

Bank's policy on "Resolution Framework 2.0 for COVID 19 Related Stress of Individuals & Small Businesses"

1. Based on the Resolution Framework for COVID 19 Related Stress as declared by RBI vide Circular dated 06 August 2020 and subsequent notification of RBI on Financial Parameters and benchmark / ceiling rates dated 07 September 2020, Bank has framed a Policy on Resolution Framework for COVID 19 Related Stress for Personal & Corporate Borrowers.
2. Now RBI has re-christened the above framework as "Resolution Framework 1.0" and declared "Resolution Framework 2.0 for COVID 19 related stress for Individuals and Small Businesses" vide RBI notification No RBI/2021-22/31 DOR. STR.REC.11/21. 04.048/2021-22 dated 5 May 2021. This has been declared due to the resurgence of COVID 19 pandemic in India in the recent weeks and with the objective of alleviating the potential stress to individual and small businesses.
3. Bank had formulated a Policy and Approach on "Resolution Framework 2.0 for COVID related stress **for Individuals and Small Businesses**" and the salient features is given under:-

As per the guidelines of RBI, Bank is permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan.

A. Applicability

1. The following are the broad categories of borrowers to whom this policy is applicable:-
 - i. Advances to individuals and small businesses who have **not availed any resolution** in terms of the Resolution Framework 1.0
 - ii. For individuals and Small Businesses, where **resolution plan has been implemented** in terms of the Resolution Framework 1.0 with less than 24 months of moratorium, increasing the period of moratorium / extension of residual tenor up to maximum of 24 months
 - iii. Working capital support for "Small Businesses" where **resolution plans has been implemented** in terms of the Resolution Framework 1.0

B. Eligibility

- a) The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:
 - i. Individuals who have availed of personal loans
(which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.) (g)

- education loans, (h) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), (g) loans given for investment in financial assets (shares, debentures, etc.). However **it excludes** consumption loans given to farmers under KCC
- ii. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
 - iii. Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021
 - iv. Provided that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.
 - v. Provided further that Borrowers is having financial stress on account of COVID 19
 - b) The following categories of borrowers / credit facilities **shall not be eligible** for a resolution plan under this framework
 - i. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on March 1, 2020 (Separate scheme notified by RBI)
 - ii. Farm credit consists of
 - a. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers and Proprietorship firms of farmers directly engaged in Agriculture
 - b. Loans to corporate farmers, farmers' producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture;
 - c. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture
 - d. Exposures of lending institutions to financial service providers, including NBFCs
 - e. Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
 - iii. Credit facilities provided by lending institutions to their own personnel/staff.

C. Process of confirming the stress due to COVID affecting the income stream

a. Personal Loans

- i. In case of salaried persons/ pensioners: There should be a reduction in salary/ job loss etc. To ascertain this, the latest salary slips / bank account details of the borrower may be verified and compared with the earlier period.
- ii. In case of Non-salaried persons: There should be a reduction in income stream. The Bank account details, GST return etc may be verified for this purpose.
- iii. In both the above cases, in the absence of any documentary evidence, the income loss due to COVID shall be taken on declaration basis as well.

- iv. In addition to the above, the following cases also are eligible for resolution, provided the borrower submits documentary evidence:-
 - a. If the borrower or any of his dependents are infected by COVID requiring hospitalisation and incurred substantial amount for treatment, then they are also eligible for the relief
 - b. Death of borrower / co-borrower due to COVID
 - c. Education Loan- Delay in completion of course, delay in getting employment / under employment
 - d. Housing Loan- Delay in completion of construction / possession of house/ flat due to COVID 19

b. Small Business

Through any or more of the following manner:-

- i. Bank statements of the individual /entity for last 6 months may be verified and compared with that of earlier period.
- ii. GST Return of the individual / entity for last 6 months may be verified and compared with that of earlier period
- iii. Self-attested Profit & Loss statement for the FY ended 31 March 2021 may be verified

D. Features of the resolution plan

I. Advances to individuals and small businesses who have **not availed any resolution in terms of the Resolution Framework 1.0**

a. Personal Loan

1. Term Loans & Demand Loans

- i. Allow moratorium period during the expected future period of stress, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projected income.
- ii. The extension of residual tenure may also be granted, with or without payment during moratorium, with an overall cap of extension (including the moratorium period, if any) of 2 years.
- iii. The instalment shall be re-fixed after capitalising the interest during the moratorium, if not paid
- iv. The moratorium shall come into force immediately upon implementation of the resolution plan.
- v. In case overdue of instalment and/or interest already exist at the time of implementation of the resolution plan, that shall be removed from system. However, in these cases, the period of instalments pending should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years

2. Overdraft Facility

- i. The payment of interest shall be deferred for the expected future period of stress along with un serviced interest so far, if any, subject to a maximum of two

years. The future period of stress shall be assessed based on the borrower's declaration of projection of income.

- ii. The interest accruing during the deferred period & overdue interest as on the date of implementation shall be converted into a Funded Interest Term Loan (FITL), with the same rate of interest that of the OD facility and shall be repayable within a period of 3 years
- iii. In case of un serviced /overdue of interest already exist at the time of implementation of the resolution plan, the period of interest un serviced should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years.

b. Loans to individuals for business purposes and small businesses other than MSME (refer 3 B (ii) & (iii))

1. Term Loans and Demand Loans

- i. Allow moratorium period during the expected future period of stress, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projected income.
- ii. The extension of residual tenure may also be granted, with or without payment during moratorium, with an overall cap on period of extension (including the moratorium period, if any) of 2 years.
- iii. The instalment shall be re-fixed/ re-scheduled based on the projected cash flow, after capitalising the interest during the moratorium, if not paid.
- iv. The moratorium shall come into force immediately upon implementation of the resolution plan.
- v. In case overdue of instalment and/or interest already exist at the time of implementation of the resolution plan, that shall be removed from system. However, in these cases, the period of instalments pending should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years

2. Overdraft & Cash Credit Facility

- i. The payment of interest shall be deferred for the expected future period of stress along with un serviced interest so far, if any, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projection of income.
- ii. The interest accruing as above, during the deferred period & overdue interest as on the date of implementation shall be converted into a Funded Interest Term Loan (FITL), with the same rate of interest that of the OD/CC facility and shall be repayable within a period of 3 years
- iii. In case of un serviced /overdue of interest already exist at the time of implementation of the resolution plan, the period of interest un serviced should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years
- iv. Revision in working capital limit with any / more of the following actions:-

- a) Based on the elongation in working capital cycle due to the stress on COVID the working capital limit shall be re-assessed and revised limits may be granted.
 - b) Roll over of Working Capital Demand Loan (WCDL) to be permitted by liquidating the old WCDL with sanction of fresh WCDL within the overall WC limit
 - c) Carve out irregular portion of Working Capital limit in to need based WCTL to be repaid as per the projected cash flow. WCTL will be provided for a maximum period of 5 years. The rate of interest for WCTL will be the rate of interest applicable for the principal working capital account + 1%
 - d) Reduction in margin on inventory up to 10 % (This will be restored to earlier sanctioned level on or before 31.03.2022)
 - e) Further extension of debtors period up to maximum by 90 days from the existing sanctioned level subject to a maximum resultant period of 360 days (This will be restored to earlier sanctioned level on or before 31.03.2022)
- v. The resolution plan also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework issued by RBI vide notification dated 06 August 2020.

II. Advances to individuals and small businesses who have **availed resolution** in terms of the Resolution Framework 1.0

1. Allowing moratorium period & extension of tenure

In cases of loans of borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, modify such plans only to the extent of increasing the period of moratorium and / or extension of residual tenor up to a maximum of 24 months. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.

2. Working Capital Support for small businesses

- i. In respect of borrowers specified at sub-clauses (ii) and (iii) of Clause (3 B) above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, it is permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The sanction in this regard shall be taken by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

- ii. The following concessions also may be allowed in such cases:-

Proposed Actions
Reduction in margin on inventory up to 10 % (This will be restored to earlier sanctioned level under Resolution Framework 1.0 on or before 31.03.2022)
Extension of debtors period further up to 90 days from the existing sanctioned level subject to a maximum resultant period of 360 days. (This will be restored to earlier sanctioned level under Resolution Framework 1.0 on or before 31.03.2022)

E. Invocation & implementation of Resolution Process

1. Invocation of Resolution Plan

- i. The resolution process under this window shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the Bank from borrowers for invoking resolution process, the assessment of eligibility for resolution as per the instructions contained in this policy will be completed within a reasonable period. On being satisfied with the eligibility conditions the date on which Bank decide to process the application can be taken as date of invocation.
- ii. The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- iii. The last date for invocation of resolution permitted under this window is September 30, 2021.
- iv. The decision on the application (sanction/ rejection) shall be communicated in writing to the applicant by the Bank within 30 days of receipt of such applications

2. Implementation of Resolution Plan

- i. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process.
- ii. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:
 - a. All related documentation, including execution of necessary agreements between the Bank and borrower and collaterals provided, if any, are completed by the Bank in consonance with the resolution plan being implemented;
 - b. The changes in the terms of conditions of the loans get duly reflected in CBS; and,
 - c. Borrower is not in default with the Bank as per the revised terms.
- iii. Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework, or the relevant instructions as applicable to specific category of Bank where the Prudential Framework is not applicable.