**CAIIB Elective – Rural Banking**

**RBI and Gazette Notifications during the period 1st January 2020**

**to 30th June 2020**

**Short Term Crop Loans eligible for Interest Subvention Scheme (ISS) and Prompt Repayment Incentive (PRI) through KCC**

RBI/2019-20/166 FIDD.CO.FSD.BC.No.1785/05.02.001/2019-20 February 26, 2020

The Chairman/Managing Director/Executive Officer

All Public & Private Sector Scheduled Commercial Banks (Excluding Regional Rural Banks and Small Finance Banks)

Ministry of Agriculture & Farmers Welfare vide their Office Memorandum, No. F. 1-20/2018-Credit-I, dated January 23, 2020 has advised that Short Term Crop Loans eligible for Interest Subvention Scheme (ISS) and Prompt Repayment Incentive (PRI) should be extended only through KCC thus making KCC a prerequisite for claiming Interest Subvention (IS) and Prompt Repayment Incentive (PRI) by farmers w.e.f. April 1, 2020.

2. In view of this, banks are advised to ensure that all Short Term Crop Loans eligible for Interest Subvention (IS) and Prompt Repayment Incentive (PRI) benefit are extended only through KCC w.e.f. April 1, 2020. The existing Short Term Crop Loans which are not extended through KCC shall be converted to KCC loans by March 31, 2020.

3. Accordingly, reimbursement of interest subvention for Short Term Crop Loans through non-KCC accounts shall not be considered beyond March 31, 2020.

**Short Term Crop Loans eligible for Interest Subvention Scheme (ISS) and Prompt Repayment Incentive (PRI) through KCC**

RBI/2019-20/202 FIDD.CO.FSD.BC.No.23/05.02.001/2019-20 March 31, 2020

The Chairman/Managing Director/Executive Officer

All Public & Private Sector Scheduled Commercial Banks (Excluding Regional Rural Banks and Small Finance Banks)

Please refer to the circular FIDD.CO.FSD.BC.No.1785/05.02.001/2019-20, dated February 26, 2020 advising banks to ensure that all Short Term Crop Loans eligible for Interest Subvention (IS) and Prompt Repayment Incentive (PRI) benefit are extended only through KCC w.e.f. April 1, 2020 and the existing Short Term Crop Loans which are not extended through KCC shall be converted to KCC loans by March 31, 2020.

2. In view of the complete lockdown in most of the states in the country and restrictions on movement except for providing essential services, it has been decided, in consultations with Ministry of Agriculture & Farmers Welfare, that the banks may convert the existing Short Term Crop Loans including agriculture gold loans into KCC loans by June 30, 2020 with commensurate extension of Interest Subvention (IS) and Prompt Repayment Incentive (PRI) benefit against such accounts till June 30, 2020.

**Cabinet approves extension of repayment date for short term loans for agriculture and allied activities by banks which have become due or shall become due between 1st March, 2020 and 31st August, 2020**

01 JUN 2020 5:39PM by PIB Delhi

The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi has given its approval to extend repayment date up to 31.08.2020 for Standard Short-Term loans up to Rs.3 lakh advanced for agriculture and allied activities by banks, which have become due or shall become due between 1st March, 2020 and 31st August, 2020 with continued benefit of 2% Interest Subvention (IS) to Banks and 3% Prompt Repayment Incentive (PRI) to farmers.

**Benefit:**

Extension of repayment date upto 31.08.2020 for Standard Short-Term loans upto Rs.3 lakh for agriculture and allied activities by banks falling due between 1st March, 2020 and 31st August, 2020 with continued benefit of 2% IS to Banks and 3% PRI to farmers, shall help the farmers to repay/renew such loans upto the extended repayment date of 31.08.2020 at 4% p.a., interest without attracting any penalty and thus help them in avoiding travelling to banks for such renewal during this COVID pandemic period.

**Background**

Govt. is providing concessional Standard Short-Term Agri-loans to farmers through banks with 2% p.a, interest subvention to banks and 3% additional benefit on timely repayment to farmers thus providing loans upto Rs,3 lakh at 4% p.a. interest on timely repayment. In the wake of lockdown due to ongoing Covid 19 pandemic, there have been restrictions imposed on movement of people. Many farmers are not able to travel to bank branches for payment of their short-term crop loan dues. Moreover, due to restrictions on movement of people, difficulty in timely sale, receipt of payment of their produce and the necessity of adhering to social distancing norms, farmers are finding it difficult to arrange the amount to be deposited for renewal and are unable to visit the banks to deposit and draw fresh loans.

**Interest Subvention (IS) and Prompt Repayment Incentive (PRI) for Short Term Loans for Agriculture including Animal Husbandry, Dairy and Fisheries for extended period on account of Covid-19**

RBI/2019-20/250 FIDD.CO.FSD.BC.No.25/05.02.001/2019-20 June 4, 2020

The Chairman / Managing Director & CEOs

All Public & Private Sector Scheduled Commercial Banks

Please refer to our circular FIDD.CO.FSD.BC.No.24/05.02.001/2019-20 dated April 21, 2020 advising banks on the Governments’ decision to continue the availability of 2% IS and 3% PRI to farmers for the extended period of repayment upto May 31, 2020 or date of repayment, whichever is earlier.

2. In view of the extension of lockdown and continuing disruption on account of COVID-19, the RBI vide circular dated May 23, 2020 has permitted all lending institutions to extend moratorium by another three months, i.e., upto August 31, 2020. In order to ensure that farmers do not pay higher interest during the extended moratorium period, the Government has decided to continue the availability of 2% IS and 3% PRI to farmers for the extended period of repayment upto August 31, 2020 or date of repayment, whichever is earlier. This benefit will be applicable to all short term loans for Agriculture and Animal Husbandry, Dairy and Fisheries (AHDF) upto ₹3 lakh per farmer (upto ₹2 lakh for AHDF farmers).

3. All other terms and conditions remained unchanged.

**Govt. of India**

**THE GAZETTE OF INDIA: EXTRAORDINARY [PART II—SEC. 3(ii)]**

**MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES**

**NOTIFICATION**

1st June, 2020

**S.O. 1702(E).—**In exercise of the powers conferred by sub-section (1) read with sub-section (9) of section 7 of the ‘Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) and in supersession of the notification of the Government of India, Ministry of Small Scale Industries, dated the 29th September, 2006, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section(ii), vide S.O. 1642(E), dated the 30th September 2006 except as respects things done or omitted to be done before such supersession, the Central Government, hereby notifies the following criteria for classification of micro, small and medium enterprises, namely:—

1. a micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
2. a small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
3. a medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

This notification shall come into effect from 01.07.2020.

**Rs 3 lakh crores Collateral-free Automatic Loans for Businesses, including MSMEs**

* Businesses/MSMEs have been badly hit due to COVID19 need additional funding to meet operational liabilities built up, buy raw material and restart business
* Decision: Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020
  + Borrowers with up to Rs. 25 crore outstanding and Rs. 100 crore turnover eligible
  + Loans to have 4-year tenor with moratorium of 12 months on Principal repayment
  + Interest to be capped
  + 100% credit guarantee cover to Banks and NBFCs on principal and interest
  + Scheme can be availed till 31st Oct 2020
  + No guarantee fee, no fresh collateral
* 45 lakh units can resume business activity and safeguard jobs.

**Rs 20,000 crores Subordinate Debt for Stressed MSMEs**

* Stressed MSMEs need equity support
* GoI will facilitate provision of Rs. 20,000 cr as subordinate debt
* Two lakh MSMEs are likely to benefit
* Functioning MSMEs which are NPA or are stressed will be eligible
* Govt. will provide a support of Rs. 4,000 Cr. to CGTMSE
* CGTMSE will provide partial Credit Guarantee support to Banks
* Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit.

**Rs 50,000 cr. Equity infusion for MSMEs through Fund of Funds**

* MSMEs face severe shortage of Equity.
* Fund of Funds with Corpus of Rs 10,000 crores will be set up.
* Will provide equity funding for MSMEs with growth potential and viability.
* FoF will be operated through a Mother Fund and few daughter funds
* Fund structure will help leverage Rs 50,000 cr of funds at daughter funds level
* Will help to expand MSME size as well as capacity.
* Will encourage MSMEs to get listed on main board of Stock Exchanges.

**New Definition of MSMEs**

* Low threshold in MSME definition have created a fear among MSMEs of graduating out of the benefits and hence killing the urge to grow.
* There has been a long-pending demand for revisions.

**Announcement:**

* Definition of MSMEs will be revised
* Investment limit will be revised upwards
* Additional criteria of turnover also being introduced.
* Distinction between manufacturing and service sector to be eliminated.
* Necessary amendments to law will be brought about.

**Existing MSME Classification**

|  |  |  |  |
| --- | --- | --- | --- |
| Existing MSME Classification | | | |
| Criteria: Investment in Plant & Machinery or Equipment | | | |
| **Classification** | **Micro** | **Small** | **Medium** |
| Mfg. Enterprises | Investment<Rs. 25 lac | Investment<Rs. 5 cr. | Investment <Rs. 10 cr. |
| Services Enterprise | Investment<Rs. 10 lac | Investment< Rs. 2 cr. | Investment<Rs. 5 cr. |
|  | | | |
| Revised MSME Classification | | | |
| Composite Criteria: Investment and Annual Turnover | | | |
| **Classification** | **Micro** | **Small** | **Medium** |
| Manufacturing  & Services | Investment< Rs. 1 cr.  and  Turnover < Rs. 5 cr. | Investment< Rs. 10 cr.  and  Turnover < Rs. 50 cr. | Investment< Rs. 20 cr.  and  Turnover < Rs. 100 cr. |

**Other interventions for MSMEs**

* MSMEs currently face problems of marketing and liquidity due to COVID.
* e-market linkage for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
* Fintech will be used to enhance transaction-based lending using the data generated by the e-marketplace.
* Government has been continuously monitoring settlement of dues to MSME vendors from Government and Central Public Sector Undertakings.
* MSME receivables from Gov and CPSEs to be released in 45 days

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

RBI/2019-20/158 DOR.No.BP.BC.33/21.04.048/2019-20 February 07, 2020

The Chairman / Chief Executive Officer

All Scheduled Commercial Banks (excluding RRBs)/ All Small Finance Banks

Please refer to the circular DBR.No.BP.BC.84/21.04.048/2014-15 dated April 6, 2015 on the subject. It has been decided to harmonise the guidelines for deferment of date of commencement of commercial operations (DCCO) for projects in non-infrastructure and commercial real estate (CRE) sectors. Accordingly, the revised guidelines for deferment of DCCO for CRE projects are as under:

i. Revisions of the date of DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided that:

1. The revised DCCO falls within the period of one year from the original DCCO stipulated at the time of financial closure for CRE projects; and
2. All other terms and conditions of the loan remain unchanged.

ii. In case of CRE projects delayed for reasons beyond the control of promoter(s), banks may restructure them by way of revision of DCCO up to another one year (beyond the one-year period quoted at paragraph i (a) above) and retain the ‘standard’ asset classification if the account continues to be serviced as per the revised terms and conditions under the restructuring.

iii. Banks while restructuring such CRE project loans under instructions at (ii) above will have to ensure that the revised repayment schedule is extended only by a period equal to or shorter than the extension in DCCO.

iv. Banks may fund cost overruns that arise on account of extension of DCCO (within the limits at (i) and (ii) above), subject to the instructions issued vide circular DBOD.No.BP.BC.33/21.04.048/2014-15 dated August 14, 2014 and the mailbox clarification dated April 20, 2016.

v. It is re-iterated that a loan for a project may be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue). It is further re-iterated that the dispensation at (ii) above is subject to the condition that the application for restructuring should be received before the expiry of period mentioned at paragraph (i) (a) above and when the account is still standard as per record of recovery.

vi. At the time of extending DCCO, Boards of banks should satisfy themselves about the viability of the project and the restructuring plan.

vii. All other aspects related to restructuring, income recognition, asset classification, provisioning as applicable for projects under implementation shall continue to apply.

viii. Banks shall ensure that all provisions of the Real Estate (Regulation and Development) Act, 2016 are complied with.

2. The project loans to CRE sector shall be identified on the basis of instructions issued vide circulars DBOD.BP.BC.No.42/08.12.015/2009-10 dated September 9, 2009 and DBOD.BP.BC. No.104/08.12.015/2012-13 dated June 21, 2013.

**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.