**Certificate examination on NBFCs**

**RBI Notifications during the period 1st January 2020 to 30th June 2020**

**Amendment to Master Direction (MD) on KYC**

RBI/2019-20/138 DOR.AML.BC.No.27/14.01.001/2019-20 January 9, 2020

The Chairpersons/ CEOs of all the Regulated Entities

Government of India, vide Gazette Notification G.S.R. 582(E) dated August 19, 2019 and Gazette Notification G.S.R. 840(E) dated November 13, 2019, has notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. Further, with a view to leveraging the digital channels for Customer Identification Process (CIP) by Regulated Entities (REs), the Reserve Bank has decided to permit Video based Customer Identification Process (V-CIP) as a consent based alternate method of establishing the customer’s identity, for customer onboarding.

2. The consequent changes carried out in the Master Direction on KYC dated February 25, 2016, with the aforementioned amendments to the PML Rules and V-CIP are as under:

**A. Changes due to amendments to the PML Rules**

a) “Digital KYC” has been defined in Section 3 as capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Reporting Entity (RE) as per the provisions contained in the Act. Steps to carry out the Digital KYC process have also been stipulated.

b) “Equivalent e-document” has been defined in Section 3 as an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

c) Section 16 has been amended and accordingly,

I. customer, for the purpose of Customer Due Diligence CDD) process, shall submit:

1. the Aadhaar number where he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or he decides to submit his Aadhaar number voluntarily to a banking company or any reporting entity notified under first proviso to sub-section (1) of section 11A of the PML Act; or
2. the proof of possession of Aadhaar number where offline verification can be carried out; or
3. the proof of possession of Aadhaar number where offline verification cannot be carried out or
4. any Officially Valid Document (OVD) or the equivalent e-document thereof containing the details of his identity and address; and
5. the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
6. such other documents including in respect of the nature of business and financial status of the client, or the equivalent e-documents thereof as may be required by the RE.

II. Provided that where the customer has submitted

1. Aadhaar number under paragraph (c.I.i) above to a bank or to a RE notified under first proviso to sub-section (1) of section 11A of the PML Act, such bank or RE shall carry out authentication of the customer’s Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India.
2. proof of possession of Aadhaar under clause (c.I.ii) above where offline verification can be carried out, the RE shall carry out offline verification
3. an equivalent e-document of any OVD, the RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I of the Master Direction.
4. proof of possession of Aadhaar number where offline verification cannot be carried out under clause (c.I.iii) above or any OVD under clause (c.I.iv), the RE shall carry out verification through digital KYC as specified under Annex I of the Master Direction.

Provided, for a period not beyond such date as may be notified by the Government for a class of REs, instead of carrying out digital KYC, the RE pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

III. Equivalent e-document has also been permitted for accounts of non-individual customer.

IV. Where a customer has provided his Aadhaar number under paragraph (c.I.i) above for identification and wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the Regulated Entity.

**B. Changes due to introduction of Video based Customer Identification Process (V-CIP)**

* 1. Definition of V-CIP has been inserted in Section 3 of the Master Direction
  2. The process of V-CIP has been specified in Section 18 in terms of which, REs may undertake live V-CIP, to be carried out by an official of the RE, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

i. The official of the RE performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information as below:

* Banks: can use either OTP based Aadhaar e-KYC authentication or Offline Verification of Aadhaar for identification. Further, services of Business Correspondents (BCs) may be used by banks for aiding the V-CIP.
* REs other than banks: can only carry out Offline Verification of Aadhaar for identification.

ii. RE shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.

iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India

iv. The official of the RE shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.

v. The official of the RE shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.

vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.

vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.

viii. RE shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RE shall carry out the liveliness check in order to guard against spoofing and such other fraudulent manipulations.

ix. To ensure security, robustness and end to end encryption, the REs shall carry out software and security audit and validation of the V-CIP application before rolling it out.

x. The audiovisual interaction shall be triggered from the domain of the RE itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.

xi. REs shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.

xii. REs are encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the RE.

xiii. RE shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

xiv. BCs can facilitate the process only at the customer end and as already stated in para B(b) above, the official at the other end of V-CIP interaction should necessarily be a bank official. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.

3. The Master Direction on KYC dated February 25, 2016, is hereby updated to reflect the above changes and shall come into force with immediate effect.

**Amendment to Master Direction (MD) on KYC**

RBI/2019-20/207 DOR.AML.BC.No.61/14.01.001/2019-20 April 01, 2020

The Chairpersons/ CEOs of all the Regulated Entities

Government of India, vide Gazette Notification G.S.R. 228(E) dated March 31, 2020 has notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

2. Consequent to the aforementioned amendment to the PML Rules, Master Direction on KYC dated February 25, 2016 has been updated as under:

Clause (g) has been inserted in the conditions stipulated for Small Accounts in Section 23 of the MD. Clause (g) reads as,

“Notwithstanding anything contained in clauses (e) and (f) above, the small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as may be notified by the Central Government.”

3. The Master Direction on KYC dated February 25, 2016, is hereby amended to reflect the above change and shall come into force with immediate effect.

**Internal ML/TF risk assessment by REs - Amendment to Master Direction (MD) on KYC**

RBI/2019-20/221 DOR.AML.BC.No.66/14.01.001/2019-20 April 20, 2020

The Chairpersons/ CEOs of all the Regulated Entities

The Master Direction on KYC dated February 25, 2016, is hereby updated to reflect the following changes in line with Rule 9(13) of the PML Rules 2005:

A new section (5A) has been added to chapter II of the MD on KYC requiring REs to carry out ‘Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment’ exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. While assessing the ML/TF risk, the REs are required to take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with REs from time to time. Further, the internal risk assessment carried out by the RE should be commensurate to its size, geographical presence, complexity of activities/structure, etc.

Also, the REs shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard.

2. The above instructions shall come into force with immediate effect. It may be noted that the first such internal risk assessment by the REs should be completed by June 30, 2020 and thereafter reviewed periodically.

**Extending Master Direction – Know Your Customer (KYC) Direction, 2016 to Housing Finance Companies**

RBI/2019-20/235 DOR.NBFC (HFC).CC.No.111/03.10.136/2019-20 May 19, 2020

To

Housing Finance Companies

The Master Direction – Know Your Customer (KYC) Direction, 2016 issued by the Bank has consolidated directions on Know Your Customer (KYC), Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) and is applicable to all Regulated Entities of the Bank. In this connection, attention is invited to our Press Release no.2019-2020/419 dated August 13, 2019 on transfer of regulation of Housing Finance Companies to Reserve Bank of India.

2. It has been decided to extend the Master Direction – Know Your Customer (KYC) Direction, 2016 to all Housing Finance Companies.

3. Instructions/ guidelines/ regulations contained in the circulars mentioned in the Appendix, issued by National Housing Bank (erstwhile regulator of Housing Finance Companies) stand repealed.

**Lending against security of single product – Gold jewellery**

RBI/2019-20/148 DOR.NBFC (PD).CC.No.108/03.10.001/2019-20 January 21, 2020

All Non-Banking Financial Companies (excluding Primary Dealers)

Please refer to paragraph 27 of Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016; and paragraph 27 of Master Direction – Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.

2. On a review, it has been decided that NBFCs can pool gold jewellery from different branches in a district and auction it at any location within the district, subject to meeting the following conditions:

1. The first auction has failed.
2. The NBFC shall ensure that all other requirements of the extant directions regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met.

3. Non-adherence to the above conditions will attract strict enforcement action. The aforementioned Master Directions are being modified accordingly.

**Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances**

RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20 February 11, 2020

All banks and NBFCs regulated by the Reserve Bank of India

Please refer to the circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019. It has been decided to extend the one-time restructuring of MSME advances permitted in terms of the aforesaid circular. Accordingly, a one-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in the asset classification is permitted, subject to the following conditions:

1. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on January 1, 2020.
2. The borrower’s account was in default but was a ‘standard asset’ as on January 1, 2020 and continues to be classified as a ‘standard asset’ till the date of implementation of the restructuring.
3. The restructuring of the borrower account is implemented on or before December 31, 2020.
4. 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 January 1, 2020.

2. It is clarified that accounts which have already been restructured in terms of the circular dated January 1, 2019 shall be ineligible for restructuring under this circular.

3. All other instructions specified in the circular dated January 1, 2019 shall be applicable.

**Priority Sector Lending - Lending by banks to NBFCs for On-Lending**

RBI/2019-20/179 FIDD.CO.Plan.BC.No.19/04.09.01/2019-20 March 23, 2020

The Chairman/ Managing Director/Chief Executive Officer

All Scheduled Commercial Banks (Excluding Regional Rural Banks & Small Finance Banks)

Please refer to our Circular No. FIDD.CO.Plan.BC.07/04.09.01/2019-20 dated August 13, 2019 advising, inter alia, that the bank loans to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories up to March 31, 2020 and will be reviewed thereafter.

2. Accordingly, after undertaking a review, it has been decided to extend the priority sector classification for bank loans to NBFCs for on-lending for FY 2020-21. Further, existing loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

3. Bank credit to registered NBFCs (other than MFIs) and HFCs for on-lending will be allowed up to an overall limit of five percent of individual bank’s total priority sector lending. Further, banks shall compute the eligible portfolio under on-lending mechanism by averaging across four quarters, to determine adherence to the prescribed cap.

**COVID-19 – Regulatory Package (Revised).**

RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 March 27, 2020

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) /All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks /All All-India Financial Institutions/ All Non-Banking Financial Companies (including Housing Finance Companies)

Please refer to the Statement of Development and Regulatory Policies released on March 27, 2020 where inter alia certain regulatory measures were announced to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. In this regard, the detailed instructions are as follows:

**(i) Rescheduling of Payments – Term Loans and Working Capital Facilities**

2. In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) (“lending institutions”) are permitted to grant a moratorium of three months on payment of all instalments1 falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

3. In respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 (“deferment”). The accumulated accrued interest shall be recovered immediately after the completion of this period.

**(ii) Easing of Working Capital Financing**

4. In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the ‘drawing power’ by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and 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.

**Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)**

5. Since the moratorium/deferment/recalculation of the ‘drawing power’ is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 (“Prudential Framework”). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

6. The asset classification of term loans which are granted relief as per paragraph 2 shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, working capital facilities where relief is provided as per paragraph 3 above, the SMA and the out of order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period as well as the revised terms, as permitted in terms of paragraph 4 above.

7. The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

**Other Conditions**

8. Lending institutions shall frame Board approved polices for providing the above-mentioned reliefs to all eligible borrowers, inter alia, including the objective criteria for considering reliefs under paragraph 4 above and disclosed in public domain.

9. Wherever the exposure of a lending institution to a borrower is ₹ 5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall inter alia include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

10. The instructions in this circular come into force with immediate effect. The Board of Directors and the key management personnel of the lending institutions shall ensure that the above instructions are properly communicated down the line in their respective organisations, and clear instructions are issued to their staff regarding their implementation.

**COVID19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets**

RBI/2019-20/219 DOR.No.BP.BC.62/21.04.048/2019-20 April 17, 2020

All Scheduled Commercial Banks (excluding Regional Rural Banks)/ All India Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI)/ All Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SI) and Deposit taking Non-Banking Financial Companies (NBFC-D).

Please refer to the Governor’s Statement of April 17, 2020 announcing certain additional regulatory measures aimed at alleviating the lingering impact of Covid19 on businesses and financial institutions in India, consistent with the globally coordinated action committed by the Basel Committee on Banking Supervision. In this regard, the detailed instructions relating to extension of resolution timelines under the Prudential Framework on Resolution of Stressed Assets dated June 7, 2019 (‘Prudential Framework’) are as under:

2. In terms of paragraph 11 of the Prudential Framework, lenders are required to implement a resolution plan in respect of entities in default within 180 days from the end of Review Period of 30 days.

3. On a review, it has been decided that in respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to May 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from June 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution.

4. In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 90 days from the date on which the 180-day period was originally set to expire.

5. Consequently, the requirement of making additional provisions specified in paragraph 17 of the Prudential Framework shall be triggered as and when the extended resolution period, as stated above, expires.

6. In respect of all other accounts, the provisions of the Prudential Framework shall be in force without any modifications.

7. The lending institutions shall make relevant disclosures in respect of accounts where the resolution period was extended in the ‘Notes to Accounts’ while preparing their financial statements for the half year ending September 30, 2020 as well as the financial years FY2020 and FY2021.

**COVID 19 Regulatory Package - Asset Classification and Provisioning**

RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 April 17, 2020

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) /All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks/ All All-India Financial Institutions/ All Non-Banking Financial Companies (including Housing Finance Companies)

Please refer to the Governor’s Statement of April 17, 2020 announcing certain additional regulatory measures aimed at alleviating the lingering impact of Covid19 pandemic on the businesses and financial institutions in India, consistent with the globally coordinated action committed by the Basel Committee on Banking Supervision. In this regard, the detailed instructions with regard to asset classification and provisioning are as follows:

**(i) Asset Classification under the Prudential norms on Income Recognition, Asset Classification (IRAC)**

2. In terms of the circular DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 (‘Regulatory Package’), the lending institutions were permitted to grant a moratorium of three months on payment of all term loan instalments falling due between March 1, 2020 and May 31, 2020 (‘moratorium period’). As such, in line with the clarification provided by the Basel Committee on Banking Supervision, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms.

3. Similarly in respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), the Regulatory Package permitted the recovery of interest applied during the period from March 1, 2020 upto May 31, 2020 to be deferred (‘deferment period’). Such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the determination of out of order status.

4. NBFCs which are required to comply with Indian Accounting Standards (IndAS) shall, as hitherto, continue to be guided by the guidelines duly approved by their Boards and as per ICAI Advisories for recognition of the impairments.

**(ii) Provisioning**

5. In respect of accounts in default but standard where provisions of paragraphs (2) and (3) above are applicable, and asset classification benefit is extended, lending institutions shall make general provisions of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters as under:

(i) Quarter ended March 31, 2020 – not less than 5 per cent

(ii) Quarter ending June 30, 2020 – not less than 5 per cent

6. The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.

7. The above provisions shall not be reckoned for arriving at net NPAs till they are adjusted against the actual provisioning requirements as under paragraph 6 above. Further, till such adjustments, these provisions shall not be netted from gross advances but shown separately in the balance sheet as appropriate.

8. All other provisions required to be maintained by lending institutions, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner.

**Other Conditions**

9. The exclusions permitted in terms of para 2 and 3 above shall be duly reckoned by the lending institutions in their supervisory reporting as well as reporting to credit information companies (CICs); i.e., the days past due and SMA status, where applicable, as on March 1, 2020 will remain unchanged till May 31, 2020.

10. The lending institutions shall suitably disclose the following in the ‘Notes to Accounts’ while preparing their financial statements for the half year ending September 30, 2020 as well as the financial years 2019-20 and 2020-2021:

(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3;

(ii) Respective amount where asset classification benefits is extended.

(iii) Provisions made during the Q4FY2020 and Q1FY2021 in terms of paragraph 5;

(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6.

**COVID-19 – Regulatory Package**

RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 May 23, 2020

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks)/All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks/All All-India Financial Institutions /All Non-Banking Financial Companies (including Housing Finance Companies)

Please refer to the Circular DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 and Circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 announcing certain regulatory measures in the wake of the disruptions on account of COVID-19 pandemic and the consequent asset classification and provisioning norms. As announced in the Governor’s Statement of May 22, 2020, the intensification of COVID-19 disruptions has imparted priority to relaxing repayment pressures and improving access to working capital by mitigating the burden of debt servicing, prevent the transmission of financial stress to the real economy, and ensure the continuity of viable businesses and households. Consequently, the detailed instructions in this regard are as follows:

**(i) Rescheduling of Payments – Term Loans and Working Capital Facilities**

2. In view of the extension of lockdown and continuing disruption on account of COVID-19, all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, All-India Financial Institutions, and Non-banking Financial Companies (including housing finance companies) (“lending institutions”) are permitted to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020 on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans). Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

3. In respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), lending institutions are permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities. Lending institutions are permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan (FITL) which shall be repayable not later than March 31, 2021.

**(ii) Easing of Working Capital Financing**

4. In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may, as a one-time measure,

(i) recalculate the ‘drawing power’ by reducing the margins till August 31, 2020. However, in all such cases where such a temporary enhancement in drawing power is considered, the margins shall be restored to the original levels by March 31, 2021; and/or,

(ii) review the working capital sanctioned limits upto March 31, 2021, based on a reassessment of the working capital cycle.

5. 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.

6. Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures.

**Asset Classification**

7. The conversion of accumulated interest into FITL, as permitted in terms of paragraph 3 above, and the changes in the credit terms permitted to the borrowers to specifically tide over economic fallout from COVID-19 in terms of paragraph 4 above, will not be treated as concessions granted due to financial difficulty of the borrower, under Paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 (‘Prudential Framework’), and consequently, will not result in asset classification downgrade.

8. In respect of accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted in respect of term loans, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms. The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

9. Similarly, in respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), where the account is classified as standard, including SMA, as on February 29, 2020, the deferment period, wherever granted in terms of paragraph 3 above shall be excluded for the determination of out of order status.

10. All other provisions of circulars dated March 27, 2020 and April 17, 2020 shall remain applicable mutatis mutandis.

**COVID19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets**

RBI/2019-20/245 DOR.No.BP.BC.72/21.04.048/2019-20 May 23, 2020

All Scheduled Commercial Banks (excluding Regional Rural Banks);/ All India Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI);/ All Systemically Important Non-Deposit taking Non-Banking Financial Companies/ (NBFC-ND-SI) and Deposit taking Non-Banking Financial Companies (NBFC-D).

Please refer to the Circular DOR.No.BP.BC.62/21.04.048/2019-20 dated April 17, 2020 relating to extension of resolution timelines under the Prudential Framework on Resolution of Stressed Assets dated June 7, 2019 (‘Prudential Framework’). Given the continued challenges to resolution of stressed assets, in partial modification of the above, as announced in the Governor’s Statement of May 22, 2020, the timelines are being extended further as under:

2. In respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period shall resume from September 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution.

3. In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 180 days from the date on which the 180-day period was originally set to expire.

4. Consequently, the requirement of making additional provisions specified in paragraph 17 of the Prudential Framework shall be triggered as and when the extended resolution period, as stated above, expires.

5. All other provisions of the circular dated April 17, 2020 shall continue to remain applicable.

**Assignment of Risk Weights on Credit Facilities (Guaranteed Emergency Credit Line) under the Emergency Credit Line Guarantee Scheme**

RBI/2019-20/255 DoR.BP.BC.No.76/21.06.201/2019-20 June 21, 2020

All Member Lending Institutions/ (All Scheduled Commercial Banks including Scheduled RRBs)/ (NBFCs including HFCs eligible under the captioned scheme)/(All India Financial Institutions - Small Industries Development Bank of India, National Housing Bank, National Bank for Agriculture and Rural Development and Export-Import Bank of India)

Please refer to circular Ref no. 2842/NCGTC/ECLGS dated May 23, 2020 issued by National Credit Guarantee Trustee Company (NCGTC) in respect of the captioned scheme announced by the Government of India to extend guaranteed emergency credit line to MSME borrowers. As credit facilities extended under the scheme guaranteed by NCGTC are backed by an unconditional and irrevocable guarantee provided by Government of India, it has been decided that Member Lending Institutions shall assign zero percent risk weight on the credit facilities extended under this scheme to the extent of guarantee coverage.

**Implementation of Indian Accounting Standards**

RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 March 13, 2020

To

Non-Banking Financial Companies

and Asset Reconstruction Companies

implementing Indian Accounting Standards

Non-Banking Financial Companies (NBFCs) covered by Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 are required to comply with Indian Accounting Standards (Ind AS) for the preparation of their financial statements. In order to promote a high quality and consistent implementation as well as facilitate comparison and better supervision, the Reserve Bank has framed regulatory guidance on Ind AS given in the Annex which will be applicable on Ind AS implementing NBFCs and Asset Reconstruction Companies (ARCs) for preparation of their financial statements from financial year 2019-20 onwards.

2. The annexed instructions and guidelines relate to specific prudential aspects of Ind AS implementation by NBFCs/ARCs and are not meant to provide a comprehensive commentary on the accounting standards or comprehensive technical interpretation of the standards, nor intended to cover all possible situations. Accordingly, with respect to matters not dealt with in the Annex, NBFCs/ARCs are required to refer to the notified accounting standards, application guidance, educational material and other clarifications issued by the Institute of Chartered Accountants of India (ICAI).

**Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Projects under Implementation**

RBI/2019-20/216 DoR.NBFC (PD).CC.No.110/03.10.001/2019-20 April 17, 2020

All Non-Banking Financial Companies

Please refer to paragraph 25 of Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016; and paragraph 25 of Master Direction – Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 on ‘Norms for restructuring of advances’. The Reserve Bank has issued guidelines to banks on deferment of date of commencement of commercial operations (DCCO) for projects in commercial real estate (CRE) sector vide circular number DOR.No.BP.BC.33/21.04.048/2019-20, dated February 07, 2020.

2. In this connection, it has been decided to extend the above-mentioned guidelines issued to banks, mutatis mutandis, to NBFCs as well.

3. The Master Directions are being modified accordingly.

**Loans Sourced by Banks and NBFCs over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines**

RBI/2019-20/258 DOR(NBFC)(PD)CC.No.112/03.10.001/2019-20 June 24, 2020

All Scheduled Commercial Banks (excluding RRBs) /All Non-Banking Financial Companies (including Housing Finance Companies)

It has been observed that many digital platforms have emerged in the financial sector claiming to offer hassle free loans to retail individuals, small traders, and other borrowers. Banks and NBFCs are also seen to be engaging digital platforms to provide loans to their customers. In addition, some NBFCs have been registered with Reserve Bank as ‘digital-only’ lending entities while some NBFCs are registered to work both on digital and brick-mortar channels of credit delivery. Thus banks and NBFCs are observed to lend either directly through their own digital platforms or through a digital lending platform under an outsourcing arrangement.

2. It has further been observed that the lending platforms tend to portray themselves as lenders without disclosing the name of the bank/ NBFC at the backend, as a consequence of which, customers are not able to access grievance redressal avenues available under the regulatory framework. Of late, there are several complaints against the lending platforms which primarily relate to exorbitant interest rates, non-transparent methods to calculate interest, harsh recovery measures, unauthorised use of personal data and bad behavior.

3. Although digital delivery in credit intermediation is a welcome development, concerns emanate from non-transparency of transactions and violation of extant guidelines on outsourcing of financial services and Fair Practices Code, etc. issued to banks and NBFCs, a reference to which is drawn in the Annex. It is, therefore, reiterated that banks and NBFCs, irrespective of whether they lend through their own digital lending platform or through an outsourced lending platform, must adhere to the Fair Practices Code guidelines in letter and spirit. They must also meticulously follow regulatory instructions on outsourcing of financial services and IT services.

4. It must be noted that outsourcing of any activity by banks/ NBFCs does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them. Wherever banks and NBFCs engage digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:

a) Names of digital lending platforms engaged as agents shall be disclosed on the website of banks/ NBFCs.

b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the bank/ NBFC on whose behalf they are interacting with him.

c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the bank/ NBFC concerned.

d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.

e) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks/ NBFCs.

f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

5. Any violation in this regard by banks and NBFCs (including NBFCs registered to operate on ‘digital-only’ or on digital and brick-mortar channels of delivery of credit) will be viewed seriously.