

## **Policy on Resolution Framework 2.0 for COVID-19 related stress for Small Businesses & MSMEs in Corporate Commercial & Institutional Banking**

To support borrowers impacted due to the COVID 19 pandemic and resultant stress, RBI had announced one-time restructuring guidelines last year to enable the lenders to implement a resolution plan for borrowers in stress. In continuation of efforts to provide relief to MSME, small businesses and individual borrowers, RBI has announced Resolution Framework – 2.0, which contains a set of measures which are broadly in line with Resolution Framework - 1.0, with suitable modifications.

### **Relief under Resolution Framework 2.0**

Borrowers can avail restructuring of the loans impacted by the pandemic without a downgrade in asset classification.

#### **I. Resolution Framework for small businesses**

##### **Part A. Resolution of advances to small businesses**

###### **Eligibility**

- Borrower is facing stress on account of COVID-19.
- The Borrower is engaged in small business (including wholesale and retail) and its investment in plant and machinery or equipment does not exceed INR 50 crores and turnover does not exceed INR 250 crores for FY 2021.
- Borrower is not classified as MSME as on March 31, 2021 and having aggregate exposure (including non-fund based facilities) from lending institutions, not exceeding INR 50 crores as on March 31, 2021.
- Borrower is classified as Standard by Standard Chartered Bank as on March 31, 2021.

Borrowers who are not eligible for availing resolution are specified in the RBI guidelines.

###### **Resolution plan**

- Resolution under this framework may be invoked not later than Sep 30, 2021 and must be implemented within 90 days from the date of invocation.
- The Resolution Plans (RP) may 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, sanctioning of additional credit facilities, conversion of a portion of the debt into equity or other marketable, nonconvertible debt securities issued by the borrower, etc. based on an assessment of income streams of the borrower.

##### **Part B: Working capital support for borrowers where RP was implemented under Resolution Framework 1.0**

###### **Eligibility**

- Borrower is facing stress on account of COVID-19.

- The Borrower is engaged in small business (including wholesale and retail) and its investment in plant and machinery or equipment does not exceed INR 50 crores and turnover does not exceed INR 250 crores for FY 2021.
- Borrower is not classified as MSME as on March 31, 2021 and having aggregate exposure (including non-fund based facilities) from lending institutions, not exceeding INR 50 crores as on March 31, 2021.

**Assessment and implementation:**

- As a one-time measure Bank will review the working capital sanctioned limits and/ or drawing power based on a reassessment of working capital cycle, reduction of margins etc wherever such borrowers apply for relief and take a decision on the same latest by September 30, 2021.
- The reassessed working capital limits and/or margins will be restored to the levels as per Resolution Plan implemented under Resolution Framework 1.0 latest by March 31, 2022.

**II. Resolution Framework for MSMEs****Eligibility**

- Borrower is facing stress on account of COVID-19.
- Borrower is classified as a MSME as on March 31, 2021, having aggregate exposure (including non-fund based facilities) from lending institutions, not exceeding INR 50 crores as on March 31, 2021.
- Borrower is classified as Standard as on March 31, 2021.
- GST-registration for the client is completed as on the date of implementation of the restructuring (except those MSMEs which are exempted from GST-registration)
- Borrower's account was not restructured previously under any of the MSME restructuring circulars or circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on "Resolution Framework for COVID-19-related Stress.
- Borrower is not reported as Fraud or classified as a Willful Defaulter

**Restructuring**

- The restructuring under this framework must be invoked latest by September 30, 2021 and RP must be implemented within 90 days from date of invocation.
- The Bank shall conduct a viability assessment of the restructuring plan of the stressed MSME accounts applying for the same.

**Accounts which were restructured previously under MSME restructuring circulars:**

- As a one-time measure Bank will review the working capital sanctioned limits and/ or drawing power based on a reassessment of working capital cycle, reduction of margins etc. without treating these as restructuring, wherever such borrowers apply for relief and a decision on the same shall be taken by the Bank latest by September 30, 2021.

For further details on the Resolution Framework 2.0, please refer the RBI guidelines and contact your Relationship Manager for assistance.