

Summary of some of the relief measures by Reserve Bank of India (RBI) in view of COVID-19

1. Statement on Developmental and Regulatory Policies (27th March 2020)-Major Point on CRR

A. Cash Reserve Ratio (CRR)

a. As a one-time measure to help banks tide over the disruption caused by COVID-19, it has been decided to reduce the cash reserve ratio (CRR) of all banks by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020.

b. This reduction in the CRR would release primary liquidity of about Rs. 1,37,000 crore uniformly across the banking system in proportion to liabilities of constituents rather than in relation to holdings of excess SLR. This dispensation will be available for a period of one year ending on March 26, 2021.

c. Furthermore, taking cognizance of hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, it has been decided to reduce the requirement of minimum daily CRR balance maintenance from 90 % to 80 % effective from the first day of the reporting fortnight beginning March 28, 2020. This is a one-time dispensation available up to June 26, 2020.

2. COVID-19 – Regulatory Package (27th March 2020)

A. Rescheduling of Payments – Term Loans and Working Capital Facilities

- grant a moratorium of three months on payment of all instalments¹ falling due between March 1, 2020 and May 31, 2020.
- The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period.
- The accumulated accrued interest shall be recovered immediately after the completion of this period.

B. Easing of Working Capital Financing

- In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19.

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

- a. Since the moratorium/deferment/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 RBI (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.
- b. The asset classification of term loans which are granted relief 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 as well as the revised terms.
- c. 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.

3. RBI announces further measures for dealing with the COVID-19 pandemic (1st April 2020)

A. Extension of realisation period of export proceeds:

- a. Presently value of the goods or software exports made by the exporters is required to be realized fully and repatriated to the country within a period of 9 months from the date of exports.
- b. In view of the disruption caused by the COVID-19 pandemic, the time period for realization and repatriation of export proceeds for exports made up to or on July 31, 2020, has been extended to 15 months from the date of export.