One-time Restructuring window

Reserve Bank of India (RBI) vide circular reference no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August, 2020, captioned **Resolution Framework for COVID-19-related Stress,** has allowed one-time window for restructuring of advances extended to wholesale and retail customers, subject to compliance of certain conditions as stipulated in the aforementioned guideline. Further, RBI has also extended the window of one-time restructuring of advances given to MSME sector upto 31st March, 2021, vide circular reference no. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated 6th August, 2020. Eligible customers of the Bank are hereby informed that the Bank is permitted to restructure dues of eligible customers, subject to internal evaluation, in line with the board approved policies of the Bank. Eligible customers desiring to restructure their accounts can approach their Relationship Managers and send a formal request for availing this benefit. Alternatively customers can also write to the bank's customer care ID customercare@rblbank.com quoting the loan account number from your registered email ID or call us on our 24 x 7 customer service helpline no, 91-22-61156300. Please be informed that decision of restructuring the account by the Bank would be subject to internal evaluation and in compliance with relevant RBI Guidelines. The eligibility criterion for each set of guideline is stipulated in Annexure I and Annexure II hereunder.

Annexure I - Resolution Framework for COVID-19-related Stress

1) **Eligibility**:

   a) **General Conditions**:

      i) The reference date for the outstanding amount of debt, considered for resolution will be 1st March, 2020

      ii) Accounts which were classified as standard, but not in default for more than 30 days with the Bank as on 1st March, 2020

      iii) Resolution under this framework should be invoked not later than 31st December, 2020

      iv) Resolution Plan must be implemented within 90 days in case of personal loans and 180 days in case of other exposures, from the date of invocation. Customer coverage of ‘personal loans’ and ‘other exposures’ is defined in para c) and d) below

      v) Date of invocation would be the date on which;

         (1) In case of Personal Loan, date of invocation will be the date on which both the customer and the Bank has agreed to proceed with a resolution plan under this framework. The reference point for this condition to be fulfilled will be receipt of formal application from eligible borrower, either written or through digital platform

         (2) In case of other exposures;

            (a) w.r.t. sole banking relationships, the date on which both the customer and the Bank has agreed to proceed with a resolution plan under this framework. The reference point for this condition to be fulfilled will be receipt of formal application from eligible borrower

            (b) w.r.t. consortium/multiple-banking arrangements, the date on which the member banks/FIs, representing 75% by value of the total outstanding credit facilities and 60% by numbers decide to invoke the resolution process. The lenders are also mandatorily required to sign inter-creditor agreement (ICA) within 30 days from date of invocation, else, the process will be treated as ‘lapsed’

      vi) The eligible customer accounts should continue to be classified as standard till the date of invocation of resolution plan under this framework.

      vii) Only customers having stress on account of Covid-19 are eligible for resolution under this framework.

b) **Exclusions**:

The following categories of customers will not be eligible for a resolution plan under this framework:

i) MSME customers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on 1st March, 2020, which are covered under separate Policy for restructuring of MSME customers, covered in Annexure II.

ii) Farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) or other relevant instructions as applicable to specific category of lending institutions

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. Financial service providers will have the same meaning as in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016

v) Exposures of lending institutions to Central and State Governments; Local Government bodies (e.g. 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 1st March, 2020, unless a resolution plan under this framework has been invoked by other lending institutions. However, from August 6, 2020, any resolution necessitated on account of the economic fallout of Covid-19 pandemic, will be undertaken only under this framework.

vii) Credit Facilities provided by Bank to their own personnel / staff shall not be eligible for resolution under this framework.

viii) Consumption loans given to farmers under KCC are also not eligible under this framework.

c) **Personal Loans**:

i) In addition to the general conditions set out above, following categories of customer accounts (individual retail loans) will be eligible under this framework:

ii) Consumer credit, which refers to the loans given to individuals, consisting of;

(1) Loans for consumer durables

(2) Credit card receivables

(3) Auto loans (excluding commercial vehicle loans)

(4) Personal loans secured by gold, gold jewelry, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes)

(5) Personal loans to professionals (excluding loans for business purposes)

(6) Loans given for other consumptions purposes (e.g., social ceremonies, etc.)

iii) Education loans

iv) Loans given for creation/enhancement of immovable assets (e.g. housing, etc.)

v) Loans given for investment in financial assets (shares, debentures, etc.)

Note: 'Personal loans', for the purpose of this policy shall have the same meaning as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on "XBRL Returns – Harmonization of Banking Statistics"

d) **Other Exposures**:

i) All other exposures, other than specified above in personal loan category will be eligible under this framework, except the exclusions mentioned above.

2) **Permitted features of resolution plan**

a) The resolution plan would involve modification of terms of the advances / securities, which may include, among others,

i) alteration of repayment period / repayable amount/ the amount of instalments / rate of interest;

ii) roll over of credit facilities;

iii) sanction of additional credit facility / enhancement of existing credit limits;

iv) sanction of additional credit facilities to address the financial stress of the borrower on account of Covid19, even if existing debt is not re-negotiated

v) conversion of any interest accrued, or to be accrued, into another credit facility;

b) Compromise Settlements would not be covered under this framework and shall continue to be governed by the provisions of Prudential Framework

c) Moratorium, if granted, will be subject to maximum period of 2 years and should come into effect immediately upon implementation of resolution plan

d) The residual tenor of the loan should get modified commensurate to the moratorium granted, subject to maximum period of 2 years

e) In case of consortium/multiple-banking arrangements, post implementation of the plan, all receipts by the customer, all repayments by the customer to the member banks/FIs, as well as all additional disbursements, if any, to the customer by the member banks/FIs as part of the resolution plan, should be routed through an escrow account maintained with one of the member banks/FIs as decided in the joint lenders meeting

f) The resolution plan will be deemed to be implemented if all of the following conditions are met:

   i) all related documentation, including execution of necessary agreements between lenders and customer / creation of security charge / perfection of securities, are completed in consonance with the Resolution plan being implemented;

   ii) the changes in the terms of conditions of the loans should get duly reflected in the books of the Bank;

   iii) customer is not in default as per the revised repayment terms

g) The revised assumptions that go into the resolution plan should, at the minimum, factor in the financial parameters decided by the Expert Committee (RBI constituted committee) and the sector-specific ranges for such parameters, as notified by the RBI vide circular reference no. RBI/2020-21/34 DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 captioned **Resolution Framework for COVID-19-related Stress – Financial Parameters**

h) Resolution plans in respect of accounts where the aggregate exposure of the customer across all banks/FIs, at the time of invocation of the resolution process, is Rs.100 crore and above, will require an independent credit evaluation (ICE) by any one credit rating agency (CRA) authorized by the RBI under the Prudential Framework

i) The Expert Committee will also vet the Resolutions Plans to be implemented under this framework, where aggregate exposure of the customer across all banks/Fis is Rs. 1500 crore and above. The Committee will not interfere in commercial decisions taken jointly by the banks/Fis but will only verify the plan in terms of due processes being followed and application of guidelines under this framework

3) **Post Implementation Performance:**

   i) In case of personal loans, the post-implementation asset classification will be governed by IRAC norms

   ii) In case of other exposures, any default by the customer with any of the ICA-signatories during the monitoring period will trigger a review period of 30 days.

   Monitoring period*, for this purpose, is defined as the period starting from the date of implementation of the resolution plan till the customer pays 10 percent of the residual debt, subject to a minimum of 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*

iii) If the customer is in default with any of the ICA-signatories at the end of the Review Period, the asset classification of the borrower with all other member banks/FIs, including those who did not sign the ICA, will be downgraded to NPA from the date of implementation of the resolution plan or the date from which the customer had been classified as NPA before implementation of the plan, whichever is earlier

iv) In all cases, further upgradation will be subject to implementation of a fresh restructuring under the Prudential Framework

v) Upon completion of monitoring period without being classified as NPA, the asset classification norms will be as applicable in the IRAC norms.

Annexure II - Resolution Framework for COVID-19-related Stress

The eligibility conditions under this framework are given hereunder:

1) MSME as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

2) The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the customer does not exceed Rs. 25 crore as on 1st March, 2020. The customer where the aggregate exposure exceeds Rs. 25 crore will be covered in the "Resolution framework" guidelines as mentioned in Annexure I

3) The customer's account was a 'standard asset' as on 1st March, 2020. Account classified as NPA on or before this date are not eligible for restructuring under these guidelines

4) The restructuring of the customer account is implemented by 31st March, 2021. A restructuring would be treated as implemented if the following conditions are met:

a) all related documentation, including execution of necessary agreements between the Bank and borrower / creation of security charge / perfection of securities are completed; and

b) changes in the terms and conditions of the existing loans get duly reflected in the books of the Bank

5) The entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This will be determined by the Bank on the basis of exemption limit obtaining as on 1st March, 2020

6) The accounts already restructured under the earlier circulars issued by RBI on 1st January, 2019 and 11th February, 2020 shall be ineligible for restructuring under these guidelines

7) As a general rule, barring this one-time exception, any MSME account which is restructured must be downgraded to NPA upon restructuring and will slip into progressively lower asset classification and higher provisioning requirements as per extant IRAC norms.