

In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India, RBI announced various measures on May 05, 2021 including Resolution Framework 2.0 for resolution of loans of Individuals and Small Businesses affected by Covid-19 related stress. The policy for resolution of loans of Individuals and Small Businesses formulated by the Bank, in line with the RBI guidelines, is annexed.

Customers who are desirous of availing the facility may get in touch with their respective Branches / Relationship Managers for further clarifications / guidance in this regard.

Policy on Resolution Framework 2.0 - Resolution of COVID 19 related stress of Individuals and Small Businesses

1. Introduction & Objective

The Reserve Bank of India vide its [circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020](#) on “Resolution Framework for COVID-19-related Stress” (herein after referred to as “Resolution Framework – 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard. The last date for invoking resolution under Resolution framework 1.0 was 31.12.2020.

With the resurgence of Covid-19 pandemic in India and with the consequent containment measures to check the spread of the pandemic, the recovery process is expected to be impacted. Therefore, with the objective of alleviating the potential stress to individual borrowers and small businesses, RBI has announced Resolution Framework – 2.0. The set of measures announced in Resolution Framework 2.0 are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

2. Definitions

- a) **Prudential Framework** - The term ‘Prudential Framework’, wherever used in this policy, refers to the “[Prudential Framework for Resolution of Stressed Assets Directions 2019, dated June 7, 2019](#)” issued by RBI.
- b) **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.).

Consumer credit refers to the loans given to individuals, 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.).

3. Scope

The policy shall be applicable to all eligible borrowers in ‘Individual’ and ‘Small Business’ category (other than those classified as Micro, Small and Medium as on 31/03/2021). The resolution under this policy/ framework shall be extended only to borrowers having stress on account of Covid19 subject to other eligibility conditions specified herein. The policy is structured in 3 parts:

- Part A pertains to the 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 lists the disclosure requirements with respect to the resolution plans implemented under this window.

PART A – Resolution of Advances to Individuals and Small Businesses

4. Eligible Borrowers

The following type of borrowers shall be eligible for resolution under this Resolution Framework subject to other conditions specified herein.

- a) Individuals who have availed of personal loans (as defined in Clause 2 (b) above), excluding the credit facilities provided to Bank's personnel/staff.
- b) Individuals who have availed of loans and advances for business purposes and to whom the aggregate exposure of all lending institutions is not more than ₹ 50 crore¹ as on March 31, 2021.
- c) 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 aggregate exposure of all lending institutions is not more than ₹ 50 crore¹ as on March 31, 2021.
- d) However, loans to following categories / segments, as listed below shall not be eligible for resolution under this framework.
 - i. MSME borrowers whose aggregate exposure to lending institutions is ₹50 crore¹ or less as on March 31, 2021 since it is covered separately under Resolution Framework 2.0 'Resolution of Covid –19 related stress of Micro, Small and Medium Enterprises (MSMEs)'.
 - ii. Farm credit exposures as listed in Paragraph 6.1 of RBI [Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 \(as updated\)](#), except for loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture are excluded from the scope of the Resolution Framework. Subject to the above, loans given to farmer households would be eligible for resolution under the Resolution Framework if they do not meet any other conditions for exclusions listed in the Resolution Framework.
 - 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.

¹ Enhanced from ₹25 Crore to ₹50 Crore in tune with the guidelines published by RBI vide Circular No. RBI/2021-22/47DOR.STR. REC.21/21.04.048/2021-22 dated 4th June 2021.

- iv. Exposures to financial service providers. Financial service providers shall have the same meaning as in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016. Sub section (17) Section 3 of the Act defines “financial service provider” as a person engaged in the business of providing financial services in terms of authorization issued or registration granted by a financial sector regulator.)
- v. Exposures to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and body corporates established by an Act of Parliament or State Legislature.

5. Eligibility Conditions

The eligible borrowers shall satisfy the following conditions to be qualified for resolution under this Resolution Framework.

- a) The borrower accounts should not have availed of resolution in terms of the Resolution Framework – 1.0. However, if the resolution plan availed under Resolution Framework 1.0 had permitted no moratorium or moratorium / extension of residual tenor of less than two years, Bank may modify the resolution plan subject to the overall cap of 2 years for moratorium period/ extension of residual period.
- b) The credit facilities / investment exposure to the borrower should have been classified as ‘standard’ by the Bank as on March 31, 2021.
- c) The borrower should have stress on account of Covid-19 pandemic.

The product level standardized templates for Retail loans and Small Business Loans are provided in Annexure 2 to the Policy, which contains other aspects that should be considered while granting resolution under this framework.

6. Invocation of Resolution Process

- a) On receipt of a request for resolution from the borrower, Bank shall ensure that the stress in the accounts of the borrower is due to Covid-19 and not due to any other reasons. Due diligence in this regard shall be conducted by Branch / Relationship Manager.
- b) A viable resolution plan shall be implemented in compliance of policy guidelines and taking into account the stress of the borrower. For businesses, the existing cash flows of the borrower shall be analyzed, and projections shall be set realistically considering the disruptions in the economy due to Covid-19 pandemic.
- c) The resolution framework shall be approved by the same authority who has sanctioned the original loan. However, in case of branch sanctioned loans, committees in Credit Hub shall consider the request for resolution.
- d) Sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid19 may be considered by same authority who has sanctioned the existing loan (other than branches) provided, the loan comes within the delegation as specified in Credit Delegation policy.

- e) For accounts purchased under Direct Assignment route, Bank and Originator may take a joint decision on granting resolution under this regulatory framework and ensure implementation. The details of the loans where resolution plan is implemented and the revised repayment terms shall be obtained from the originator and records shall be maintained.
- f) The resolution process under this framework shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented in respect of such borrower.
- g) In respect of applications received by the Bank from the customers for invoking resolution process under this framework, the assessment of eligibility for resolution as per the instructions contained in the policy shall be completed, and the decision on the application shall be communicated in writing to the applicant within 30 days of receipt of such applications.
- h) The decision to invoke the resolution process under this framework may be taken independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- i) The last date for invocation of resolution permitted under this framework is September 30, 2021.

7. Implementation of Resolution Plan

- a) The resolution plan implemented under this framework may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc., based on an assessment of income of the borrower. However, compromise settlements are not permitted as resolution plan for this purpose.
- b) The moratorium, if granted, shall be for a maximum period of two years, and shall come into force immediately upon implementation of the resolution plan. Bank may also extend the residual tenor of the loan facilities, with or without payment moratorium subject to the overall cap of 2 years.
- c) The instructions contained in the RBI [Circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020](#) on "Resolution Framework for COVID-19-related Stress – Financial Parameters" shall not be applicable to resolution plans implemented under this window.
- d) The resolution plan should be finalized and implemented within 90 days from the date of invocation of the resolution process under this framework. The resolution plan shall be deemed to be implemented only if all 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 and conditions of the loans get duly reflected in the books of the Bank and,
 - iii. borrower is not in default with the Bank as per the revised terms.

- e) Conversion of portion of debt into equity or marketable, non-convertible debt securities:
- i. In cases where Bank proposes to convert a portion of the debt into equity / debt securities, the resolution plan shall provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, provided the amortization schedule and the coupon carried by such debt securities are similar to the terms of the debt held on the books of the Bank, post implementation of the resolution plan. The holding of such instruments by the Bank shall be subject to the extant instructions on investments as applicable to them.
 - ii. The valuation of equity instruments issued, if any, shall be governed by the provisions of Paragraphs 19 (c) and 19 (d) of the Annex to the Prudential Framework whereas debt securities shall be valued as per the instructions compiled at Paragraph 3.7.1 of the [Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015](#) (as amended from time to time.)
 - iii. In cases where Bank convert any portion of the debt into any other security, the same shall collectively be valued at Re.1.

8. Asset Classification Norms

- a) If a resolution plan is implemented in adherence to the provisions of this framework, 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 plan.
- b) The subsequent asset classification for such exposures will be governed as per the criteria laid out in the RBI [Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015](#) as amended from time to time (extant IRAC norms).
- c) In respect of borrowers where the resolution process has been invoked, Bank may sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This additional finance may be classified as 'standard asset' 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 the additional finance or the rest of the credit facilities, whichever is worse.

9. Provisioning Norms

- a) 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 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.

- b) 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.

- c) The provisions required to be maintained under this framework, 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.

10. Convergence of the norms for loans resolved previously

- a) In cases of loans of borrowers eligible as per Clause 4 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, Bank may use this framework to modify such plans to the extent of increasing the period of moratorium / extension of residual tenor subject to overall cap of 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.
- b) This modification as mentioned in the above paragraph, shall be invoked before September 30, 2021 and implemented within 90 days from the date of invocation of the resolution process. For loans where modifications are implemented in line with this clause (10.a), 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 the Resolution plans were implemented previously

11. Review of working Capital Facilities

- a) In respect of borrowers specified in Clause 4 (b) and (c) above, where resolution plans had already been implemented in terms of the Resolution Framework – 1.0, Bank may, as a one-time measure, 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 by September 30, 2021, and the margins and working capital limits shall be restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.
- b) The facility shall be extended on case to case basis against the specific request from the customer substantiating the reasons for the request. The above measures shall be implemented only if it is felt necessitated on account of the economic fallout from Covid-

19. The requests from the customers shall be examined by the same authority who has sanctioned the existing facilities. However, requests, if any, in respect of credit sanctions under Branch delegation shall be examined by the Regional Credit Hub.

- c) Fresh working capital assessment shall be made based on the revised margin/ change in working capital cycle. It shall be ensured that justifications for extending the relief are properly documented in the process note to facilitate verification by Regulator during subsequent supervisory review. Documents available, if any, to substantiate the claim shall also be filed.
- d) Credit Hubs shall maintain the list of customers to whom relief measures are extended and the same shall be furnished to Loan Collection & Recovery Department (LCRD) and Credit Monitoring Department (CRMD) on a weekly basis. CRMD shall monitor the accounts and ensure that the lists of such accounts are provided to Business & Credit Teams for restoring the normalcy by March 31, 2022.

PART C – Disclosures and Credit Reporting

12. Disclosures in financial statements

- a) Bank shall, at the minimum, make disclosures prescribed in [Format-X](#) (provided in Annexure 1) in the financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part A of this framework should also be included in the continuous disclosures required as per [Format-B](#) (provided Annexure 1).
- b) The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 10 (a) 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.

13. Credit Reporting

The credit reporting by the Bank in respect of borrowers where the resolution plan is implemented under Part A of this framework shall reflect the “restructured due to Covid-19” status of the account.

14. Grievance Redressal

Bank shall publish the policy in its official website for information of all borrowers and general public. Service Quality Department, in consultation with Business Departments shall initiate necessary steps to redress the grievance, if any, of the borrowers who request for resolution under this framework.

15. Conclusion

This is a policy specifically designed to mitigate the burden of borrowers impacted by Covid19 pandemic. Any resolution plan implemented in breach of the stipulations of this policy, shall be fully governed under the Prudential Framework.

Annexure 1

FORMAT – X

Format for disclosures to be made in the quarters ending September 30, 2021 and December 31, 2021

SI. No	Description	Individual Borrowers		Small businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			

FORMAT - B

Format for disclosures to be made half yearly starting September 30, 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans					
Corporate persons*					
Of which, MSMEs					
Others					
Total					

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

Annexure 2
Resolution of Personal Loans – Product Template

PARAMETERS	DESCRIPTION
Product	Resolution of Personal Loans – Resolution Framework 2.0
Purpose	Alleviating the potential stress due to COVID-19
Eligible Borrowers	Individuals who have availed personal loans and complied with the eligibility conditions specified in Part A, SI No 5 in the policy
Resolution Plan	Rescheduling of repayments. Moratorium / extension of residual tenor can be extended up to maximum of 2 years (including the moratorium / extension of residual tenor permitted under Resolution Framework 1.0).
Repayment Terms	EMI / Non EMI / Graded Instalments
Security	Charge on existing security. Additional security may be sought / insisted while granting additional finance.
Rate of interest	Interest rate applicable for the original loan / As decided by Business Heads
Credit Rating	Existing internal rating may be continued
Processing Fee	As decided by Business Heads
Delegation	As per Credit Delegation Policy. However, in case of branch sanctioned loans, the delegation shall rest with CRCH.
Documentation	Revised documents shall be executed as per Manual of Documentation
Last date for invocation	September 30, 2021
Last date for implementation of resolution plan	90 days from the date of invocation of resolution plan

Resolution of Loans for Business purposes – Product Template

PARAMETERS	DESCRIPTION
Product	Resolution of Loans extended for business purposes – Resolution Framework 2.0
Purpose	Alleviating the potential stress due to COVID-19
Eligible borrowers	<p>a) Individuals who have availed of loans and advances for business purposes and to whom the aggregate exposure of all lending institutions is not more than ₹ 50 crore¹ as on March 31, 2021.</p> <p>b) 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 aggregate exposure of all lending institutions is not more than ₹50 crore¹ as on March 31, 2021.</p> <p>The eligibility conditions specified in Part A, SI No 5 in the policy shall also be complied with.</p>
Resolution Plan	<ul style="list-style-type: none"> • Rescheduling of payments • Conversion of any interest accrued or to be accrued into another credit facility • Granting of moratorium etc. • Revisions in working capital sanctions such as review of sanctioned limit / DP based on reassessment of WC cycle, reduction of margins etc. (Shall be done on or before September 30, 2021 and restored to original levels by March 31, 2022).
Tenor & Moratorium	Moratorium / extension of residual tenor can be permitted up to maximum of 2 years (including the moratorium / extension of residual tenor permitted under Resolution Framework 1.0).
Repayment Terms	Monthly / Quarterly / Half yearly / Yearly Instalments (EMI / Non EMI / Graded) Bullet repayment in the case of working capital facilities such as OD / CC etc.
Additional finance	Additional finance may be permitted by sanctioning authority on a case to case basis depending upon the business requirements of the borrower such as extension of working capital cycle etc.

¹ Enhanced from ₹25 Crore to ₹50 Crore in tune with the guidelines published by RBI vide Circular No. RBI/2021-22/47DOR.STR. REC.21/21.04.048/2021-22 dated 4th June 2021.

Credit Rating	Existing internal rating may be continued.
Security	Charge on existing security. Additional security may be sought / insisted while granting additional finance.
Rate of interest	Interest rate applicable for the original loan / As decided by Business Heads
Processing Fee	As decided by Business Heads
Delegation	Same sanctioning authority that has sanctioned the original credit facilities, provided it is within the delegation as specified in Credit Delegation policy. However, in case of branch sanctioned loans, the delegation shall rest with RCH.
Documentation	Revised documents shall be executed as per Manual of Documentation
Last date for invocation	September 30, 2021
Last date for implementation of resolution plan	90 days from the date of invocation of resolution plan