

VAISHYA SAHAKARI BANK LTD., MUMBAI

POLICY FOR RESOLUTION FRAME WORK 2.0 RESOLUTION OF COVID - 19 RELATED STRESS OF INDIVIDUAL & SMALL BUSINESSES

RBI has decided to extend the facilities as mentioned in their earlier circular DOR No. BP. BC / 4 / 21.04.048 / 2020 - 21 dated 06.08.2020 on restructuring of advances to Individual & Small business due to uncertainties created by the resources of the COVID - 19 pandemic

INTERPRETATION

RBI had provided window to banks to implement a resolution plan in respect of eligible corporate exposure without change in ownership & personnel loans while classifying such exposure as standard, subject to some specified condition. RBI had announced following set of measures which are broadly in line with resolution 1.0. The circular is categorized in 3 parts viz., A, B & C

PART - A - Pertains to requirement of advances to individual & small business

PART - B - Working Capital support for - i) Individuals who have availed of loans for business purposes & ii) Small businesses where resolution plans were implemented previously

PART - C - List the disclosure requirements for the banks with respect to the resolution plans implemented under this window.

A) RESOLUTION OF ADVANCES TO INDIVIDUAL & SMALL BUSINESSES

The following borrower shall be eligible -

- a) Individual who have availed personal loans as determined in the circular DBR. No. BP. BC 99 / 8.13.100/2017 - 18 dated Jan, 2018 on XBRL returns harmonization of banking statistics.

Personal Loan Includes -

Loans given to individual, consists of

- a) Consumer Credit
- b) Education loan
- c) Loans given for creation / enhancement of immovable assets i.e., housing, etc
- d) Loan given for investment in financial assets (share, debentures)

Consumer Credit refers to loan given to individual other than loans given for business / commercial purposes.

It excludes the credit facilities provided by banks to their own staff

- B) Individual who have availed loan for business purposes & to whom the banks have gave aggregate exposure of not more than Rs. 25 crores as on 31.03.2021
- C) Small business those which are engaged in retail & wholesale trade other than MSME as on 31.03.2021 & to whom aggregate exposure of banks not more than Rs. 25 crores as on 31.03.2021

Bank shall frame board approved policies not later than 04.06.2021 and it should be made available on the website of the bank in an easily accessible manner.

After making application by the borrower to the bank for restructuring of the advances if the application fit in the criteria as mentioned in the RBI circular. The bank shall give decision to the borrower within 30 days from the date of the application. The lending institution may prepare product level standardized templates.

If the borrower enjoys limit with 2 banks each lending institution shall take independent decision. Last date of invocation of application is 30.09.2021

FEATURES OF RESOLUTIONS PLANS & IMPLEMENTATION

The borrower can approach to bank for following facilities as per this resolution. Managers are advised to accept the application of customers if he / she approaches bank for –

- 1) Rescheduling of payments
- 2) Conversion of interest accrued or to be accrued into another credit facility
- 3) Revision in working capital sanctions
- 4) Request for moratorium

Moratorium period may be for a maximum of 2 years. The extension of the residual tenor of the loan facilities may also be granted to the borrower with or without payment of moratorium. The overall cap on extension of residual tenor, inclusive of moratorium shall be 2 years.

The plan shall be implemented in 90 days

ASSETS CLASSIFICATION & PROVISIONING

- 1) The asset classification of borrower account should be standard as on 31.03.2021. It remains standard even though it slipped into NPA between invocation & implementation.
- 2) The usual NPA norms as per RBI circular dated 01.07.2015 will remain applicable subsequently
- 3) Additional finance can be given to borrower by lending institution even before the implementation of the plan in order to meet the interim liquidity of the borrower. The additional finance may be classified as standard till the implementation. If the implementation has done in time the assets classification of additional finance will as per old RBI circular dated 01.07.2015.
- 4) The lending institution shall keep provision from the date of implementation at 10% of the residual debt.
- 5) Half of the provision may be written back upon the borrower paying atleast 20% of the residual debt without slipping into NPA post implementation of the plan. The remaining half may be written back by paying another 10% of residual debt by the borrower without slipping into NPA subsequently.
- 6) The provision require to be maintained under this window to the extent not already reversed as per above clause shall be available for the provisionery requirement

when any of account where resolution plan had been implemented is subsequently classified as NPA

B) WORKING CAPITAL SUPPORT FOR SMALL BUSINESS WHERE RESOLUTION PLANS WERE IMPLEMENTED PREVIOUSLY

- 1) In respect of borrower other than falls into category of MSME where resolution plans had been implemented in terms of the resolution framework. Lending banks are permitted as a onetime measure to review the working capital sanctioned limits and or drawing power based on a re-assessment of the working capital cycle resolution of margin, without being treated the said account is restructured. However, decision to be taken before 30.09.2021
- 2) The above measures shall be applicable to those accounts which are suffered due to economic fallout from COVID – 19. Further accounts provided relief under these instruction shall be subject to supervisory review

C) DISCLOSURE & CREDIT REPORTING

- 1) Lending institution / Bank shall make disclosure as per the format prescribed by RBI in their financial statement ending 30.09.2021 & 31.12.2021
- 2) The number of borrower account where moratorium were sanctioned & implemented the aggregate exposure of the lending institution to such borrower may also be disclosed on a quarterly basis starting from the quarter ending 30th June, 2021
- 3) Lending institution shall make required disclosure in their annual financial statements
- 4) The credit reporting by the lending institution in respect of borrower where the resolution plan is implemented under part A of this window shall reflect restructured due to COVID – 19

PROCEDURE TO BE FOLLOWED BY THE BRANCHES

- 1) Obtain request letter
- 2) Visit the business place of the borrower
- 3) Assess the situation & circumstances
- 4) Put up the case with recommendation to head office for sanction
- 5) Manager shall either recommend moratorium /repayment of scheduled
- 6) Recommend for additional term loan facility for accrued interest / or interest to be accrued
- 7) Recommend for restructure within margin
- 8) Recommend reassessment of working capital limit
- 9) Both the moratorium & extension of repayment period should not be more than 2 years
- 10) account to be properly opened in CBS system
- 11) staff loan shall not be accepted for restructuring
- 12) HO should give decision within 30 days from the date of receipt of letter.
- 13) Restructured procedure should be completed before 30/09/2021.
- 14) 10 % provision to be made on outstanding amount i.e 5%on 31st Dec 2021 & remaining 5%on 31st March 2022.
- 15) Board policy to be displayed on website of the bank on prominent place.
- 16) HO Should make required disclosure in the annual financial statements.

The sanctioning authority will be loan sub – committee & action of the same will be ratified by the Board of Directors.

Submitted for the Approval of the Board

(Sanjay Apishte)
Dy.Chief Executive Officer

(Bharat Salvi)
Chief Executive Officer