

Policy on Resolution Framework 2.0 COVID 19

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1. Introduction

Pursuant to RBI Notification DOR.STR.REC.11/21.04.048/2021-22 on COVID-19 Resolution Framework 2.0 dated 5th May 2021 towards easing out the financial stress caused by resurgence COVID-19 pandemics and subsequent lockdowns causing disruptions in Business and economic activities. Current resolution is broadly in line with the Resolution Framework 1.0. Lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as standard upon implementation of the resolution plan.

2. Objective & Scope

As per the RBI directive, the policy is to provide relaxation to the Borrowers in order to mitigate the burden of debt servicing due to disruptions on account of second wave of COVID-19 pandemic.

Further, this policy implies the following:

- I. Relaxing repayment pressures and improving access to working Capital;
- II. Extension of moratorium to eligible borrowers.
- III. Extension of tenure in business loans to eligible borrowers.

3. Resolution Framework Guidelines

a. Eligible Borrower:

- The Policy will be applicable to all the existing borrowers of CNH Industrial Capital (India) Private Limited (“the Company”) who are eligible in line with RBI circular.
- Not applicable to fresh loans granted post March 31, 2021.
- Existing account of the proposed customer should be standard (≤ 90 DPD) as at March 31, 2021.
- Customer who have availed moratorium benefit under Covid Resolution Framework 1 are also eligible for Resolution Framework 2.0, subject to account being standard as on March 31, 2021.
- Customer should not have aggregate exposure > 25 Cr with all lenders as on March 31, 2021.

b. Moratorium & Tenure:

Wholesale

- The borrower has to approach the lender with application and the resolution plan.
- Extension of moratorium will be offered to the eligible borrowers.

Retail

- The borrower has to approach the lender with application and the resolution 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 permitted under Resolution Framework 1, shall be two years.

c. Time Frame:

- Decision on the proposed application for resolution to be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications.
- The last date for invocation of resolution permitted under this window is Sep 30, 2021

4. Wholesale lending:

- With reference to “**Credit policy – Wholesale lending**” as a primary guidelines , Resolution Framework 2.0 have additional norms as below.
- Extension of payment terms for maximum period of 90 days based on request and evaluation.

5. Retail Lending:

- With reference to “ **Credit Policy – Retail lending**” as a primary guidelines, Resolution Framework 2.0 have the additional norms as proposed in Annexure 1.

6. Asset Classification and Bureau Reporting

- Proposed Asset will be classified as Standard and shall be reported to Bureaus as “restructured due to COVID19” status.
- Post Restructuring any delays in restructured amount will be reported as per current Asset classification and due past date.
- Any other credit facility availed by customer parallelly or during period between March 31, 2021 and resolution plan implementation, other credit facility is to be reported as standard.
- In cases where, 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 such additional finance or performance of the rest of the credit facilities, whichever is worse.
- Earlier accounts which slipped into NPA between April 1, 2021 and date of invocation are to be reported as standard.

7. Modus Operandi

- The Board approved policy is available on CNHi Capital website for easy access.
- The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility,

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 resolution plan for this purpose.

- Borrower will approach lender with resolution plan and fresh documentation as per company guidelines.
- Customer should be informed of the decision over the resolution proposal within 30 days from the date of application of the resolution plan.
- Resolution Plan to be implemented within 90 days from date of approval .
- Changes to be done in Ambit system for retail business as per requirement of the policy.
- Changes to be done in CDFS for change in payment terms.

8. Provision/ Reserve's Norms:

- The lending institutions shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation.
- Half of the above provisions may be written back upon the borrower paying at least 20 per cent 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 per cent of the residual debt without slipping into NPA subsequently. Provided that 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 the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

9. Disclosures:

Lending institutions that are required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

10. Approval

The Policy has been approved by the Board of Directors of the Company at its meeting held on June 29, 2021.