Policy on Resolution Framework 2.0 for COVID-19 Related Financial Stress on Borrowal Accounts of Individuals, Small Businesses and MSMEs

History of Revisions

Version	Summary of Revisions	Date of Approval
1.0	Policy Formulation	XX-XXX-2021

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1. Preamble

1.1 Objective of the Policy

The objective of this Policy is to enable Equitas Small Finance Bank to provide resolution framework to eligible Individual, Small Business and MSME borrowers having financial stress due to COVID-19 pandemic.

1.2 Scope of the Policy

This policy covers the roles, rights and responsibilities of Equitas Small Finance Bank ("the Bank") in

a. identifying the eligible Individual, Small Business and MSME borrowers to whom the Bank will extend resolution plan;
b. Asset classification and provision requirements on such resolved accounts and
c. Public disclosures and credit reporting related to above.

1.3 Definitions

1.3.1 **Personal Loans -** 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.). (Definitions – Serial no.2 – Annex of RBI Circular – XBRL Returns – Harmonization of Banking Statistics dated January 4, 2018)

1.3.2 **Consumer Credit -** 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.). However, it excludes (a) education loans, (b) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), (c) loans given for investment in financial assets (shares, debentures, etc.), and (d) consumption loans given to farmers under KCC. (Definitions – Serial no. 1 - – Annex of RBI Circular – XBRL Returns – Harmonization of Banking Statistics dated January 4, 2018)

1.3.3 **Financial Service Provider** – A person engaged in the business of providing financial services in terms of authorization issued or registration granted by a financial sector regulator (Clause 3 (17) of Insolvency and Bankruptcy Code of India).

1.3.4 **RBI circular on Resolution Framework for COVID-19-related Stress dated August 06, 2020** here in after referred as **"Resolution Framework – 1.0"**

1.3.5 Prudential Framework: This refers to **RBI Circular on Prudential Framework for Resolution of Stressed Assets dated June 07, 2019 and subsequent amendments thereto.**

2. Regulatory Framework - Applicable Regulations

2.1 RBI Notification Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses dated May 05, 2021

2.1.1. The contents of the circular are categorized as follows: (Clause 3)

a. Part A – Resolution of advances to individuals and small businesses
b. Part B – Working capital support for:
   (i) individuals who have availed of loans for business purposes, and
   (ii) small businesses, where resolution plans were implemented
c. Part C – Disclosure and Credit Reporting

Lending institutions are 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 subject to the conditions specified hereafter.(Clause 4)

2.1.2. Part A. Resolution of advances to individuals and small businesses

2.1.2.1 Eligible Borrowers and conditions:

(A) The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:

i. Individuals who have availed of personal loans (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"), excluding the credit facilities provided by lending institutions to their own personnel/staff.

ii. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.50* crore as on March 31, 2021.

iii. 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 lending institutions have aggregate exposure of not more than Rs. 50* crore as on March 31, 2021.

***Limits modified from Rs. 25 crores to Rs. 50 crores as per RBI Circular dated June 4, 2021, on Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure.**

(B) Provided that the borrower accounts / credit facilities shall not belong to the categories listed below: (sub-clauses (a) to (e) of the Clause 2 of the Annex to the Resolution Framework 1.0)

a. MSME borrowers whose aggregate exposure to lending institutions collectively, is ₹50* crore or less as on March 1, 2020.
b. Farm credit (Loans to individual farmers and Loans to Corporate farmers) except for loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture
c. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.
d. Exposures of lending institutions to financial service providers
e. Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
f. 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 March

1, 2020, unless a resolution plan under this resolution framework 1.0 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, shall be undertaken only under this framework

(C)Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned in section 2.1.6.1.

(D) Provided further that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021. (Clause 5)

2.1.2.2 Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 ("Prudential Framework").(Clause 6)

2.1.3 Invocation of resolution process

2.1.3.1 The lending institutions shall frame Board approved policies at the earliest (but not later than four weeks from the date of this Circular), pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19.

The Board approved policy shall, inter alia, detail the eligibility of borrowers in respect of whom the lending institutions shall be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by the lending institutions to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window.

The Board approved policy shall be sufficiently publicized and should be available on the website of the lending institutions in an easily accessible manner. (Clause 7)

2.1.3.2. The resolution process under this window shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented in respect of such borrower.

In respect of applications received by the lending institutions from their customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the Board approved policy put in place as above shall be completed, and the decision on the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications.

In order to optimize the processing time, lending institutions may prepare product-level standardized templates as part of their Board approved policies, as above, for resolution under this window. (Clause 8)

2.1.3.3. The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower. (Clause 9)

2.1.3.4 The last date for invocation of resolution permitted under this window is September 30, 2021 (Clause 10)

2.1.4 Permitted features of resolution plans and implementation

2.1.4.1. The resolution plans implemented under this window 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 streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose. (Clause 11)

2.1.4.2. The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years. (Clause 12)

2.1.4.3 The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed by the following paragraphs:

a. The resolution plan may 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 lending institutions, post implementation of the resolution plan. The holding of such instruments by the respective lending institutions shall be subject to the extant instructions on investments as applicable to them.

b. The valuation of equity instruments issued, if any, shall be governed by the below: (Paragraphs 19(c) and 19(d) of the Annex to the Prudential Framework)

i. Book value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest audited balance sheet. The date as on which the latest balance sheet is drawn up should not precede the date of valuation by more than 18 months. In case the latest audited balance sheet is not available the shares are to be collectively valued at Re.1 per company.
ii. Discounted cash flow method where the discount factor is the actual interest rate charged to the borrower on the residual debt post restructuring plus a risk premium to be determined as per the board approved policy considering the factors affecting the value of the equity. The risk premium will be subject to a floor of 3 per cent and the overall discount factor will be subject to a floor of 14 per cent. Further, cash flows (cash flow available from the current as well as immediately prospective (not more than six months) level of operations) occurring within 85 per cent of the useful economic life of the project only shall be reckoned.
iii. Equity instruments, where classified as NPA shall be valued at market value, if quoted, or else, shall be collectively valued at Re.1.

The debt securities shall be valued as below:

All debentures/ bonds should be valued on the YTM basis. Such debentures/ bonds may be of different companies having different ratings. These will be valued with appropriate mark-up over the YTM rates for Central Government Securities as put out by PDAI/ FIMMDA periodically. The mark-up will be graded according to the ratings assigned to the debentures/ bonds by the rating agencies (Section 3.7.1 of the Master Circular – Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks)

c. In case the lending institutions convert any portion of the debt into any other security, the same shall collectively be valued at Re.1. (Clause 13)

2.1.4.4. The instructions contained in the 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. (Clause 14)

2.1.4.5 The resolution plan should be finalized and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only if all the below conditions are met (Paragraph 10 of the Annex to the Resolution Framework – 1.0):

a. all related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
b. the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
c. borrower is not in default with the lending institution as per the revised terms (Clause 15)

2.1.5 Asset classification and provisioning

2.1.5.1. If a resolution plan is implemented in adherence to the provisions of this circular, 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 resolution plan. (Clause 16)

2.1.5.2. The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms"). (Clause 17)

2.1.5.3. In respect of borrowers where the resolution process has been invoked, lending institutions are permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as 'Standard' 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 such additional finance or performance of the rest of the credit facilities, whichever is worse (Clause 18)

2.1.5.4 The lending institutions 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 of the lending institution 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. (Clause 19)

2.1.5.5. 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. (Clause 20)

2.1.5.6 The provisions required to be maintained under this window, 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. (Clause 21)

2.1.6 Convergence of the norms for loans resolved previously

2.1.6.1 In cases of loans of borrowers specified in Section 2.1.2.1 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, 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, lending institutions are permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Section 2.1.4.2 above, 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. (Clause 22)

2.1.6.2 This modification shall also follow the timelines specified in paragraph 2.1.3.1, 2.1.3.4 and 2.1.4.5 above. For loans where modifications are implemented in line with paragraph 2.1.6.1 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0. (Clause 23)

2.1.7. Part B. Working capital support for small businesses where resolution plans were implemented previously

2.1.7.1. In respect of borrowers specified at sub-clauses (ii) and (iii) of paragraph 2.1.2.1 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, lending institutions are 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 decision with regard to above shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022. (Clause 24)

2.1.7.2 The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19. (Clause 25)

2.1.7.3 Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures, which should be disclosed in the public domain and placed on their websites in a prominent and easily accessible manner. (Clause 26)

2.1.8. Part C. Disclosures and Credit Reporting

2.1.8.1. Lending institutions publishing quarterly financial statements shall, at the minimum, make disclosures as per the format prescribed in Format-X in their 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 prescribed in the Resolution Framework – 1.0. (Clause 27)

Format – X

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

Sl. 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			

2.1.8.2. The number of borrower accounts where modifications were sanctioned and implemented in terms of paragraph 2.1.6.1 above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021. (Clause 28)

2.1.8.3. Lending institutions that are required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures. (Clause 29)

2.1.8.4 The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under Part A of this window shall reflect the "restructured due to COVID19" status of the account. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured. (Clause 30)

2.2 Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) dated May 5, 2021.

2.2.1 Existing Loans to MSMEs may be restructured without a downgrade in the asset classification, subject to the following conditions:

(i) The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
(ii) The borrowing 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 shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
(iii) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹50** crores as on March 31, 2021.
(iv) The borrower's account was a 'standard asset' as on March 31, 2021.
(v) The borrower's account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring

circulars) or the [circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020] on "Resolution Framework for COVID-19-related Stress***

(vi) The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the lending institutions from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

(vii) The restructuring of the borrower account is implemented within 90 days from the date of invocation.

(viii) If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.

(ix) Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.

(x) Lending institutions shall put in place a Board approved policy on restructuring of MSME advances not later than a month from the date of this circular.

(xi) All other instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable. (Clause 2)

Limit modified from Rs. 25 crores to Rs. 50 crores as per RBI Circular dated June 4, 2021, on Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure.

***** Modification done as per RBI Circular dated June 4, 2021, on Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure.**

2.2.2. In respect of restructuring plans implemented as per paragraph 2.2.1 above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan. (Clause 3)

2.2.3. In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are 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 decision with regard to above shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions. (Clause 4)

2.3 RBI Circular–XBRL Returns and Harmonization of Banking Statistics dated January 04, 2018.

2.3.1. Circular lists out the harmonized definitions for 83 data elements reported in multiple returns. (Clause 2).

The definition for the terms Personal Loan and Consumer Credit used in RBI Circular dated August 6, 2020 are provided in this Circular and the same are reproduced at paragraphs 1.3.1 and 1.3.2 in this Policy.

2.4 RBI Circular on Prudential Framework for Resolution of Stressed Assets dated June 07, 2019 and subsequent amendments thereto.

The circular provides for a framework for early recognition, reporting and time bound resolution of stressed assets.

The borrowal accounts restructured in breach of Covid Resolution Framework 2.0 will be governed by the provisions of the Prudential Framework or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

2.5 RBI Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 01, 2015 and subsequent amendments thereto (IRAC Norms)

The Master Circular provides the guidelines lines for income recognition, asset classification and provisioning (IRAC Norms).

In case of restructuring of loans to individuals and small business under Resolution Framework 2.0, the Bank will keep the 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 of the Bank post implementation (residual debt).

, **2.6 RBI Notification Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated August 06, 2020**

2.6.1 Existing Loans to MSMEs classified as “Standard” may be restructured without a downgrade in the asset classification, subject to the following conditions:

i. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crores as on March 1, 2020.
ii. The borrower’s account was a ‘standard asset’ as on March 1, 2020.
iii. The restructuring of the borrower account is implemented by March 31, 2021.
iv. The borrowing 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 shall be determined on the basis of exemption limit obtaining as on March 1, 2020
v. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation of the restructuring plan. The asset classification benefit will be available only if the restructuring is done as per provisions of this circular.
vi. As hitherto, for accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.

3. ESFB Policy framework

Part – 1 for Individuals and Small Businesses (RBI Circular: Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses dated May 05, 2021)

3.1 Applicability

In line with the RBI Circulars the Bank will ensure that Resolution Plan 2.0 under this framework is provided only to accounts having stress due to COVID-19. The reference date for outstanding amount of debt that will be considered for resolution will be March 31, 2021.

3.1.1. The Bank will provide for resolution options for the following category of borrowers, who are classified as standard as on March 31, 2021:

(i) Individuals who have availed of personal loans excluding the credit facilities provided by the Bank to its own personnel/staff.

(ii) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.

(iii) 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 lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.

3.1.2 The exposure of the loans mentioned in sections 3.1.1 as above will fall under any of the below mentioned business verticals of the Bank which will be considered for Resolution Plan 2.0:

(a) Micro Finance loans
(b) Loan Against Property (LAP) sanctioned to individuals
(c) LAP – Business Loan sanctioned to individuals for business purpose
(d) Vehicle Finance
(e) Housing Loans
(f) Gold loans
(g) Any other loan category which may be permissible as per RBI guidelines.

3.2 Resolution of advances to individuals and small businesses

All eligible borrowers may apply to the Bank for resolution under this Policy up to September 30, 2021.

3.2.1 The eligible accounts will continue to be classified as Standard till the date of invocation of resolution under this framework. The date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a Resolution Plan 2.0 under this framework.

3.2.2. The Resolution Plan 2.0 will not be provided to borrower categories mentioned in paragraph 2.1.2.1 (B) of this Policy.

The borrower accounts having availed of any resolution in terms of the Resolution Framework – 1.0 will be considered under Resolution Plan 2.0 as per guidelines mentioned in Section 3.6.1 of the policy.

3.2.3 The resolution framework for stress other than COVID – 19 will be guided by the RBI's Prudential Framework Circular dated June 07, 2019.

3.2.4 For Individual who have availed personal loans, as part of due diligence, the impact of Covid-19 on the borrowal accounts identified for restructuring will be analysed from the view of point of the repayment capability of the borrower.

For Individuals who have availed loans for business purposes and small businesses, as part of due diligence, the impact of Covid-19 on the borrowal accounts identified for restructuring will be analysed from the view of point of business continuity and viability.

3.3 Invocation of resolution process – Resolution Plan 2.0

3.3.1 The board approved policy on COVID Restructuring 2.0 will be publicized and will be available on the website of the Bank in an easily accessible manner.

3.3.2 The resolution process under this Policy 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.

The decision on the application will be communicated in writing to the applicant by the Bank within 30 days of receipt of such applications.

In line with the RBI guideline, the Bank has enclosed the product-level standardized templates as part of this policy (refer Annexure I).These templates may be modified, including introduction of additional templates for businesses which are falling under small business segment, by management as per any clarifications provided by RBI, business requirements and market learnings.

3.3.3 For borrowers having exposure to other lending institutions, the Bank will decide to invoke the resolution process under this Policy, independent of invocation decision taken by other lending institutions, subject to the extant guidelines.

3.3.4 The last date for invocation of resolution permitted under this Policy will be September 30, 2021.

3.4 Permitted features of Resolution Plan 2.0 and implementation

3.4.1 The Resolution Plan 2.0 implemented under this Policy will 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 streams of the borrower. However, compromise settlements are not permitted under Resolution Plan 2.0

3.4.2. The moratorium period, will be for a maximum of two years, and shall come into force immediately upon implementation of the Resolution Plan 2.0. Further, the extension of the residual tenor of the loan facilities can also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, will be two years.

3.4.3. The Resolution Plan 2.0 will be finalized and implemented within 90 days from the date of invocation of the resolution process under this Policy.

The Resolution Plan 2.0 would be treated as implemented if the following conditions are met:

(i) All related documentation, including execution of necessary agreements between Bank and borrower / creation of security charge / perfection of securities are completed ; and

(ii) The new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of the Bank and the borrower.

(iii) Borrower is not in default with the Bank as per the revised terms.

3.5 Asset classification and provisioning

3.5.1 The Resolution Plan 2.0 will be implemented in adherence to the provisions of extant guidelines. Hence the asset classification of borrowers' accounts classified as Standard as on date of invocation will be retained as such upon implementation though it may have slipped into NPA between invocation and implementation date.

3.5.2. The subsequent asset classification for restructured exposures as per Resolution Plan 2.0 will be governed by the criteria laid out in the extant IRAC norms.

3.5.3. Additional finance sanctioned to a borrower in respect of whom Resolution Plan 2.0 is invoked will be categorized as standard asset till implementation of the resolution plan regardless of the actual performance of the borrower in the interim.

In cases where, the Resolution Plan 2.0 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 such additional finance or performance of the rest of the credit facilities, whichever is worse.

3.5.4 The Bank will keep the 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 of the Bank post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that have devolved into fund based facilities after the date of implementation. However the Bank may also decide to keep provisions higher than this in such cases as may be identified by the Management from a risk perspective.

3.5.5. Half of the above provisions will be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the Resolution Plan 2.0, and the remaining half will 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.

3.5.6. The provisions required to be maintained under this Framework, to the extent not already reversed, will be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

3.6 Convergence of the norms for loans resolved previously

3.6.1. Bank will use this Framework to modify restructured account as per already implemented Resolution Plan 1.0 based on board approved Policy on Resolution Framework for COVID-19 Related Stress, only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in section 3.4.2 above, 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, will be two years.

3.6.2 This modification will also follow the timelines specified in Section 3.3.2, 3.3.4 and 3.4.3 above. For loans where modifications are implemented in line with Section 3.6.1 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

3.7 Working capital support for small businesses where resolution plans were implemented previously

3.7.1 In respect of borrowers specified at sub-clauses (ii) and (iii) of Section 3.1.1 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, the Bank 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 decision with regard to above will be taken the Bank by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

3.7.2 The above measures will be provided to borrowers only on account of the economic fallout from COVID-19.

3.7.3 The board approved policy on Policy on Resolution Framework 2.0 will be publicized and will be available on the website of the Bank in an easily accessible manner.

3.8 Disclosures and Credit Reporting

3.8.1. Bank on a quarterly basis will at the minimum, make disclosures as per the format prescribed in Format-X in the financial statements for the quarters ending September 30, 2021 and December 31, 2021. The Resolution Plans 2.0 implemented in terms of Part A of this framework (Section 3.2 to 3.6) will be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.

Format – X

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

Sl. 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			

3.8.2 The number of borrower accounts where modifications were sanctioned and implemented in terms of Section 3.6.1 above, and the aggregate exposure of the lending institution to such borrowers will also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

3.8.3 Bank shall make the required disclosures in its annual financial statements, along with other prescribed disclosures.

3.8.3 The credit reporting by the Bank in respect of borrowers where the resolution plan is implemented under Part A (Section 3.2 to 3.6) of this Policy will reflect the "restructured due to COVID-19" status of the account. The credit history of the borrowers will consequently be governed by the Board approved NPA classification policy and for reporting to the credit information companies as applicable to accounts that are restructured.

3.8.4 The existing Board approved policy for customers' grievance redressal will be followed by the Bank for complaints related to restructuring.

Part -2 – For MSMEs Borrowers (RBI Circular: Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) dated May 5, 2021.)

The Bank will provide for Resolution Plan 2.0 for borrowers mentioned in section 3.9 of the Policy, for restructuring existing loans without a downgrade in the asset classification. The restructuring will be available for MSME borrowers with aggregate exposure, including non-fund based facilities, of all lending institutions put together not exceeding ₹50 crore as on March 31, 2021. Further, the restructuring is subject to fulfilling conditions as mentioned in section 3.9 of this policy.

3.9 Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

3.9.1 In line with the RBI Circulars the Bank will ensure that Resolution Plan 2.0 under this framework is provided only to accounts having stress due to COVID-19 of Micro, Small and Medium Enterprises (MSMEs) customers. The reference date for outstanding amount of debt that will be considered for resolution will be March 31, 2021.

3.9.2. The Bank will provide Resolution Plan 2.0 for borrowers mentioned in section 3.9.1, based on the request from the customer and the same will be finalized post evaluation of the same by the Bank for restructuring existing loans without a downgrade in the asset classification subject to the conditions mentioned in paragraph 2.2.1. of this Policy.

3.9.3 Due Diligence Measures: As part of due diligence, the impact of Covid-19 on the borrowal accounts identified for restructuring will be analyzed from the view point of business continuity and viability.

3.9.4. In respect of restructuring plans implemented as per section 3.9.2 above, asset classification of borrowers classified as standard will be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation will be upgraded as 'standard asset', as on the date of implementation of the restructuring plan 2.0.

3.9.5 In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, the Bank will 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 will be taken by the Bank by September 30, 2021. The reassessed sanctioned limit / drawing power will be subject to review by the Bank at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment will be expected to suitably modulate the limits as per the then-prevailing business conditions.

3.9.6 The above measures will be provided to MSME borrowers only on account of the economic fallout from COVID-19.

3.10 Any amendment /changes / clarification in regulation issued by the RBI subsequent to the approval of this policy would be deemed to be part of this policy.

3.11 The existing Board approved policy for customers' grievance redressal will be followed by the Bank for complaints related to restructuring.

4. Provisions in policy over and above but in consonance with RBI guide lines

None.

5. Changes to the Policy

Not applicable

6. Periodicity of Review of the Policy

This actionable policy is in force on an account of COVID-19 exigency and therefore the Board will review this policy at such intervals as may be required by the regulatory and business exigencies.

Author of the Policy	**Inclusive Banking, Corporate Banking, Branch Banking & Retail Liabilities, Finance**
Reviewer of the Policy	**Compliance**
Name of Committee which recommended to the Board	**Executive Policy Formulation Committee**
Date of Board Approval	**xx.xx.2021**
Date of Next Review	**xx.xx.2022**

Annexure I:

Gold Loan Customer Request letter

Micro Finance Customer Request letter - Restructuring2.0

Retail Loans Customer Request Letter for restructuring 2.0

VF loan request for restructure of instalments

VF Request Letter to reschedule loan