



Policy On Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals

The Reserve Bank of India vide its [circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020](#) on “Resolution Framework for COVID-19-related Stress” (“**ResolutionFramework – 1.0**”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, the following set of measures are being announced by the RBI through circular DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021.

These measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

A. Resolution of advances to individuals and small businesses

1. The company is permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.
2. The following borrowers shall be eligible for the window of resolution to be invoked by the Company:
 - a. Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”), excluding the credit facilities provided by the Company to their own personnel/staff.
 - b. Individuals who have availed of loans and advances for business purposes and to whom the Company have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
 - c. 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 company have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

Provided that the borrower accounts / credit facilities shall not belong to the categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex to the Resolution Framework 1.0, read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020).

Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at Clause 19 below.

Provided further that the credit facilities / investment exposure to the borrower was classified as
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Standard by the company as on March 31, 2021.

3. Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”) issued by RBI, or the relevant instructions as applicable to specific category of company where the Prudential Framework is not applicable.

Invocation of resolution process

4. The Company shall get the policy approved by the Board, pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. The Board approved policy shall, *inter alia*, detail the eligibility of borrowers in respect of whom the company shall be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by the lending institutions to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window. The company shall be sufficiently publicized and should be **available on the website** of the company in an easily accessible manner.

5. The resolution process under this window shall be treated as invoked when the Company and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the lending institutions from their customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the Board approved policy put in place as above shall be completed, and the **decision on the application shall be communicated in writing to the applicant** by the company within 30 days of receipt of such applications. In order to optimise the processing time, company may prepare product-level standardized templates as part of their Board approved policies, as above, for resolution under this window.

6. The decision to invoke the resolution process under this window shall be taken by company having exposure to a borrower independent of invocation decisions taken by other companies, if any, having exposure to the same borrower.

7. The last date for invocation of resolution permitted under this window is **September 30, 2021**.

Permitted features of resolution plans and implementation.

8. 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.

9. 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
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facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

10. The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework – 1.0.

11. The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress –Financial Parameters” shall not be applicable to resolution plans implemented under this window.

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

Asset classification and provisioning

13. If a resolution plan is implemented in adherence to the provisions of the RBI circular DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.

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

15. In respect of borrowers where the resolution process has been invoked, under the above RBI circular the Company is permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.

16. The company shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

17. Half of the above provisions may be written back upon the borrower paying at least 20 percent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into



NPA subsequently.

Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

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

Convergence of the norms for loans resolved previously.

19. In cases of loans of borrowers specified in Clause 2 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, company is permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 9 above, and the consequent changes necessary in the terms of the loan for implementing such extension. *The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.*

20. This modification shall also follow the timelines specified in Clauses 4, 7 and 12 above. For loans where modifications are implemented in line with Clause 19 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

Disclosures and Credit Reporting

21. The Company publishing quarterly financial statements shall, at the minimum, make disclosures as per the format prescribed in **Format-X** in their financial statements for the **quarters ending September 30, 2021 and December 31, 2021.** The resolution plans implemented in terms of this framework should also be included in the continuous disclosures required as per **Format-B** prescribed in the Resolution Framework – 1.0.

22. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 19 above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

23. If the Company is required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

24. The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under policy, shall reflect the “restructured due to COVID-19” status¹ of the account. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

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

Sl. No	Description	Individual Borrowers		Small businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			