

(i) Resolution Framework-2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, Reserve Bank of India vide its Circular DOR.STR.REC.11/21.04.048/2021-22 Dated May 05, 2021 has announced the following set of measures of **Resolution Framework-2.0** which are as mentioned under. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

Guidelines of Resolution Framework 2.0 have been structured in three parts i.e Part-A, Part-B and Part-C as under

Part-A: Pertains to requirements specific to resolution of advances to individuals and small businesses.

Part-B: Pertains to 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: Pertains to Disclosure requirements with respect to the resolution plans implemented under this window

Resolution under this facility is extended only to borrowers having stress on account of Covid-19.

Operational guidelines/frame wok for eligible accounts to which stress has been created on account of COVID-19.

PART-A: Resolution of advances to Individuals and Small businesses

1. Eligible Credit Facilities:

(i) Individuals who have availed of personal loans excluding credit facilities sanctioned to the staff. Exposures includes Personal Banking Scheme loans, Education Loans, Housing Loans, Conveyance loans, Pragathi Swagruha Plus, Rent Plus (Personal use), Personal loans secured by Immovable property (PMPML) sanctioned for other than Business/Commercial Purposes.

(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.25.00 crore as on 31.03.2021. Exposures include Commercial Complex, Commercial Real Estate, Rent Plus (Business purpose), Pragathi Paladhara, Pragathi Sheep/RAM/Goat, Pragathi Poultry, Pragathi Sericulture and Pragathi fisheries

(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. Exposures include Pragathi Flexi Trade Loan (PFTL) sanctioned to **other than MSME** borrowers.

2. Non Eligible Loans:

- i. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on March 1, 2020. (Shall proceed under MSME restructuring norms).
- ii. Farm credit as listed in Paragraph 6.1 of RBI Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) or relevant instructions as spelt out by the bank vide Point No: 5(A) & (B) of Circular No: 243-2020-BC-CD Dt: 17.09.2020 **except loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture given to the farmers households.** (As per S.No.2 of FAQs on Resolution of Framework for COVID-19 stress, revised on December 12, 2020 by RBI)
- iii. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- iv. Exposures of lending institutions to financial service providers.
- v. 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.
- vi. Exposures of housing finance companies where the account has been rescheduled in terms of para 2(1)(zc)(ii) of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010 after March 1, 2020, unless a resolution plan under this framework has been invoked by other lending institutions. However, from the date of this circular, any resolution necessitated on account of the economic fallout of Covid-19 pandemic, shall be undertaken only under this framework.
- vii. Loans sanctioned to the staff of the Bank.
- viii. *Borrowal accounts that have availed resolution plan under framework 1.0, availed Moratorium of complete 2 (two) years and/ or extension of residual tenor by a period of 2 (two) years are not eligible for resolution under framework 2.0. However accounts that have availed the benefit of extension of Moratorium and/ or residual tenor less than 2 years under the resolution framework 1.0 are eligible for resolution under the current framework 2.0 to the extent of increasing the moratorium period / extension of residual period only. (i.e The overall cap on Moratorium and extension of residual tenor granted under both the frameworks 1.0 and 2.0, shall not exceed 2 years)***

3. Eligibility Criteria: Borrowal accounts were classified as Standard as on **31st March 2021.**

4. Recommended features of Resolution plan:

- i. The resolution plans may inter alia include rescheduling of payments, refixing the repayment schedule on the outstanding balance (Incl of accrued interest) thereby extending the residual tenor by a maximum of 2 years, conversion of any interest accrued, or to be accrued into another credit facility , revisions in working capital sanctions, granting of moratorium upto a maximum of two years.
- ii. The extension of 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 shall be maximum of 2 years.
- iii. Conversion of a portion of debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable.
- iv. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.
- v. Ensure that Resolution Plan is applicable for only to those accounts for which stress has been created due to the COVID-19 only.

5. Illustrative Instances that might have resulted for creation of Stress:

- i. Interim disruption of Construction activity for Housing loans, project loans and all loans sanctioned for construction, due to the COVID-19 pandemic.
- ii. Shrink in the Cash Flows of the borrowers' business activity on account of the COVID-19 Pandemic.
- iii. Any other stress created in the account created on account of COVID-19 Pandemic only.

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.

PART-B: Working capital support for small businesses where resolution plans were implemented previously

In respect of borrowers specified at 1 (ii) & (iii) of part-A above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, 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 the Bank before 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.

6. Application :

Normally restructuring cannot take place unless alteration /changes in the original loan agreement are made with the formal consent/application of the borrower. However, the process of restructuring can be initiated by the branch in deserving cases subject to customer agreeing to the terms and conditions. Borrower has to submit necessary evidence to substantiate the request for restructuring, apart from necessary financial statements, such as cash flow statement, Income tax returns, statement of account, projected balance sheet, etc., to determine the financial viability.

7. Time Limit:

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

Date of Invocation means the day on which the bank and the borrower agreed to proceed with the efforts towards finalizing a resolution plan. In other words, it shall be treated as the date of acceptance by the borrower on the resolution plan sanctioned by the bank.

The Resolution plan should be finalized 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 of the following conditions are met:

- i. All related documentation, including execution of necessary agreements between Bank and borrower and collaterals provided, if any, are completed by the Bank in consonance with the resolution plan being implemented;
- ii. The changes in the terms & conditions of the loans get duly reflected in the books of the Bank;
- iii. Borrower is not in default with the Bank as per the revised terms.

8. Documentation:

Continuation of charge on existing securities. When a restructure package is sanctioned a sanction letter detailing the terms and conditions of restructure package, shall be issued to the concerned borrower and acknowledgement be obtained. Necessary documentation as decided by the bank shall be carried out.

For any other queries/related information, customers are requested to contact their respective Bank branches.

A facility for grievance redressal mechanism for the eligible borrowers for redressal of their grievances arising out of this scheme is available in our Bank's website. Credit Department, Head Office shall act as Grievance Redressal Cell and Chief Manager, Credit Department, Head Office is the Nodal Officer.

Chief Manager