



ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆ ಅನ್ವಯ ಸ್ಥಾಪಿತ

KARNATAKA STATE FINANCIAL CORPORATION

Established under the State Financial Corporations' Act, 1951

भारतीय मानक चिह्न IS / ISO 9001 : 2008



ಸಂಖ್ಯೆ : ಕ.ರಾ.ಹ.ಸಂ./ಪ್ರ.ಕ./
Ref. No. KSFC/H.O./

ದಿನಾಂಕ :
Date... 05/12/2017.....

DGM[C]/MD/ /2017-18 | C-4977

CIRCULAR NO. 928

Sub : Policy for investment of sale proceeds of Secured assets under litigation.

The Audit Committee in its meeting held on 10-01-2017, while deliberating on certain financial liabilities arising on account of Court Judgments, Consumer disputes and Government claims etc., made an observation that there are no policy guidelines for dealing with the payments received and the amounts temporarily parked in Suspense / ARPA Account as a result of which, the Corporation has been forced to pay interest on such amounts and desired to frame a policy.

The accounting of payments received under Suspense / ARPA Accounts is done in the following situations:-

- (a) Sale of assets taken over under Sec. 29 or SARFAESI Act where subsequent to receiving the EMD and initial payment, there could be some litigations as a result of which, the possession of the assets is not handed over to the auction purchaser and the payments made by buyers are kept in Suspense Account / ARPA.
- (b) When the secured assets / personal properties are sold by Special Tahasildar, in such cases, the amount will be held in Suspense Account / ARPA till the sale is approved by the competent authority. Sometimes the approval has taken three to four years.
- (c) Cases where the sale consideration exceeds the liability and the excess amount which is liable to be repaid to the original borrower are held back for some external reasons or due to refusal by the borrower to accept the payments due to litigations. Such amounts are also held in Suspense Account.
- (d) Sale proceeds of assets of companies under liquidation where the sale consideration is not deposited with the High Court or Official Liquidator are normally held in Suspense Account.

It is observed that the payments received in the above situations are mostly accounted as ARPA / Suspense Account and after many years, the Courts have ordered payment of interest since the amount is held by the Corporation. In many cases, the payment of interest will be heavy affecting the financial results already declared for the previous years.

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In view of this, it is decided that such accounts are identified and the Branch Office / Recovery Department / HPFS Department at head office shall intimate the Controller Department which shall keep such amount in Fixed Deposit.

The following operating guidelines may be followed in this connection:

1. The BOs, Recovery/HP&FS sections at H.O, shall review their ARPA/Suspense schedule at quarterly rests and such cases where the sale is not concluded due to intervention of Court and the amount is pending in ARPA or Suspense Account. Submit the details of these cases viz., name of the unit, date of sale of secured asset, amount of sale proceeds, nature of litigation, stay order, if any, with remarks, to Controller Department, H.O., to take further action to create separate Fixed Deposits. To begin, this information to be sent on or before 15th December 2017.
2. Quarterly information of such cases to be forwarded to Controller Department within 10 days on completion of each quarter ended 30th March, 30th June, 30th September and 31st December each year.
3. The Controller Department to invest the amount in nationalized bank as fixed deposit initially for a period of one year, after comparing the prevailing interest rates with three nationalized banks. The fixed deposit receipts will be in the custody of Controller Department, Head office.
4. If the case is still under litigation, Branch Offices and recovery/HPFS department at HO are advised to intimate to Controller department, HO for renewal of fixed deposit along with interest for further period of one year from time to time.
5. The fixed deposit can be withdrawn pre maturely, in case settlement/ decision of case during the currency of investments.
6. These fixed deposit is to be accounted under GL Code 22570 (Other Fixed Deposit) and not be clubbed with investment of surplus money in fixed deposit by the Corporation.

Euseop Lam
Managing Director

All the Department/Section Heads at HO
All the DGMs /AGMs/BMs of Branch Offices
All the DGMs / AGMs of Audit Cells

All General Managers - for infn.

The Executive Directors - for infn.