

K.V.Kamath Panel for Resolution of Stressed Loans

August 10, 2020

The Reserve Bank of India (RBI) constituted the proposed expert committee under the chairmanship of veteran banker K.V. Kamath to make recommendations on norms for the resolution of COVID-19 related stressed loans. The committee will submit its recommendations on the financial parameters to the RBI, which in turn, will notify the same along with modifications, if any, in 30 days.

Panel for Resolution of Stressed Assets

As part of the statement on Developmental and Regulatory Policies released along with the Monetary Policy Statement, the RBI has announced a 'Resolution Framework for COVID-19-related Stress', as a **special window under the Prudential Framework on Resolution of Stressed Assets** issued on June 7, 2019.

The resolution framework envisages constitution of an expert committee by the RBI to make recommendations on the **required financial parameters to be factored in into the resolution plans, with sector-specific benchmark ranges for such parameters**. The expert committee will also undertake the process validation for the resolution plans to be implemented under this framework, without going into the commercial aspects, in respect of all accounts with an aggregate exposure of Rs 1,500 crore and above at the time of invocation. The Indian Banks' Association (IBA) will function as the secretariat to the committee and the committee will be fully empowered to consult or invite any person it deems fit.

The RBI has also decided that the debt of MSME borrowers facing stress on account of the economic fallout of the Covid pandemic can be restructured by lending institutions under the

existing framework by March 31, 2021. **MSME account which was classified as standard with the lender as on March 1, 2020 will be offered this facility.**

The RBI is working out a separate framework for personal loans. The lending institutions are encouraged to strive for early invocation in eligible cases. The resolution plan may be invoked anytime till December 31, 2020 and will have to be implemented within 180 days from the date of invocation. **Lenders will have to keep additional provisions of 10% on the post-resolution debt.** Wherever the resolution plans involve conversion of a portion of debt into equity and other debt instruments, **the debt instruments with terms similar to the loan will be counted as part of the post-resolution debt, whereas the portion converted into other non-equity instruments shall be fully written down.**