

1. In Paragraph 4 of the Annex to the Resolution Framework, it is stated that the reference date for the outstanding amount of debt that may be considered for resolution shall be March 1, 2020. Does this mean that only debt outstanding as on March 1, 2020 can be resolved under the Resolution Framework?

The stipulation at Paragraph 4 of the Annex to the Resolution Framework is a general clause regarding the date on which the eligibility criteria for resolution under the Resolution Framework may be assessed. The specific application of the reference date with respect to deciding the eligibility of accounts for resolution under Part A and Part B of the Annex to the Resolution Framework have been separately specified in Paragraphs 6 and 13 respectively, i.e, the requirement that the borrowers should be classified as standard, but not in default for more than 30 days with any lending institution as on March 1, 2020. The actual debt that may be considered for resolution will be the outstanding as on the date of invocation.

2. Are all the farm credit as listed in Paragraph 6.1 of [Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 \(as updated\)](#) ineligible under the Resolution Framework? Are the JLG loans provided to farmer households by MFIs are eligible for resolution plan under the Resolution Framework?

All the farm credit exposures of all lending institutions, including NBFCs, of the nature listed in Paragraph 6.1 of [Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 \(as updated\)](#), except for loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture are excluded from the scope of the Resolution Framework. Subject to the above, loans given to farmer households would be eligible for resolution under the Resolution Framework if they do not meet any other conditions for exclusions listed in the Resolution Framework.

3. In real estate sector and other sectors where a company typically may have multiple projects financed through multiple instruments, can the ICA, escrow account and the financial parameters including the prescribed thresholds be made applicable at the project level rather than the legal entity to which the lending institutions may have exposure?

The requirement of ICA in respect of the entity to which lending institutions have exposure is a basic feature of [Prudential Framework for Resolution of Stressed Assets dated June 7, 2019](#), and consequently that of the Resolution Framework. There is sufficient flexibility to the lending institutions to formulate ICAs in respect of a legal entity to which they have exposure that address the specific requirements of each borrowers on a case to case basis, including designing different resolution approaches for different projects under the same borrower within an ICA. Similarly, apart from the escrow account required to be set up at the legal entity level as required by the Resolution Framework, there is no prohibition in setting up additional separate escrow accounts at each project level, if the lenders desire so. Only in respect of borrowers belonging to real estate sector, and have both residential and commercial real estate business, the prescribed thresholds for the financial parameters may be applied at the project level.

4. The Resolution Framework states that the accounts that do not fulfill the eligibility conditions may continue to be considered under the prudential framework applicable to the specific category of institutions. Does it mean that alternative resolution frameworks available to a specific category of financial institutions such as Paragraph 2(1)(zc)(ii) of the Master Circular – The Housing Finance companies (NHB) Directions, 2010 for housing finance companies, and Paragraph 2.2.7.21 of the [Master Circular- Income Recognition, Asset Classification, Provisioning and Other Related Matters – UCBs dated July 1, 2015](#) for Urban Co-operative Banks would continue to be applicable for non-Covid impacted borrowers?

For the borrowers eligible for resolution under the [circular dated August 6, 2020](#) on Resolution Framework for COVID-19-related Stress, the circular dated August 6, 2020 will be applicable if a resolution process under the circular is invoked. For all other borrowers, the extant instructions as otherwise applicable shall still be in force. However, if any entity is otherwise eligible to be resolved under the Resolution Framework, only Resolution Framework can be used for resolving the stress arising out of the pandemic.

5. Are microfinance loans to individuals, including JLG borrowers, eligible for resolution under the Resolution Framework? Similarly, whether Loans sanctioned to Self Help Groups (SHGs) engaged in non-farm activities are eligible to the benefit under the Resolution Framework?

All loans meeting the eligibility criteria, unless covered by the specific exclusions listed in Paragraph 2 of the Annex to the Resolution Framework subject to the clarification at Sl. No. 2 above fall within the scope of resolution under the framework. These loans, if not falling under any of the categories mentioned in Paragraph 2 of the Annex to the Resolution Framework, is eligible for resolution under Part A of the Annex if they fall within the purview 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”, even if they are not explicitly classified as so in any regulatory / supervisory reporting, or under Part B of the Annex otherwise.

6. In Paragraph 8 of the Annex to the Resolution Plan, it is stated that resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation. What are the meanings of the terms ‘invocation’ and ‘implementation’ in this context?

The definitions of invocation and implementation in respect of eligible personal loans have been given in Paragraphs 7 and 10 respectively of the Annex to the Resolution Framework. In respect of other eligible loans, invocation shall be as per Paragraphs 14 and 15 of the Annex to the Resolution Framework whereas implementation shall have the meaning as per Paragraphs 14-16 of the [circular dated June 7, 2019](#) on Prudential Framework for Resolution of Stressed Assets.

7. Is the Resolution Framework applicable to all exposures, including investment exposures that are credit substitutes like corporate bonds, commercial papers etc.?

The Resolution Framework may be invoked for resolution of all exposures of lending institutions to eligible borrowers, including investment exposures. However, the Resolution Framework is without prejudice to all applicable guidelines issued by the relevant financial sector regulators and other Departments of the RBI in respect of any particular exposure.

8. Are the various additional provisions prescribed in the Resolution Framework applicable to NBFCs who are following IndAS?

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 significant increase in credit risk and computation of Expected Credit Losses. However, the various additional provisions mentioned in the [circular dated August 6, 2020](#) would constitute the prudential floors for the purpose of Paragraph 2 of the Annex to the [circular DOR \(NBFC\).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020](#) on Implementation of Indian Accounting Standards.

9. Whether the list of financial parameters prescribed by the Expert Committee and notified by RBI on September 7, 2020 are applicable only to borrowers having exposure of more than ₹1500 crore or for all resolution plans to be undertaken in terms of Resolution Framework?

The instructions in the [circular dated September 7, 2020](#) is applicable in the case of all borrowers in respect of whom resolution is being undertaken in terms of Part B of the Annex to the [circular dated August 6, 2020](#) on Resolution Framework.

10. Are the additional provisions prescribed under the Resolution Framework to be treated as specific provisions to be maintained or as general provisions that would partly qualify for inclusion as Tier 2 capital?

The various additional provisions prescribed under the Resolution Framework are specific provisions to be maintained in respect of each exposure under consideration.

11. Can lending institutions implement resolution plans involving deferment of date of commencement of commercial operations (DCCO) in respect of projects under implementation under the Resolution Framework?

Restructuring in respect of projects under implementation involving deferment of DCCO are excluded from the scope of the Resolution Framework. The extant regulations contained in Paragraph 4.2.15 of [DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015](#), [DOR.No.BP.BC.33/21.04.048/2019-20 dated February 7, 2020](#) and the other relevant instructions as applicable to specific category of lending institutions, already

permit revisions of the DCCO and consequential shift in repayment schedule without being treated as restructuring subject to a maximum of four years in the case of infrastructure projects and a maximum of two years in the case of non-infrastructure projects (including commercial real estate exposures). In addition to the above, DCCO of projects may be extended by a further two years in case of change in ownership subject to the conditions specified in the above instructions.

12. Is there any minimum cut off with respect to aggregate outstanding exposure with banking system for mandatorily signing ICA under the Resolution Framework? Also, whether the ICA norms are applicable to loans availed by individuals for business purpose from two or more banks?

If there are multiple lending institutions with exposure to a borrower whose resolution is undertaken in terms of Part B of the Annex to the Resolution Framework, all lending institutions having exposure to such borrower are required to enter into ICA.

13. In Paragraph 33 of the Annex to the Resolution Framework, it is stated that Resolution plans in respect of accounts where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is ₹100 crore and above, shall require an independent credit evaluation (ICE) by any one credit rating agency (CRA) authorized by the Reserve Bank under the Prudential Framework. What will be the minimum desirable ICE symbol for this purpose?

Only such resolution plans which receive a credit opinion of RP4 or better for the residual debt from a CRAs shall be considered for implementation under the Resolution Framework. In case credit opinion is obtained from more than one CRA, all such credit opinions must be RP4 or better.

14. The definition of MSME had been changed by the Government vide Gazette notification dated June 26, 2020. As the reference date for the Resolution Framework is March 1, 2020, which definition of MSMEs will be applicable for the purpose of eligibility or otherwise for resolution under the Resolution Plan?

For the purpose of eligibility for resolution under the Resolution Framework, the definition of MSME that would be applicable is the one that existed as on March 1, 2020.

15. The [circular dated September 7, 2020](#) has listed only a few sectors in respect of which the threshold values for the mandatory financial parameters have been prescribed. Does this mean that Resolution Framework is not applicable to borrowers belonging to other sectors?

Resolution Framework is applicable in respect of all eligible borrowers subject to the exclusions prescribed in Paragraph 2 of the Annex to the [circular dated August 6, 2020](#). In respect of those sectors where the sector-specific thresholds have not been specified in the [circular dated September 7, 2020](#), lending institutions shall make their own internal

assessments regarding TOL/ATNW and Total Debt/EBITDA. However, the current ratio and DSCR in all cases shall be 1.0 and above, and ADSCR shall be 1.2 and above.

16. If a loan account was more than 30 DPD on March 1, 2020, but subsequently got regularised through receipt of overdue, will such accounts be eligible for resolution plan under this framework?

Such accounts are ineligible for resolution under the Resolution Framework as the Resolution Framework is applicable only for eligible borrowers which were classified as standard, but not in default for more than 30 days as on March 1, 2020. However, such accounts may still be resolved under the [Prudential Framework dated June 7, 2019](#).

17. Will the following categories of loans be classified as personal loans:

- a. “Loan Against Property” loans which are availed for business purpose but are secured by immovable assets
- b. Loans granted to individuals where the property is in name of individual and a related company/non individual entity has been taken as co-borrower on the loan structure to supplement the income for repayment of loan.

If not, where would such set of customers would be covered for Covid-19 related stress?

In terms of the [circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018](#), the above exposures do not qualify as personal loans. In such cases, the resolution of eligible borrowers may be undertaken under Part B of the Annex to the Resolution Framework.

18. Does invocation under the Resolution Framework require the borrowers to submit any specific resolution plan and the lenders to agree on implementation of the same before December 31, 2020?

No. The Resolution Framework does not require any resolution plan in any form to be submitted to the lending institutions at the time of request for invocation. Rather, for invocation, the borrowers are required to merely submit a request to the lending institutions for being considered under the Resolution Framework. Thereafter, the lending institutions will take an in-principle decision – as per their Board approved policy – on invoking the Resolution Framework. After such invocation, the specific contours of resolution plan to be implemented may be decided by the lending institutions, in consultation with the borrower. While for personal loans the resolution plan is to be implemented within 90 days from the date of invocation, for all other loans a period of 180 days from the date of invocation has been prescribed.

19. In case only term loan facility of a borrower has been restructured, whether a lender having only working capital exposure to the same borrower is required to create provisions under the Resolution Framework, even if working capital exposure has not been restructured?

Para 17 read with para 21 of the [Resolution Framework for COVID-19-related Stress dated August 6, 2020](#) (RF 1.0) makes signing of ICA mandatory for all the lending institutions who have exposure to the concerned borrower (subject to para 19¹). Since the borrower has opted for restructuring as a consequence of stress in the account, all the exposures to the borrower shall be treated as restructured and provisions shall be held on the entire residual debt, including the working capital facility.

20. In case a lender has only working capital exposure, what will be the criteria for reversal of provisions?

For an exclusive working capital lender, where the exposure is in the form of facilities other than term loans, provisions can be reversed after satisfactory performance² of the working capital facility for one year, post implementation of the Resolution Plan.

In respect of outstanding 'loan component' of working capital limit (Working Capital Loan), paragraphs 45³ of RF 1.0 shall apply, which provides for two-stage reversal of provisions on repayment of the stipulated proportion of the residual/carrying debt at each stage, subject to the prescribed conditions.

21. Post-implementation of the resolution plan, will the required provisioning change with the change in the outstanding balance of residual debt, which may arise on account of repayment or disbursal of additional amounts?

The lending institutions shall make provisions on the residual debt at the time of implementation of the Resolution Plan, as stipulated in the relevant Resolution Framework. These provisions need to be held, irrespective of changes in the outstanding balance, until the same is reversed in terms of the provisions contained in the relevant Resolution Framework.

22. Post-implementation of the resolution plan, will the required provisioning change with the change in the outstanding balance of residual debt, which may arise in case of any non-fund based facility getting devolved subsequently into fund-based facility?

The lending institutions shall make provisions on the residual debt at the time of implementation of the Resolution Plan, as stipulated in the relevant Resolution Framework. If any non-fund based facility gets devolved subsequently, the devolved amount shall be reckoned as residual debt⁴ and shall attract provisions as per Paragraph 40⁵ and 41⁶ of RF 1.0, and consequently, the assessment of monitoring period should be updated accordingly. The entire provisions (including the provisions on the devolved amount) shall be held, until the same is reversed in terms of the provisions contained in the relevant Resolution Framework.

¹ Para 19. Lenders to the borrower which are other than the lending institutions as per this circular may also sign the ICA, if they so desire. If such lenders sign the ICA, they shall be fully bound by the stipulations of the ICA

² As defined in the [Prudential Framework dated June 07, 2019](#).

³ Para 45. In case of resolution of other exposures, the provisions maintained by the ICA signatories may be reversed as prescribed in Para 44. However, in respect of the non-ICA signatories while half of the provisions may be reversed upon repayment of 20 percent of the carrying debt, the other half may be reversed upon repayment of another 10 per cent of the carrying debt, subject to the required IRAC provisions being maintained.

⁴ As at the time of implementation of the Resolution Plan

⁵ In other cases where a resolution plan is implemented under this facility, the lending institutions, which had signed the ICA within 30 days of invocation, 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 total debt, including the debt securities issued in terms of para 30, held by the ICA signatories post-implementation of the plan (residual debt).

⁶ However, lending institutions which did not sign the ICA within 30 days of invocation shall, immediately upon the expiry of 30 days, keep provisions of 20 per cent of the debt on their books as on this date (carrying debt), or the provisions required as per extant IRAC norms, whichever is higher. Even in cases where the invocation lapses on account of the thresholds for ICA signing not being met, in terms of para 18, such lending institutions which had earlier agreed for invocation but did not sign the ICA shall also be required to hold 20 percent provisions on their carrying debt.