**POLICY ON COVID-19 REGULATORY PACKAGE (2.0)**

**SECOND RESOLUTION FRAMEWORK-2.0: RESOLUTION OF COVID-19 RELATED STRESS OF INDIVIDUALS, SMALL BUSINESS AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)**

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| **Sl.** | **HEADS** |  | **PARTICULARS** |
| **1** | **BACKGROUND** | i | The RBI vide their circular dated 06.08.2020 on Resolution Framework for COVID-19 related stress had provided a window to all UCBs to implement resolution plan in respect of eligible borrower and classifying the accounts as standard . |
|  |  | ii | Second resolution framework with following set of measures has also been announced by the RBI vide circular dated 05.05.2021 and certain modification in the exposure limit vide circular dated 04.06.2021. The set of measures are broadly in line with the first resolution framework. |
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| **2** | **BOARD APPROVED POLICY** |  | To implement the resolution plan, Board approved policy is required and shall be published/ disclosed in the public domain on the bank’s official website. |
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| **3** | **OBJECTIVES** | i | The spread of second wave of pandemic may impact the recovery process and create new uncertainties. |
|  |  | ii | Alleviating the potential stress to individual borrowers, small borrowers and MSMEs. |
|  |  | iii | To provide financial relief by way of providing extension in repayment tenure by relaxation in original terms and conditions of repayment in view of genuine needs or difficulties in their life and certain circumstances in which default in repayment of the loan occurred. |
|  |  | iv | Classifying the loan accounts as Standard upon implementation of the resolution plan . |
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| **4** | **SET OF MEASURES** |  | The relief measures under second resolution framework are categorized under three major parts. |
|  |  | A | Resolution of advances to individuals, small business and MSMEs. |
|  |  | B | Working capital support for individuals availed loans for business purpose and small business units, where resolution plans were implemented previously. |
|  |  | C | List of disclosure requirement for the Bank. |
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| **5** | **ELIGIBILITY** |  | The following borrowers availing credit facilities and classified as standard as on 31.03.21 shall be eligible for second resolution framework. |
|  |  | a. | Individual personal loan borrowers excluding own staff members. |
|  |  | b. | Individuals availed loans for business purpose with aggregate exposure not more than Rs.50 crore. |
|  |  | c. | Small business units including those engaged in retail and whole sale trade. |
|  |  | d. | All the units classified as Micro, small and medium enterprises, Health care unit and Social infrastructure with aggregate exposure not more than Rs. 50 crore. |
|  |  | e. | The borrowing unit/ individual having stress on account of covid pandemic. |
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| **6** | **LAST DATE** |  | The last date for invocation of resolution permitted under this window is September 30, 2021. |
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| **7** | **PERMITTED FEATURES OF RESOLUTION** |  | The following measures are permitted under this resolution plan implemented under this window based on an assessment of income streams of the borrower. |
|  |  | a. | Rescheduling of payments. |
|  |  | b. | Conversion of any interest accrued or to be accrued into another credit facility. |
|  |  | c. | Revision in working capital limit |
|  |  | d. | Granting of moratorium period. |
|  |  | e. | The moratorium period may be for a maximum period of two (2) years. The extension of the residual tenor may also be granted to the borrower with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years. |
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| **8** | **DOCUMENTS/ PROCESS** | i | Simple request letter from the borrower (s) for resolution under this window. |
|  |  | ii | Assessment of eligibility for resolution to be completed and decision on the application shall be communicated in writing to the applicant Borrowers within 30 days of receipt of application. |
|  |  | iii | Arrangement Letter for advising rephasement/ restructuring duly signed by the Borrowers and all the Guarantors. |
|  |  | iv | Stamped affidavit to be obtained from the Borrower(s) to repay the monthly instalments as per repayment schedule accepted by the Borrowers/ Guarantors and undertaking to authorize Bank to initiate all recovery processes including auction of mortgaged properties in case of any default. |
|  |  | v | Balance Confirmation as on the date of implementation duly signed by all the Borrowers. |
|  |  | vi | Revised repayment schedule to be generated and duly accepted by the Borrowers and Guarantors. |
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| **9** | **ASSETS CLASSIFICATION NORMS** | i. | The Assets classification of the borrower account will be retained as Standard. |
|  |  | ii | The subsequent asset classification will be governed as per usual IRAC norms. |
|  |  | iii | Where the borrower account which may have slipped into NPA between invocation and implementation may be upgraded as Standard as on the date of implementation of resolution plan. |
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| **10** | **PROVISIONS** | i | 10% percent provisions of negotiated exposure from the date of implementation are required to be made. |
|  |  | ii | Half of the provision may be written back upon the borrower paying at least 20 percent of the residual debt without slipping into NPA post implementation plan and remaining half may be written back upon recovery of another 10 percent. |
|  |  | iii | In respect of exposure other than individual personal loans, the above provision shall not be written back before one year from the commencement of the first payment of interest or principal. |
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| **11** | **DISCLOSURE** | i | The bank should disclose the information in financial statements as per the format prescribed in attached annexure. The disclosure should also be included in the continuous resolution framework under covid-19 (1.0)  |
|  |  | ii | The number of borrower accounts where modification were sanctioned in terms of the borrower already availed moratorium under earlier relief package by way of availing moratorium period should also be disclosed. |
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| **12** | **CREDIT REPORTING** |  | The bank should reflect the accounts “restructured due to Covid-19 status of the account.” While reporting of credit data. |
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| **13** | **RATE OF INTEREST** |  | Interest rate as originally contracted, may be continued even if the loan tenor gets extended due to rephasement/ restructuring. |
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| **14** | **SECURITY** |  | The loan will continue be secured by the existing primary and collateral security. |
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| **15** | **ADDITIONAL NORMS APPLICABLE FOR MSMEs** | i | Restructuring of existing loan without a downgrade in the asset classification is subject to the following conditions. |
|  |  | ii | The borrower should be classified as a MSME as on 31.03.2021 in terms of gazette notification dated 26.06.2020. |
|  |  | iii | Borrowing unit is GST registered on the date of implementation of restructuring. |
|  |  | iv | GST condition will not apply to MSMEs that are exempt from GST registration. This shall be determined on the basis of exemptions limit obtaining as on 31.03.2021. |
|  |  | v | The borrower account was not restructured earlier. |
|  |  | vi | The restructuring of loan account is to be implemented within 90 days from the date of invocation. |
|  |  | vii | If the borrower is not registered in the Udyam Registration Portal, such registration shall be required to be completed before the date of implementation. |
|  |  | viii | All other instructions specified in circular dated 06.08.2020 shall remain applicable. (Cir No. 48) |
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| **16** | **PROCESS OF PROPOSAL** | i | The proposal is to be submitted duly recommended by the BM. |
|  |  | ii | Proposal duly recommended by CEO for approval by Loan Committee. |
|  |  | iii | Approval/ sanction by the Loan Committee. |
|  |  | iv | The framework of the policy is to be approved by the Board. |

**Format of disclosure to be made in the financial statement.** (ANNEXURE) (Rs. In lacs)

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| Sl. | Description | Individual Borrower | Small Business | MSME |
|  |  | Personal Loans | Business Loan |  |  |
| (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 the 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. |  |  |  |  |