

**Guidelines for Resolution Framework 2.0**  
**for COVID-19 Related Stress for individuals & small businesses**

With the objective of alleviating the potential stress on account of resurgence of Covid-19 pandemic in India, RBI vide circular ref. RBI/ 2021-22/31/ DOR.STR.REC.11 /21.04.048 /2021-22 dated May 5, 2021 in respect of **individuals** and **small businesses** has announced set of measures which are broadly in line with contours of the earlier Resolution Framework, with suitable modifications. Accordingly, Board of IDBI Bank has also approved the same, salient features of which are as under:

**Basic common criteria**

- (i) The resolution under this facility shall be extended **only to borrowers having stress on account of Covid-19**. The Bank shall assess the viability of the resolution plan, subject to the prudential boundaries as suggested by RBI.
- (ii) Credit facilities/ investment exposure to the borrower was to be classified as Standard as on March 31, 2021.
- (iii) The decision to invoke the resolution/ restructuring process under this window shall be independent of invocation decisions taken by other lending institutions having exposure to the same borrower, if any.

**Exclusions:**

Following categories of borrowers/ credit facilities shall not be eligible for a resolution plan under this facility:

1. MSME borrowers.
2. Farm credit except loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture loans. Subject to these loans are given to farmer households would be eligible for resolution under the Resolution Framework if they do not meet any other conditions for exclusions listed in the Resolution Framework.

3. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
4. Exposures of lending institutions to financial service providers.
5. 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.

### **Section-I: Resolution Framework-2.0 for Individuals & Small Businesses**

This Section contains the measures in respect of the following segments:

- (A) Resolution of advances to Individuals and Small Businesses.
- (B) Working capital support for Small business, where resolution plans were implemented previously.

#### **(A) Resolution of advances to individuals and Small Businesses**

##### **(i) Applicability:**

The following borrowers shall be eligible under this Resolution Framework:

1. Individuals who have availed personal loans from the Bank. Personal loans shall refer to loans given to individuals and comprise of:
  - a. Consumer credit:
    - (i) loans for consumer durables, (ii) credit card receivables, (iii) auto loans (other than loans for commercial use), (iv) personal loans secured by gold, gold jewellery, immovable property, fixed deposits {including FCNR(B)}, shares and bonds, etc., (other than for business/ commercial purposes), (v) personal loans to professionals (excluding loans for business purposes), and (vi) loans given for other consumptions purposes (e.g., social ceremonies, etc.)
  - b. Education loan
  - c. Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.)
  - d. Loans given for investment in financial assets (shares, debentures, etc.).

2. Individuals who have availed of loans and advances for business purposes (including Loan Against Property) and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
3. 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.25 crore as on March 31, 2021.
4. Borrowers, whose resolution plans had been implemented in terms of RBI's Resolution Framework dated August 06, 2020, but the resolution plans had permitted no moratorium or moratorium of less than two years and/ or extension of residual tenor by a period of less than two years, such plans can be modified only to the extent of granting/ increasing the period of moratorium/ extension of residual tenor subject to the overall cap of 2 years. The overall caps on moratorium and/ or extension of residual tenor granted in terms of abovesaid RBI circular and under this framework combined, shall not exceed two year.

**(ii) Invocation of resolution process:**

- a. The date of invocation shall be the date on which both the borrower and the Bank agree to proceed with a resolution plan under this framework by exchange of letter.
- b. The Bank shall communicate, its decision in writing on the application submitted by the borrowers for invoking resolution process under this window within 30 days of receipt of such applications.
- c. Resolution under this framework may be invoked not later than September 30, 2021 and shall be implemented within 90 days from the date of invocation of the resolution.
- d. The Bank after assessing the viability as per the prescribed format (Application Format, Standardized templates for viability assessment etc. are available with Branch/Unit) and getting the approval of delegated authority, shall communicate terms and conditions for acceptance by the borrower.

**(iii) Permitted features of resolution plans and implementation:**

- a) 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.
- b) 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 repayment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.
- c) 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, provided the amortisation schedule and the coupon carried by such debt securities are similar to the terms of the debt held on the books of the Bank, post implementation of the resolution plan.
- d) 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 Bank and borrower and collaterals provided, if any, are completed by the Bank in consonance with the resolution plan being implemented;
  - b. The changes in the terms and conditions of the loans get duly reflected in the books of the Bank; and,
  - c. Borrower is not in default with the lending institution as per the revised terms.

Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the RBI Prudential Framework for Resolution of Stressed Assets dated June 07, 2019.

**(B) Working capital support for Small businesses, where resolution plans were implemented previously**

In respect of individuals and small businesses including those engaged in retail and wholesale trade, where resolution plans had been implemented in terms of RBI's Resolution Framework dated August 6 2020, the Bank 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 decision with regard to above shall be taken not later than September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented earlier.

**For further details, borrowers may please approach their home branch of IDBI Bank.**