

RESOLUTION FRAMEWORK 2.0: FOR COVID-19 RELATED STRESS FOR INDIVIDUALS & SMALL BUSINESSES AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

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.

EXTRACTS FROM THE BANK'S OPERATING GUIDELINES FOR RESOLUTION FRAMEWORK 2.0 - RESOLUTION OF 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 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, and 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 and small businesses, revised measures have been announced by RBI vide circular no. RBI/2021-22/31- DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 ("Resolution Framework – 2.0")

Clause 5 of the Circular No. RBI/2021-22/31- DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 and circular no. RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021, specifies the eligible borrowers who may be considered for resolution under the framework and includes the following sub-clauses:

- 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. 50 crore as on March 31, 2021.
- Small businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs. 50 crore as on March 31, 2021.

The decision to invoke the resolution process under this guideline shall be taken by Bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

A. Resolution of advances to individuals and small businesses:

The following borrowers shall be eligible under this guideline:

- 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"). However, credit facilities provided to own personnel/staff shall not be eligible.

Personal loans refer to loans given to individuals and consist of:

- i. Loans for consumer durables,
- ii. Credit card receivables,
- iii. Auto loans (other than loans for commercial use),

- iv. Personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes),
- v. Personal loans to professionals (excluding loans for business purposes), and
- vi. Loans given for other consumptions purposes (e.g., social ceremonies, etc.).
- vii. Education loan,
- viii. Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and
- ix. Loans given for investment in financial assets (shares, debentures, etc.).

Personal Loans will include only those loans, which are sanctioned for the purpose of Individual/ Personal consumption and not for business or commercial purpose.

- 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. 50 crore as on March 31, 2021
- 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. 50 crore as on March 31, 2021.

Guidelines:

Parameter	Description
Constitution	Individual and Non-Individuals (except those classified as MSME as on March 31, 2021)
Account classification	Account should be classified as standard by Axis Bank as on March 31, 2021. Further the borrower account should not have availed any resolution in terms of Resolution Framework – 1.0. Except, where the borrowers under resolution plan 1.0 had been permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, the Bank may use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor for a maximum period of 2 years, and the consequent changes necessary in the terms of the loan for implementing such extension. However, the overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be maximum of two years.
Date of invocation	The date of invocation shall be the date on which both the borrower and the Bank agree to proceed with a resolution plan under these guidelines. Accordingly, the date of invocation will be the date on which the resolution plan proposed by the Bank is accepted by the borrower as well.
Last date of invocation of resolution	September 30, 2021.

<p>Last date for implementation</p>	<p>The date of implementation will be the date on which resolution loan agreement is executed by both applicant and the Bank.</p> <p>The date of implementation should be within 90 days from the date of invocation.</p> <p>Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the extant Prudential Framework as adopted by the Bank.</p>
<p>Resolution variants</p>	<p>a) Rescheduling of payments and / or Conversion of any interest accrued, or to be accrued, into another credit facility, and /or Revisions in working capital sanctions and / or Granting of Moratorium; etc, based on an assessment of income streams of the borrower.</p> <p>b) The resolution plan may provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, provided the amortization schedule and the coupon carried by such debt securities are similar to the terms of the debt held on the books of the lending institutions, post implementation of the resolution plan. The holding of such instruments by the Bank shall be subject to the extant instructions on investments.</p> <p>c) The valuation of equity instruments issued, if any, shall be governed by the provisions of Paragraphs 19(c) and 19(d) of the Annex to the Prudential Framework whereas debt securities shall be valued as per the instructions compiled at Paragraph 3.7.1 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time), or other relevant instructions as applicable to specific category of lending institutions.</p> <p>In case the Bank converts any portion of the debt into any other security, the same shall collectively be valued at Re.1.</p> <p>All of the above are subject to a maximum increase in loan tenure by two years.</p> <p>The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.</p> <p>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>Compromise settlements are not permitted as a resolution plan for this purpose.</p> <p>The instructions contained in the circular DOR. No. BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on "Resolution Framework for COVID-19-related Stress – Financial Parameters" shall not be applicable to resolution plans implemented under the resolution framework - 2.0.</p>

<p>Mandatory Checks for implementation of the resolution plan</p>	<ol style="list-style-type: none"> I. Borrowers intending to avail the benefit of Resolution framework – 2.0 need to apply through a request letter / voice consent* / digital consent* covering the specific reasons for applying for resolution framework and plan of future cash flows. * Given the lock down in most parts of the country it is essential to allow digital option for customer to facilitate the implementation of the Resolution Plan. II. The decision on the application shall be communicated in writing or through electronic means to the applicant by the Bank within 30 days of receipt of the application. III. All related documentation, including execution of necessary agreements between Axis Bank and the borrower and collaterals provided, if any, to be completed in consonance with the resolution plan being implemented; IV. The changes in the terms and conditions of the loans to get duly reflected in our loan / limit account; V. A fresh loan / limit account to be opened with a suitable identifiers or existing loan / limit account to be restructured and suitable identifier to be added to such accounts.
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Eligibility and Other Criteria

1. Borrowers experiencing stress on account of Covid19 crisis, this could be on account of product / nature of product which are severely impacted or on conduct of account of the borrower or cash flows of borrowers being severely or partially impacted or borrowers who are subjected to salary cuts or industry which are severely impacted and / or borrowers whose business is in severely impacted geographies.
2. Only borrower which were classified as standard as on March 31st, 2021 will be eligible under this plan.
3. Considering the feedback received during Resolution Framework - 1.0 and difficulties faced by the borrowers in availing the resolution under Resolution Framework - 1.0, the Bank will enable digital journey for the borrowers applying under Resolution Framework - 2.0.
4. The impact of COVID-19 on the borrowers' business or source of funds or variation in income should be taken on record basis self-declaration or as assessed based on documents provided by the borrowers. The following are a few illustrative examples in this regard:
 - i. Job Loss or salary reduction or variation in cash flows or variation in income for self or family members.
 - ii. Difficulties in making payment due to emergency expenses or medical expenses incurred for self and / or family members.

- iii. Construction progress of the property being purchased is delayed and hence borrowers cash flows are impacted
 - iv. Borrower's business is suffering on account of continued lockdown or is operating / residing in a containment zone or is working for an industry which is impacted by COVID19
 - v. Borrower is suffering on account of continued lockdown or is operating / residing in a containment zone or is working for an industry which is impacted by COVID19.
5. The due diligence to be carried out in assessing impact of COVID 19 and eligibility of borrowers, basis any of the following:
- Borrower / his business is under containment zone or is working for an industry which is impacted by COVID19.
 - Reduction of Salary, as envisaged through salary slips / letter or pay-slip showing salary cut or job loss letter.
 - In case of Self-employed: Latest financials as of March 20 (unaudited or provisional also acceptable for March 2021, if available) and Latest GST returns, if applicable.
 - Variation in cash flow of borrower to be ascertained through various means such as Low balances observed in latest Bank statement or recent bounces in track record or recent irregularities observed in Bureau report or recent changes in the behaviour score of the borrower or reduction in churning of the working capital account.
 - Any other suitable mechanism / criteria which the underwriting team may consider appropriate to carry out due diligence on the Borrower.
6. While underwriting the proposal the underwriting team may ask for any additional information / documentation which pertains to the borrowers' cash flows (including current or future), obligations and/or employment / business related. Verification of employment / business can also be conducted, wherever required.
7. Fresh bureau check may be conducted to ascertain the existing exposures of the borrower. Basis this and discussion with borrower it will also be ascertained as to how many exposures of the borrowers are getting restructured. This would also have an impact on the cash flow and consequently the FOIR. Underwriting team will have the discretion to decide whether to offer restructuring or by checking the overall bureau performance, leverage, employment/ business prospects, etc.

B. Working capital support for small businesses where resolution plans were implemented previously:

This part shall be applicable to borrowers mentioned below and where resolution plan has been implemented as per Resolution Framework 1.0, i.e.:

- a. Individuals who have availed of loans and advances for business purposes and to whom the Bank has aggregate exposure of not more than Rs. 50 crore as on March 31, 2021.

- b. 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. 50 crore as on March 31, 2021.

As a one-time measure, Bank shall 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 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.

The above measures shall be contingent on the Bank satisfying that the same is necessitated on account of the economic fallout from COVID-19.

The borrower accounts provided relief under this, shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

C. Exclusions to these guidelines:

The following categories of borrowers / credit facilities shall not be eligible for a resolution plan under this Guidelines:

- a. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs. 50 crore or less as on March 1, 2020.
- 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.
- 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.
- d. Exposures of lending institutions to financial service providers
- e. Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and body corporates established by an Act of Parliament or State Legislature.

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.

D. Redressal Mechanism:

Borrowers can contact the bank for their grievances pertaining to loan restructuring through Call Centres, website (through the Axis bank Support section) and Loan centres.

Borrowers can also connect with any of the escalated channels i.e. Banking Ombudsman, Regulator, Senior Management, Nodal through website or specific email IDs for their grievance pertaining to loan restructuring.

E. Asset Classification and provisioning

- a) If a resolution plan is implemented in adherence to the provisions of this guidelines, 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.
- b) 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").
- c) The provisions in relation to loans covered under these guidelines will be in accordance with accounting policy approved in this regard, which at the minimum will be compliant with the extant RBI circulars / regulations as applicable from time to time.

F. Disclosures and Credit Reporting

This will be in accordance with extant RBI stipulations.

EXTRACTS FROM THE BANK'S OPERATING GUIDELINES FOR RESOLUTION FRAMEWORK 2.0 - RESOLUTION OF COVID-19 RELATED STRESS FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

Background:

The Reserve Bank of India has vide circular no. DOR.STR.REC.12 / 21.04.048 / 2021-22 dated May 5, 2021 and circular no. RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021, extended the Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances circular (DOR.No.BP.BC/4/21.04.048/2020-21) issued in August 6, 2020, for restructuring existing loans without a downgrade in the asset classification subject to the conditions laid down in the said Circular.

The decision to invoke the resolution process under this guideline shall be taken by Bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

A. Eligibility:

Parameter	Norms
Target segment	MSME's
MSME definition	<ul style="list-style-type: none"> 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. 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.
Constitutions	All eligible constitutions will be covered under the resolution framework
Exposure criteria	The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹50 crore as on March 31, 2021.
Borrower account classification	<ul style="list-style-type: none"> The borrower's account is a 'standard asset' as on March 31, 2021 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). All other instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable.

Parameter	Norms
Timeline for restructuring / Scheme applicability	<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 Bank and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. • The restructuring of the borrower account is implemented within 90 days from the date of invocation
Review of Working Capital limits	<ul style="list-style-type: none"> • In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, Banks 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
GST Applicability	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.
Minimum Loan amount for restructuring	Rs. 25,000 for MSME borrowers Rs. 5,000 for Mudra loans

Parameter	Norms
Mandatory Checks for implementation of the resolution plan	<p>I. Borrowers intending to avail the benefit of Resolution framework need to apply through a request letter / voice consent* / digital consent* covering the specific reasons for applying for resolution framework and plan of future cash flows.</p> <ul style="list-style-type: none"> - Given the lock down in most parts of the country it is essential to allow digital option for customer to facilitate the implementation of the Resolution Plan. <p>II. The decision on the application shall be communicated in writing or through electronic means to the applicant by the Bank within 30 days of receipt of the application.</p> <p>III. The impact of COVID-19 on the borrowers' business or source of funds or variation in income should be taken on record basis self-declaration / as assessed based on documents provided by the borrowers. The following are a few illustrative examples in this regard:</p> <ul style="list-style-type: none"> - Difficulties in making payment due to emergency expenses or medical expenses incurred for self or family members - Borrower is suffering on account of continued lockdown or is operating / residing in a containment zone or is working for an industry which is impacted by COVID19. <p>IV. Borrowers indulging in frauds and malfeasance shall not be eligible for restructuring. Wilful defaulters shall also not be considered for restructuring.</p> <p>V. Personal guarantee of the promoters should be available.</p> <p>VI. While underwriting the proposal the underwriting team may ask for any additional information / documentation which pertains to the borrower's cash flows (including current or future), obligations and/or employment / business related. Verification of employment / business can also be conducted, wherever required.</p> <p>VII. Underwriting team will have the discretion to decide whether to offer restructuring or not (as per DOP) by looking at overall bureau performance, leverage, employment / business prospects, etc.</p> <p>VIII. Documents required for evaluating the restructuring proposal may be obtained on a case to case basis.</p>

B. Resolution

Also, in accordance with the regulatory guidelines of RBI of our Bank w.r.t. resolution framework, the following resolution variants will be available basis the kind of exposure:

Type of loan	Resolution variants available
Working Capital / Term Loans / Business Loans / Drop Line ODs / Non-Fund based facilities (Applicable to all MSME's within Retail Asset, SBB, Rural and Payments)	a) Rescheduling of payments including Drop line , and / or b) Conversion of any interest accrued, or to be accrued c) Granting of Moratorium, d) Sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid19 e) Rescheduling payments including capitalized of dues The Bank may allow extension of residual tenor with or without moratorium, by a period not more than 2 years. Moratorium, if granted, shall come into force immediately upon implementation of the resolution plan.

Resolution scenario

Scenario	Resolution Methodology	Applicability of product
Scenario 1: Entity / MSME Borrower is unable to make principal repayments / adhere to repayment schedule	Rescheduling of payments (with capitalization of pending Principal overdues with / with-out interest moratorium)	Term Loans / Drop line ODs / Bill discounting
Scenario 2: Entity / MSME Borrower is unable to repay interest against the revolving facility availed	Conversion of any interest accrued, or to be accrued, into another credit facility (FITL)	Revolving facilities within the Bank (Cash Credit / Overdraft / Drop-line OD)
Scenario 3: Entity / MSME borrower needs additional facility (WC / TL / WCTL) for business revival / liquidity management	Sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid19	New facility might be offered in conjunction to scenario 1
Scenario 4: Entity / MSME borrower needs moratorium in interest payment / principal payment	Granting of Moratorium with / without interest payment	All facilities to be included
Scenario 5: Entity / MSME borrower's non-fund based limit gets invoked / devolved	Conversion of non-fund based facility to fund based / extension of tenor / amendments to terms and conditions (as mutually agreed between parties)	All non-fund based facilities to be included

C. Redressal Mechanism:

Borrowers can contact the bank for their grievances pertaining to loan restructuring through Call Centres, website (through the Axis bank Support section) and Loan centres. These complaints are tracked through CRM (CMS).

Borrowers can also connect with any of the escalated channels i.e. Banking Ombudsman, Regulator, Senior Management, Nodal through website or specific email IDs for their grievance pertaining to loan restructuring.

D. Asset Classification and provisioning

- a) In respect of restructuring plans implemented under this guidelines, 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.
- b) The provisions in relation to loans covered under this guidelines will be in accordance with accounting policy approved in this regard, which at the minimum will be compliant with the extant RBI circulars / regulations as applicable from time to time.

E. Disclosures:

This will be in accordance with extant RBI stipulations

EXTRACTS FROM THE BANK'S OPERATING GUIDELINES FOR RESOLUTION FRAMEWORK 2.0 - RESOLUTION OF COVID-19 RELATED STRESS FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) – Wholesale Banking Group including Commercial Banking

Background:

The Reserve Bank of India vide circular no. FIDD.MSME & NFS.BC.No.21/06.02.31/2015-16 dated March 17, 2016 had issued guidelines on frame work for Revival and Rehabilitation of MSMEs which had been adopted by the Bank for implementation vide approval by COD in the meeting held on 27th July 2016.

Subsequently, modification in the policy was approved by COD in its meeting held on May 26, 2020, pursuant to comply with the guidelines mentioned in RBI circular no. DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020.

Thereafter, RBI has modified the above guideline vide its circular no. RBI/2020-21/17/DOR.No. BP.BC.4/21.04.048/2020-21 dated August 6, 2020. Accordingly loans to MSMEs classified as 'standard' could be restructured without a downgrade in the asset classification subject to compliance of terms and conditions mentioned in the circular No CBG/09/2020-21 dated September 9, 2020. The Framework was operative up to 31.03.2021. The Bank had accordingly implemented the same.

The Reserve Bank of India has vide circular no. DOR.STR.REC.12 / 21.04.048 / 2021-22 dated May 5, 2021 and circular no. RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021 has now advised Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) as per which it has been decided to extend the above facility for restructuring existing loans without a downgrade in the asset classification to all the Borrower who are 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.

The decision to invoke the resolution process under this guideline shall be taken by Bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

A. Guidelines:

Parameters	Guidelines
Applicable to	This will be applicable to advances by Wholesale Banking Group including CBG which meets the MSME definition in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
Eligibility Criteria	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.
	The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹50 crore as on March 31, 2021.
	The borrower's account was a 'standard asset' as on March 31, 2021
	The borrower's account was not restructured earlier 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>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.</p>
Last date of invocation	<p>September 30, 2021. (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.)</p>
Implementation Date	<p>To be implemented within 90 days from the date of invocation.</p>
Resolution variants	<p>I. <u>Term loan:</u> Extension of residual tenor of the loan with/without moratorium for a period of not more than 2 years. Moratorium, if granted, shall come into force immediately upon implementation of the resolution plan.</p> <p>II. <u>For Working Capital:</u></p> <ul style="list-style-type: none"> • Reassess the holding period for inventory and receivables in line with the new normal. • Allow lower margin in line with ground realities and the business risk. • Roll over of Working Capital Demand Loan (WCDL) to be permitted by liquidating the old WCDL with sanction of fresh WCDL within the overall WC limit. • Carve out of irregular portion of working capital into need based WCTL to be repaid as per the projected cash flow in not more than 2 years. • Conversion of unpaid interest into Funded Interest Term loan (FITL) repayable in not more than 2 years. <p>III. Sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid19</p> <p>The Bank will undertake internal due diligence to assess the financial viability of the restructuring plan.</p>
Reassessment of Working capital	<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:</p> <p>a. to review the working capital sanctioned limits and / or b. drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring.</p> <p>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 Bank 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>
Mandatory Checks for implementation of the resolution plan	<ul style="list-style-type: none"> • Borrowers intending to avail the benefit of Resolution framework need to apply through a request letter covering the specific reasons for applying for resolution framework and plan of future cash flows.

	<ul style="list-style-type: none">• The decision on the application shall be communicated in writing or through electronic means to the applicant by the Bank within 30 days of receipt of the application.• The impact of COVID-19 on the borrowers' business or source of funds or variation in income should be taken on record basis self-declaration / as assessed based on documents provided by the borrowers. <p>An illustrative example of this is given hereunder:</p> <p>Borrowers experiencing stress on account of Covid19 crisis. This could be on account of continued lockdown or Borrower is operating in a containment zone and/ or product / nature of product and/ or industry/geography is severely impacted leading to disruption in business operations/cash flow.</p> <p>Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.</p> <ul style="list-style-type: none">• Borrowers indulging in frauds and malfeasance shall not be eligible for restructuring. Willful defaulters shall also not be considered for restructuring.• Personal guarantee of the promoters should be available.
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All other guidelines as per RBI 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 continues to remain in force.

In addition, Individuals (Proprietorship concerns) who have availed of loans and advances for business purposes and Small businesses including those engaged in retail and wholesale trade, other than those classified as MSME as on 31.03.2021 and to whom lending institutions have aggregate exposure of not more than 50 crore as of 31.03.2021 shall be eligible for Resolution framework 2.0 as per RBI circular RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021.

B. Asset Classification and provisioning

- a) In respect of restructuring plans implemented under this guidelines, 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.

- b) The provisions in relation to loans covered under this guidelines will be in accordance with accounting policy approved in this regard, which at the minimum will be compliant with the extant RBI circulars / regulations as applicable from time to time.

C. Redressal Mechanism:

Borrowers can contact the bank for their grievances pertaining to loan restructuring through Call Centres, website (through the Axis bank Support section) and Loan centres.

Borrowers can also connect with any of the escalated channels i.e. Banking Ombudsman, Regulator, Senior Management, Nodal through website or specific email IDs for their grievance pertaining to loan restructuring.

D. Asset Classification and provisioning

- c) In respect of restructuring plans implemented under this guidelines, 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.
- d) The provisions in relation to loans covered under these guidelines will be in accordance with accounting policy approved in this regard, which at the minimum will be compliant with the extant RBI circulars / regulations as applicable from time to time.

E. Disclosures:

This will be in accordance with extant RBI stipulations.