

Resolution Framework 2.0 for Individuals and Small Businesses

RBI vide its circular dated 6th August 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible borrowers viz. individuals and some other categories which briefly included corporate exposures and MSME exposures of all Lending Institutions (LIs) together above Rs. 25 Crore.

Owing to the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks [Covid-19 Pandemic (Second Wave)], RBI vide its Circular RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 5th May 2021 and circular no. RBI/2021-22/47 DOR.STR.REC.21/ 21.04.048/2021-22 dated 4th June, 2021 decided to extend the above facility for restructuring existing individual borrower loans and small businesses loans (whether run by an individual or run by an entity in non-individual category) having exposure of not more than Rs.50.00 Crore with all LIs together without a downgrade in the asset classification. The said guidelines have been referred to by RBI as “Resolution framework-2.0 for Individuals and Small Businesses.”

A. Borrower Eligibility

1. Individual who have availed personal loan such as housing, education or consumption. (No exposure limit is indicated).

Types of loans availed by individual borrowers eligible are listed as below:

- Consumer credit
 - Education loan
 - Loans given for creation/ enhancement of immovable assets (e.g., housing, house repairs etc.).
 - Loans given for investment in financial assets (shares, debentures, etc.).
2. The borrower should be an Individual who has availed of loan for conducting Small Business. (Limit for aggregate exposure to LIs prescribed at Rs. 50 Crore)
 3. The borrowers covered are under non-individual category. Limit for aggregate exposure to LIs is prescribed at Rs. 50 Crore. Only those businesses which are not eligible to be classified as MSMEs to be considered under this category.
 4. Facility is to be extended only to the borrowers having stress on account of COVID-19. The credit facility(ies) / investment exposure to the borrower must have been classified as Standard as on 31st March 2021.

B. Non- Eligibility:

1. The borrower-accounts / credit facilities to certain categories mentioned in RBI’s instructions on Resolution Framework 1.0 (which essentially means that loans to agri. and allied activities, Governments and Government Companies, local Govt. bodies, financial service providers and some housing finance companies are not to be considered.
2. The Resolution Framework 2.0 is not applicable for credit facilities provided by Bank against Fixed Deposits and also credit facilities to their own personnel/staff.

C. Invocation:

- i. The restructuring of the borrower's account must be invoked by 30th September 2021. The restructuring will be treated as invoked when Bank and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower.
- ii. Date of communication of positive decision, if taken (within 30 days of receipt of applications), will be the date of invocation.
- iii. If multiple LIs have credit exposure to the same borrower, the decision to invoke the restructuring under this facility should be taken by each LI independent of decisions taken by others.
- iv. **Compromise settlements are not permitted as a resolution plan.**

D. Features Under Prudential Framework Adopted By Bank

i. **Re-scheduling of existing outstanding amount.**

Rescheduling of repayment of existing outstanding amount (including amount of interest accrued) shall be by a period not more than 2 years from the date of implementation. Total no. of EMI's will get increased with tenure not more than 24 months.

ii. **Extension of tenure including moratorium granted.**

Moratorium may be granted up to a maximum of 2 years from the date of implementation. It would be principal moratorium for the specified period in which customer would be servicing the interest on the outstanding amount. The tenure may get extended, provided that the same should not be more than 24 months inclusive of moratorium.

iii. **Conversion of interest:**

Interest accrued or to be accrued (maximum upto 31st March 2022) to be converted into another credit facility i.e. FITL to be repaid in 12 months. The repayment period will be reckoned / start from next month of the period upto which interest is considered for conversion into FITL.

- iv. **Only for Small Businesses:** Overdrawn/ Irregular component of Cash Credit as on the date of implementation may be considered and sanctioned as an ad hoc facility to be liquidated in maximum period of 24 months including moratorium period of 3 months in suitable installments in the form of WCTL on case to case basis.

E. Implementation

- i. Restructuring of the borrower account must be implemented within 90 days from the date of invocation.
- ii. The resolution plan shall be deemed to be implemented only if all the conditions as under are fulfilled (which are same as those under Resolution Framework 1.0).
- Entire related documentation, including execution of necessary agreements between LI and borrower and collaterals provided, if any, is to be completed by the LI concerned in consonance with the resolution plan being implemented.

- Changes in the terms of conditions of the loans get duly reflected in the books of the LI.
- iii. In respect of accounts being considered under all the three categories i. e. A-1, 2 and 3. mentioned above, the resolution in terms of the “Resolution Framework – 1.0” should not have been extended to them

F. Features for Resolution Plans implemented previously

As a one-time measure, to review sanctioned working capital limits and/or drawing power based on a reassessment of the working capital cycle without the same being treated as restructuring of accounts.

i. Working capital support for small businesses

- a. In respect of borrowers for whom resolution plans had been implemented in terms of the “Resolution Framework – 1.0, Bank has decided, 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 without the same being treated as restructuring.
- b. The decision with regard to above may be taken by bank by 30th September 2021, and the margins and working capital limits are to be restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by 31st March 2022.

ii. Convergence of the norms for reschedulement of/moratorium

Loans to Individuals and Small Business units in respect of whom resolution plans had been implemented in terms of the “Resolution Framework 1.0” may be considered under Resolution Framework 2.0 fulfilling following conditions:

1. Previous resolution plans contained moratorium of less than two years and / or
 2. Extension of residual tenor in their cases was by a period of less than two years
- Such cases may be provided with benefit under Resolution Framework 2.0 subject to maximum period of 24 months including both Resolution Plans.
- a. There is specific timeline for modification to be implemented by increase/extension of moratoria/ repayment period for invocation and implementation.
 - b. The above measures will be contingent on the Bank satisfying themselves that the same are necessitated on account of the economic fallout from COVID-19. This is also subject to supervisory review.

G. Documents to be submitted along with application form

- a. To be obtained from **salaried individual borrower availing loan for consumption or personal use**
 - Application with Declaration/ undertaking (detailing the adverse impact on business of COVID-19 pandemic) for Resolution Plan (Application Form attached as **Annexure 1-A**)
 - Salary slips from January 2021 up to the month of application for restructuring.

- Detailed bank statements from January 2021 up to the month of application in respect of the account in which salary is credited.
- Proof of job loss from previous employer (in case of job loss).

b. Individuals with Non-salary income (having borrowings for consumption and personal use, and also having taken finance for business purpose) and for Small business other than MSME.

- Application with Declaration/ undertaking (detailing the adverse impact on business of COVID-19 pandemic) for Resolution Plan
- Detailed bank statements and/or operating account statements for the previous 12 months.
- Income documents for the previous 12 months.
- GST Returns for H1 FY 2020-21, H2 FY 2020-21 and completed months of FY 2021-22 (if applicable).
- No statutory dues certificate from CA.
- Sales and Purchase statement from January 2021 onwards (if applicable).
- Audited financials for FY 2019-20, Audited/ Provisional financials for FY 2020-21 and projections for next 2 financial years.
- Stock and receivables statement as on a recent date.
- Viability study based on project report given by practicing Chartered Accountants with UDIN for exposure above Rs.25 crore for at least 5 years on realistic basis containing sensitivity scenarios for optimum-case and worst- case scenarios.
- CA certificate with UDIN no. for certifying the exposure of the borrower from all lending institutions shall be obtained for exposure above Rs.15 Crore.

c. For Multiple Banking/ Consortium banking

- All the documents applicable for sole banking would apply here.
- The customers enjoying Multiple Banking/ Consortium banking would have to furnish following additional documents:

Details of all the facilities- Funded and Non-Funded availed in all other banks and NBFCs.

H. Grievance Redressal Mechanism

1. A senior official has been designated by the Bank as the Grievance Redressal Officer under the Resolution Framework 2.0
2. If any borrower has any grievance, he/she may first contact the base branch for resolving the same. If not satisfied with the reply, he/she may raise query on Grievance Portal on Bank's website.
3. Borrower has a right to escalate the grievance to the respective zonal office and then to the Grievance Redressal Officer.
4. Branches, zonal offices and the Grievance Redressal Officer shall follow the same norms for grievance redressal which are applicable to other grievances.