer Information, Financials, account history, account status etc.,
- Remarks of internal/external auditors and replies
- List of deviations from benchmarks and policy guidelines

Are reports available on these features by using the various report writer capabilities offered by the system as individual standard reports?

### **Credit Rating**

Is Credit rating supported by the system or is to be interfaced to a suitable external solution ?

Support definitions of the following rating information

### 1.1.17 Internal

- Industry rating
- Company/customer rating
- Management rating
- Financial rating

Overall proposed rating

Overall actual rating

Rationale for rating

Support definitions of the following rating information:

- Industry rating
- Business rating

Support creation and modification of pre-defined risk rating table (facility-wise & corporate/retail-wise rating). Support assigning credit rating to the customer based on user-defined parameters.

Support definition of different models for risk rating for calculation of rating. These may be based on following parameters:

- Key financial ratios (minimum 10)
- Comparison of financial ratios with historical averages of the borrower (minimum 10 ratios)
- Management related parameters (minimum 10)
- Industry related parameters (minimum 10)
- Account value parameters (minimum 5)
- Miscellaneous parameters (minimum 15)
- Comparison of financial ratios with industry averages (minimum 10 ratios)

Support defining scoring bands and corresponding rating for each model. Support defining sets of key financial ratios and other parameters for each model

Support definition of bands of values for each key financial ratio under each model. Support definition of key ratios for historic comparison

Support definition of scores for each band of variance under history comparison

Support definition of industry, management, miscellaneous, and other parameters differently for each model. Support definition of sets of value statements for each parameter under each model

Support definition of scores for each value statement under each parameter

Support defining weights for each category of parameters (i.e., key financial ratios, historic comparison, industry comparison, industry, management, miscellaneous etc.,)

Support assigning of a particular model to a customer based on user-defined criteria based on say industry sector, exposure level, etc

Support application of multiple models. Support extraction of values of key financial ratios and historic averages required for the model, based on the customer-ID and year selected

Support manual over-write/keying of the values; over-written fields have to be authorized. Support automatic working of the scores and weighed scores based on the extracted values

Support user selecting the appropriate value statement for each parameter (from the set of value statements defined for that parameter)

Support automatic working of scores and weighed scores based on the value statements selected. Support automatic generation of overall score and corresponding rating. User may be allowed to modify the rating, which may be different than that calculated by the application of the respective models.

Support capture of additional notes for such modification of the rating; authorization to be obtained for the same

- Provide for capture of risk ratings for customer, customer group, counter-party, etc. including but not limited to
- Ratings provided by external rating agency
- Dual ratings
- Proprietary credit rating model for corporate and facility ratings
- Deviations if any in rating approved by risk department
- Provide ability to track movement of ratings over time

## Pricing

Support pricing based on following information:

- Value of account
- Exposure amount
- Prime lending rate
- Facility rating
- Tenor of credit
- Margin
- Cost of funds/transfer pricing
- Operating costs (i.e. direct and indirect)
- Expected credit loss matrix
- Capital allocation matrix
- Target return on capital-at-risk (CAR)
- Unexpected loss
- Pricing suggested by pricing model
- Fee based income details

Does the system allow for the bank to use its own formula or model for interest computation?

- Support the following features for arriving at interest rate
- Interest rate could be a function (+, -, \*, /, %, IF, AND, OR) of various internal/external parameters
- Interest rate could be step-up or step-down.
- Interest rate could have cap and floor
- Interest rate could be fixed/floating with spread or base rate being a function of various external parameters.
- Interest rate could be a function of multiple fixed/floating rates

Provide for setting up/capture of period specific prime lending rates (PLR), separately for each product, for the bank

Support user defining spread over PLR/cost of funds linked to credit rating

Based on the prime lending rates (PLR)/cost of funds, the system should have the ability to change the rate chargeable to the customers, wherever they are linked to the PLR/cost of funds

Support 'value based' and other pricing models, providing for

- Ability to price loan based on proprietary pricing model
- Ability to capture variances if any in model-determined and actual pricing
- Ability to capture competitor quote details

## **Sanction**

Support creation of a sanction advice with the following details:

- Customer details
- Product details (type of loan etc.)
- Classification of loan / sector code
- Purpose of the sanctioned loan
- Terms and conditions of the sanction
- Amount
- Period of sanction or tenure of loan
- Terms of sanction (Rate of interest including any additional charges applicable, payment terms of interest, margin, etc.)
- Credit rating
- Repayment schedules
- Moratorium period
- Renewal details (where applicable)
- Security details (prime & collateral)
- Charges to be created with appropriate authorities
- Guarantees
- Insurance details (including crop insurance)
- Documentation and legal formalities to be executed

- Standard terms and conditions
- Special terms and conditions

Does the system capture these details from the CIF, loan module, customised tables etc. based on which an advice can be generated?

Support establishing of limits (referred to as sanctioned limits) for a customer

Provide for the creation of a sanction letter to the customer as per user defined format. The format of the sanction letter can be designed by the bank, and modified from time to time to suit their requirements.

Ability to forward the final sanction advice to various departments, as defined by the user. A report / advice can be generated and distribution of this report or advice can be handled through a report distribution tool that is interfaced with the system.

Support maintenance of checkboxes for documents to be specified by sanctioning authorities for collection by disbursing officer. The list of documents required, mandatory or otherwise can be maintained at the product level, and updated on collection at the customer account level.

Track validity period of limits defined

Provide alerts for limits due for renewal, etc. Based on the expiry date for the limits, reports can be generated to track for limits due for renewal.

Support sanctioning and online monitoring of hierarchical limits, for corporate customers in the following manner:

- Group
- Company
- Subsidiary
- Facility / product
- Sub-product
- Branch-wise (Monitoring of branch-wise limit for each sub-product for Group/Company/Subsidiary). Validations/ reports can be built in to monitor limits branch-wise

Does the system allow the bank to set up limits at a Group level, and under that as many levels of limits as required

Support for interchange ability in limits between various products for example cash credit to packing credit, pre sales to post sales etc.

During transactions, supports override facility in case limits get busted/exceeded. This override facility will be based on the following:

- Excess amount over sanctioned limit
- User rights

## Reports and Inquiries

Support inquiry of the status of the application. The user should be able to inquire based on the following:

- Application number/date
- Customer ID
- Type of product
- Branch

Support generation of control and MIS reports by user, branch/location, and business unit, the following:

- Date list for an application
- Details of applications processed, sanctioned, pending or rejected
- Age wise pending proposal report
- Details of processing charges recovered / to be recovered
- Lead bank charges recovered / to be recovered

These reports should be for the period specified by the user.

## Interfaces

- Support interface with MS Word and MS Excel for the purpose of importing data
- Interface through ASCII format (which is supported by Word/Excel) can be provided.

## General Requirements

Provide capability to segregate loans into various categories/types:

### 1.1.18 Corporate lending

- Terms loans
- Working capital loans
- Non-fund based facilities
- Loans against other securities
- Leasing

There should be no limitation on the number of products that can be created.

### 1.1.19 Retail lending/Personal loans

- Housing loans
- Consumer / Personal loans
- Education loans
- Vehicle loans
- Loan against securities / deposits

- Loan against bullion
- Other retail loans
- Professional and self-employed

### 1.1.20 Other loans

- Self-help groups / NGOs
- Agriculture
- Small trade advances
- Small transport advances
- Manufacturing/Processing advances

Support tagging into priority sector advances for the purposes of MIS / reporting based on above categories of accounts

Support definition of:

- Main-limit
- Outer-limit,
- Inner-limit,
- Ad-hoc limit,
- Interchangeable limit,
- Apportioned limit etc.

Support maintenance of main limit in one product with sub-limits/inner-limits in other loan products

Allow creating of notes, which have to be attached to the loan details. These could be in the form of:

- Additional text fields in the loans form
- Separate form attached to the original loan detail form
- Separate note linked to the loan details form

Support marking lien on limit/drawing power of loan accounts (for issuing Commercial Paper, Letters of Comfort, Letters of Credit, Bank Guarantees etc.,)

Support auto reduction of limit to the extent of excess drawings in other specified loan account(s) selected

Support seeking on-line confirmation for cancellation of lien, on closure of loan account

Support display of liens details for a loan account, marked against any deposit/liability products or loan limit

Allow and support different due dates for principal repayment, interest and other charge types with both structured or irregular periodicity

Support defining series for setting up repayment, interest, charge type schedules by structured or irregular periodicity based on:

- Number of installments
- Term (Period) of advance
- Moratorium period
- Amounts of various installments
- EMI (Equated Monthly Instalment)
- Staggered /stepped periodic installments

Provide for rescheduling of the repayment series depending upon changes in any of the above

Provide for transfer of loan accounts from one branch (location) to another. This should not be treated as a pre-mature closure of account. In a centralized environment, an account of one branch can be accessed in any other branch

Support processing of loan application even where the collateral is held with another branch.

Support processing of loan application where the collateral is shared between facilities. Collaterals can be shared between limits.

### **Consortium /Multiple Bank Details**

An illustrative list of details for each bank will include

- Bank name
- Bank code
- Details of facilities enjoyed along with percentage share
- Lead bank indicator
- Income recognition classification for each bank
- Asset classification for each bank

### **Limit set up (Limit Register/Master)**

Support capture of related records from appraisal and assessment module, based on the following parameters:

- Customer
- Sanction/application reference
- Sanctioning authority
- Facility/Product details
- Amount
- Margin
- Interest rate/commission
- Prime securities
- Renewal due date

Is there a pre-sanction module or are these details to be input at pre-disbursal stage?

- Support setting of limits for each product/ facility separately.
- Support setting up of branch-wise limits for a customer.
- Provide capability to set overdraft limits for the current accounts
- Support setting up of offline transaction limits
- Enable setting of limits and exposures for loans to be sanctioned to the customer/group
- Allow for setting up of credit lines/provisional limit in case the customer has used up the limit defined.
- Provide capability to automatically reduce the limit based on a predefined frequency.
- Support capturing details of Registration/Modifications of Charge with Registrar of Companies, for each limit separately
- Support tracking and alerts for charges not registered/pending for registration with ROC, at pre-defined frequencies
- Support capturing dates of execution of each document stipulated in the checklist/appraisal and assessment module
- Support capture of flag indicating completion of documentation. Also ensure no limit is set up unless documentation is complete
- Support seeking on-line confirmation(s) for making a limit operational. Is there a system of Maker checker for limits also?
- Ensure that no limit is set up unless sanction is accorded in the appraisal and assessment module
- Capability to ensure that there is no duplication in limit set up for any sanctioned limit. Some control can be set up based on criteria defined for identifying duplicate limits based on data available in the system
- Support capture and maintenance of limit for a fixed period. Effective and expiry dates have to be given for each limit that is set up.
- Support generation of advance alerts / flags at user defined periods prior to expiry of the limits. Reports can be generated to flag off all limits that are due to expire. Alerts are flashed when any Trade finance transaction is done for the client.
- In the case of a change of constitution of the customer, support linking of accounts to the new customer profile (Stop operations till new set of documents is obtained)

- Support alerts/messages in case the drawing power goes below the outstanding balance, where the drawing power is linked to the security.
- Support generation of alerts in all accounts of the customer in case of devolvement of LC / invocation of guarantee; such alerts should pop-up every time any of the accounts are accessed
- Allow for setting up of limits as a percentage of the security held.
- Support automatic updating of the limits on enhancement, reductions or ad-hoc sanctions and maintains history of changes

Ability to update the sanction details for completion of the legal formalities and execution of documents etc. Charge details can be captured for each of the securities.

### **Security management**

Allow security management in terms of:

- Addition
- Modification
- Deletion
- Blocking / freeze (manual)

Provide for maintaining value of collateral / security. Ability to capture at least 30 different securities charged

Support tracking of date of valuation of collateral, vis-à-vis pre-defined validity periods and prompt the user to update valuations. User to be able to define validity period for each category of collateral

Allow online monitoring of the collateral against the market value in case external data feeds are available (e.g. equities) and generate report if market value is less than outstanding.

Support manual monitoring of the market values where the information is not available through online external data feeds

Provide alerts where the collateral value drops below the predefined limit

Support capturing details of Registration of Charge with Registrar of Companies / Societies

Allow for linking of:

- Single loan to multiple collateral
- Multiple loans to single collateral
- Single collateral to multiple customers. Through group limits

Support validation of the collateral to find if it is being currently used (for any other loan)

Allow for capturing the following:

- Insurance details
- Legal/Solicitor details
- Valuation details
- Details of loans for which the security is held as collateral
- Details of debit balance confirmation. Whether free fields/ messages can be used?

Provide for closing/marketing the collateral in case the collateral is disposed off in the market

Maintain check-list of requirements for different types of mortgages / modifications / extension. At product definition level

Support capture of details of various mortgages e.g. equitable mortgage, registered mortgage, etc. Can Text details be captured?

Support maintenance of drawing of memorandum/ memorandum of entry/extension as per user defined format.

## **Pledge**

Support capturing of the following:

- Type/nature of security
- Margin
- Quantity
- Rate
- Insurance details
- Total Amount
- Location details
- Other details (such as lock number, key number)
- Lien marked / assignment details

Support capturing of the following:

- Details of pledged goods
- Delivery of goods
- Details of goods held at warehouse

Support calculation of drawing power available in case of pledge of goods

System to verify for sufficient balance/ drawing power available at the time of delivery of goods; and generate delivery orders

## Guarantees

Support capture of guarantee details:

- Name of guarantor(s)
- Father's/Mother's name
- Status (Individual / Corporate)
- Address
- Means. Can Free/unused field be used?
- Details of guarantee given in other account. Can it be stored as free text on one of the free fields, or remarks field?
- Details of debit balance confirmation. Can Free/unused field be used?
- Other details (e.g. guarantor's credit report). Can a Free/unused field be used?

## Developmental Lending

Allow classification and structuring of loans on the basis of the following:

- Eligibility for refinance
- Eligibility for subsidy
- Developmental agency
- Specific schemes like World Bank schemes etc.
- Under interest subsidy schemes
- Support generation of subsidy claim / interest subsidy claim as per user-defined criteria; support for reminders

## Refinance

- Support repayment of re-finance amounts with interest on the scheduled dates
- Allow marking of loans against which refinance and/or subsidy has been obtained/has to be obtained

## Foreign Currency Lending

Support interface with treasury system for loan sanctioned/ disbursed

Support maintenance of loans in foreign currencies

Support conversion of loans into local currency both at notional rate and at current rate at user-defined intervals

Support defining and modifying notional rates for conversion of foreign currencies

Ability to capture fore rates for conversion.

Support proportionate earmarking / reduction of working capital limit to the extent of foreign currency loan sanctioned / disbursed against existing working capital limits. Cross utilisation can be controlled through limit tree structure

**Disbursals**

Before disbursement of the loan, check for compliance of terms and conditions as specified in the sanction.

Support capture of data in stages, for details of compliance for each application/sanction reference.

Support for flagging of limit for non-compliance of terms and conditions.

Support definition of mandatory compliance (in the standard list of compliance) for lifting the flag, to make the limit operational.

Enable a phased drawdown schedule for the disbursement of the loan amount

Support checking of balance and drawing power and ability to display record of past disbursements before the disbursement of the loan

Ability to check company/industry exposure prior to disbursement

Ability to generate disbursement details with disbursement request and project status details.

Ability to modify disbursement schedule during the tenure of a facility

Support cheque operated loan accounts (cash credit accounts on lines of current account)

**Prepayment/closure of Loans**

Allow pre-payment of loans based on user-defined rules

Support charging of penalty for pre-payment of loans

Support checks to ensure non-closure of loans till all outstanding and interest accrued against it has been repaid

Ensure release of lien in case of full prepayments

**Drawing Power**

Support rule based/manual setting up of 'drawing power' and restricting disbursements/drawings based on the same

Allow defining rules for calculating drawing powers/disbursement amount based on:

- Security (percentage/absolute value)
- Installments due
- Gaps in cash budget

Support overriding under authorization of restrictions mentioned above based on user defined criteria

Support allowing drawings in excess of "Drawing Power" with on-line approval of authorized users.

Support defining maximum period of validity of drawing powers at the product/facility level

System to prompt for period of validity each time drawing power is updated.

System should pick-up margins, caps (sub-limits), and periodicity of prime security valuation, specified for these items from the appraisal & assessment module for calculation of drawing power. In the absence of an appraisal module these details needs to be input in the system

System to support capturing names of the Banks, their respective shares for each of the facilities (in case of consortium / multiple finance).

System to maintain these values for period specified by the user (minimum 12 months)

Support tracking of periodicity of valuation vis-à-vis the specified periodicity. Can reports be made available?

Support design of standard templates for capturing of:

Date of valuation (month of stock statement / book debt statement)

### **Stocks**

Value of stock (invoice value or market value whichever is less).

This consists of:

- Raw material (imported/ indigenous)
- Stock in process
- Finished goods
- Stores and spares

The following stock items to be deducted in arriving at drawing power:

- Value of stocks older than user defined period unless otherwise specified
- Value of other assets (not reckoned for drawing power) i.e. slow-moving / obsolete items/ user defined
- Value of stocks procured under LC/LG but not paid and stocks against devolved LC's/invoked guarantees
- Value of unpaid stock (under creditors / supplier credit / co-acceptance)
- Value of stock meant for pre-shipment finance (packing credit)

Residual value of stock ranking for drawing power

### **Book Debts**

Value of total book debts

The following book debts to be deducted in arriving at drawing power:

- Bills negotiated/discounted with banks / financial institutions
- Book debts assigned to factors (e.g. SBI Factors)
- Debts considered doubtful for recovery
- Book debts arising out of bills drawn on associate concerns
- Book debts arising out of activity other than for which bank finance is extended
- Book debts older than user defined period
- Residual value of book-debts ranking for drawing power

Support automatic calculation of drawing power against stocks, book debts and other securities as defined above.

Drawing power to be calculated in user definable manner, by:

- Reducing stocks / book debts not to be reckoned for computation of drawing power in accordance with above
- Reduce margin on net security

In case of consortium advances where the bank is consortium leader, system should calculate the above values for the consortium as a whole and reflect Bank's share in each of the above. (Bank's share as per appraisal and assessment module). Is Consortium financing supported?

Provide for capturing customer drawings from other banks in the consortium. Can the free fields can be used to capture these details?

Support seeking on-line confirmation for drawing power calculated

Generate drawing power advices to the customer and other members of the consortium. Is it possible for the bank to generate drawing power advices using a General-purpose letter writer available in the system? The format of the advice can be designed by the bank, and also changed from time to time, if required.

Support retrieval of the valuation data, for the specified period, recognizing bank's share in case of a consortium.

Support linking more than one limit in other branches (including non-CBS), to one drawing power (drawing power to cover the aggregate outstanding in more than one account/limit). Through use of group limits.

## Monitoring of loans

Ability to record tracking of key events/ milestones (Free format text) for the purpose of monitoring loan. Is there a facility of Loan messages and/or Memo pad that can be used to record key events / milestones?

Facilitate identifying/monitoring defaulting loans based on:

- Interest default
- Principal default
- Security default

### 1.1.21 Operational Default

- Non-renewal of account
- Non-submission of financial data
- Non-submission of stock / book debt statement
- Charges/fees default
- Ad-hoc limit not adjusted as per sanction stipulations

Support generation of letters to borrowers based on irregularities in facilities mentioned above as per user-defined period. Is there a built in letter generator that will have to be used to define the letter format?

Support of generation of post-sanction inspection report, containing details on creation of assets/ end use of funds

Support generation of report in various formats containing details of account / customer at predefined / user-defined frequencies, or on ad-hoc basis, for the following:

- Account not reviewed within prescribed period
- Accounts showing signs of sickness (as per user defined criteria). Signs of sickness should be based on data available in the system
- Accounts where security is less than outstanding
- Accounts where drawing power is less than outstanding
- Accounts classified as Non Performing Assets
- Accounts with limits above user-specified cut-off

Ability to generate standard notice/ demand notice/ / recall notice/ letters of invocation of guarantee, etc

## Re-payments

Provision for unique repayment schedule for each disbursement. Workaround can be suggested

Support fixing repayment schedule for a loan.

The methods of repayment will be in accordance with the following:

Periodical: monthly, quarterly, half-yearly, yearly

- On demand
- With or without initial moratorium
- Separate repayment schedules for interest and principal
- Equated installments, with or without moratorium
- Equated monthly installments (EMI)
- Equal or un-equal installments
- Bullet

Provide for accepting repayments by the following:

- Cheque
- Post-dated cheque
- Transfer from other account / branch
- Cash
- Automatic debiting of any other account
- Interest on term deposits

### **Insurance details/Insurance Register**

Support capturing insurance details for each item of primary security as also each interim collateral security (for which insurance cover is stipulated in appraisal and assessment module).

The details should include

- Insurance company
- Cover note details / receipt details
- Policy date
- Policy number
- Whether bank clause covered. Can remarks field be used?
- Asset covered with description
- Risks covered. Can remarks field can be used?
- Insurance cover amount
- Premium
- Premium paid by (bank or beneficiary)
- Beneficiary
- Due date for renewal
- Exemption of the risk if any. Can remarks field be used?

Support check to ensure that address of locations in stock statement is the same as goods insured in insurance policy / cover note

Support having one insurance policy covering more than one item of security

Support generation of report showing details of amendments in insurance policy

Support having more than one insurance policy for one item of security

Support for automatically comparing the insurance cover with value of security and provide prompts for under-insurance. Can customised reports be made available?

System to reckon value of insurance cover as zero for all policies over-due for renewal.

Generate reminders for renewal and enhancement of insurance at pre-defined frequencies, including advance reminder notices.

### **Inspection**

Support capturing dates of inspection customer-wise for both primary and collateral

Support inputting of remarks/report of inspection officials /stock auditors /agencies (memo field)

Support capturing names of the officials/agencies who conducted the inspections

Provide for tracking the periodicity of inspections as per user-defined periodicity customer-wise for both primary and collateral.

Support capture and retrieval of inspection details, including date and remarks

### **Document Register**

Support capturing following document details for each item of the primary security and also each interim collateral security. (These details will be captured from Appraisal, Assessment, Sanction and Lending module.) Document details are captured with the account / security

- Account number
- Name of the account holder
- Nature of facility
- Sanctioned limit
- Name of guarantor
- Details of document taken
- Document executed by
- Date of last debit balance confirmation
- Date and amount of creation/ modification/ satisfaction of charges in case of Ltd. Company (separate fields for each)
- Free format text field for capturing details of charges created with land registry (in case of agriculture advance). Text details
- Details of title deeds maintained (e.g. folio in title deed register etc).
- User ID of official in whose custody the respective documents are held

### **Asset Classification and Provisioning**

Support definition of norms for asset classification and income recognition differently for each sector

Support automatic classification of all loans into performing and non-performing assets, based on user-defined criteria

Support manual over-ride facility for asset classification by authorized users; support generation of report giving details wherever such authority is exercised

Ability to trigger when there is a possibility of one or more criteria being met

Store date on which the asset classification changes from performing asset to non-performing asset (e.g. sub-standard, doubtful and loss)

Income accrued on NPA accounts also needs to be recognized differently for the purpose of accounting of income and without application/ accounting in interest receivables

Support calculation of unrecovered interest, fees and other charges in newly identified NPA account

Support separate calculation of interest accruals for non-performing assets (NPAs) on an on-going basis

Support compounding of interest at the user specified frequency for NPAs while computing interest accrued

Support maintenance of unrecovered interest, fees and other charges account in a separate account head

Support automatic reversal of entries from unrecovered interest, fees and other charges account in case of recovery in the loan account

Automatically calculate write-off/write-back amount outstanding in specified NPA accounts based on user-defined criteria

Support partial write-off and concessions in cases of compromise settlements/ waivers as per user defined guidelines

Support calculation of specific provisions based on user defined criteria and formulae

Support maintenance of mirror (dummy) accounts, for each account, showing interest accrued on the account in the same manner as it would accrue in a regular account

In case of any recoveries in the main loan account, system should make similar entries in the mirror accounts automatically

In case of such recoveries in main account system should simultaneously debit fees/ charges/ interest (to the extent of the recovery) on the basis of interest / fees/ charges accrued in the mirror account

Support generation of reports on user-defined frequencies / periods, or on demand by the user, giving details of such mirror accounts

Support automatic up gradation of status of account (e.g. from sub-standard to standard) in case of adequate recoveries / re-schedulement / re-phasing in line with user-defined formulae

### **Analysis and Forecasting**

Support calculation of overdue period and amount as per user-defined formulae for all accounts

Ability to generate outstanding/arrear status

Ability to carry out future projections at product level for varying periods from one year to 10 years

Projections may need to be collated across borrower, client group, product, etc.

Ability to generate multiple period cash flow estimates

### **Reports and Enquiries**

System should reflect position of accounts of a customer at any point of time, in a columnar form which includes:

- Facilities offered
- Secured / unsecured
- Limit
- Margin
- Expiry date
- Outstanding
- Value of security (prime / collateral)
- Date of valuation (stock / book debt statements)
- Drawing power
- Document obtained
- Last inspection date
- Irregularity/ excess
- Category of advance

Ability to generate reports based on

- Sanctioned /availed amount
- Due dates of repayment
- Outstanding re-finance amounts
- Subsidy to be received etc
- Customer category wise/ product wise

Ability to generate a report with category wise/product wise NPA position

System to provide position of accounts for the consortium as whole. (With regard to outstanding, the latest position available on a common date to be taken)

Ability to generate reports with/without provision and write-off figures

System to furnish at the end of each month and on ad-hoc request list of all loans due for inspection along with dates of last inspection with an ability to sort by last inspection date, amount, asset classification, etc.

Support extracting details of all inspections carried out for a limit during period specified

Support extracting the following reports for a customer

- Details of facilities and limits, details of drawing power and outstandings, details of validity of limits (in matrix form, detailed above)
- Details of insurance
- Details of periodicity of inspections conducted
- Details of security
- Historical data of valuation of primary and collateral security. Is Audit trail available?
- Limit history covering drawing power, peak-outstandings, peak-excess over limit/DP, minimum outstanding during a month, for the months specified
- Details of credits and debits into the account beyond a stipulated amount – the amount would be user definable at account level and will be different for credits and debits
- Credit turnover in account if falls below 10% of projected sales – report to be generated at user defined intervals
- Deviations from benchmarks specified for key financials, etc.,

Provide list of loan accounts for which registration / modification of charges with Registrar of Companies is pending. Using the built in report writer

Provide a customer-wise periodic list of documents due for revival in the next three months or any user-defined period

Support generation of debit balance confirmation as per user-defined format from borrower / guarantor in a user defined periodicity

Support querying and reporting of documents executed for a user specified period for

- Customer
- Execution date/Validity Period
- Facility/product
- Collateral security / mortgage
- Combination of the above

Generate, on the first day of each month, notices to customer in respect of all irregular accounts (outstanding in excess of drawing power) in the user designed format

Generate list of all accounts where outstanding exceeded limit/DP during the day

Generate list of all irregular accounts/watch list at user-defined frequency

Provide at each start of day, a list of items of assets charged to the bank which are due/over-due for valuation; additional support for generation of such report in advance

Support extracting details of insurance vis-à-vis value of security, due/over due position of insurance policies, for specified customer(s)

Allow automatic generation of end-of-period reports for excesses / irregularities in account performance.

Allow for different reminder frequencies to be defined for different loan types and printed automatically at the end of each period. Batch jobs can be set up appropriately

Provide a full set of operational, audit trail and MIS reports, which include:

- Daily Activities Report
- Outstanding Report
- Due Date Analysis Report
- Overdue Report
- Classification of Assets
- Closed accounts

Support generation of NPA position report on a user specified frequency on the following basis:

- Customer category wise
- Scheme wise
- Age wise
- Amount wise

Provide on-line enquiry capabilities for each loan record to include:

- Transaction pending for further processing
- Currently active outstanding records
- Currently inactive records but still being kept in the system
- All the transaction movement history as long as they are kept in the system. The period for which the history transactions are maintained in the system must be user-definable and can vary for each product.

### **Author**

M.A. Kishen Kumar  
Assistant Vice President – Finacle  
Infosys Technologies Limited.