



भारत सरकार का उपक्रम A Government of India Undertaking



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REGULATORY FOREBEARANCE: REGULATORY PACKAGE: COVID-19

FREQUANTLY ASKED QUESTIONS (FAQ)

1. What is RBI Relief Package or Regulatory Package?

Reserve Bank of India has announced certain regulatory measures (Regulatory / Relief Package) 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. It was perceived that there may be a temporary disruption in the future Cash Flows and / or loss of income, for the businesses / individuals, therefore the relief measures are announced bring relief to such businesses / individuals.

2. Which are the facilities eligible for availing the benefits under the RBI COVID - 19 regulatory package and whether the facility is extended across the board to all borrowers?

All standard Term Loans (including Agricultural Term Loans, Retail, Crop Loans and MSME loans etc) and Cash Credit / Overdraft are eligible to avail the benefits under the package. This is available to all accounts, which are Standard Assets as on 1st March 2020. Further, to avoid unnecessary paperwork the facility has been extended across the board to all the borrowers by extending repayment of Term Loan installments (includes interest) by 90 days. However, option is also given to those customers who do not wish to avail such relief.

The purpose of the reliefs provided by RBI is to mitigate the burden of debt servicing brought about by disruptions on account of Covid-19 on borrowers who otherwise have been servicing their accounts regularly, but would have defaulted on account of the temporary stress due to Covid-19. Hence if a borrower has been in default even before March 01, 2020, such a default cannot be said to be as a result of the economic fallout of the pandemic. The benefit of moratorium can be extended to such borrowers in respect of payments falling due during the period March 01 to May 31, 2020. Hence the payments overdue on or before February 29, 2020 will attract IRAC-2015 norms.

3. Is rescheduling of payments applicable for all kinds of Terms Loans?

It is applicable for all Term Loans in all the Segments, irrespective of the Segment and the tenor of the Term Loans.

4. In Term Loans, the rescheduling in Term Loans is only for Principal amount or it also includes interest?

Rescheduling of Principal can be done for a period of three months falling due between March 1, 2020 and May 31, 2020. For example, where the last installment of a Term Loan falls due for payment on say 1st March 2020, it will now become payable on 1st June 2020.

For EMI based Term Loans, similarly, it will be shifting of three (3) EMIs falling due between 1st March 2020 till May 31st, 2020 and the loan tenor will be extended by three months and have to be repaid during the extended period. However it is clarified that interest servicing can be deferred by three months but it is not waived.

For other Term Loans, it will be all the installments and Interest falling due during the same period (01.03.20 to 31.05.20), irrespective of the tenor of payment i.e. Monthly, Quarterly, Half Yearly, Annually, Bullet Payment etc. For Term Loans, where the repayment has not commenced, the interest portion for three months alone needs to be reckoned.

5. What happens if the extended Tenor of Term Loan goes beyond the maximum period stipulated for a Product or as stipulated in the Loan Policy?

As the relief is due to pandemic situation of COVID-19, the relief is extended across board for all such Term Loans and does not require any specific approval of deviations.

6. What will be the treatment of interest on the Working Capital facilities?

The recovery of Interest charged / applied to Cash Credit / Overdraft between the period 01.03.2020 till 31.05.2020 is being 'deferred'. However, the entire accumulated accrued interest must be recovered after the completion of moratorium period (i.e. on 1st June 2020).

7. What will be the impact of this relief by RBI on borrowers as far as reporting of default is concerned?

Any delay in payment leads to default and gets reported to Credit Bureaus. For business loans of Rs. 5 Cr and above, the Banks report the overdue / default position to RBI also in CRILC Platform. As a result of this relief package, the overdue payments post 1st March 2020 will not be reported to Credit Bureaus / CRILC, as the case may be, for three months relief period. No penal interest or charges will be payable to the Banks.

Similarly, SEBI has allowed that Credit Rating Agencies (CRAs) to not consider such delay as default by listed companies if the same is owing to lockdown conditions arising due to Covid-19.

8. That means Businesses / Individuals should necessarily take the benefit?

The Borrowers may take the benefits under this package if there is a disruption in your cash flows or there is loss of income. However, you must take into account that the interest on the loans, though not mandatorily payable immediately and gets postponed by 3 months, continues to accrue on your account and results in higher cost. Accordingly, an analysis may be made by the borrower vis-à-vis cash flows in the present circumstances.

9. Should Borrower get upset if any Bank Staff or its collection agent approach me for repayment?

The Bank Staff / Collection Agent (Call Center) will not approach for the payments that were to be made between 01.03.2020 to 31.05.2020 as per the Relief Package. However, it may please be noted that the overdues, if any, prior to 01.03.2020 will attract current asset & stress (SMA) classification norms of RBI and accordingly are required to be serviced by the Borrowers. Hence, Bank staff or their constituents, may approach for payments of overdues of earlier periods i.e. before 01.03.2020.

10. What Credit Card dues are also eligible for the relief?

The relief is available for Credit Card payments also. In case of Credit Card dues, normally there is a requirement to pay minimum amount and if it is not paid the same gets reported to Credit Bureaus. In view of the this RBI Circular (Regulatory / Relief Package), the over dues in the Credit Card account will not be reported to the credit bureaus for a period of three months (Relief Period).

However, interest will be charged by the Bank on such unpaid amount. Although no penal interest will be charged during this period, but Borrowers must remember that the rate of interest on Credit Card dues are normally much higher compared to normal bank credit and decision for deferment of overdues for three months, be taken accordingly.

11. In what ways, businesses units are extended given relief?

The business units may request the Bank to re-assess their Working Capital requirements on account of disruption of their cash flows or elongation of Working Capital Cycle. They may also request for reduction in margin on FB working capital for arriving at DP. Decision will be taken by Bank as per the policy formulated by Bank and genuineness of the request.

12. Are NBFCs / MFIs / HFCs eligible under the” Easing of Working Capital Financing”?

At present, they are not considered under this particular head as their business model does not require Recalculation of Drawing Power or Re-assessment of Working Capital Cycle. However, they are eligible for other part of the relief parameters.

Regarding Liquidity, RBI has made provision for sufficient liquidity support to these Financial Intermediaries under recently introduced Targeted Longer-term Refinancing Operations i.e. TLTRO. Liquidity availed under the scheme by Banks has to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of their investments in these bonds as on March 27, 2020.

Banks shall be required to acquire up to fifty per cent of their incremental holdings of eligible instruments from primary market issuances and the remaining fifty per cent from the secondary market, including from mutual funds and non-banking finance companies. Investments made by banks under this facility will be classified as held to maturity (HTM) even in excess of 25 per cent of total investment permitted to be included in the HTM portfolio. Exposures under this facility will also not be reckoned under the large exposure framework. Banks will be able to support NBFCs/ MFIs/ HFCs etc. under this window and we do not foresee liquidity squeeze for these Financial Intermediaries.

13. Will all these measures of RBI be treated as “restructuring”? What about the provisions applicable?

The measures stipulated by RBI under the March 27, 2020 circular on COVID-19 Regulatory Package will not be treated as “Restructuring” and hence will not result in asset classification downgrade. Accordingly, the enhanced provisions for Restructured Accounts will not apply.

14. What about installments / EMIs being recovered through SI/ECS/NACH? What will be the procedure for refund of the installment /EMIs, if demanded by the Borrower?

The Borrowers who have given SI / NACH / ECS mandate can withdraw the same during the moratorium / relief period. In case no such instructions to withdraw are given, then such SI / ECS / NACH will be executed as per the schedule. Further, in case, EMI / Installments are paid by the Borrower but has opted for the relief, then the refund of same may be claimed by the Borrower.

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