

**Annexure-1
Revised policy**



POLICY FOR IMPLEMENTATION OF RESOLUTION FRAMEWORK 2.0

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 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, the various set of measures was announced on 05.05.2021. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

Accordingly, it is proposed to extend the policy as issued for Resolution Framework - 1.0, with modification to comply with the guidelines issued vide Resolution Framework - 2.0.

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SECTION-A

1. ELIGIBILITY

- a. Accounts of borrowers covered:
- i. 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"), excluding the credit facilities provided Bank's own personnel/staff.

As per the above circular personal segment loans are "loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.)". "Consumer credit refers to the loans given to individuals, which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold Jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.). However, it excludes (a) education loans, (b) loans given for creation/enhancement of immovable assets (e.g., housing, etc.), (c) loans given for investment in financial assets (shares, debentures, etc.), and (d) consumption loans given to farmers under KCC"

Accordingly, the revised policy will be applicable to following schemes under Retail Assets category of borrowers (in line with the Bank's policy under Resolution Framework 1.0):-

- a. Baroda Housing Loan,
- b. Baroda Auto Loan,
- c. Baroda Education Loan,
- d. Baroda Personal Loan,
- e. Baroda advance against Gold,
- f. Baroda Mortgage Loan,
- g. Baroda Loan against Future Rent Receivables,
- h. Loans against LIP.

Facilities against Securities such as Loans against NSC, KVP, RBI Bond, Shares and Mutual fund, Loan to Pensioners, Reverse Mortgage scheme are not included as repayment of those loans may not be dependent on borrowers income and can be repaid from the proceed of the securities. (In line with the Bank's policy under Resolution Framework 1.0)

- ii. Individuals who have availed of loans and advances for business purposes and to whom the all 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 Resolution Plan (RP) under "Resolution framework-1.0", such borrowers will be eligible, only if not sanctioned any moratorium or moratorium and extended tenure including moratorium was less than -2- years.
- d. Working Capital facilities where resolution 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.

Exclusions:-

- Accounts disbursed on or after 01.04.2021 will not be eligible under "Resolution Framework – 2.0".
- In view of the availability of adequate liquid security maintained with the Bank in case of Advance against Bank's own Deposit and Loan against Securities (against NSC/KVPs/Shares/ Bonds/ Mutual Funds) etc., it is proposed that such Loans/ overdrafts will not be covered under the purview of proposed framework.
- Loans under Reverse Mortgage Scheme (Baroda Ashray) will not be covered under the purview of proposed framework as repayment under the scheme is not linked to cash flows.
- Loan to pensioners will not be covered under the purview of proposed framework as Pension incomes are not impacted due to COVID-19.
- MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs. 25 Crore or less as on March 1, 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, bee-keeping and sericulture will be eligible for RP under the framework.
 - Further, loans given to farmer households would also be eligible for RP, if they do not meet any other conditions for exclusions listed in the Resolution 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.

2. SANCTIONING AUTHORITY

The sanctioning authority to allow resolution under this framework will be as per the respective DLP of authorities as per Bank's extant guidelines.

Since, the proposed resolution framework is one time window and to be implemented at the earliest, it may not be feasible to develop the template in LLPS or any other software. Further, at present, LLPS is having the facility for processing fresh loan applications and other operations such as review/ restructuring are processed out of LLPS. Accordingly, the operating units shall use the enclosed templates strictly in accordance with the guidelines, which will be subject to PSR as per Bank's extant norms.

3. PROCESSING FEE

No Processing fee will be applicable for processing, invocation, implementation of resolution plans under this framework. However, any out-of-pocket costs (stamping, franking, inspection, valuation etc.), to be borne by the borrowers. Further, since review of credit facility is also proposed along with proposed invocation of RP, in case of Overdraft limit, applicable annual unified processing charges as per extant guidelines to be recovered on pro-rata basis.

4. RESTRUCTURE SPREAD

While allowing "Resolution plan" under the framework, an additional Rate of Interest (ROI) @ 0.35% p.a. in case of secured loans & @ 0.50% p.a. in case of unsecured loans to be charged. Such 'Restructure spread' will be applicable for all sanctions under the framework.

The 'restructure spread' will be applicable on the customers from the date of implementation till the currency of the loan. Operating units will ensure that during reset of interest at the time of review (wherever applicable), the applicable rate of interest will be the interest as per Bank's extant guidelines as on that day + 'restructure spread'. *For example, a Home Loan account (where resolution under this framework was implemented during November-2021) is to be reviewed on 15.11.2022. As on 15.11.2022, the applicable ROI of the account as per Bank's extant guidelines may be 0.60% above BRRLLR. Now, since the customer has availed the resolution plan under the framework, the applicable ROI for such customer upon such review will be BRRLLR + 0.60% (Credit Spread) + 0.35% ('restructure Spread') i.e. BRRLLR + 0.95%.*

Post resolution, minimum ROI for accounts will be BRLLR + 'Restructuring Spread' for remaining tenure. It should be ensured that the applicants are duly informed about the additional pricing applicable for the remaining tenure of the loan and necessary clause in sanction letter & legal documents are suitably incorporated.

5. TIMELINES

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

The resolution process under this window shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalizing a resolution 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 resolution of debt from the applicant.

The resolution 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 in consonance with the resolution plan.
- b. The changes in the terms and conditions of the loans are duly reflected in Bank's books/ Finacle.
- c. Borrower(s) is/are not in default with respect to any terms and condition as per the revised terms.

6. CUSTOMER CONNECT

- a. Policy will be made available on Bank's portal at prominent place for public viewing.
- b. A grievance redressal mechanism system to be placed for redressal of customer complaints under restructuring framework.

SECTION-B
IDENTIFICATION OF STRESS DUE TO COVID-19

The borrowers to approach 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 as under:-

I. STRESS IN ACCOUNTS (LOAN TO INDIVIDUALS FOR BUSINESS PURPOSE & SMALL BUSINESS BORROWERS) HAVING THE BALANCE OUTSTANDING UPTO RS. 10/- LAKHS AS ON 31.03.2021	
A declaration to be obtained from the borrower, that such borrower is affected due to COVID-19 and satisfied upon.	
II. STRESS DUE TO INCREASE IN EXPENSES OR REDUCTION IN FAMILY INCOME WHERE OUTSTANDING LOANS TO INDIVIDUALS FOR PERSONAL USE IS UPTO Rs. 10.00 LAKHS* AS ON 31.03.2021	
Sanctioning Authority to obtain a declaration from the borrower and satisfy the stress as under:-	
<ol style="list-style-type: none"> 1. There is a reduction in income of borrowers/ their close family member* by 15% or more (declaration basis). OR 2. The borrowers/ their close family member* has suffered medical exigency/ fatality due to COVID-19. 	
# Loans having Outstanding of above Rs. 10.00 Lakhs will not be eligible under this category.	
* Close family member, as per Bank's extant guidelines applicable for Retail Loans	
III. STRESS DUE TO REDUCTION IN INCOME OF BORROWER IRRESPECTIVE OF OUTSTANDING AMOUNT	
SALARIED INDIVIDUALS/ LOAN AGAINST FUTURE RENT RECEIVABLES (FRR)	OTHER INDIVIDUALS (SELF-EMPLOYED & BUSINESSMEN) UNDER RETAIL LENDING / LOANS TO SMALL BUSINESSES / LOANS TO INDIVIDUAL FOR BUSINESS PURPOSE
<ul style="list-style-type: none"> • Reduction in Salary/ Rent by 15% or more, (including Job loss) or unable to secure employment in case of Education Loans. <p>Income levels in last month be compared with income levels of February-2021.</p> <ul style="list-style-type: none"> • In case of 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 will also be eligible for RP. 	<ul style="list-style-type: none"> • Reduction in turnover by 15% or more (In case of other Individuals) / 10% or more (In case of Loans to Small Businesses & Loans to Individual for Business Purpose) 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 turnover of FY 2020-21 to be compared with the projections submitted for FY 2020-21. <p>Turnover should be verified based on audited financials. In case audited financials are not available, provisional financials may be accepted. In case audited or provisional financials are not available, turnover in statement of accounts may be verified with the turnover in statement of account of corresponding period of previous year as mentioned above.</p> <ul style="list-style-type: none"> • Or temporary closure of the unit. • In case the borrower is not complying with the above norms and sanctioning authority is satisfied that the borrower is facing stress due to COVID-19, sanctioning authority may compare turnover for any other periods with due justifications.

SECTION-C
RESOLUTION PLANS FOR STRESSED BORROWERS

1. PROPOSED MODALITIES FOR IMPLEMENTATION OF ABOVE RESOLUTION PLANS IS AS UNDER:-

The borrowers satisfying the stress conditions as per Section-B may opt for the resolution plans as under:-

FOR DEMAND/ TERM LOANS:-

- a. Moratorium for maximum period upto -2- years.
- b. Rescheduling (with or without moratorium) of installments including ballooning installments.

Cases where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria 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 caps 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.

Moratorium under the proposed resolution framework will be in addition to any moratorium availed by the borrower during 01.03.2020 to 31.08.2020 under COVID-19 - Regulatory Package' announced by RBI or any schematic moratorium availed as per existing respective product schemes.

FOR OVERDRAFT/ WORKING CAPITAL LIMITS:-

- a. Conversion of interest accrued or to be accrued into other credit facility repayable in installments. The rate of interest on such facility account will be fixed and will be calculated based on the applicable ROI of linked account at the time of sanction of RP.
- b. Reassessment of Working capital requirement/ drawing power (such reassessed working capital requirement will be valid upto 31.03.2022) based on:
 - o Accepting revised working capital cycle by maximum -90- days above present working capital cycle.
 - For debts from Government/ Public Sector Units, revised working capital cycle including present & extended working capital cycle can be accepted for maximum upto -270- days provided the dues are acknowledged and undisputed/ good for recovery.
 - In case of other debts, the revised working capital cycle including present & extended working capital cycle can be accepted for maximum upto 180 days.
 - o Reduction in margin by maximum 10% from existing stipulated margin subject to minimum margin of 15% of Stock and receivables.
 - o While allowing such re-assessment, financial ratios and other parameter to be governed by the policy to be issued by MSME vertical.

The above reassessment of working capital facilities may also be provided to the accounts having working capital facilities where resolution plans in terms of the Resolution Framework-1.0 is implemented without treating the same as being restructuring. .

In case of the borrower falls under category I or II of Section 'B', the maximum moratorium will be upto -6- months and extension in residual tenure will be maximum upto -12- months. If such borrower wants to avail additional moratorium, the borrower will be required to submit the documents under category III of the Section B.

No compromise/ settlement to be allowed. Further, in case of Retail Loans or loans to small businesses, such borrowers do not issue share certificates or bonds or NCD or any such security certificates, which a Bank can accept by converting the credit facilities into investments in securities. Thus, conversion of debt into securities will not be applicable in case of Retail Loans or Loans to small business.

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

Proposed resolution plan is a onetime window available to the borrowers. In case of improvement of cash flows in future, borrower always have an option to make higher repayments against implemented resolution plan.

2. VIABILITY OF RESOLUTION PLAN:

While allowing any of the above resolution to the borrowers, the sanctioning authority should assess the adequacy of the proposed resolution by analyzing the income streams. Detailed process of establishing viability of Resolution Plan will be covered in SOP.

While allowing any rescheduling which will involve reducing the installment amount, It's to be ensured that, in any case repayment period of the loan shall not cross the maximum age for which the borrower is eligible under the product specific guidelines or allowed as per original sanction (whichever is higher). However deviation upto 24 months to exceed such scheme specific maximum age or allowed in the existing facility may be allowed by Sanctioning authority subject to satisfying about sufficiency of repayment capacity during such period.

Resolution Plans, which are not viable as per above guidelines, should not be considered and accounts/ borrowers may treated as per applicable prudential framework/ extant guidelines.

SECTION-D

TREATMENT OF EXPOSURES OF ACCOUNTS PURCHASED UNDER DIRECT ASSIGNMENT TRANSACTIONS/ PARTIAL CREDIT GUARANTEE SCHEME.

Bank purchases the accounts under Retail & MSME segment from various originators in accordance with "Policy on Purchase and Sale of Assets through Direct Assignment of Cash Flows". These originators also serves as servicing agents on behalf of the Bank for servicing all such purchased underlying accounts.

Both the "Resolution Framework 1.0" and "Resolution Framework 2.0" are applicable to the loans originated by the SFBs, Banks, NBFCs, HFC).

The Bank is purchasing the loans from various originators and therefore underlying borrowers **(Individual as well as Non-Individuals)** are also eligible to take benefit under this resolution framework. Each originator may frame different policies with in the overall ambit of RBI guidelines for their customers to provide relief. As per the agreed terms with such originators, originators to seek our Bank's approval for allowing any such resolution plan to the customers assigned to the Bank.

Since these originators are at front-end and servicing the underlying assigned borrowers, it is proposed that **each originators may be allowed to approve resolution to these underlying customers assigned to the Bank in terms of the policies approved by their respective Boards, subject to;**

1. The policy approved by the Board of originators must be in accordance with the RBI guidelines and acceptable to the Bank.
2. Originators to submit detailed information of accounts covered under resolution plan with monthly payout viz.; existing repayment schedule, kind of benefit passed on (Rephasing, moratorium, FITL, etc.), existing cash flow, revised cash flow, etc.
3. Share the reports in formats applicable to the Bank at intervals for which Bank is required to make necessary disclosures.
4. Any other information required by the Bank, its auditors, authorized representative upto their satisfaction.

CGM- Retail and MSME or in his absence the Head Mortgages & Other Retail Assets (For accounts purchased under Retail Assets) / Head – MSME Lending (For accounts purchased under MSME) will be authorized to allow respective originators to implement Resolution Framework in respect to purchased underlying loan accounts under Direct Assignment/ PCGS.

SECTION-E
PRUDENTIAL TREATMENT OF THE EXPOSURES IN RESPECT OF WHICH RESOLUTION PLANS ARE IMPLEMENTED UNDER THIS FRAMEWORK

1. ASSET CLASSIFICATION

- a. If a resolution 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. Cases where borrower accounts are slipped into NPA between the date of invocation and implementation, the classification of such borrowers may be upgraded as Standard on the date of implementation.
- c. Additional finance to borrowers in respect of whom the resolution 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 resolution 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 resolution 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
- f. Any resolution plan implemented in breach of the stipulations of this policy shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 ("Prudential Framework").

2. PROVISIONING REQUIREMENTS

In respect of accounts where a resolution 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).

For the accounts, where resolution 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. 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.

In case of FITL in overdraft accounts, the residual debt will be the sanctioned amount of FITL.

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 resolution plan had been implemented, is subsequently classified as NPA.

4. POST IMPLEMENTATION PERFORMANCE

After implementation of the resolution plan in terms of this framework, the subsequent asset classification will be governed by the criteria laid out in the Master Circular by RBI on 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").

SECTION-F
DISCLOSURE REQUIREMENTS WITH RESPECT TO THE RESOLUTION PLANS
IMPLEMENTED UNDER THIS FRAMEWORK

FOR RESOLUTION FRAMEWORK 1.0

1. Bank will provide disclosure in the quarterly financial statements of 31.03.2021, 30.06.2021 & 30.09.2021 in the format prescribed in Format-A. The Bank will also make disclosures in the format prescribed in Format-B every half-year, i.e., in the financial statements as on September 30 and March 31, starting from the half-year ending September 30, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

Format – A

Format for disclosures to be made in the quarters ending March 31, 2021, June 30, 2021 and September 30, 2021

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	XXXX	XXXX	Not Applicable	XXXX	XXXX

Format-B

Format for disclosures to be made half yearly starting September 30, 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans	XXXX	XXXX	XXXX	XXXX	XXXX

FOR RESOLUTION FRAMEWORK 2.0

1. Bank will make disclosures in prescribed Format-X (detailed hereunder) in financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part A of this framework should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0 above.
2. The number of borrower accounts which was sanctioned resolution 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 September 30, 2021 and December 31, 2021

SL. NO.	DESCRIPTION	INDIVIDUAL BORROWERS		SMALL BUSINESSES
		PERSONAL LOANS	BUSINESS LOANS	
(A)	Number of requests received for invoking resolution process	XXXX	XXXX	XXXX
(B)	Number of accounts where resolution 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 resolution plan	XXXX	XXXX	XXXX

- The credit reporting in respect of the borrowers where the resolution 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.