

RESOLUTION FRAMEWORK 2.0: FOR COVID-19 RELATED STRESS FOR INDIVIDUALS AND SMALL BUSINESSES

Background

- The Reserve Bank of India vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, personal loans, while classifying such exposures as Standard, subject to specified conditions.
- The resurgence of Covid-19 pandemic has impacted the recovery process and created new uncertainties. With the objective of alleviating the potential stress to individual borrowers, small businesses and MSMEs, revised measures have been announced by RBI vide circular no. RBI/2021-22/31- DOR.STR.REC.11/21.04.048/2021-22 and DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021. (Collectively referred as “Circulars”).
- One of the stipulation in the said Circulars is that the lending institutions would need to frame a Board approved policy, which is not later than four weeks / a month from the date of the RBI, circular i.e. May 5, 2021, for providing the manner in which the viability of the resolution plan will be assessed and the objective criteria that may be applied while considering the resolution plan in each case as part of the framework.
- This Note is being put up for approval from the Risk Management Committee (RMC) & Committee of Directors (COD) Board in adherence to the above stipulation.

Administration

- On approval, the Note shall continue to be in force for such time as the above regulatory package is in force / extended.
- Further, the contents of this Note shall stand **automatically modified** to reflect such additional regulatory dispensations or conditions as may be laid down by the RBI from time to time and no fresh approval of the Committee of Directors (COD) and / or Risk Management Committee (RMC) shall be required, unless specifically mandated by RBI. However, any such changes shall be notified to the above committees at their next meeting after such changes, if any, are effected.

Implementation

In order to operationalize the Resolution Framework, the Bank shall put in place Operational Guidelines and any changes therein as may be required from time to time. No further approval shall be required from the COD / RMC for the Operational Guidelines or changes therein since these guidelines will be within this Resolution framework being proposed for approval.