

COVID Regulatory Package 3.0 - A Snapshot!

Dear All,

The Governor of the Reserve Bank of India, held a press conference earlier today, wherein he has made further announcements to combat the effect of COVID-19 on the Indian economy. Some of the important announcements made by him are as under:

- 1) Moratorium on term loans and deferment of interest on working capital loans sanctioned in the form of cash credit / overdraft, has been further extended for a period of 3 months (i.e., up to 31st August 2020). The deferred interest on working capital facilities may be converted into a funded interest term loan, fully repayable by 31st March 2021. Further, all lending institutions have been permitted to restore the reduced margins for working capitals to their original levels by 31st March 2021.
- 2) In respect of all accounts for which lending institutions decide to grant moratorium / deferment, and which were standard as on 1st March 2020, the 90-day non-performing asset norm shall also exclude the extended moratorium / deferment period. Consequently, there would be an asset classification standstill for all such accounts during the moratorium / deferment period from 1st March 2020 to 31st August 2020. Thereafter, the normal ageing norms shall apply.
- 3) Under the Prudential Framework, lending institutions are required to hold an additional provision of 20% in case of large accounts under default if a resolution plan has not been implemented within 210 days from the date of such default. Lending institutions are now permitted to exclude the entire moratorium / deferment period from 1st March 2020 to 31st August 2020 from the calculation of 30-day review period or 180-day resolution period, if the review / resolution period had not expired as on 1st March 2020.
- 4) The maximum permissible period of pre-shipment and post-shipment of export credits has been increased from the existing 1-year period to 15 months (for credits disbursed up to 31st July 2020).
- 5) Timelines for payment against regular imports (except for gold, jewellery and other precious metals) has been increased to 12 months against the existing period of 6 months (applicable for imports made prior to 31st July 2020).
- 6) A 90-day credit facility of INR 15,000 crores to be extended to the Export-Import Bank of India, with a rollover of one year. This facility shall be utilized towards US dollar swap facility.
- 7) Foreign portfolio investors ("FPIs") investing via the voluntary retention route are currently required to invest 75% of the investment limit allotted to them within 3 months of allotment of such limit. In light of the disruptions due to COVID-19 being faced by the FPIs and custodians, the Reserve Bank of India has decided to provide FPIs with an additional period of 3 months to meet the above requirement.
- 8) Group exposure limits of banks towards capital markets has been increased from existing 25% to 30% of their eligible capital base. This increased limit shall be available to banks till 30th June 2021.

Please find the link below:

<https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR239281035C0C72F5477589233CDB3AFDE29E.PDF>

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