

RBI- COVID 19- Regulatory Package

RBI circular bearing no. [RBI/2019-20/186, DOR.No.BP.BC.47/ 21.04.048/ 2019-20 dated 27.3.2020](#) on subject is summarised below along with comments.

- In nutshell, the circular-
 - Does not grant any blanket concession to borrowers.
 - Does not direct but gives discretion to Banks, NBFCs, HFCs & FIs to consider certain concessions to COVID 19 affected borrowers providing that such concession would not adversely affect the borrower's account position for the purpose of regulatory reporting, asset classification and provisioning.
- The concessions that Banks, NBFCs, HFCs & FIs may consider are:
 - 1) 3 months deferment in the repayment by a borrower of all amounts (whether principal, interest, charges etc) due for repayment during period 1.3.2020 to 31.5.2020 on loan and credit card facility granted by them to the borrower.
 - 2) Enhancing borrower's Cash Credit/ Overdraft drawing power/ limit by reassessment/ margin reduction.
- The circular requires Banks, NBFCs, HFCs & FIs to establish Board Approved Policy in this regard and publish the same.
- Thus, Banks, NBFCs, HFCs & FIs have to decide their own parameters for the grant of above concessions based on the borrower customer's ability (as individual or as a class) to repay in the wake of outbreak of COVID 19.
- Needless to state such parameters may be based on reasonable classification but should not discriminate between two borrowers in similar stead.

Comments: Some situations left out in the circular (and clarification required from RBI)

- The amounts already in default on 29.2.2020:

Clarification Required: The position of such accounts would continue to be same (for regulatory reporting, asset classification and provisioning) during the deferment period.
- Loans granted by (A) Banks, NBFCs, HFCs & FIs to (B) other Banks, NBFCs, HFCs & FIs for onward lending:

Clarification Required: (A)'s Board Approved Policy as regards lending to (B) should be consistent with (B)'s Board Approved Policy as regards dealing with its borrowers.
- Investments made by (A) Banks, NBFCs, HFCs & FIs in the securitised instrument out of lending by (B) other Banks, NBFCs, HFCs & FIs.

Clarification Required: (A) Would get regulatory relief on asset classification & provisioning in keeping with (B)'s Board Approved Policy as regards dealing with its borrowers
- Amounts which may become due and payable by the borrower to the bank for facilities other than Term Loans, Credit Cards and CC/ OD.
(e.g. Bills under LC falling due for payment/ Bank Guarantee getting invoked during period 1.3.2020 to 31.5.2020 and remaining unpaid by the borrower resulting into funded outstanding under Advance Bills/ Defaulted Guarantee)

Clarification Required: Such funded outstanding arisen during period 1.3.2020 to 31.5.2020 would get the same concession of 3 months deferment from payment with no adverse consequence on regulatory reporting, asset classification and provisioning.

<https://www.banklaw.in/>