

ALMORA URBAN CO-OPERATIVE BANK LTD.

Resolution Framework – 2.0 :Policy for Resolution of Covid-19 related stress of MSME, Individuals and Small Businesses

In view of RBI Circular No. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 05 May 2021 and. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated 05 May 2021 regarding the uncertainties created by the resurgence of the Covid-19 pandemic in India following measures are approved by BOD on 28-5-2021.

Guidelines of Resolution Framework 2.0 have been structured in two parts i.e

Part A- **Policy for Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**

Part B- **Policy for Resolution of Covid-19 related stress of Individuals and Small Businesses**

PART - A

Policy for Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

The following borrowers shall be eligible for the window of resolution to be invoked by the bank:

- i) 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.
- ii) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.
- iii) The borrower's account should be a 'standard asset' as on March 31, 2021.
- iv) The borrower's account was not restructured in terms of the [circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 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) or the [circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020](#) on "Resolution Framework for COVID-19-related Stress.

2. Following procedures to be followed for taking-up the proposal for restructuring:

- i) The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked if the Bank and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the lending institutions from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the Bank within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by the Bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- ii) The restructuring of the borrower account will be implemented within 90 days from the date of invocation.
- iii) If the borrower is not registered in the Udyam Registration portal, such registration will be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
- iv) Upon implementation of the restructuring plan, the Bank will keep provision of 10 percent of the residual debt of the borrower.
- v) All other instructions specified in the RBI [circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](#) will remain applicable (attached).
- vi) In respect of restructuring plans implemented as per Clause 2 above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.
- vii) In case the account restructured in terms of the MSME restructuring circulars, bank is permitted as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above will be by September 30, 2021. The reassessed sanctioned limit / drawing power will be subject to review by the Bank at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment will be expected to suitably modulate the limits as per the then-prevailing business condition.

PART - B

Policy for Resolution of Covid-19 related stress of Individuals and Small Businesses

The resurgence of Covid-19 pandemic in India 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.

1. Following measures are proposed for restructuring existing loans sanctioned to the Individuals and Small Businesses without a downgrade in the asset classification subject to the following conditions:

- i) Individuals who have availed of personal loans excluding the credit facilities provided by the Bank to its own personnel/staff.
- ii) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
- iii) 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 Bank has aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
- iv) Credit facilities to the borrower was classified as Standard by the lending institution as on March 31, 2021.
- v) If a resolution plan is implemented in adherence to the provisions of this circular, 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.
- vi) Borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 or 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. In Such cases, Bank may modify such plans **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to moratorium period, if granted, may be for a maximum of two years, 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, will be two years.

2. Invocation of resolution process:

- i) The resolution process will be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented in respect of such borrower. In respect of applications received by the branch from the borrowers for invoking resolution process under this window, the assessment of eligibility for resolution as per the Board approved policy will be completed, and the decision on the application will be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications and resolution proposal will be processed expeditiously not later than 45 days.

- ii) The decision to invoke the resolution process will be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions.
- ii) The last date for invocation of resolution permitted under this window is September 30, 2021.

3. Permitted features of resolution plans and implementation:

- i) 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.
- ii) The moratorium period, if granted, may be for a maximum of two years, and will 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 will be two years.
- iii) The resolution plan should be finalized and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan will be deemed to be implemented only if the resolution is invoked by September 30, 2021.
- iv) 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. Thereafter the account will be monitored as per the **Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances**.
- v) Bank may sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. The 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.
- vi) Bank will 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 Bank post implementation.
- vii) Half of the above provisions may be written back upon the borrower paying at least 20 per cent 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. The above provisions will 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 in case of exposures other than personal loans.

- viii) The provisions already maintained under this window, to the extent not already reversed, will be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.
- ix) 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 moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, Bank may modify such plans **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps on extension of residual tenor, inclusive of moratorium period if any permitted, will be two years., 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 will be two years.

4. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

- a. All related documentation, including execution of necessary agreements between bank and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
- b. The changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
- c. Borrower is not in default with the bank as per the revised terms.

5. Other conditions for MSMEs, Individuals and Small Businesses:-

- a. Identification of stress will be based on the self-declaration submitted by the borrower, which will be further verified by the branch officials.
- b. A self- declaration form to be submitted by the borrower narrating total aggregate exposure of loans and advances from all lending institutions.

Arrangement Letter – House/ Education/ Personal Loan

Almora Urban Co-operative Bank Ltd
.....BRANCH

To
Shri/Smt./Kum.

1).....
2).....

Reference No. :

Date :

Dear Sir/Madam,

HOUSE/ EDUCATION / PERSONAL LOAN ACCOUN NO: for Rs.

As per your application dated -----for resolution of the above noted loan account no. Sanctioned on ----- for Rs. ----- repayable in installments and last instalment is paid on ----- , we are pleased to advise that on account of COVID 19 Stress, the outstanding of the loan for Rs. ----- as on dated ----- has been rephased/ rescheduled in -----installments . First instalment for Rs. -----will be payable on -----.

1. Purpose:

The loan was sanctioned to you for Rs.----- on ----- for the purpose of.....
The outstanding of the loan is to Rs. ----- as on ----- , which have been rephased/rescheduled for ----- instalment.

2. **Margin:** % of the total cost of the project

3. **Interest:** Interest will be charged and applied at the rate of on daily outstanding debit balance in your account at monthly rests.

4. Repayment:

The outstanding of the loan is to Rs. ----- as on ----- , which have been rephased/rescheduled for ----- instalment.

5. **Interest rate in case of default** - For Hosing Loans above Rs.25000/- , if the irregularity exceeds EMI or Instalment amount, for a period of one month, then penal interest should be recovered @ 2% p.a. (over and above the applicable interest rate) on the overdue amount for the period of default, for any reason, including a bounced cheque.

6. Security:

The loan will be secured by:

a) Equitable / Registered mortgage/extension of mortgage of the land and building/flat situated at _____for which the loan has been sanctioned, valued at Rs. _____belonging to Shri/Smt./Kum. S/o / W/o / D/o-----
{Borrower(s)} in favour of the Bank.

b) Equitable / Registered mortgage/extension of mortgage of the land and building/ flat situated at _____valued at Rs._____belonging to Shri/Smt./ Kum.

_____ S/o / W/o / D/o..... (Guarantor) and Shri/Smt./Kum. _____
S/o / W/o / D/o(Guarantor) in favour of the Bank.

c) Third Party Guarantee of

7. Utilization of the loan :

The amount of the loan shall be utilized strictly for the purpose detailed in your application and in the manner prescribed. The construction of the house/flat or the modification/extension proposed by you in the existing house/flat should be strictly according to the plan approved by the Local Authorities/Town Planning and Development authorities. Any modification desired in the scheme as originally approved, can be undertaken only after express sanction for it has been obtained in writing from the Bank.

8 Insurance:

The house/flat shall be insured comprehensively for the market value covering fire, flood, etc in the joint names of the Bank and the borrower. Cost of the same shall be borne by you.

9. Inspection:

The Bank will have the right to inspect, at all reasonable times, your property by an officer of the Bank or a qualified auditor or a technical expert as decided by the Bank and the cost thereof shall be borne by you.

10. Legal expenses etc.: All legal and other expenses, like solicitor's and lawyer's fees, valuer's fees, insurance premia, stamp duty, registration charges and other incidental expenses incurred in connection with the loan shall be borne by you. Periodic reassessment, if any, of the value of the property funded through this loan for the purpose of regulatory compliances shall be done at your cost.

11. Disbursement:

Instead of fresh disbursement, the outstanding of the loans to Rs. ----- as on ---- will be repayable in ----- installment, each of Rs. ---- repayable from -----

12. The Bank reserves the right to collect any tax, if levied by the State/Central Government and/or other statutory authorities in respect of this transaction.

13. The Bank reserves the absolute right to cancel the limits (either fully or partially) unconditionally without prior notice (a) in case the limits/part of the limits are not utilised by you, and/or (b) in case of deterioration in the loan accounts in any manner whatsoever, and/ or (c) in case of non-compliance of terms and conditions of sanction.

14. The Bank shall have the authority to disclose/share your Credit information to/with Information Company formed under the Credit Information Company (Regulation), 2005, as to the loans granted to you and the nature of the securities given by you, the guarantees furnished to secure the said loans whether fund based or non-fund based, your creditworthiness and any other information which the RBI may consider necessary for inclusion in the Credit Information to be collected and maintained by Credit Information Companies, and the Bank shall not be liable in any manner to you for providing the information as aforesaid to the Information Company.

15. Please arrange to submit duly signed copy of this letter as a token of acceptance of the arrangement within three days from the date of this letter.

Yours faithfully,

Chief Manager/Branch Manager

Copy to : First guarantor:

Second guarantor: