



MORATORIUM POLICY

Preface

The Reserve Bank of India (RBI) has vide its circular no RBI/2019-20/ 186 -DOR.No.BP.BC.47/21.04.048/2019-20 dated 27th March' 2020 allowed all financial institutions to allow a three-month moratorium for all term loans in light of the COVID-19 outbreak and the subsequent lockdown

Governor in his statement on May 22, 2020 and by RBI circular no **RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020** extended the Moratorium by another 3 months

In effect, banks and Non-Banking finance companies can allow their customers to not pay their monthly EMIs or Interest for upto a 3-month period – defined as instalments due from 1st March'20 to 31st May'20 and the non-repayment will not hurt their credit score.

RBI Circular – 27th March'20

(RBI/2019-20/ 186 -DOR.No.BP.BC.47/21.04.048/2019-20)

With reference to the Statement of Development and Regulatory Policies released on March 27, 2020 where inter alia certain regulatory measures were announced to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. In this regard, the detailed instructions are as follows:

1. Rescheduling of Payments – Term Loans and Working Capital Facilities”:

- NBFCs (including housing finance companies) (“lending institutions”) are permitted to grant a moratorium of three months on payment of all installments falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans).
 - Installments will include the following payments falling due from March 1, 2020 to May 31, 2020:
 - (i) principal and/or interest components;
 - (ii) bullet repayments;
 - (iii) Equated Monthly installments;
 - (iv) credit card dues;
- The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period.
- Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

In respect of working capital facilities sanctioned in the form of cash credit/overdraft (“CC/OD”), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 (“deferral”). The accumulated accrued interest shall be recovered immediately after the completion of this period.

2. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

- Since the moratorium/deferral/recalculation of the ‘drawing power’ is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated

as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 (“Prudential Framework”). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

- The asset classification of term loans which are granted relief as per the above notification shall be determined on the basis of revised due dates and the revised repayment schedule.
- Similarly, working capital facilities where relief is provided, the SMA and the out of order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period

3. Supervisory Reporting:

- The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions.
- CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

4. Other Conditions:

- Lending institutions shall frame Board approved policies for providing the abovementioned reliefs to all eligible borrowers, inter alia, including the objective criteria for considering reliefs under the above notification and disclosed in public domain.
- The instructions in this circular come into force with immediate effect.

RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 May 23, 2020

1. Rescheduling of Payments – Term Loans and Working Capital Facilities:

- All Banks / AFIs / NBFCs (“lending institutions”) are permitted to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020 on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans). Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.
- The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. 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.
- Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures.

2. Asset Classification:

- In respect of accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted in respect of term loans, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC

norms. The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

3. All other provisions of circulars dated March 27, 2020 and April 17, 2020 shall remain applicable mutatis mutandis.

SBFC Approach

Given the above guideline is applicable to NBFCs, it is decided to formulate a policy for providing moratorium of upto 6 months to customers who are finding difficulty in paying monthly installments / interest / bullet repayment.

Below will be the eligible list of borrowers who can be considered for 6 EMI moratorium under this circular:

All Products – Other than Gold Loan

1. All installments falling due in March'20 and customers are not able to pay, will get a moratorium of 3 months.
2. All installments falling due in April'20 and customers are not able to pay, will get a moratorium of 2 months.
3. All installments falling due in May'20 and customers are not able to pay, will get a moratorium of 1 month.
4. Any customer specifically requesting for moratorium

Gold Loan

- Customers who are not able to pay the interest or EMI or bullet repayment due for the month of Mar'20, April 20 or May20
- Any customer specifically requesting for moratorium
- The moratorium of three months on payment of all installments, Interest or bullet repayment falling due between March 1, 2020 and May 31, 2020, accordingly the EMI, Interest or bullet repayment will commence from June2020.

Basis the RBI circular no **RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020,**

- 1) SBFC will evaluate and provide moratorium of further 3 months of June, July and Aug'20 to customers who are finding difficulty in paying monthly installments / interest / bullet repayment on account of impact caused due to COVID-19.
- 2) The same will be done based on available information and discussion with customer on the impact on monthly cash flows.

Exception

- Customer who pays or are willing to pay EMI, Interest or bullet repayment.
- Any exceptional scenario based on internal assessment like death or business closure etc. This can be done only after proper documentation.

Deviation

Any deviation to this policy can be approved by MD-CEO

Co-origination Program

Loans given under Co-origination program with ICICI Bank, will follow the same principles as mentioned in this Policy, however in case ICICI Bank recommends any change in the Policy, it will so be adhered to with the approval of MD-CEO with respect to such Loans.

Securitization under PTC

Loans which has been securitized to ICICI Bank under PTC structure, will follow the same principles as mentioned in this Policy, however in case ICICI Bank recommends any change in the Policy, it will so be adhered to with the approval of MD-CEO with respect to such Loans.

Repayment Schedule:

- Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.
- The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period.
- Further the tenor may get extended due to capitalization of interest.

Customer Communication:

- We will put up a communication on our website guiding the customer on the procedure to opt in for moratorium – a simple communication to us from his/her authorized email ID.
- All calls/emails we receive will get a communication explaining to them the options they have.
- Customer to be communicated via Email / SMS etc

Asset Classification: Special Mention Account (SMA) and Non-Performing Asset (NPA)

- The asset classification of term loans which are granted relief as per the above notification shall be determined on the basis of revised due dates and the revised repayment schedule. Accordingly, the customer which is current and has been provided moratorium, will remain current during the period of moratorium.
- Similarly, working capital facilities where relief is provided, the SMA and the out of order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period
- The Asset classification remain the same for both RBI reporting as well Ind AS perspectives.
- **Provisions:**ECL provisions will be made based on the “Asset Classification and Provisioning Policy” and “ECL Provision – COVID” as adopted by SBFC and the Asset classifications as mentioned above.

Supervisory Reporting:

- The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions.
- CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

Conclusion

We cannot suo-moto provide moratorium to customers as it has a substantial financial cost to them. We will present the EMIs as scheduled except for customers who have expressly opted for the moratorium. During the period we will not charge any cheque bounce or late payment charges and even in the case the EMI has been collected if the customer wishes to we will refund it and include him in the moratorium. We will not deny any customer who wishes to obtain a moratorium.

The above will not apply to any dues before 28/2/20. They will continue to attract penal and other charges as the contracted.