

# New Collateral Recording Guideline

of

# BANGLADESH BANK

## Prospects and Challenges of New Collateral Recording Guideline of Bangladesh Bank: A Case Study on BRAC Bank Limited

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### Abstract

A traditional, popular and one of the most common forms of collateral security of the banking industry in Bangladesh is real estate. But over the years, mortgage duplication problem is a very common problem which is faced by most of the banks. On the other hand, financial institutions are suffering from various problems like corruption, treachery, manipulation, looting, money laundering, document tempering etc. In order to prevent the corruption and treachery arising from loan and to strengthen the credit discipline, Bangladesh Bank (BB) has established a new guideline which is related to collateral recording in the central database. The objective of the study is to find out the prospects and challenges of the collateral recording guideline from the perspective of BRAC Bank Limited (BBL). An interview-based study is done to fulfill the objective of the study. The respondents are the senior personnel of Credit Administration Department (CAD) of BBL. From the interview, it is found that the new collateral guideline will minimize the problem of mortgage duplication. It will also use as a tool to find out some challenges of BB guideline like proportion of collateral backed loan, information inadequacy and inaccuracy problems, document tempering problem, manual writing of the deeds, faulty mortgage steps, lack of collaboration among BB, ministry of law, justice and parliamentary affairs and listed banks.

**Keywords:** Collateral Recording Guideline, Bangladesh Bank, BRAC Bank Limited, Prospects and Challenges.

## 1. Introduction

In the case of a secured loan, banks take security from the borrowers to protect them against loan default. Borrowers can mortgage their real estate properties (i.e. land, flat and buildings) or they can also hypothecate capital machinery. Despite these securities, banks still suffer from a loan default problem. From the perspective of Bangladesh, unfortunately loan default is a very usual phenomenon and mortgage duplication problem is occurring frequently. To solve the mortgage duplication problem and to protect the banks from corruption, treachery and manipulation, BB which is the central bank of Bangladesh has issued a new guideline regarding the record of collateral information. According to the guideline, all the listed banks should record their mortgage, collateral and hypothecation related information in the central database and report it to the BB on a quarterly basis. According to our knowledge, there are scarcity of research on the prospects and challenges of this regulation. So, this study tries to contribute the literature by finding out some of the prospects and challenges of this new collateral recording guideline issued by BB. The next section of the study will present the background and objective of the study. After that, scope and methodology of the study are described. Then, rationality of the study and review of previous literature related to collateral have been stated. Following that, traditional mortgage system and its limitations are explained. Later, outline of the previous process of recording collateral information in BBL and overview of the collateral recording guideline introduced by BB are discussed. Next, prospects and challenges of new collateral recording guidelines are presented. Finally, recommendation and conclusion are provided.

## 2. Background of the Study

Taking a loan from the bank is one of the most common sources of financing. However, there are several risks associated with bank loans. In order to minimize the risk arising from a loan, banks often take collateral against the loans provided. Collateral is defined as a property or an asset which is offered by a borrower to a lender against a loan amount as a security.

Collateral is important for the lenders because it is security against the loan provided. It reduces the risk of loan default. It also increases the probability of the repayment of the loan. It is also important for the

borrowers because it enables a lower income person to get a loan. For example, if someone's income is low, the bank will not allow him a loan. But if he/she agrees to pledge an asset and the value of the pledged property is close to the loan amount, then the bank will not deny the loan application. Thus, collateral is significant both from the perspective of the lenders and the borrowers. There are different types of collateral. The types of collateral are depending on the types of loan. Imeraj (2014) categorized collateral in the following categories:

**Guarantees:** In case of guarantee, one party (known as the guarantor) promises to pay the debt obligation of the borrower if the borrower defaults. Guarantees are unconditional, irrecoverable and must be signed by the appropriate parties. Besides, a guarantee can be limited or unlimited where the guarantor is obliged for some portion or all the portions of the debt.

**Lien:** The claim of the lenders against a collateral property or asset that can be legally sold if the borrower defaults are known as a lien.

**Pledge:** Pledge is another form of security where the borrower deposits his/her cash deposits or movable properties as a security for the loan amount. The creditor is known as the pledgee and the borrower is known as the pledger. In pledge security, the pledgee has an inherent right to seize/ to sell the pledged property if the pledger is unable to repay the loan amount.

**Hypothecation:** Hypothecation can be defined as the arrangement of collateral where neither the title nor the possession of the asset or property passes to the lender but only right to sell an asset or property passes to the lender. Mortgage on capital machinery is an example of hypothecation where the borrower still can be able to use the capital machinery but in case of loan default, the bank will get the right to sell the capital machinery and recover the loan amount.

**Letter of comfort:** Instead of formal guarantees, the parent company can use the letter of comfort regarding the borrowings of the subsidiaries.

Like different types and forms of collateral, the securities against the loan may have many other forms. For example, fixed deposit receipt (FDR), paper instruments, valuable things such as fine art, or jewelry, investment accounts, natural resources, inventory, accounts receivable, home equity etc.

### 3. Objective of the Study

The primary objective of this study is to find out the challenges of the collateral recording process and how to improve it. The specific objectives of the study are:

- ❖ To identify the prospects of the new collateral recording guideline of BB.
- ❖ To explore the challenges of the new collateral recording guideline of BB.
- ❖ To make recommendation for overcoming the challenges.

### 4. Scope and Methodology of the Paper

This paper is done from the perspective of BBL. It is an interview-based study where the respondents are officers, assistant managers and senior managers of Credit Administrative Department of BBL. It is a qualitative research where interpretivism paradigm is used. The sample size is 10 for the research. Since the population of the study is limited, a sample size of 10 people is adequate. It mainly focused on the prospects and challenges of the new collateral information recording guideline. The interview is taken both from the perspective of corporate documentation and emerging corporate documentation segments. The interview method is used because of several reasons. First, the collateral recording guideline is a recent phenomenon for the banks of Bangladesh. So, an interview-based study can give an exact overview of the latest guideline. Second, the main objective of this study is to identify the prospects and challenges of the collateral recording regulation. An in-depth interview is one of the best ways to fulfill the primary objective of this research. Third, secondary data sources are not available to carry out the study on this topic. On this circumstance, only the primary source can help the authors to conduct the study. The interview was a structured interview, but the authors had the flexibility to modify some questions and ask any relevant question to the interviewees. The length of the interview was varied from 12 minutes to 45 minutes. The structure of the interview questions and the details of interview are given in appendix 1 and appendix 2 respectively.

### 5. Rationale of the Study

As collateral information recording system regulation is new development in banking system, it faces many

challenges to implement. Previously, there were no structural way to record this. So, to implement this new system, every bank faces different type of challenges. Again, our central bank, Bangladesh Bank, does not have any central database for all collateral related information. Banks are facing different types of challenges while recording this now. This study covers BRAC bank collateral recording procedure and analysis.

### 6. Literature Review

Prorokowski (2014) tried to discuss the influence of regulatory driven changes to the collateral management setting, indicating operational and technological challenges faced by global investment banks while maintaining the new regulatory framework. For this reason, qualitative approach was used to examine the regulatory-driven collateral management. Here the researcher found that a new approach should be introduced to find out the optimum solutions for the regulatory shaped setting. Gonzalez and Ozuna (2012) found that the collateral requirements can be used by the lenders to reduce the problems of information asymmetries.

In order to determine the optimal use of collateral for maximizing the borrower's wealth, Koziol (2007) used a simple firm value model with additional features that the borrower can bring in collateral. He found that a good borrower typically pledges less collateral than a bad borrower with higher bankruptcy costs, riskier projects, and a lower contribution. Information allocation is a crucial factor for the optimal choice of collateral. Coco (2000) reviewed different collateral-based studies and found that collateral is used more by individuals with insufficiently established credit histories. He also acknowledged that there is a lack of research to find out the impact of long-term relationships between lender and borrower might have on collateral requirements.

Therefore, collateral security has a huge impact on the loan sanctioning procedure. Lots of studies were done to understand the importance of collateral security. But there is a scarcity of researches based on the importance of collateral security management system (CSMS). Besides, the new collateral information recording system guideline has been issued recently by BB. This study tries to find out the extent and the challenges of this guideline.

## 7. The Traditional Mortgage System and its Limitations

The mortgage of land and building as collateral against bank loan must have to go through five stages which are (i) relevant documents collection, (ii) physical verification of the property, (iii) review of the relevant documents, (iv) obtaining the legal opinion, and (v) mortgage registration (Roy, 22nd October, 2017). Although the collateral mortgage is a very old and popular form of security against the loan in Bangladesh, it is a very hazardous system. Banks are continuously facing lot of challenges regarding mortgage collateral. First, there are no exact formulas of the documents collection stage. It means which documents are important for which type of property is a qualitative and judgmental matter. Sometimes, it is almost impossible to find out and to collect all the relevant documents. Second, it is the bankers who physically verify the property. But it is a very challenging task since synchronizing the location of the property with the description given in the documents is a very complicated procedure. Third, the legal opinion is solely given based on the documents initially collected and revised by the bankers. Therefore, a legal opinion can be faulty. Fourth, although registered mortgage is the only legal form of mortgage, yet token mortgage and the equitable mortgage is also used by the banks of Bangladesh. Fifth, the redemption of the mortgage deed is also a complicated and costly task. Finally, the realization of the asset which is mortgaged through the court is a very lengthy process. Mortgage deed also suffers from the problem of innocent mistakes.

## 8. Outline of the Previous Process of Recording Collateral Information in BBL

In the past, some sort of collateral information was recorded in the bank's database for internal banking purposes. But the scope and the extent of information recorded was very limited. It means only a few fields of collateral information were recorded in the bank's database. There was a lack of detailed information recording. Therefore, the information regarding the market value of the collateral, CS, RS, SA, BS Khatian, mouza, sub-registry office of the collateral and dag number etc. were absent. Besides, from the interview it was revealed that collateral information was recorded for only few fields in the emerging corporate segment of BBL.

An interviewee (Associate Manager) said, "BB had not much detailed and specific guidelines on which collateral information to be recorded. So, banks recorded the information applying their own methods with no timeframe for the submission. As a result, limited number of information was available for the internal banking".

Before making the collateral information recording guideline mandatory for all the listed banks, BB used some of the listed banks as a pilot study for testing the guideline's effectiveness. BBL was one of the pilot banks along with City Bank, Midland Bank, United Commercial Bank etc. At the very beginning of this pilot provision, BBL used MS Excel formats to record the mortgage and collateral information. Since the fields of recording were not specific, BBL gave input of all the relevant fields of collateral. Afterward, CSMS software was introduced by BBL and subsequently all the information was recorded in the CSMS software. In the meantime, BB found the pilot study effective and it could be implemented. Thus, BB made the regulation mandatory for all the listed banks.

## 9. Overview of the Collateral Recording Guideline Introduced by BB

Most of the banks did not maintain a database of the collateral which was deposited as a security for the bank loans by the borrowers. Previously, BB also did not have the detailed record of the mortgage and hypothecation information of all the listed banks. As a result, fraud, forgery, treachery, and corruption occurred and it was a serious threat to the banking industry. A workshop on "Credit Operations of Banks" arranged on 11th April 2017 at the Bangladesh Institute of Bank Management (BIBM), Dhaka. A paper was presented in the workshop where it was revealed that "management information system for collateral profiles is being maintained by 40 percent of the state-owned commercial banks and 59 percent of private commercial banks. But in foreign countries, all the collateral information is fully collected by the banks." From the discussion of the workshop, it was clear that a central collateral related database is necessary to remove the tendency of the borrowers to take multiple loans against a single asset which is a violation of the rules. (Star Business Reporter, 12th April 2017). If a unified collateral database is

established, then already mortgaged properties or assets will be realized easily before giving the loans to the borrowers.

In order to solve the problem of collateral securities, BB has taken an initiative by introducing the collateral information database system. According to the new circular, all the banks need to submit their collateral information to the BB on a quarterly basis. The detailed circular is given in appendix 3. The key point of the circular is given in the following for better understanding:

- ❖ Banks must include land, flat, building and capital machinery related information in the database named “Collateral Information System”.
- ❖ Land, flat, building and capital machinery related information should be reported in the security information table whereas mortgage-related information should be reported in the mortgage information table and hypothecation related information should be reported in the mortgage information table of security data file separately.
- ❖ Owner’s and mortgagor’s personal information of the security should be reported in the subject information table of the subject data file.
- ❖ The information must be uploaded on a quarterly basis.
- ❖ Before sanctioning a loan, banks should collect the collateral security report which is supposed to be mortgaged.

## 10. Prospects of the Regulation

By implementing the new collateral recording system, it is expected to reduce the risk of fraudulence associated with sanctioning loans by the banks of Bangladesh. The prospects of this regulation are stated in the following:

### 10.1 Avoiding the mortgage duplication problem

If all the banks maintain a database of collateral regarding land, flat and capital machinery, it will be a great solution to avoid mortgage duplication problem. Previously, mortgage duplication, tempered documents, false signature etc. were big problems for the banks to provide the loan. As a result of this fraud, loan default occurred frequently, and the banks faced a big risk of liquidity. The most important advantage of this regulation is that it will improve the current situation of collateral problems. If any new borrower wants to borrow money from a bank by mortgaging his/her immovable properties i.e. land, building, flat as

a form of security, the bank will easily find out whether the property has been already mortgaged or not. If the property has not been already mortgaged, the bank will approve the loan. So, the rule will minimize the risk of loan default and fraud regarding mortgage duplication.

### 10.2 A tool for accessing the proportion of collateral backed loan

Another important prospect of this regulation is that the bank can access the proportion of collateral backed loan as a result of this regulation. As submission of quarterly collateral information become mandatory for all banks to Bangladesh bank, now banks can monitor their important assets and loans which are backed by security and which are not. The banks can understand their credit situation and the probable risk of the credit. Not only the bank itself but also the BB can identify the current credit situation of its listed banks. If BB finds any credit risk related issues, it will give a signal to the corresponding bank about the problem and proper instructions in this regard.

### 10.3 A wide range of information is recorded

According to the new collateral recording regulation, all the immovable collateral securities i.e. land, flat, building along with the hypothecation of machinery must be recorded in a detailed manner. For example, according to the new guideline not only the immovable collateral information will be recorded but also their respective owner’s information will also be recorded at the same time. The owner may not be the borrower. But his/her information must be recorded in the database system. Besides, all the details of the individual title deeds will also be recorded. A mortgage deed may have several title deeds. Here, all the title deeds must be recorded according to their respective mortgage deed. The deed number, registration number, sub registry office, mouza, district, area of land, market value of the land, pari paasu information, CS, SA, RS, BS khatian along with dag number, mutation khatian number etc. information should be recorded for individual title deed. In case of capital machinery, the name of the machine, manufacturer name, manufacturing year, manufacturing country etc. are needed to be recorded. So, the new regulation will improve the transparency of collateral information against bank loans. Now, at the time of accepting a new loan or sanctioning a new facility, a bank can easily know all the immovable collateral related issues and can proceed further in a transparent manner. So, the new regulation enables transparency of information and removes opacity.

## 11. Challenges of the Regulation

The new collateral recording system may face some challenges at the time of implementing the guidelines given by BB. These are stated in the following:

### 11.1 The problem of accuracy

The first challenge faced by the banks will be the accuracy of the collateral information. To identify the accuracy of the data and record of lot of information with a timeframe will be a difficult task. So, we can predict that there will be some errors/flaws in information recording. An interviewee (Unit Head, Credit Administration Department) said, "At the primary stage, there will be a question of accuracy of the information. But over the periods, the problem will be greatly decreased because of the learning curve and the ability to cope up with the situation. The inaccuracy may be reduced by recording the information very carefully and taking time for re-checking each record".

### 11.2 Inadequacy of the information

Collecting adequate information is another challenge for this regulation. An interviewee (Unit Head, Credit Administration Department) said, "Data inadequacy and data inaccuracy are two of the big drawbacks of this guideline. In case of data inadequacy, we have no option to record the information. At that time, we try to contact with the clients and the lawyers to get the information needed".

### 11.3 Writing the deeds by hand/ writing manually

The third challenge of this regulation is working with the manual deed recording system. In Bangladesh, still most of the land documents are written by hand. Previously, it was thought that hand recording is reliable but nowadays the thought has been changed. It is true that, in case of the automatic system there is a chance of manipulation. But for manual recording there is also a change of manipulation and mistake. For example, a person has a land of 10 decimals, but it may be 100 decimals because of the mistakes by manual recording. Therefore, for the reason of manual land documents, there is no guarantee that the documents are fully reliable.

### 11.4 The Problem of document tempering

Document tempering can also be done in the era of this regulation. If any borrower is intentionally submitting false/duplicate documents, it will be difficult to identify and will increase default risk. There are many creative ways of doing fraud. So, the new

collateral information still cannot resist the document tempering problem.

### 11.5 No collaboration among BB, Ministry of law, justice and parliamentary affairs and the listed commercial banks

In Bangladesh, land-related documents are registered in the sub-registry office which is under the ministry of law, justice and parliamentary affairs. But BB collects the information only from the listed banks. If any dispute occurs, the banks will be liable for the information, not the sub-registry office. The sub-registry office doesn't have any direct collaboration either with listed banks or with the BB. So, a question of the validity of the information may arise which is a disadvantage.

### 11.6 Dishonesty of the Borrowers

When taking a loan from banks, an issue of the honesty of the borrower arises. An interviewee (Unit Head, Credit Administration Department) said, "The honesty of the borrower is a big question to be considered when approving a loan. The land-related matters are very much complicated and subject to dispute in many cases. The information of owner is also confusing in some cases. Sometimes it is not possible to find out the information of the actual owner or the guarantor. It will create a big problem in the collateral recording process".

### 11.7 The Problems of Legalization and Disputes

The problems of legalization and disputes are two big challenges for this guideline. An interviewee (Unit Head, Credit Administration Department) said, "There are thousands of lands in Bangladesh which are subject to dispute or which have pending cases. If a proper judgment is made for each land, it will take fifty to sixty years to solve the dispute of every land-related issue." Since the land related issues are very much complicated and problematic in Bangladesh, the guideline may face a threat of biases.

## 12. Recommendations

Considering the above challenges, some recommendations regarding the improvement of the collateral recording guidelines are given in the following:

### 12.1 Movable property recording procedure should be established

According to the guideline, only the immovable properties are recorded in the database. It means

only land, building, flat, and capital machinery are recorded in the database. But not only the immovable properties but also the movable properties should be recorded. Movable properties are a very popular form of collateral in other countries. Though in Bangladesh movable properties are not so much popular form of collateral at all, still some banks receive pledge as a form of collateral. So, a database of the movable properties should be maintained by the banks. A new guideline can be introduced where not only the immovable properties but also the movable properties are supposed to be recorded in the collateral database and submitted to the BB.

### **12.2 Collaboration among BB, Ministry of law justice and parliamentary affairs, and listed banks should be established**

In the challenge section, it was discussed that, the sub-registry office doesn't have any collaboration with the BB. So, a direct collaboration should be made between the sub-registry offices and BB to make the provision more effective.

### **12.3 The adequacy and accuracy should be made sure**

Banks should collect all the relevant information of the mortgaged property. Banks are supposed to collect all the relevant documents at the very beginning stage of the mortgage, but the collection of documents is subject to proper judgment. If all the information can be collected reliably, it will reduce the problem of data inadequacy and inconsistencies.

### **12.4 A collateral locking system can be established**

The collateral information system is not adequate to fight against the fraud arising from the collateral security. BB should introduce the collateral locking system. It is a technology-based collateral management system. It should be made mandatory for all the stakeholders. A uniform collateral locking (UCL) law should be enforced where all the collateral management procedures will be governed and monitored by the UCL. The UCL body should be formed with the independent members of the BB, Bangladesh Securities and Exchange Commissions, Ministry of Land, Ministry of Finance, Ministry of Commerce, business forums, and the CEO/MDs of the banks. For the management of the collateral locking system, a computer-based program should be developed (Roy, 11th November 2017). Collateral locking system is an impressive technique to prevent the mortgage duplication problem.


### **12.5 Automation**

In the today's world of digitalization, all the works are done with computers. But in Bangladesh, the land related documents are written manually which is very much unfortunate. There is a high chance of making mistakes when writing the deeds by hand. So, an automation technique should be established where the deeds are prepared via computer. If the mortgage deeds are prepared by computer, it will be easy to avoid the innocent mistakes and manipulations. In the age of the computer, automation is required in preparing the land documents.

The regulation is at the very initial stage. There are still chances for improvement. But it is also true that the regulation will improve the credit risk situation. As the time passes, the regulation will be improved day by day. BB needs to take the feedback from the registered banks and then try to resolve the issues faced by the banks while doing the recording process. A new provision may be declared by considering all the issues to create a sound banking structure.

## **13. Conclusion**

The objective of the study was to find out the prospects and challenges of the new collateral recording guidelines by interviewing the employees of credit administrative department of BBL. From the interview, it was found that the new collateral recording guideline is a revolution against mortgage duplication problem. Besides, it will be a tool for knowing the proportionate rate of collateral backed securities for the banks. A wide range of information will also be recorded in the system for this guideline. Several challenges were also identified in this study. The new guideline may face adequacy and accuracy problem. Besides, several problems will remain like the problems of mortgage registration, legalization and disputes, lack of collaboration among ministry of law, justice and parliamentary affairs, listed banks and BB, and dishonesty of the borrowers etc. From all the discussions, it can be said that, although the regulation is at a very initial stage, it can still mitigate the problem of mortgage duplication problem dramatically. As risk will be minimized and economic growth will be maximized through the new regulation, this regulation is considered as the steppingstone in order to solve the problems of loan default in Bangladesh. There are also some limitations of this study. The paper is done only based on BBL. Therefore, the findings of this study are not generalized, and it cannot give a conclusion on the overall banking system of Bangladesh. In addition, the study is done only based on interview or very

specifically the study is done only based on primary data. No secondary data is used for this study because of the unavailability of information. As the findings are only the opinions of the interviewees, there may be more prospects and challenges of this guideline which may be overlooked for time and fund limitation of the authors. Besides, the sample size of the study is low due to the time and scope limitation. If more samples could be used, the study would be more effective and generalized. So, these are the future area of research which may be explored by the interested researchers to contribute in the existing literatures. 

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## Appendix -1

The interview questions:

Why is it necessary to implement a new collateral recording guideline?

What are the probable benefits of this new guideline?

What are the challenges the guideline may face in the implementation stage?

Which measures should be taken to implement the new guideline properly?

## Appendix -2

Details of Interview:

Serial No	Interviewee's Designation	Interview Duration	Interview Date
1	Associate Manager	15 Minutes	19-Jun-18
2	Associate Manager	12 Minutes	19-Jun-18
3	Senior Manager	20 Minutes	20-Jun-18
4	Associate Manager	18 Minutes	21-Jun-18

5	Unit Head, Credit Admin	45 Minutes	23-Jun-18
6	Junior Officer	15 Minutes	24-Jun-18
7	Senior Manager	20 Minutes	25-Jun-18
8	Associate Manager	17 Minutes	25-Jun-18
9	Officer	20 Minutes	26-Jun-18
10	Senior Manager	15 Minutes	26-Jun-18

## Appendix -3

Circular Regarding submission of collateral information to the collateral database in the process of developing collateral information system

Circular No. 02/2018

Date: 26 April 2018

With a view to having well-organized banking sector, credit information bureau, through developing CIB online system, is already working for strengthening credit discipline and easing loan sanctioning process of banks and financial institutions. Within existing legal framework (BB Order, 1972 Chapter-IV, 42(c)) Credit Information Bureau, BB has taken initiatives to establish a collateral database in order to prevent treachery and corruption related to collateral as a part of strengthening credit discipline. Development of collateral database will prevent fraud-forgery and related treachery and corruption arising from mortgaging unlawfully same property against more than one loans sanctioned by banks/FIs. Primarily, only information on immovable collaterals such as Land, Flat, Building and Capital Machineries will be included in collateral database. Without incorporating in the existing CIB Online System, this database will be managed with a new system name as Collateral Information System. Following instructions are issued hereunder for submission of collateral information according to the input structure of collateral database finalized by the bureau:

1. All information on the collaterals must be uploaded to the system through two Text Files named as Security data file and Subject data file.
2. Data pertaining to Land, Flat, Building and Capital Machineries have to be reported in Security Information Table, mortgage information related to Land, Flat or Building has to be reported in Mortgage Information Table and hypothecation information related to Capital Machineries has to be reported in Mortgage Information Table of Security Data File. Apart from this, when a security (Land, Flat, Building and Capital Machineries) is mortgaged or hypothecated its related link information must be reported in Security-Link Table.
3. In addition to subjective information of borrower, owners and mortgagor subjective information of the security has also to be reported in Subject Information Table of Subject Data File. Furthermore, in order to link the owner with his/her security, Subject-Security Link information must be reported in Subject-Link Table. In case of mortgage, borrower and mortgagor must be linked with mortgage information through Subject-Mortgage Link and in case of hypothecation, borrower must be linked with hypothecation information through Subject-Hypothecation Link in Subject-Link Table.
4. Collateral information must be uploaded to the collateral information system on quarterly basis.
5. March' 2018 Collateral Batch Contribution has to be uploaded to the system on or before 31 May 2018
6. From June 2018 Collateral Batch Contribution and onward, every Quarterly Collateral Batch contribution must be uploaded to the system on or before 20th of the quarter ending following month.
7. During sanctioning a loan, from Collateral Information System it is mandatory for all banks/FIs to collect collateral report of the security which is supposed to be mortgaged.

This circular will be effective with immediate effect.