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यूको बैंक
UCO Bank
(भारत सरकार का उपक्रम / A Govt. of India
Undertaking)

Circular No.
CHO/RM/31/2019-20
Dated:17-10-2019

सम्मान आपके विश्वास का/ HONOURS YOUR TRUST

TO ALL BRANCHES/ ZONAL OFFICES IN INDIA

Sub: Switch-over guidelines for Loans and Advances linked with MCLR/Base Rate/BPLR to Repo Rate based UCO Float.

Based on Reserve Bank of India **Notification no.** DBR.DIR.BC.No.14/13.03.00/2019-20, dated 04.09.2019 Bank has made it mandatory for all new Personal/Retail and MSE loans opened from 01.10.2019 onwards to be linked to Repo based UCO Float Rate vide our circular no. **CHO/RM/25/2019-20** dated **30.09.2019**.

In consonance with the aforesaid circular the existing borrowers under the above categories may also opt to switchover to UCO Float based rate as per mutually acceptable terms.

UCO Float Rate is as under:

Repo Rate (a)	Spread (b)	UCO Float Rate (c=a+b)
5.15%	2.90%	8.05%

The final rate shall also comprise of UCO Float Rate Plus Credit Risk Premium (CRP)

ROI= UCO Float + CRP

A. Switchover of Loans and Advances from MCLR/Base Rate/BPLR to UCO Float regime:

- i) Branches may allow switchover of all eligible category of loans and advances on payment of **upfront legal/administrative charges of 0.50% of the outstanding balances inclusive of GST**. HLCAC-I would be the Competent Authority for allowing any waiver/concession in charges.
- ii) The final rate charged to this category of borrowers post switchover to UCO Float shall be same as the rate charged for a new loan of the same category, type, tenor and amount at the time of origination of the loan on the day of switchover.
- iii) The interest Rate will reset whenever there is any change in Repo Rate/Spread/Credit Risk Premium.
- iv) Loans sanctioned under the MCLR but not disbursed after the introduction of the External Benchmark based Lending rate may switch over to Repo based Rate without any charges.



- v). During renewal if an existing borrower wants to switchover to Repo based Rate can do so after payment of the applicable charges.


B. Execution of necessary documents/agreement with the existing borrower(s) for switching over to UCO Float

- i) For the purpose of switch over from MCLR/Base Rate/BPLR to Repo based Rate a letter (as per Annexure-A) to be addressed and delivered to the borrower(s) under his acknowledgement and his consent (in case the borrower intends to give consent) be taken (as per Annexure-B). The above said consent should be countersigned by the Guarantor(s) (wherever applicable) as a token of acceptance of the said switch over.
- ii) Agreement (as per Annexure-C) is to be executed by the borrower(s) for switchover to UCO Float. Please note that the consent of the Guarantors on the (Annexure-B) to be ensured.
- iii) A clause related to Credit Risk Premium to be incorporated (as per Annexure-D) in the sanction advice and/or Documents after observing necessary modalities in compliance with the RBI directives

Kindly make necessary changes in your documentation at the time of granting of Fresh loans/Renewal of credit facilities wherever ROI is linked with "External Benchmark Based Lending linked with RBI Repo Rate.



(D.K. Mridha)
General Manager
Risk Management


Enclosures:-

- 1) Annexure'A'- Option Letter For Borrower
- 2) Annexure'B'- Consent Letter From Borrower
- 3) Annexure'C'- Agreement For Changing To External Benchmark Based Lending Linked With Reserve Bank of India Repo Rate
- 4) Annexure'D'- Clause Related to Credit Risk Premium To Be Incorporated in Sanction Advice
- 5) Annexure'E'-Guidelines For External Benchmark Based Lending Linked With RBI Repo Rate

"WE SHALL MAKE UCO – A TOP CLASS BANK"



OPTION LETTER FOR BORROWER

ANNEXURE 'A'

-On Letter Head of the Branch-

Ref:.....
To

Date :

Dear Sir,

Sub: **Your Term Loan / CC / _____ / _____ / Account – Change in interest rate system.**

As you are aware that in respect of your above said loan account / credit facility being availed by you the rate of interest was/is being charged based on MCLR as per the directions of Reserve Bank of India. We wish to inform you that the above system of MCLR has been replaced with the system of **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** as per the new directions of Reserve Bank of India. The new system of **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** shall be applicable for the new accounts / loans / credit facilities. However, the existing borrowers can opt to switch over to **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** in replacement of / instead of MCLR system. No fee shall be charged for this switch over. **However, administrative charges/legal cost as determined by the Bank may be charged from you.** With effect from **01.10.2019**, the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** of the Bank is _____% p.a.

Accordingly the interest rate chargeable / applicable under the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** for the credit facility(ies) being availed by you shall be as under :

Sl. No.	Nature and amount of credit facility	Rate of interest (p.a)	
		Existing (MCLR +%)	Revised/applicable ("External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" +%)

You are hereby given an option to choose to switch over to **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** with effect from 01.10.2019/ with immediate effect. You are required to submit your above said irrevocable option within a period of 10 days from the date of receipt of this letter. Please note that in case we do not receive your option within the aforesaid period, it will be presumed that at present you are not interested to switch over to **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** regarding



calculation of interest in respect of your loan account(s) / credit facility(ies) and accordingly the existing MCLR system will continue to be applicable till renewal / review of limits / expiry of existing contract with the Bank.

The rates of interest based on **“External Benchmark Based Lending linked with Reserve Bank of India Repo Rate”** are available on Bank's website **www.ucobank.com**.

Assuring you our best services at all the times.

Yours faithfully,

For UCO Bank

.....
Signature & Seal of Authorised Signatory



Consent Letter from Borrower

The Manager
UCO Bank

Sir,

Sub: My Loan Account / CC Account / _____ Account – Exercising an option for switching over to "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" System from MCLR System

With respect to your communication no.....dated..... on the above subject I hereby submit my irrevocable option authorizing the Bank to charge interest in my /subject loan account as per "**External Benchmark Based Lending linked with Reserve Bank of India Repo Rate**" in replacement of the existing MCLR System with immediate effect / with effect from.....(date).

Yours faithfully,

Date: _____

[Borrower(s)]



ANNEXURE – 'C'

AGREEMENT FOR CHANGING TO "EXTERNAL BENCHMARK BASED LENDING LINKED WITH RESERVE BANK OF INDIA REPO RATE"

ARTICLES OF AGREEMENT made this _____ day of _____ 20 __ BETWEEN Mr./Mrs./Miss/M/s. _____ of _____ (hereinafter referred to as the "Borrower", which expression shall unless excluded by or repugnant to the context be deemed to include his / her / its heirs, executors, administrators, representatives, successors and assigns) of the One Part and UCO Bank, a body Corporate constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 having its Head Office at No. 10, BTM Sarani, Kolkata - 700 001 and a Branch Office amongst other places at _____ (hereinafter referred to as "Bank", which expression shall unless excluded by or repugnant to the context be deemed to include its successors and assigns) of the Other Part.

WHEREAS at the request of the borrower the Bank has advanced the loan of Rs. _____ to the borrower / granted credit facility to the tune of Rs. _____ to the borrower upon the terms set forth in the various documents / agreements executed by the borrower.

WHEREAS the rate of interest being charged on the said loan / credit facility was linked to / based upon MCLR system as per the then applicable guidelines / directives of Reserve Bank of India and whereas as per new guidelines / directives of Reserve Bank of India, the MCLR system has been / being changed to / stands replaced by **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** System.

* WHEREAS the Bank has given option to the borrower for switching over to the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** regarding rate of interest being charged on the loan / advance / credit facilities granted to the borrower. AND WHEREAS the borrower has opted and requested the bank to charge interest on their above said loan / credit facility by linking to and based upon **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"**

OR

* WHEREAS the aforesaid loan / credit facility / limits have been renewed / reviewed / reset on which the rate of interest is to be charged on the basis of **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"**

Now, it is hereby agreed as follows :

A. (1) The aforesaid loan / credit facility shall be linked with **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** System and the interest will be charged based on **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** The **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"**



Benchmark Based Lending linked with Reserve Bank of India Repo Rate" of the Bank at present is _____ % p.a. which is subject to change / increase or decrease at the sole discretion of the Bank from time to time.

(2) The borrower shall be liable to pay interest @ _____ per cent p.a. over the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** and accordingly, the interest rate chargeable at present will be as follows :-

Sl. No.	Nature of facility	Revised / applicable rate of interest "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" + _____ %) p.a.

Provided, however, that the above rate of interest may be revised / increased or decreased by the Bank consequent upon change in the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** and/or spread from time to time or at the sole discretion of the Bank of which notice shall be given by the bank by way of display on its website or / and public notification in newspapers, or / and display on Notice Board of the Bank's Branch, as the Bank may deem fit, and this agreement shall be construed as if such revised or increased rate of interest were mentioned herein and agreed to be paid by the borrower.

- B) The applicability of the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** shall be irrespective of any reference of MCLR or any other rate system, in any of the documents executed by the borrower, and any such reference of MCLR or any other rate system shall be and shall stand substituted by the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** reference / system.

IN WITNESS WHEREOF the borrower has executed this agreement on(day).....(month)(year) above written.

(Signature of the Borrower)

* Strike off the inapplicable under the full signatures of the borrower(s).



ANNEXURE-D

A Clause related to Credit Risk Premium should be incorporated in the Sanction Advice and/or Documents after observing necessary modalities in compliance with the RBI directives.

Draft Clauses:

- (a) The Borrower agrees that the Credit Risk Premium charged to the Borrower for the credit facilities availed by the borrower representing the default risk arising from the loan sanctioned shall be arrived by the Bank at its sole discretion, based on credit risk rating/scoring model and after taking into consideration customer relationship, expected losses, collaterals etc.
- (b) The spread charged to the borrower will increase on account of deterioration in the credit risk profile of the Borrower which will be reviewed by the Bank yearly/quarterly/monthly (Strike out whichever is not applicable), as the case may be and shall be arrived by the Bank at its sole discretion, based on credit risk rating/scoring model .

Provided that the above clause (b) shall not be applicable to loan under consortium/multiple Banking arrangements.



Guidelines For External Benchmark Based Lending Linked with RBI Repo Rate

Annexure - 'E'

External Benchmark Based Lending linked with Reserve Bank of India Repo Rate Implementation: Documentation

In compliance with the RBI Guidelines by implementing the "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" (wherein the Marginal Cost Lending Rate (MCLR) system has been replaced), the following four scenarios are emanating which shall be effective from 1st October, 2019:

1. Giving option to the eligible borrowers for switching over to "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" instead of Marginal Cost Lending Rate (MCLR) System;
2. Execution of necessary Agreement with the existing borrower(s), who have exercised the above option, for switching over to "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate";
3. Execution of Documents, at the time of granting of fresh loans/renewal of the credit facilities, wherein the applicable rate of interest is linked with "External Benchmark Based Lending linked with Reserve bank of India Repo Rate" is stipulated;
4. Continuation of the arrangement of linking the applicable rate of interest with the existing MCLR system, in respect of existing loans/credit facilities wherein the borrowers have not exercised their option for switch over to the new system.

To facilitate the above, we enumerate herein under our observations/suggestions in each of the above eventualities:

1. **Giving option to the eligible borrowers for switching over to "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" instead of Marginal Cost Lending Rate (MCLR) System –**

A letter (as per Annexure - 'A') to be addressed and delivered to the borrower under his acknowledgement and his consent (in case the borrower intends to give consent) be taken as per Annexure 'B'. The above said consent should be countersigned by the Guarantor(s) also as a token of his acceptance to the above said switchover.

2. **Execution of necessary Agreement with the existing borrower(s), who have exercised the above option, for switching over to "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" –**

Agreement (as per Annexure 'C') is to be executed by the borrower(s) (who have exercised the above option) for switching over to "External Benchmark Based Lending linked with Reserve bank of India Repo Rate"



Please note that the consent of Guarantor (s) on Annexure 'B' is to be ensured, as stated in Clause 1 above.

3. **Execution of Documents, at the time of granting of fresh loans/renewal of the credit facilities, wherein the applicable rate of interest is linked with "External Benchmark Based Lending linked with Reserve bank of India Repo Rate" is stipulated –**

For grant of fresh loans/renewal of the credit facilities, the terms of existing documents will have to be suitably modified with respect to the Clause relating to chargeable rate of interest.

In this context, we are suggesting the following requisite changes in certain important documents which are commonly used:-

A.1 – Demand Promissory Note

A – 1 and A 2 is to be replaced as under:

"On demand I/We _____ promise to pay UCO Bank _____ or order the sum of Rupees _____ with interest at the rate of _____ per cent per annum above the Deposit Rate/UCO Bank **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** which is at present _____ per cent per annum subject to minimum rate of interest of _____ per cent per annum or at such other rate as may be decided by UCO Bank from time to time and notified at its website and/or public notification in Newspaper(s), with _____ rests for value received."

A.2 – Demand Promissory Note

"On demand I/We _____ jointly and severally Promise to pay UCO Bank _____ or order the sum of Rupees _____ with interest at the rate of _____ per cent per annum above the Deposit Rate / UCO Bank **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** which is at present _____ per annum subject to minimum rate of interest of _____ per cent per annum or at such other rate as may be decided by UCO Bank from time to time and notified at its website and/or public notification in newspaper(s), with _____ rests for value received."



A -8 – Agreement to pledge of goods to secure Demand Cash Credit/Loan

Clause 11 of A - 8 is to be replaced as under:

"11. That interest at the rate of _____ per cent over the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** as notified by UCO Bank from time to time, subject to the minimum of _____ per annum with _____ rests shall be calculated and charged on daily balance in Bank's favour due upon said credit/loan account till the same is fully liquidated and shall be paid by the borrowers as and when demanded by the Bank.

Provided, however, that the above rate of interest may be revised or increased by the Bank subsequent upon change in the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** from time to time or at the sole discretion of the Bank of which notice shall be given by the Bank by way of display on its website or / and public notification in newspaper(s) as the Bank may deem fit and this agreement shall be construed as if such revised or increased rate of interest were mentioned herein and agreed to be paid by the borrower."

(Please note that the above proviso is in addition to the proviso which has been mentioned in Clause 11 of A 8)

A 9 – Hypothecation of goods to secure Demand Cash Credit

Clause 9 of A 9 is to be replaced as under:

"9. The interest at the rate of _____ per cent per annum over the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** of UCO Bank as notified from time to time subject to minimum of _____ per cent per annum with _____ rests, shall be calculated and charged on daily balance in Bank's favour due upon the said Cash Credit Account till the same is duly liquidated and shall be paid by the borrowers as and when demanded by the Bank.

Provided, however, that the above rate of interest may be revised or increased by the Bank subsequent upon change in the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** from time to time or at the sole discretion of the Bank of which notice shall be given by the Bank by way of display on its website or / and public notification in newspaper(s) as the Bank may deem fit and this agreement shall be construed as if such revised or increased rate of interest were



mentioned herein and the borrower hereby agrees to such revision and increase in the rate of interest and this agreement shall be construed as if such revised or increased rate of interest were mentioned herein and agreed to be paid by borrower and are hereby secured."

A – 9A Deed of Hypothecation of movable Plant and Machinery to secure a Term Loan

(To be inserted after the Repayment Schedule in Clause-2 by replacing the relevant portion)

".....together with interest on the said principal sum or balance thereof remaining unpaid for the time being at the rate of _____ % per annum over the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** of UCO Bank as notified from time to time with month/quarterly/half-yearly/yearly rests, such interest to be deposited monthly/quarterly/half-yearly with the Bank by the borrower and if the borrower makes any default in payment of interest in respect of monthly/quarterly/half-yearly as aforesaid, the amount of interest in default shall be treated as an additional amount advanced by the bank to the borrower and will be debited to the borrowers account and the interest at the same rate and rests will be charged thereon. Provided, however, that the above rate of interest may be revised or increased by the Bank subsequent upon change in the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** from time to time or at the sole discretion of the Bank of which notice shall be given by the Bank by way of display on its website or / and public notification in newspaper(s) as the Bank may deem fit and this agreement shall be construed as if such revised or increased rate of interest were mentioned herein and the borrower hereby agrees to such revision and increase in the rate of interest and this agreement shall be construed as if such revised or increased rate of interest were mentioned herein and agreed to be paid by borrower and are hereby secured."

A – 109 Agreement relating to Term Loan

Clause-6 of A 109 is to be replaced as under:

"6. The Borrower shall in the meantime pay interest @ _____ % p.a. above the UCO Bank **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** which is at present _____ % p.a. subject to minimum rate of interest of _____ % p.a. with _____ rests. Provided, however, that the above rate of interest may be revised or increased by the Bank subsequent upon change in the **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** from time to time or



at the sole discretion of the Bank of which notice shall be given by the Bank by way of display on its website or / and public notification in newspaper(s) as the Bank may deem fit and this agreement shall be construed as if such revised or increased rate of interest were mentioned herein and the borrower hereby agrees to such revision and increase in the rate of interest and this agreement shall be construed as if such revised or increased rate of interest were mentioned herein and agreed to be paid by borrower and are hereby secured."

Composite Deed of Hypothecation

Clause 5, First paragraph of Clause 7 and Clause 8 of the Composite Deed of Hypothecation are to be modified as under:

Clause 5

"That the interest on the said Over Draft/Demand Loan/Cash Credit at the rate of ___% per annum above the Bank's **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** which is at present ___% p.a. subject to minimum rate of interest of ___% p.a chargeable with monthly rests or such other rate as may be decided by the Bank from time to time calculated on daily balance of the said limit and shall be debited to the account with monthly rests till principal amount of the Facilities or balance thereof with all interest, costs, charges and expenses due to the Bank is fully repaid by the borrower or as and when demanded by the Bank."

First Para of Clause 7

"That the Term Loan of Rs.____ shall be repaid in equal monthly/quarterly/half yearly instalments starting from _____ with interest at the rate ___% p.a. above the Bank's **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** which is at present ___% p.a. subject to minimum rate of interest of ___% particularly on the dates and by instalments mentioned in the Repayment Schedule hereunder."

Clause 8

"In the event of the Credit Facilities, together with interest/commission, as the case may be, is not regularly paid by the Borrower as mentioned above or if the Borrower commits any default in payment of the principal amount and interest of the Term Loan due thereon, the Bank shall be entitled to charge interest at such rate as mentioned in sanction letter over the Bank's **"External Benchmark Based Lending linked with Reserve Bank of India Repo Rate"** subject to minimum of% per annum or at such other rates as may be notified to the Borrower from time to time of



the amount of such default from the date of default till payment or realization."

Note: It may please be noted that any modification(s) in the existing document(s) on account of switching over to "External Benchmark Based Lending linked with Reserve Bank of India Repo Rate" system should be authenticated under the signature(s) of the borrower(s) and/or guarantor(s).

4. Continuation of the arrangement of linking the applicable rate of interest with the existing MCLR system, in respect of existing loans/credit facilities wherein the borrowers have not exercised their option for switch over to the new system

In this scenario, the existing documents will continue as the rate of interest is linked with MCLR and the borrower has not exercised his option for the switch over.

