

Policy - One Time Resolution of Advances 2.0 – COVID 19
1st June 2021

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Effective Date	1 st June 2021

Section A: Background

With the objective of alleviating the potential stress to individual borrowers, small businesses and MSMEs, RBI issued a Circular titled “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” and “Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)”. The measures announced in the above directions are broadly in line with the contours of the resolution framework – 1.0, with suitable modifications and this resolution framework will be under the ambit of “Prudential Framework Directions 2019 dated June 7, 2019” and will not cover any concession granted when accompanied by “Change of ownership”.

This policy is drawn in view of the above stated RBI direction and that Banks and NBFCs desirous of adopting this scheme will have to put in place a Board approved policy under these instructions.

The directive had specific parts dealing with specific segments as below and the document has a dedicated section thereon on each. Clearly detailing out the scheme requirements, norms associated with assessment etc.

1) Dealing with Advances classified as “Personal Loan”

- The definition of Personal Loans under this circular will have the same meaning as defined in the **Circular “DBR.NO.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on XBRL Returns”** and as: Loans given to Individuals and consist of: 1) Consumer-Credit*, 2) Education Loans, 3) Loans given for creation/enhancement of immovable assets (e.g. housing etc.) and 4) Loans given for investment in financial assets (shares, debentures etc.).
- “*”: Consumer Credit under this circular being defined as: loans given to individuals consisting of : 1) Loans for consumer durables, 2) Credit Card receivables, 3) Auto loans (other than Commercial vehicles), 4) Personal Loans secured by Gold, Gold-Jewellery, immovable property, fixed deposits (including FCNR B), shares & bonds etc.,(other than for Business/Commercial purposes), 5) Personal Loans to professionals (excluding loans for business purpose) and 6) Loans given for other consumption purposes (e.g., social ceremonies etc.,)

2) Dealing with Advances to “Individuals availed loans and advances for business purposes”

- Individuals who have availed loans for business consumption would be covered under this category.

3) Dealing with Advances to “Small Businesses other than MSME borrowers”

- Non Individuals and Non MSME customers who have availed loans would be covered under this category.

4) Dealing with Advances to “MSME borrowers”

- Individuals/Non Individuals, MSME who have availed loans would be covered under this category.

5) Permitted features under the resolution framework 2.0

- 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, granting of moratorium etc. based on an assessment of income streams of the borrower.
- 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 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, **not applicable for advances given under MSME category.**
- 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.
- The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. Invocation of the resolution plan cannot be later than September 30, 2021.
- Application has to be received, followed by decision to resolve to be communicated to customer within 30 days. The date of customer accepting this decision is the date of invocation and the resolution plan should be implemented within 90 days of date of invocation.
- 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. This circular had specifically laid down sector specific benchmark related to Financial Parameters.

6) Exclusions:

- Advances provided to FIHFC’ own personnel /staff will not be eligible for resolution under this framework.
- Accounts which have availed any resolution under resolution framework 1.0 other than special relief as covered under Section B para 4.
- Securitized/Assigned accounts (can be considered only after prior consent of Pool buyers).
- Accounts on-boarded under ECLGS (can be considered strictly as an exception by Credit Committee).
- Accounts reported as Fraud/Willful defaulters/Malfeasance.
- Accounts under Legal proceedings for/against, repossession /sold.
- No principal outstanding but only charges are outstanding in the account.
- FIHFC Loans, for which residual tenor is <6 months.

7) Norms applicable for all accounts restructured under this Policy:

- For accounts having current exposure > INR 5mio & borrower as an entity (other than proprietorships firms), personal guarantee of the partner of LLP firms/promoter directors will be required mandatorily (not applicable if such partner of LLP firms/promoter directors are already in the loan structure).
- Decision on application shall be communicated in writing (sms, email or any other non-verbal form of communication.,) to the applicant within 30 days of receipt of such applications.

8) Types of One Time Restructuring (OTR):

Can be either of the following:

- EMI deferment with or without interest.
- EMI reduction with tenure increase.
- Interest rate reduction as required and applicable

Section B:

Eligibility conditions for advances under Personal Loans, advances to individuals for business purposes and advances to small businesses other than MSMEs:

1. **Only those borrowers that were classified as “Standard”, as on March 31st, 2021, will be eligible.** “Invocation” shall be deemed as applicable; when both the borrower and FIHFC have agreed to proceed with a resolution plan.
2. In respect of advances to individuals for business purposes and advances to small businesses other than MSMEs, the aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹500 million as on March 31, 2021.
3. **Invocation of the resolution plan cannot be later than September 30th, 2021; with an effort for early invocation and must be implemented within 90 days from the date of invocation.**
4. **In cases of loans of borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, such loans only to the extent of increasing the period of moratorium / extension of residual tenor can be implemented under this framework. 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.**
5. Any resolution plan implemented shall be fully governed by the Prudential Framework.

Section C:

Eligibility Conditions for the MSME# accounts to qualify for restructuring

1. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹500 million as on March 31, 2021.
2. The borrower’s account may be in default but should be ‘Standard Asset’ as on March 31, 2021.
3. Invocation of the resolution plan cannot be later than September 30, 2021. The restructuring should be implemented maximum by December 31, 2021 subject to implementation within 90 days from date of invocation.
4. The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
5. 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 obtained as on March 31, 2021.
6. If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.

7. The borrower's account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019. (collectively referred to as MSME restructuring circulars)

Section D:

Documentation:

1. Documents that will enable assessment of income and / or cash flow will be decided in-country with approval from Credit Committee.
2. KYC, if change in address or if KYC norms having undergone change from the time of original booking.
3. Application and acceptance of Restructuring and revised terms & conditions (OTR Kit).
4. Udyam Registration certificate before the date of implementation for MSME customers.
5. GST certificate, unless exempt from GST-registration for MSME customers.

Section E:

System for redressing the grievance of borrowers:

FIHFC has set up a dedicated Grievance Redressal Desk for Covid19 Stress relief. This desk will be responsible for handling and responding to queries/grievances of customers who request for resolution and / or are undergoing resolution under this Policy. Customers can reach out to us through link available on FullertonIndia Website Homepage and all the interactions with customer will happen through COVIDRELIEF@FULLERTONINDIA.COM email id.