THE COSMOS CO-OP. BANK LTD.
(Multistate Scheduled Bank)

POLICY FOR IMPLEMENTATION OF RESOLUTION (RESTRUCTURING) FRAMEWORK 2.0 FOR INDIVIDUAL AND SMALL BUSINESS BORROWERS

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 restructuring 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 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. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI has announced a set of measures vide its circular DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 in respect of Resolution of Covid-19 related stress of Individuals and Small Businesses (Resolution Framework 2.0). These set of measures permit restructuring of existing loans without downgrade in asset classification and are broadly in line with the Resolution Framework - 1.0, with suitable modifications. Policy regarding the same is given below.

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SECTION-A

1. ELIGIBILITY

a. Accounts of borrowers covered:

i. Individuals who have availed 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 to Bank's own personnel/staff.

As per the above circular personal segment loans are "loans given to individuals and consist of

- consumer credit*,
- education loan,
- loans given for creation/ enhancement of immovable assets (e.g., housing, etc.)

*Consumer credit refers to the loans given to individuals, which consists of

- loans for consumer durables,
- auto loans (other than loans for commercial use),
- personal loans secured by gold, gold jewelry, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes),
- personal loans to professionals (excluding loans for business purposes), and
- loans given for other consumptions purposes (e.g., social ceremonies)

Accordingly, the revised policy will be applicable to following schemes under Retail Assets category of borrowers:-

a. Housing Loan, Top-up loan
b. Auto Loan,
c. Education Loan,
d. Personal Loan,
e. Advance against Gold, Shares
f. Mortgage Loan,
g. Loan against Future Rent Receivables,
h. Loans for consumer durables etc

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ii. Individuals who have availed of loans and advances for business purposes and to whom all the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

iii. 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.

b. The accounts should be Standard as on 31.03.2021 and as on the date of invocation.

c. In case any account was sanctioned Restructuring Plan (RP) under "Resolution Framework– 1.0", such borrowers will be eligible for restructuring under the "Resolution Framework– 2.0" only if the concession i.e. moratorium and / or extended tenure granted under "Resolution Framework– 1.0" was less than 2 years. In such a case additional moratorium and / or extended tenure can be granted subject to overall cap of 2 years considering both Resolution Frameworks.

d. Working Capital facilities where restructuring plans had been implemented in terms of the Resolution Framework-1.0 will be eligible for the purpose of one time reassessment of working capital requirement based on a reassessment of the working capital cycle, reduction of margins etc. without the same being treated as restructuring.

Exclusions:-

- Accounts disbursed on or after 01.04.2021 will not be eligible under "Resolution Framework – 2.0
- MSME's ; separate policy is framed for restructuring of MSMEs having exposure upto Rs.25 crores as on 31.03.2021
- All the farm credit exposures of the nature listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 07.07.2016 (as updated).
  - However, loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, beekeeping and sericulture will be eligible for RP under the framework.
- Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- Exposures of lending institutions to financial service providers
- 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.

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- Borrower accounts who have availed of any restructuring in terms of the Resolution Framework – 1.0 are also excluded subject to the special exemption wherein the moratorium / loan extension granted as a part of that restructuring was less than 2 years

2. SANCTIONING AUTHORITY

Sanctioned Limit upto Rs.150 lakhs	AGM & DGM/GM
Sanctioned Limit above Rs.150 lakhs	One step above the original sanctioning authority

3. PROCESSING FEE

The Processing & Agreement Fee shall be the normal fee as applicable to new proposals. Any other expenses such as stamping, franking, inspection, valuation etc., are to be borne by the borrowers at actual basis.

4. RATE OF INTEREST

The applicable rate of interest post-restructuring will be as per the schematic / credit rating norms

5. TIMELINES

Restructuring under this framework must be invoked not later than 30.09.2021 and the restructuring plan must be implemented within 90 days from the date of invocation.

The restructuring process under this window shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower. The decision in this regards to be conveyed to the customer maximum within 30 days of receipt of the application for restructuring of debt from the applicant.

It is reiterated that invocation date is not the application date but it is the date on which the Bank communicates its willingness to proceed with the restructuring process to the borrower.

In case of multiple / consortium banking, the decision to invoke the restructuring process under this framework shall be taken by our Bank independent of invocation decisions taken by other lending institutions having exposure to the same borrower. However if the securities are common, consent for modification of charge as per the sanction will be required from other lenders sharing common charge. Intimation regarding this requirement shall be given to other lenders at the time of invocation.

The restructuring process shall be treated as invoked in respect of any borrower if lending institutions representing 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based), and not less than 60 per cent of lending institutions by number agree to invoke the same.

The restructuring plan shall be treated as implemented, if all of the following conditions are met:

a. All related documentation, including execution of necessary agreements with the borrower and creation/ extension of security (if applicable) are completed as per the restructuring plan.
b. The changes in the terms and conditions of the loans are duly reflected in Bank's books / Finacle i.e. new tenure, repayment schedule etc
c. Borrower has complied with all the terms and conditions as per the restructuring sanction letter

6. CUSTOMER CONNECT

a. Policy will be made available on Bank's portal for public viewing.

b. The head / incharge of the respective sub-regional office / regional office shall be the nodal officer for redressing of grievances / customer complaints in respect of any applications under this resolution framework.

SECTION-B

IDENTIFICATION OF STRESS DUE TO COVID-19

The above measures shall be contingent on the Bank satisfying itself 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.

The borrowers should approach their home Branches for availing resolution under the above framework and should be able to demonstrate the financial stress being faced by them due to COVID-19. The objective of the Bank should be to satisfy that the borrower is facing such stress and the same shall be verified as under:-

- Salaried Individuals: Reduction in Salary by 10% or more, (including Job loss). Income levels in last month be compared with income levels of February-2021. Latest salary slips, bank account details may be verified.

- Loan against future rent receivables: Reduction in Rent by 10% or more. Rental income in month before application date to be compared with rental income of February-2021

- Education Loans: Unable to secure employment after completion of studies on or after 29.02.2021 and unemployed as on the date of application for relief under framework

- Other individuals (self-employed & businessmen) under retail lending / loans to individual for business purpose / loans to small businesses:
    - Reduction in turnover by 10% or more in the FY 2020-21 compared with the turnover of FY 2019-20. In case the turnover of FY 2019-20 is not available, the actual turnover of FY 2020-21 to be compared with the projections submitted for FY 2020-21. Turnover should be verified based on audited financials. In case audited financials are not available, provisional financials (preferably C.A. certified) may be accepted.
    - GST returns of the individual / entity for last 6 months may be verified and compared with that of earlier period
    - Details regarding temporary closure of the unit
    - Repayment difficulties in the near future due to COVID impact

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SECTION-C

GENERAL GUIDELINES REGARDING RESTRUCTURING PLANS FOR STRESSED BORROWERS UNDER RESOLUTION FRAMEWORK 2.0 AND PERMITTED FEATURES

The restructuring plans implemented under this window may inter alia include rescheduling of payments (including ballooning instalments), conversion of any interest accrued or to be accrued into funded interest term loan (FITL), 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 restructuring plan for this purpose.

The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the restructuring 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.

Due to grant of moratorium and / or extension of residual period the tenure of restructured advance may exceed the maximum tenure for that particular scheme e.g. with grant of moratorium tenure of housing loan may go beyond 20 years. Approval for the same from higher authorities is not necessary.

The restructuring 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, 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 our Bank, post implementation of the restructuring plan.

If a borrower has been restructured earlier under UCB guidelines it is permitted to restructure again under the Resolution Framework guidelines without downgrading the account in case of COVID related stress only.

While allowing any of the above restructuring to the commercial borrowers, the sanctioning authority should invariably assess the viability of the proposed restructuring plan by taking TEV report and comment on the following parameters:

- Technical Appraisal (technology adopted, capacity vis-à-vis minimum economic size, technical collaboration/major contractors, adequacy of infrastructure, availability of raw material, utilities, etc.)
- Marketing Appraisal (past demand/supply analysis, demand/supply outlook for the future, major players in the industry, industry comparison, international scenario, etc.)

- Financial Viability: (income streams, financial parameters etc.)
- SWOT Analysis

It may be noted that the instructions contained in the circular dated September 7, 2020 on "Resolution Framework for COVID-19-related Stress – Financial Parameters" shall **NOT** be applicable to restructuring plans implemented under this window. Financial ratios and other parameters in respect of restructuring carried out under Resolution Framework 2.0 shall be governed by existing credit policy.

Current accounts with other banks : Not permitted. They will have to be closed before implementation.

TEV report : In respect of commercial loans TEV report can be taken from agency appointed by borrower.

Restructuring plan should be finalized based on the outstanding balances as on the date of invocation. It must be implemented within 90 days from the date of invocation.

PERMITTED FEATURES OF RESTRUCTURING PLAN:

*I. Advances to individuals and small businesses who have **NOT** availed any restructuring in terms of the Resolution Framework 1.0*

A] Personal Loans

1. Term Loans
   i. Accounts should be standard on 31.03.2021 and as on invocation date. If any account attracts NPA norms after invocation date, it should be classified as NPA and the required provision should be made even though the restructuring application is received and is being processed for sanction. In such cases the asset classification of the borrower may be upgraded as Standard on the date of implementation.
   ii. Restructuring plan should be finalized based on the outstanding balances as on the date of invocation
   iii. The future period of stress shall be assessed based on the borrower's declaration of projection of income and industry scenario.
   iv. Moratorium period, if granted, Restructuring tenure and Repayment as per revised terms will start from invocation date.

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v. Moratorium period may be allowed during the expected future period of stress, subject to a maximum of two years from invocation date. The future period of stress shall be assessed based on the borrower's declaration of projected income.

vi. The extension of residual tenure may also be granted, with an overall cap of extension (including the moratorium period, if any) of 2 years.

vii. In case overdue of principal exists at the time of implementation of the restructuring plan, it shall not be carried forward.

viii. Any pending interest as on invocation date and / or future interest for a maximum period of one year from invocation date may be converted into a Funded Interest Term Loan (FITL), with the same rate of interest as that of the underlying facility and shall be repayable within a period of 3 years from the invocation date.

ix. Moratorium of maximum 1 year may be sanctioned for repayment of monthly installments of such FITLs. However, monthly interest on such FITLs is to be paid/recovered, as and when debited.

x. 100 % provision is required to be made against outstanding balance in such FITL accounts

2. Overdraft Facility

i. Accounts should be standard on 31.03.2021 and as on invocation date. If any account attracts NPA norms after invocation date, it should be classified as NPA and the required provision should be made even though the restructuring application is received and is being processed for sanction. In such cases the asset classification of the borrower may be upgraded as Standard on the date of implementation.

ii. Restructuring plan should be finalized based on the outstanding balances as on the date of invocation

iii. The future period of stress shall be assessed based on the borrower's declaration of projection of income and industry scenario.

iv. Any pending interest as on invocation date and / or future interest for a maximum period of one year from invocation date may be converted into a Funded Interest Term Loan (FITL), with the same rate of interest as that of the underlying facility and shall be repayable within a period of 3 years from the invocation date.

v. Moratorium of maximum 1 year may be sanctioned for repayment of monthly installments of such FITLs. However, monthly interest on such FITLs is to be paid/recovered, as and when debited.

vi. 100 %provision is required to be made against outstanding balance in such FITL accounts

B] Loans to individuals for business purposes and small businesses (other than MSME)

1. Term Loans
   i. Accounts should be standard on 31.03.2021 and as on invocation date. If any account attracts NPA norms after invocation date, it should be classified as NPA and the required provision should be made even though the restructuring application is received and is being processed for sanction. In such cases the asset classification of the borrower may be upgraded as Standard on the date of implementation.
   ii. Restructuring plan should be finalized based on the outstanding balances as on the date of invocation
   iii. The future period of stress shall be assessed based on the borrower's declaration of projection of income and industry scenario.
   iv. Moratorium period, if granted, Restructuring tenure and Repayment as per revised terms will start from invocation date.
   v. Moratorium period may be allowed during the expected future period of stress, subject to a maximum of two years from invocation date. The future period of stress shall be assessed based on the borrower's declaration of projected income.
   vi. The extension of residual tenure may also be granted, with an overall cap of extension (including the moratorium period, if any) of 2 years.
   vii. In case overdue of principal exists at the time of implementation of the restructuring plan, it shall not be carried forward.
   viii. Any pending interest as on invocation date and / or future interest for a maximum period of one year from invocation date may be converted into a Funded Interest Term Loan (FITL), with the same rate of interest as that of the underlying facility and shall be repayable within a period of 3 years from the invocation date.
   ix. Moratorium of maximum 1 year may be sanctioned for repayment of monthly installments of such FITLs. However, monthly interest on such FITLs is to be paid/recovered, as and when debited.
   x. 100 % provision is required to be made against outstanding balance in such FITL accounts

2. Overdraft & Cash Credit Facility
   i. Accounts should be standard on 31.03.2021 and as on invocation date. If any account attracts NPA norms after invocation date, it should be classified as NPA and the required provision should be made even though the restructuring application is received and is being processed for sanction. In such cases the asset classification of the borrower may be upgraded as Standard on the date of implementation.

ii. Restructuring plan should be finalized based on the outstanding balances as on the date of invocation
iii. The future period of stress shall be assessed based on the borrower's declaration of projection of income and industry scenario.
iv. Any pending interest as on invocation date and / or future interest for a maximum period of one year from invocation date may be converted into a Funded Interest Term Loan (FITL), with the same rate of interest as that of the underlying facility and shall be repayable within a period of 3 years from the invocation date.
v. Moratorium of maximum 1 year may be factored for repayment of monthly installments of such FITLs. However, monthly interest on such FITLs is to be paid/recovered, as and when debited.
vi. 100 % provision is required to be made against outstanding balance in such FITL accounts
vii. Revision in working capital limit with any / all of the following actions:
    a. Based on the elongation in working capital cycle due to the stress on COVID the working capital limit shall be re-assessed and revised limits may be granted.
    b. 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
    c. Roll over of Buyers Credit availed earlier shall be allowed as per revised working capital cycle.
    d. Carve out irregular portion of Working Capital limit in to need based WCTL to be repaid as per the projected cash flow. WCTL will be provided for a maximum period of 5 years
    e. Reduction in margin on inventory up to 15 % and / or Extension of debtors period up to maximum by 90 days from the existing sanctioned level may be allowed (This shall be restored to earlier sanctioned levels on or before 31.03.2022). Extended debtors should be backed by collateral security / third party security.

<u>Ii. Advances to individuals and small businesses who have availed restructuring in terms of the resolution framework 1.0</u>

i. In cases where restructuring plans had been implemented in terms of the Resolution Framework – 1.0, and where the restructuring 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, Bank is 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 cap of 2 years, 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 Resolution Framework – 1.0 and this framework combined, shall be two years.

ii. Working Capital facilities where restructuring plans had been implemented in terms of the Resolution Framework-1.0 will be eligible for the purpose of one time reassessment of working capital requirement based on a reassessment of the working capital cycle, reduction of margins etc. without the same being treated as restructuring. The sanction in this regard shall be taken by September 30, 2021, with the margins and working capital limits being restored to the levels as per the restructuring plan implemented under Resolution Framework 1.0 by March 31, 2022.

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SECTION-D

PRUDENTIAL TREATMENT OF THE EXPOSURES IN RESPECT OF WHICH RESTRUCTURING PLANS ARE IMPLEMENTED UNDER THIS FRAMEWORK

1. ASSET CLASSIFICATION

a. If a restructuring plan is implemented in adherence to the provisions of this framework, the asset classification of borrower accounts classified as Standard will be retained as Standard upon implementation.

b. If any account attracts NPA norms after invocation date, it should be classified as NPA and the required provision should be made even though the restructuring application is received and is being processed for sanction. In such cases the asset classification of the borrower may be upgraded as Standard on the date of implementation.

c. Additional finance to borrowers in respect of whom the restructuring plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as 'standard asset' till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities in the interim.

d. If the restructuring 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 the additional finance or the rest of the credit facilities, whichever is worse.

e. For the accounts, where restructuring plans had been implemented in terms of Resolution Framework – 1.0, the asset classification shall continue to be as per the Resolution Framework – 1.0

2. PROVISIONING REQUIREMENTS

In respect of accounts where a restructuring plan is implemented under this framework, Bank will keep the provisions from the date of implementation, which will be higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10% of the renegotiated debt exposure of the lending institution post implementation (residual debt). In case of FITL accounts, the residual debt will be the sanctioned amount of FITL.

For the accounts, where restructuring plans had been implemented in terms of Resolution Framework – 1.0, the provisioning shall continue to be as per the Resolution Framework – 1.0.

3. POST IMPLEMENTATION PERFORMANCE

After implementation of the restructuring plan in terms of this framework, No overdue / irregularity (including CC exceed / less DP) will be permitted for more than 90 days during specified period. There shall be no overdues at the end of the specified period. For this purpose specified period is defined as under:

Specified Period shall mean a period of one year from the commencement of the **first interest or principal whichever is earlier** under the terms of the restructuring package.

If satisfactory performance is not observed during specified period the borrower shall be downgraded with respect to the pre-restructuring repayment schedule.

4. REVERSAL OF PROVISIONS

Half of the above provisions may be written back upon the borrower paying 20% 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% of the residual debt without slipping into NPA subsequently.

However 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.

The provisions required to be maintained under this window, to the extent not already reversed, shall be available for provisioning requirements when any of the accounts, where a restructuring plan had been implemented, is subsequently classified as NPA.

SECTION-E

DISCLOSURE REQUIREMENTS WITH RESPECT TO THE RESTRUCTURING PLANS IMPLEMENTED UNDER THIS FRAMEWORK

1. Bank will make disclosures in prescribed Format-X (detailed hereunder) for the quarters ending September 30, 2021 and December 31, 2021. The restructuring plans implemented in terms of Part A of the Resolution Framework 2.0 should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0

2. The number of borrower accounts which was sanctioned restructuring plan under "Resolution framework–1.0" also, and where modifications are sanctioned and implemented in Resolution Framework 2.0, the aggregate exposure of the Bank to such borrowers will be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

Format-X

Format for disclosures to be made in the quarters ending Sept.30, 2021 and Dec.31, 2021

SL. NO.	DESCRIPTION	INDIVIDUAL BORROWERS		SMALL BUSINESSES
		PERSONAL LOANS	BUSINESS LOANS	
(A)	Number of requests received for invoking restructuring process	XXXX	XXXX	XXXX
(B)	Number of accounts where restructuring plan has been implemented under this window	XXXX	XXXX	XXXX
(C)	Exposure to accounts mentioned at (B) before implementation of the plan	XXXX	XXXX	XXXX
(D)	Of (C), aggregate amount of debt that was converted into other securities	Not Applicable	Not Applicable	Not Applicable
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation	XXXX	XXXX	XXXX
(F)	Increase in provisions on account of the implementation of the restructuring plan	XXXX	XXXX	XXXX

3. The credit reporting in respect of the borrowers where the restructuring plan is implemented under this facility will reflect the "restructured due to COVID-19" status of the account. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured. The borrowers availing such facilities shall be accordingly informed about such reporting to CIC well in advance.

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Joint Managing Director

Managing Director

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