

Janaseva Sahakari Bank Ltd., Hadapsar,Pune.

Head Office :- Plot No 14, Hadapsar Industrial Estate , Hadapsar,Pune – 411013.

Phone No - 020-26704300,26704301,26704302,26704303,26704304

Email id :- loan@janasevabankpune.com

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Policy on Restructuring of Loan Accounts due to COVID – 19 related stress of Micro Small and Medium Enterprises, Individuals and Small Businesses - Resolution Framework 2.0

- Ref: i. Ho/Loan/CC/76/2020-21 dated 11.11.2020
ii. RBI Circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 - RBI/2020-21/16
iii. RBI Circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 - RBI/2020-21/17
iv. RBI Circular DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021
v. RBI Circular DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021

COVID -19 pandemic has caused mass disruption in the economic scenario and a need was felt to support the Borrowers during this crucial period. Accordingly RBI during the financial year 2020-21 came up with various measures including the Resolution framework 1.0 and MSME Restructuring scheme as per circulars dated 06.08.2020.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, it has been decided by RBI to extend the above schemes to support the Borrowers. These schemes are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

RBI has issued the following two circulars -

1. RBI Circular DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021
2. RBI Circular DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021

RBI has vide above both circulars also informed that all Banks shall put in place a Board approved policy detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan / restructuring in each case.

Considering the same we propose to offer these relief measures to all the eligible borrowers of our Bank based on the following two different policies :

The schemes will be known as -

1. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)
2. Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses

The details of both the policies are placed before the Hon. Loan Committee for discussion, deliberation, and approval please.

The details of the Scheme are as under -

1. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) - Facility for restructuring existing loans without a downgrade in the asset classification subject to the following conditions:

Eligibility Criteria	<p>(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.</p> <p>(ii) 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 obtaining as on March 31, 2021.</p> <p>(iii) 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.</p> <p>(iv) The borrower’s account was a ‘standard asset’ as on March 31, 2021.</p> <p>(v) 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).</p>
Methodology for implementing	<ul style="list-style-type: none"> ◆The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising 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 lending institutions within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower. ◆The restructuring of the borrower account is implemented within 90 days from the date of invocation. ◆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. ◆Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.
Relief for Working Capital Limits	<p>In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are 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 shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.</p>
Asset Classification of accounts	<p>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</p>

Restructured under the scheme	date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.
Other conditions	<p>➤All other instructions specified in the circular No. Ho/Loan/CC/76/2020-21 dated 11.11.2020 shall remain applicable.</p> <p>➤Branch to ensure that the Borrower is genuinely in need for relief under the scheme on account of the economic fallout from Covid-19.</p>

2. Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses - Accounts of individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter:

Resolution of advances to individuals and small businesses -

Eligibility Criteria	<p>a. Individuals who have availed 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"), excluding the credit facilities provided by lending institutions to their own personnel/staff.</p> <p>b. 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.</p> <p>c. 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 lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.</p> <p>Provided that the borrower accounts / credit facilities shall not belong to the following categories -</p> <p>a. MSME borrowers whose aggregate exposure to lending institutions collectively, is ₹25 crore or less.</p> <p>b. 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) or other relevant instructions as applicable to specific category of lending institutions.</p> <p>c. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.</p> <p>d. Exposures of lending institutions to financial service providers.</p> <p>e. Exposures to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.</p> <p>Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned below.</p> <p>Provided further that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.</p>
Methodology for implementing	<p>The resolution process under this window shall be treated as invoked when our Bank and the borrower agree on a resolution plan to be implemented in respect of such borrower.</p> <p>In respect of applications received by the Bank from their customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this policy shall be completed, and the decision on</p>

	<p>the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications.</p> <p>The decision to invoke the resolution process under this window shall be independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.</p> <p>The last date for invocation of resolution permitted under this window is September 30, 2021.</p> <p>The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only if all the following conditions are met. -</p> <p>a. all related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;</p> <p>b.the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,</p> <p>c.borrower is not in default with the lending institution as per the revised terms.</p>
Resolution/ Concession that may be offered to the borrower	<p>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.</p> <p>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.</p> <p>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, and the same shall be governed in terms of - Paragraphs 30-32 of the Annex to the RBI Circular on Resolution Framework – 1.0.</p>
Reliefs for Borrower's whose accounts were already restructured under our earlier Resolution framework scheme	<p>In cases of loans of borrowers where resolution plans had been implemented in terms of the earlier Resolution Framework, 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, are permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in the above section on “Resolution/ Concession that may be offered to the borrower”, 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 earlier Resolution Framework and this framework combined, shall be two years.</p>
Relief for Working Capital Limits	<p>In respect of borrowers specified at sub-clauses (b) and (c) of the eligibility criteria above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, lending institutions are 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 shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.</p>
Asset Classification and Provisioning requirements of accounts	<p>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.</p>

Restructured under the scheme	<p>The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).</p> <p>In respect of borrowers where the resolution process has been invoked, lending institutions are permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This 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.</p> <p>The lending institutions 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 renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.</p> <p>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 subsequently.</p> <p>Provided that in respect of exposures other than personal loans, the above provisions shall 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.</p> <p>The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.</p>
Other conditions	<p>Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.</p> <p>Branch to ensure that the Borrower is genuinely in need for relief under the scheme on account of the economic fallout from Covid-19.</p> <p>The data on accounts restructured under the above scheme shall be disclosed in annual financial statements, along with other prescribed disclosures.</p> <p>The credit reporting in respect of borrowers where the resolution plan is implemented under this scheme shall reflect the “restructured due to COVID-19” status of the account.</p>

Borrowers wish to opt this scheme are requested to visit their home branch for further process.