Measures to buoy up the financial sector

RBI Governors' statement- May 05, 2021

Highlights:-

- Term Liquidity Facility of ₹50,000 crore to Ease Access to Emergency Health Services
- Resolution Framework 2.0 COVID-Related Stressed Assets
- Rationalisation of Compliance to KYC Requirements
- Specific Measures for SFBs

Term Liquidity Facility of ₹50,000 crore to Ease Access to Emergency Health Services

- vaccine manufacturers
- importers/suppliers of vaccine
- priority medical devices
- pathology labs
- importers of COVID related drugs
- suppliers of oxygen
- suppliers of ventilators
- logistics firms
- patients for treatment

- On-tap liquidity at repo rate for banks

- Extension of priority sector classification on loans to Emergency Health Services disbursed until March 31, 2022

Banks may deliver these loans to borrowers directly or through intermediary financial entities regulated by the RBI

- This would mean on-lending and co-lending to other financial institutions for this purpose will also qualify
- Direct Assignments should also qualify

Resolution Framework 2.0 COVID-Related Stressed Assets (1/3)

Borrowers covered

- Individuals and small businesses and MSMEs having aggregate exposure of upto ₹25 crore

- Aggregate exposure should be taken across all the lending insitutions

-Borrower account should be **‘Standard’ (less than 90 DPD) as of March 31, 2021**

- Such borrower accounts have **not availed** restructuring under any of the earlier restructuring frameworks (including under the Resolution Framework 1.0 dated August 6, 2020)

Resolution Framework 1.0 should include

- Prudential Framework for Resolution of Stressed Assets June 07, 2019

- Resolution Framework for COVID-19-related Stress dated August 6, 2020

- Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated August 6 ,2020

Proposed Resolution Framework 2.0

- Restructuring may be invoked up to September 30, 2021 and shall have to be implemented within 90 days after invocation

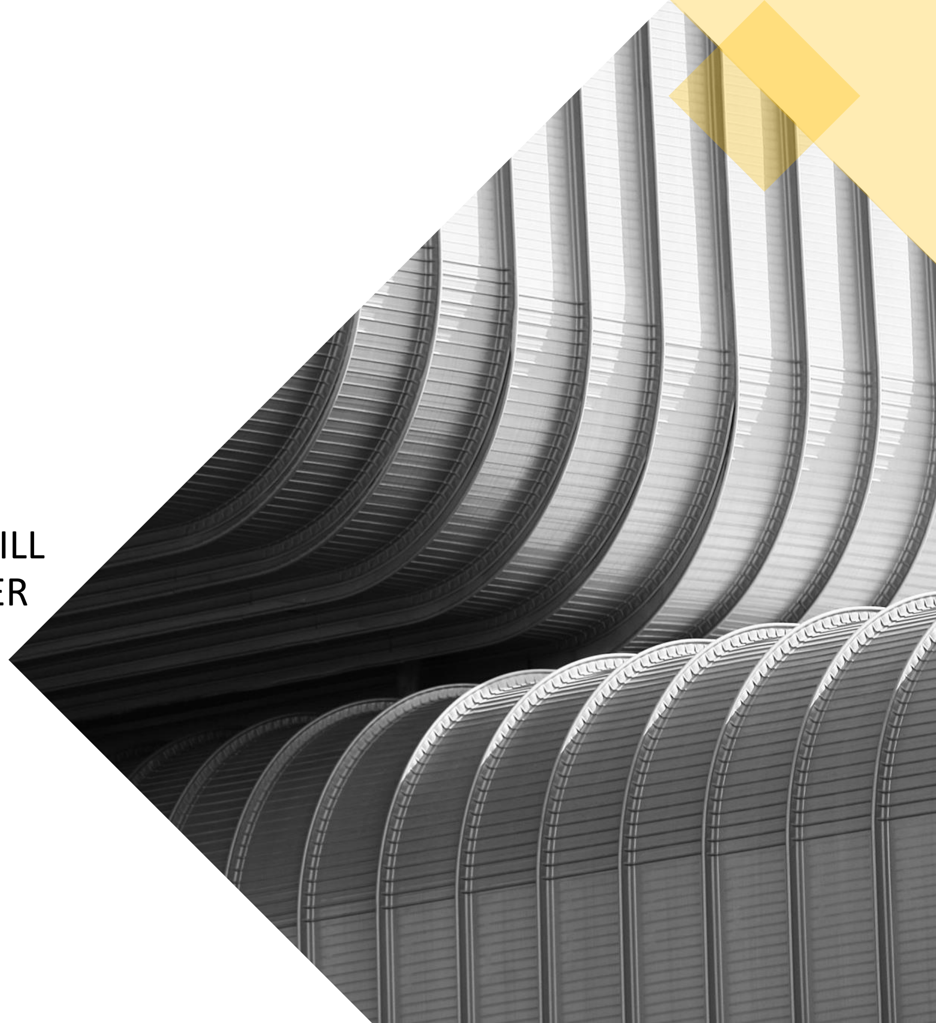
- It seems that the benefit would be available only to such borrowers who have not availed the restructuring under the August 6 Circular and hence, the coverage is limited.

Individual borrowers and small businesses restructured under Resolution Framework 1.0 (2/3)

Where the resolution plan under Framework 1.0 permitted moratorium of less than two years:

- Framework 2.0 can be used to modify such plans to the extent of increasing the period of moratorium and/or extending the residual tenor up to a total of 2 years.

OTHER CONDITIONS OF RESTRUCTURED ACCOUNT WILL REMAIN THE SAME AS UNDER FRAMEWORK 1.0



Small businesses and MSMEs restructured under Framework 1.0 (3/3)

Lending institutions are permitted as a one-time measure, to review the working capital sanctioned limits, based on a reassessment of the working capital cycle, margins, etc.

i. This would specifically be applicable in case of working capital facilities
ii. Not applicable to term loans

Rationalisation of Compliance to KYC Requirements

1

Extending the scope of video KYC known as V-CIP (video-based customer identification process):

- for new categories of customers such as proprietorship firms, authorised signatories and beneficial owners of Legal Entities and
- for periodic updation of KYC.

2

Enabling the use of KYC Identifier for V-CIP and submission of electronic documents (including identity documents issued through DigiLocker) as identity proof

- As per the extant KYC Directions, in case of V-CIP offline verification of Aadhaar is to be done. There was no specific allowance for any other KYC document that could be obtained.

3

1.Conversion of limited KYC accounts opened on the basis of Aadhaar e-KYC authentication in non-face-to-face mode to fully KYC-compliant accounts

- This would be relevant for commercial banks. In the case of NBFCs, e-KYC authentication cannot be done.

4

1.Introducing use of digital channels for the purpose of periodic updation of KYC details of customers

5

1.For customer accounts where periodic KYC updating is due/pending, no punitive restriction on operations of customer account(s) shall be imposed till December 31, 2021 unless warranted due to any other reason or under instructions of any regulator/enforcement agency/court of law, etc.

- Customers would be required to update their KYC during this period.

Specific Measures for SFBs

Special Long-Term Repo Operations (SLTRO) for Small Finance Banks (SFBs)

- Special three-year long-term repo operations (SLTRO) of ₹10,000 crore at repo rate for the SFBs, for fresh lending of up to ₹10 lakh per borrower.

- This facility will be available till October 31, 2021.

Lending by Small Finance Banks (SFBs) to MFIs for on-lending to be classified as Priority Sector Lending

- SFBs are now being permitted to reckon fresh lending to smaller MFIs (with asset size of up to ₹500 crore) for on-lending to individual borrowers as priority sector lending.

- This facility will be available up to March 31, 2022.