

GCB Restructuring Policy Resolution Framework 2 Citibank N.A. India

June 2021

1. Background

Covid-19 has resulted in severe disruption of economic activity in the country, potentially affecting customers' financial condition and the ability to repay loans. The Reserve Bank of India (RBI) vide its Circular dated 27 Mar 20 permitted the financial institutions to grant a moratorium of three months on payment of all instalments falling due between 1st Mar 2020 and 31st May 2020. RBI further extended the moratorium until 31st Aug 2020. Subsequently, RBI launched Resolution framework 1 in Aug'20. Pursuant to the guidelines rolled out by the Reserve Bank of India (RBI), vide Circular - RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21, dated 6th Aug 2020, Sub: Resolution Framework for COVID-19-related Stress (hereafter referred as the Restructuring Circular / the Circular), the erstwhile approved Board policy note was updated to include Credit cards minimum amount due post moratorium and Risk Mitigation Programs across GCB. This board note covers businesses including – Cards, PIL , RC, Mortgages and ABF (Non MSME)

Given the recent second wave since March 2021, the RBI has further rolled out a revised Resolution plan 2 circular, vide Circular RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021, with the objective of alleviating the potential stress to individual borrowers and small businesses from COVID Wave 2.

Subsequent to the May 5th resolution plan, RBI circulated an additional clarification on June 4th, Important***RBI press release on Statement on Developmental and Regulatory Policies_ dated June 04, 2021, whereby the Resolution framework is allowed to include loans going up to 50 crores from the current 25 crores.

2. Key Highlights of the Resolution Framework - 2.0

The Resolution Framework 1 launched in Aug'20 and Resolution Framework 2, launched in May'21 are largely similar in terms of the policy and processes.

The Resolution Framework 2 allows for Resolution of advances /Personal loans including Credit cards to individuals and small businesses for Loans/ credit facilities classified as Standard as on March 31, 2021. Hence, the universe of customers will expand to include non-moratorium segment as this new resolution framework allows for incremental customers who may be experiencing stress due to the COVID wave 2. Further, similar to the last resolution plan, the resolution Plan 2 requires.

- Resolution plans to exclude staff from Resolution plan offers and is allowed for loans up to ₹50 crores and exclusions as per Annex 2a to f of resolution framework 1 apply to the new framework. MSME customers to be excluded as per regulation irrespective of the value of the loan from this.
- The last date of invocation of resolution is 30 Sep '21. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window to be added.
- 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.**

Disclosures, Reporting and Provisioning Requirements

- All cases booked under the COVID 19 Resolution Program shall be considered and reported as Standard till the execution of the specific Risk Mitigation program.
- The Bank shall keep provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the total debt (residual debt), whichever is higher. The Bank shall keep these provisions from the date

of implementation. Provisioning and reversals of provisions will be undertaken in line with the RBI guidelines and based on the approach approved by the CRO.

The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented shall reflect the “restructured due to COVID-19” status¹ of the account.

Any grievance by borrowers relating to resolution under the window will be managed in line bank’s grievance redressal policy.

Key Revisions between Resolution Framework - 2.0 from Resolution Framework - 1.0

- Borrowers having availed of Resolution framework 1 cannot be offered in Resolution framework 2, except under clause 22 of the RBI guidelines. Accordingly, Customers previously given Resolution plan under Resolution framework 1, can be given an extension ensuring overall tenor does not exceed 2 years. Asset classification for these loans to apply as per resolution framework 1.
- Board policy is mandated to be published on the website
- Customer communication on final decision for an application made under this Program is required to be closed within 30 days of application.

3. Unsecured Lending Products

For Credit Cards, Personal loans, Ready Credit Citi India will continue to offer the re-structuring programs as per the original board note circulated in Sep'20 to comply with Resolution framework 1 , i.e. RIMIT, Interest reduction and interest waiver for Cards and re-writes up to 24 months for Personal Loan/Ready Credit.

For Credit Cards, for customers qualifying under Clause 22, who have undertaken either the Moratorium ranging from 1 to 5 months tenor, Min Due re-alignment or one of the re-structuring programs, they are to be supported by allowing a resolution framework/re-structuring program for the remaining tenor, putting the tenor of both extensions to 24 months. Similar to Resolution framework 1.0, Collections will explore the option to offer suitable risk mitigation program in the telephonic conversation with the customer. The details of the program would be shared during the call and all such calls would be recorded. Basis eligibility and acceptance, risk mitigation is booked and communication is triggered to the customer on email with details of the program within 7 days of the date of booking. The Collections process is being adjusted to incorporate booking customers eligible under clause 22 for remaining tenor. However, remaining process around Lite income assessment and customer's ability to pay etc. to be retained in line with Resolution framework 1.0. Customers under Min Due restructuring are deemed to have availed Resolution 1.0 and hence clause 22 will apply to them

Customers undertaking the re-structuring will be reported to the Bureau under specific Re-structuring tag 12 as per TUEF guidelines.

The Bank shall keep provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the total debt (residual debt), whichever is higher. The Bank shall keep these provisions from the date of implementation. Provisioning and reversals of provisions will be undertaken in line with the RBI guidelines and based on the approach approved by the CRO.

3.1 Cards Re-structuring Program Features

These programs (RIMIT, Interest Reduction and Interest Waiver) can be invoked by customer between 01 May until 30 September 2021.

Table 3.2.1 RIMIT EMI Program

Criteria	RIMIT EMI Program
Tenor (Maximum)	Capped to 24 months as per Resolution framework including the Resolution framework 1 and 2 programs.
Delinquent Bucket (customer level)	Standard customers (<90 dpd) as of 31st March 2021
Interest Rate	Up to 12%
Card Block	Permanent Block
Write off Logic	Delinquency will be measured based on the new loan payment amount. Loss recognition occurs at 120dpd. Non Accrual at 90 dpd.
Bureau Update	Bureau reporting for RIMIT to take place as "Re-structured due to COVID 19"(For New Cards) & Null for Old card
Minimum Installment	EMI Over balance > 2.5%. Systemic check in place for EMI to cover at least 50% of the Original (At the time of RIMIT booking) Min Due payment of the customer.
Fresh Plastic Issuance	Yes, once the customer completes the payment on the RIMIT EMI program in full, he will be re-assessed for a fresh plastic issuance based on fresh under-writing
Good Faith Payment	Yes

Table 3.2.2 Interest Reduction Program

Criteria	Interest Reduction
Tenor (Maximum)	Capped to 12 months
Delinquent Bucket (customer level)	Standard customers as of 31st March 2021
Interest Rate	Up to 24%
Card Block	Temporary Block
Write off Logic	Loss recognition occurs at 180dpd. Non Accrual at 90 dpd.
Bureau Update	"Re-structured due to COVID 19"
Payment Required	5% Minimum Due payment based on 24% APR
Good Faith Payment	Good faith payment in the form of min due will be collected at the time of enrollment

Table 3.2.3 Interest Waiver Program

Criteria	Interest Waiver
Number of months Interest Waiver	Capped at 1 month's interest for 1 month min due payment
Delinquent Bucket (customer level)	Standard customers as of 31st March 2021
Card Block	No Temporary Block applicable
Write off Logic	Loss recognition occurs at 180dpd. Non-Accrual at 90 dpd.
Bureau Update	"Re-structured due to COVID 19"
Payment Required	5% Minimum Due payment
Good Faith Payment	Good faith payment in the form of min due will be collected at the time of enrollment

4. Restructuring products proposed (Mortgage) :

In case of Mortgage, the approach for restructuring under Resolution Framework 2.0 will be the same as was followed during implementation of Resolution Framework 1.0.

Business offers a suite of Risk Mitigation programs which are designed to address customer's financial stress both in the short term and long term. These rehabilitation programs include Forbearance, Extension and Rewrite.

The short term programs from the above mentioned suite of programs will be considered for the purpose of Covid 19 Stress Resolution Framework 2.0 and will be aligned to Resolution Framework 1.0

4.1 Eligibility and Application:

The above mentioned COVID 19 resolution framework shall be applicable to potentially stressed individual borrowers and small businesses from COVID Wave 2 as eligible as per RBI guidelines on Resolution Framework 2.0.

For all Mortgage MSME borrowers, policy under the Resolution Framework 2.0 – Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises circular (RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 5th May 2021) would be applicable and would be covered under a separate policy for MSME.

Customers outside the above two categories, who approach the Bank for rehabilitation would be covered under the existing Prudential Framework.

4.2 Resolution Process:

Resolution Framework 2 allows for Resolution of advances /Personal loans including Credit cards to individuals and small businesses for Loans/ credit facilities classified as Standard as on March 31, 2021.

- Resolution plans to exclude staff from restructuring offers
- The last date of invocation of resolution is 30th September, 2021
- Is allowed for loans up to ₹50 crores and exclusions as per Annex 2a to f of resolution framework 1 apply to the new framework.
- 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.

The resolution under the framework, as suggested by RBI, shall be executed using the suite of short-term (maximum 24 months) Risk Mitigation programs approved by the Bank.

4.3 Restructuring Programs Proposed:

Mortgage Business offers a suite of Risk Mitigation programs which are designed to address customer's financial stress both in short term and long term. These rehabilitation programs include Forbearance, Extension and Rewrite.

For the purpose of compliance to the COVID 19 Stress Resolution Framework, following Short Term programs (maximum 24 months) may be offered to the stressed customers requiring restructuring:

1. **Forbearance:** Reduction of APR to reduce EMIs by maximum 50% over a period of 24 months.

Criteria	Forbearance Program
Target Customers	<ul style="list-style-type: none"> - Individual borrowers and Small Businesses who have been affected by the COVID second wave and have not availed on any restructuring program from the Bank. - Month on books (MOB) >=12 months - Time till maturity –for the loan account on which forbearance is done- should be at least 2 years - Accounts which have been rehabilitated before are NOT eligible.
Delinquency	<ul style="list-style-type: none"> - Customers need to be classified as “Standard” Assets as of 31st March, 2021.
Relief Period	<ul style="list-style-type: none"> - Maximum relief period to be 24months. No extensions/repricing allowed within this period
Tenor Extension	<ul style="list-style-type: none"> - Max allowed tenor extension is 10 years - Max end-to-end tenor permitted will be 25 / 20 years for Home loans / PPTL respectively
EMI reduction	<ul style="list-style-type: none"> - During the relief period monthly repayment to be reduced; however it must be > monthly interest being charged to ensure that the loan is amortizing during the relief period. - Min 10% / Max 50% reduction from current EMI levels.
Review and Approval Process	<ul style="list-style-type: none"> - Fresh valuation needs to be done - CIBIL Bureau report to be pulled for review by approver. - Portfolio Risk Head to approve all forbearance basis recommendation from RCM

Criteria	Forbearance Program
Pricing	<ul style="list-style-type: none"> - Interest rate to be lowered for the forbearance period. - This will require specific approval from Portfolio Risk Head (up to 2%) and Business Manager/Country Credit Director (> 2%).
Exception	<ul style="list-style-type: none"> - Any exception to above, other than regulatory prescriptions, to be approved by Country Credit Director only

2. Extension: Tenor extension of 1 month (Maximum 4 times during the tenor of loan)

Criteria	Tenor extension of 1 month
Target Customers	<ul style="list-style-type: none"> - Individual borrowers and Small Businesses who have been affected by the COVID second wave and have not availed on any restructuring program from the Bank - Loan to be minimum 12 month in existence
Delinquency	Customers need to be classified as “Standard” Assets as of 31 st March, 2021.
Extension Period	<ul style="list-style-type: none"> - Two Tenor extensions should be at least 12 months apart - Maximum Tenor extension at any point of time - 1 Month - Maximum 4 months extension during the life of the loan
EMI	Unchanged
Accounting	<ul style="list-style-type: none"> - Interest outstanding, & Principal to remain part of the balance - Any penal / bounce cheque charges accrued but not collected from customer to be waived. - Pricing will remain unchanged
Non Accrual / Write off	- Non-Accrual and Write off as per policy
Approval Authority	- Portfolio Risk Head / Country Credit Director post concurrence from Regional Risk
Documentation	- NACH/SI mandate to be replenished
Exception	- Any exception to above to be approved by Country Credit Director only

Long Term and other Programs (outside the purview of Covid-19 stress Resolution framework but falling under Prudential Framework)

3. **Rewrites:** Rewrite is a workout solution to be offered only to the customers facing difficulty in repaying the original EMI. It refers to creating a new loan from an existing open or closed-end loan (whether current or delinquent) that significantly changes the original terms and conditions, including EMI, interest rate and tenor.

Compromise settlement are not allowed and excluded from the resolution plan framework.

4.4 Proposed Process of execution:

Customers who approach the Bank for rehabilitation under the RBI Resolution Framework shall be assessed on applicability and eligibility based on the internal policies and processes of the Bank.

The Collection team along with the Credit Initiation team shall jointly appraise the financial situation of the customer and recommend the specific short term or long-term Risk Mitigation program for rehabilitation.

The invocation shall be completed within 30th September, 2021.

4.5 Reporting and provisioning requirements (Local GAAP and Bureau):

All cases booked under the COVID 19 Resolution Program (Under Extension or Forbearance) shall have a newly created product code for the purpose of tracking and reporting.

All such cases shall be considered and reported as Standard till the execution of the specific Risk Mitigation program.

Post execution of the program, the cases under COVID 19 Resolution Program shall be reported as “Restructured due to COVID-19” Accounts in the Credit Bureaus.

The Bank shall keep appropriate provisions held as per the extant IRAC norms prior to the execution of the resolution plan or 10 percent of the total debt (residual debt) whichever is higher. Provisioning and reversals of provisions will be undertaken in line with the RBI guidelines and based on the approach approved by the CRO.

The Bank shall keep these provisions from the date of implementation.

5. Restructuring products proposed (ABF)

For ABF, Citi India will continue to offer the re-structuring programs as per the original board note circulated in Sep'20 and as per the current RBI guidelines specified above

Following categories of customers will not be eligible for re-structure. The other conditions on eligibility as specified in the RBI guidelines would be met.

- MSME Customer irrespective of threshold on aggregate exposure to lending institutions collectively

The revised Standing committee for approval for restructure is as below:

The ABF business shall constitute a standing committee as below to review the application in a timely manner. Minimum of three individuals, one of which would be from Risk unit at a minimum, would be required to complete the quorum.

Standing Committee

Designation	Name
ABF Business Head	Mr. Rohit Ranjan
ABF Risk Head	Mr. Arun Jain
ABF Collection Head	Mr. Manzoor Ahmed
ABF Zonal Risk Manager	Mr. Narendra Virkar

All other details including provision norms will continue as per earlier approved note. The timeline for invocation and subsequent implementation will be in line with RBI guidelines, viz. by Sep 30, 2021 and within 90 days of invocation. Further, any application received will be reviewed and responded within 30 days

Annexure A – Resolution Framework 2.0



RBI Resolution
Framework 2.0.PDF