



COMPREHENSIVE POLICY ON RESOLUTION FRAMEWORK FOR RETAIL LOAN ACCOUNTS WITH COVID-19-RELATED STRESS- ("Resolution Framework 2.0")

In pursuance to the COVID-19 Regulatory Package announced by The Reserve Bank of India and other inter alia directives issued on various dates (Dtd. 27-03-2020, 17-04-2020, 18-05-2020 & 23-05-2020) this Bank has amended its lending Policy (Chapter – II c) on 01-06-2020 as stress relief measure for eligible borrowers.

During resurgence of the second wave of Covid-19 pandemic in India and consequent containment measures by the local governments and authorities to check the spread of the pandemic, there was gross impact on income and employment of many borrowers and created new uncertainties in their capacity to service the loans. In order to alleviate the potential stress to individual borrowers and small businesses, RBI vide its circular No. DOR. STR. REC. 11/21.04.048/2021-22 dated 05-05-2021 has once again permitted lenders to extend various reliefs including restructuring of loans.

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

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 policy implemented on 01-06-2020.
- ii. For individuals and Small Businesses, where **resolution plan has been implemented** in terms of the policy implemented on 01-06-2020 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 policy implemented on 01-06-2020.

B. Eligibility

- a) The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:
- i. All retail and personal loans availed by individuals/professionals (other than loans for business / commercial purposes..
 - ii. 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.
 - iii. Provided that the credit facilities / investment exposure to the borrower was classified as Standard by the Bank as on March 31, 2021.
 - iv. Provided further that Borrowers is having financial stress on account of COVID 19. Credit facilities provided to own employees and DD Agents of the Bank shall not be eligible under this window.

C a. 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. Documents to be provided.
 - 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

- 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 policy framed on 01-06-2020.

1. Term 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 installment shall be re-fixed after capitalizing 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 installment and/or interest already exist at the time of implementation of the resolution plan, that shall be revised in CBS system. However, in these cases, the period of installments 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 2 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.

II. Advances to individuals and small businesses who have **availed resolution** in terms of policy framed on 01-06-2020.

1. Allowing moratorium period & extension of tenure in term Loans

In cases of loans of borrowers where resolution plans had been implemented in terms of policy framed on 01-06-2020, 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 the policy framed on 01-06-2020 and this framework combined, shall be two years.

2. Working Capital Support for small businesses

i. In respect of borrowers who have availed benefits under the policy framed on 01-06-2020, 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 policy framed on 01-06-2020, by March 31, 2022.

E. Invocation , implementation & Validity 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 last date for invocation of resolution permitted under this window is September 30, 2021.
- iii. 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 are completed by respective branch in consonance with the resolution plan/policy implemented.
 - b. The changes in the terms of conditions of the loans shall be put on records and to be mentioned in appropriate fields of CBS System.

- c. The above measures shall be contingent on the Bank satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further accounts provided relief under this policy shall be subject to subsequent supervisory review by the Branch with regards to their justifiability on account of the economic fallout from COVID-19.

3. Validity

- a. This policy shall be in force till 31st December 2021 that is to say 30.09.2021 being the last date of invocation as well as 90 days window for implementation of the Plan. Any change and amendments to the Policy shall be discretion of the Management.
- b. Notwithstanding anything contained in this policy, in the event of any inconsistency between this policy and the RBI guidelines, Bank shall follow RBI guidelines and any change or amendment to the RBI guidelines covering this policy shall automatically be deemed to be incorporated in the policy without any further act on the part of the Bank

--x--