

कार्पोरेशन बैंक (सार्वजनिक क्षेत्र का अग्रणी बैंक) प्रधान कार्यालय, डा.पे.सं. 88, मंगलूर - 575 001	 ई-सर्कुलर e- CIRCULAR	Corporation Bank (A Premier Public Sector Bank) Head Office, PB No.88, Mangalore – 575 001
Credit Division [Credit Policy & Planning Section] Email : cpms@corpbank.co.in		
प्र.का. परिपत्र सं. HO Circular No. 329/2018	सूचकांक Index No. 11.00/22/2018	दिनांक Date: 22-May-2018

समस्त शाखाओं/कार्यालयों हेतु TO ALL THE BRANCHES/ OFFICE

Subject : Review of Bank Guarantee/ Letter of Credit Portfolio: Verification of Accounting Entries and Collection of commission/service charges

<p><u>HIGHLIGHTS</u></p> <ul style="list-style-type: none"> • Branches shall review their BG/LC portfolio immediately and ensure that appropriate entries are made at the branch so as to depict true picture of the contingent liabilities and that the correct figure is reported in MSQ. • Branches shall ensure collection of commission/service charges as per sanction terms to avoid seepage of income. • The power vested with sanctioning Authorities upto CLCC for permitting collection of BG commission annually is withdrawn with immediate effect. The power shall now be vested with credit approval committees at Head Office.

01. Attention of all the Branches/Other offices is invited to the Manual on Bank Guarantee (updated till 15.08.2013) on guidelines governing the business of Bank Guarantee and HO Circular 122/2016 dated 24.02.2016 on collection of applicable commission/ service charges relating to various products/ services of the Bank including issuance of Bank Guarantees. Further reference is invited to various circulars issued from time to time stressing on the importance of collection of applicable service charges unfailingly to avoid seepage of income that has negative impact on the profitability of the Bank.

02. **Collection of BG Commission as per Sanction Terms:**

- i. As per extant guidelines, at the time of issuance of Bank Guarantees, commission at a rate prescribed by the Bank from time to time shall be collected by the branches for the entire tenor for which the Bank Guarantee is issued subject to minimum tenor of two quarters. If commission for entire tenor of the Bank Guarantee is not paid, upfront 0.25% p.a. extra commission shall be charged.

- ii. In case the customer intends to pay commission annually for Bank Guarantees with longer tenor, the same is permitted on a case to case basis by the Sanctioning Authority. In such instances i.e., where commission is collectible annually, the branches are required to make necessary diary postings to ensure collection of commission in future without fail to avoid seepage of income.
- iii. During the course of recent audit of branches, instances have come to notice where branches have not diarized collection of commission annually, resulting in huge amount of seepage of income. In this background, branches are advised to review the BG portfolio immediately and ensure that BG commission as per the card rate/sanctioned rate is collected annually and that there is no seepage of income.
- iv. In view of the above observation made during the course of audit, the delegated power vested with sanctioning Authorities upto CLCC for permitting collection of commission annually for Bank Guarantees with longer tenor stands withdrawn with immediate effect and henceforth the power shall be vested with credit approval committees at Head Office.

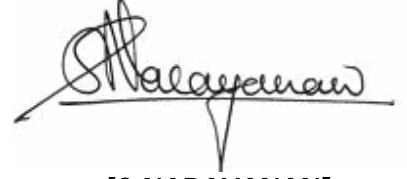
03. Accounting entries for BG/LC in the Books of Account:

- i. As per extant guidelines, branches are required to make accounting entries in the system for the bank guarantees/letters of credit issued to ensure that all the Off-Balance Sheet/ contingent liabilities are accounted for accurately.
- ii. The Statutory Auditors have also pointed out instances wherein accounting entries have not been made in the system in respect of Bank Guarantees issued which is a matter of serious concern.
- iii. In the above background, all the branches are advised to review their Bank Guarantee portfolio immediately and ensure that the entire outstanding BG/LC is reflected in the contingent liabilities in MSQ.

04. Further, this is to reiterate that the instructions regarding making accounting entries in the system for the bank guarantees/ letters of credit issued and commission/service charges collected shall be scrupulously followed.

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05. All Branches/other offices shall note the above for guidance and strict adherence.

A handwritten signature in black ink, appearing to read 'S Narayanan', is written over a horizontal line. The signature is stylized with a large initial 'S' and a long, sweeping underline.

[S NARAYANAN]
GENERAL MANAGER

Note: Hindi Version of the Circular follows.