Scheme for Covid-19 Related Stress of Individuals and Small Businesses

Due to Covid-19 situations in the recent weeks it may affect the recovery process. With the objective of reducing the stress to individual borrowers and small businesses, the following measures are announced by RBI which are broadly in line with the Resolution Framework - 1.0, with suitable changes.

There are 3 parts A, B and C as under:
Part A: Requirements of resolution of advances to individuals and small businesses
Part B: is working capital support for: (i) individuals who have availed of loans for business purposes, and (ii) small businesses, where resolution plans were implemented previously.
Part C: lists the disclosure requirements for Banks with respect to the resolution plans implemented under this window.

Part A: Resolution of Advances to individuals and small businesses
Our Bank is permitted to implement resolution plans in respect of our credit exposures to individual borrowers and small businesses while classifying the same as Standard upon implementation of the resolution plan subject to following conditions:

The following borrowers shall be eligible for resolution to be invoked by us:

A. Individuals who have availed of personal loans *(Personal loans refers to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.)*.

B. Individuals who have availed of loans and advances for business purposes and to whom Banks have aggregate exposure of not more than Rs. 25 crore as on March 31, 2021.

C. Small businesses, including those engaged in retail and wholesale trade (other than MSMEs) as on March 31, 2021, and to whom Banks have aggregate exposure of not more than Rs.25 crores as on March 31, 2021.
Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at Clause 22 below.
Provided that the credit facilities / investment exposure to the borrower was classified as Standard by Bank as on March 31, 2021.
Thus, for Resolution Framework 2.0 the eligible loans are: Cash Credit Secured, Hypothecation/Book-Debt, Education Loan, Housing Loan, Business Mortgage Loan and Machinery Loan which is Non-MSME.

Invocation of resolution process:
Today, we have framed this Board approved policy (which is within four weeks from the date of this Circular), pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. In this Board approved policy we have mentioned in detail the eligibility of borrowers in respect of whom our Bank shall be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by our bank to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers **who request for resolution** under the window and / or are undergoing resolution under this window.

The resolution process shall be treated as invoked when 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 us from our customers for invoking resolution process, the assessment of eligibility for resolution as per the instructions contained in this circular and this policy as above shall be completed, and the decision on the application shall be communicated in writing to the applicant by our Bank **within 30 days of receipt** of such applications.

The decision to invoke the resolution process shall be taken by our Bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

The last date for invocation of resolution permitted under this window is **September 30, 2021**.

Permitted features of resolution plans and implementation:

The resolution plans implemented under this window may *inter alia* include:
i. Rescheduling of payments,
ii. Conversion of any interest accrued or to be accrued into another credit facility
iii. Revisions in working capital sanctions
iv. Granting of moratorium etc.
based on an assessment of income streams of the borrower. However, **compromise settlements are NOT permitted** as a resolution plan for this purpose.

The moratorium period, if granted, may be for a **maximum of TWO YEARS**, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be **TWO YEARS.**

The resolution plan should be finalised and implemented **within 90 days** from the date of invocation of the resolution process. The resolution plan shall be deemed to be implemented only if all the conditions in Paragraph 10 of the Annex to the Resolution Framework – 1.0 are met. [Paragraph 10 is as under:
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 our Bank and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
b. the changes mentioned in the terms and conditions of the loans get duly reflected in the books of our Bank; and
c. borrower is not in default with our Bank as per the revised terms.]

Asset classification and provisioning
If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.

The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 ("extant IRAC norms").

In respect of borrowers where the resolution process has been invoked, our Bank is permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.

Our Bank shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

Convergence (both inclusive) of the norms for loans resolved previously
In cases of loans of borrowers specified in Clause 5 above 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, lending institutions are permitted to use this window to modify such plans **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 12 above (Maximum 2 years), and the consequent changes necessary in the terms of the loan for implementing such extension.
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.

This modification shall also follow the timelines specified in Clauses 7 (implement at the earliest), 10 (last date as 30.09.2021) and 15 (within 90 days) above. For loans where modifications are implemented in line with Clause 22 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

Part B: Working capital support for small businesses where resolution plans were implemented previously
In respect of borrowers specified at sub-clauses (b) and (c) of Clause 5 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, our Bank 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 decision with regard to above shall be taken by lending institutions 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**.
The above measures shall be contingent on our Bank satisfying ourselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

We have this policy to implement the above measures. This policy is to be disclosed in the public domain and placed on our website/notice board and in easily accessible to customers

Part C: Disclosures and Credit Reporting

The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 22 above, and the aggregate exposure of the Bank to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

Our Bank is required to publish only annual financial statements and shall make the required disclosures in our annual financial statements, along with other prescribed disclosures.

The credit reporting by our Bank in respect of borrowers where the resolution plan is implemented under Part A of this window shall reflect the **"Restructured Due to COVID-19"** status (DoR.FIN.REC.46/20.16.056/2020-21 dated March 12, 2021) of the account.

This policy is integral part of our loan policy.

Scheme for Covid-19 Related Stress of Micro, Small and Medium Enterprises (MSMEs)

1. This policy is based on RBI Circulars RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 May 5, 2021 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on restructuring of advances to the MSME borrowers.

2. In view of the Covid-19 pandemic it has been decided to extend the above facility for restructuring existing loans without a downgrade in the asset classification subject to the following conditions:
(i) The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
(ii) The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
(iii) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.
(iv) The borrower's account was a 'standard asset' as on March 31, 2021.
(v) The borrower's account was not restructured in terms of the circulars: DOR.No.BP.BC/4/ 21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars).
(vi) The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when our Bank and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by our Bank from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by our Bank within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by our Bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
(vii) The restructuring of the borrower account is implemented within 90 days from the date of invocation.
(viii) If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
(ix) Upon implementation of the restructuring plan, our Bank shall keep provision of 10 percent of the residual debt of the borrower.
(x) This Board approved policy on restructuring of MSME advances is approved before a month from the date of this circular.
(xi) All other instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable.

3. In respect of restructuring plans implemented as per Clause 2 above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

4. In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, we are 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 decision with regard to above shall be taken by our Bank by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by our Bank at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

5. Our Bank shall implement above measures satisfying ourselves that the same is necessitated on account of the economic fallout from Covid-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.

6. This policy is integral part of our loan policy.