

**AGENDA & BACKGROUND NOTES FOR SPECIAL MEETING OF SLBC KERALA
(To discuss natural calamity relief measures)**

Date & time : 2018 August 20th, 2.30 pm
**Venue : Hotel Residency Tower, Govt Press Road,
Thiruvananthapuram ,**

Agenda 1 – Authorizing Scheduled Commercial Banks to extend relief measures to flood affected areas of Alapuzha, Kottayam & Pathanamthitta Districts (agenda placed by SLBC Convenor)

On the recommendations of Kerala State Disaster Management Authority , the Govt of Kerala have declared the Districts of Alapuzha and Kottayam in full and 5 villages of Pathanamthitta District as flood affected during the south west monsoon season of 2018. (Ref: Govt of Kerala GO(P) No 02/2018/DMD dt 2018 July 26th & GO(P) No 3/DMD dt 2018 Aug 3rd) The crop loss assessment made available from the Department of Agri have shown that the crop loss in these areas are above 33 % making it a case fit for authorizing banks to extend various relief measures permitted by the Reserve Bank of India

Relief measures that may be taken by banks in natural calamity affected areas are contained in the RBI Master Direction No FIDD.CO.FSD.BC 8/05.10.001/2017-18 dt 2017 July 03rd . As per this master direction, the basic role of Scheduled Commercial Banks including Small Finance Banks is to reschedule existing loans and sanction fresh loans as per the merging requirements of the borrowers. The master directions cover four parts

I. INSTITUTIONAL FRAMEWORK AND PROCEDURE

1. As per the RBI master directions, every bank should have in place a board approved blueprint of action for relief measures under natural calamity
2. The Divisional/Zonal Managers of banks should be vested with certain discretionary powers to adopt the lines of action decided by the SLBC/DCC Such discretionary powers need to cover areas like extension of loan period, sanction of new loan, adoption of scale finance, margin, security etc.
3. A special meeting of DCC or SLBC(where more districts are affected) is to be held to evolve a coordinated plan of action for relief measures
4. A special task force may be constituted by SLBC or DCC and relief measures be periodically reviewed, for areas where the calamity is severe.
5. The Sovereign has to declare the natural calamity as per the procedure in vogue in each state.
6. The Government also has to estimate the crop loss. The relief measures by banks can extended only if the crop loss is 33 % or more.
7. The general procedure for crop loss assessment is the CCE (Crop Cutting Experiments). However in extreme cases like wide spread floods, the administration may also adopt visual assessments. The Concerned Government Functionary or District Collector should explain the circumstances for resorting to such visual assessment in the SLBC or DCC as the case may be.
8. In both cases the SLBC/DCC as the case may be, has to satisfy itself fully that the crop loss has been 33 % or more before acting on these pronouncements.

II RESTRUCTURING OF EXISTING LOANS

A. Short term Agriculture production loans

1. All short term agriculture production credit except those which are overdue at the time of occurrence of the natural calamity may be converted into term loans (Both the Principal and the interest due in the year of occurrence of the calamity).
2. The repayment period of the restructured loan may vary on the severity of calamity, loss of economic assets and distress levels. If crop loss is between 33 % 50 % the maximum repayment period may be extended to 2 years (including moratorium of 1 year). If crop loss is 50 % or more , the maximum repayment period may be extended to 5 years (including moratorium period of 1 year)
3. In all restructured loan accounts moratorium period of at least one year should be considered. Banks should not insist on additional collateral security for such restructured loans

B. Long Term(Investment) Credit to Agriculture

1. Where Productive assets are not damaged , but the current year's crops are damaged, the term loan period may be extended by one year and the installment and interest for the year of calamity may be rescheduled
2. Where the productive assets are also damaged along with the current year's crop and the borrower is in need of fresh loan, the rescheduling period may be determined on the overall repaying capacity of borrower vis-à-vis his total liability (including fresh loan). Generally the total restructuring /fresh loan duration shall not exceed 5 years.

C. Other Loans

1. SLBC/DCC may decide on the general rescheduling of all other loans (such as loans granted for allied activities, trade, MSME enterprises), depending on the severity of the calamity.
2. In such cases the repayment of all the above loans may be postponed by the specific period.
3. But regarding fresh loans, appropriate decision may be taken by individual banks on case to case basis after assessing the requirement, and repayment capacity of individual borrowers.
4. For extending credit to any enterprise for its rehabilitation the primary consideration shall be the viability of the unit after rehabilitation

D. Asset Classification

1. The restructured portion of short term/term loan may be treated as standard asset and its future classification shall be governed by the revised terms and conditions
2. Nevertheless , higher provision at the rates as prescribed by RBI from time to time is to be made
3. The remaining dues which do not form part of the restructured portion will continue to be governed by the original terms and conditions
4. Additional finance if any shall be treated as standard asset and its future classification shall be governed by the terms and conditions of its sanction
5. Consequently the dues from the borrower may get classified under different asset categories

6. This benefit of asset classification of restructured account will be as on date of calamity and it will be available only if the restructuring is completed within 3 months from date of natural calamity
7. If the SLBC/DCC feels that an extension in this period is required, it has to take up with RBI for merit based consideration
8. An account getting restructured for second or more time due to recurrence of natural calamity shall retain the same asset classification on restructuring. However the other restructuring norms shall apply

E Utilization of Insurance Proceeds claims

1. While banks' measures to reschedule loans are intended to provide relief to the borrowers, the insurance proceeds should ideally compensate their losses.
2. While restructuring the loans, banks should also take into account the insurance proceeds if any receivable and they should be adjusted to the restructured accounts.
3. In insured cases where there is reasonable certainty of receiving the claim, bank should consider restructuring and granting of fresh loan, without waiting for the receipt of claim

III PROVIDING FRESH CREDIT

1. Once SLBC/DCC takes decision to restructure loans, Bank shall grant fresh Crop Loan to the affected farmer based on scale of finance and cultivation area as per extant guidelines
2. Need based term loan under agriculture and allied activities(poultry fishery, animal husbandry etc) may also be granted for purposes like repair of economic assets and or acquisition of new assets, based on the assessment by the bank
3. Affected rural artisans and other small and micro entrepreneurs may also be granted need based fresh credit, based on the assessment by the bank
4. Banks shall also grant consumption loan upto Rs.10000 to existing borrowers without collateral. The bank at its discretion can give higher limits also.
5. Fresh credit should not be denied for want of personal guarantees or for want of additional fresh security where the existing security was eroded or destroyed in calamity. Fresh loan shall be granted even if the values of security(existing plus the asset to be acquired in fresh loan) is less than the loan amount
6. Where the crop loan was granted against personal security/hypothecation of crop and borrower is not able to offer charge/mortgage of land, he should not be denied the conversion facility. If the borrower has already taken another term loan on the charge or mortgage of his land, bank may take second charge of this security for the converted loan.
7. Where farmer has lost the title of his property in the calamity, a certificate issued by the Revenue Authority may be accepted in the absence of original title record
8. Margin may be waived or the compensation from Govt, if any, may be taken as margin
9. The rates of interests will be in accordance with the directives of RBI
10. In respect of current dues in default no penal interest will be charged
11. Banks also suitably defer the compounding of interest charges
12. Banks may not levy penal interest and consider waiving penal interest already charged in the converted/rescheduled loan
13. Depending on the nature and severity of natural calamity, SLBC/DCC shall take a view on the interest concessions that could be extended to the affected borrowers so that there is uniformity in approach among banks in providing relief

IV OTHER ANCILLIARY MEASURES

A. Relaxed KYC Norms

1. Needy persons who have lost ID proof may be permitted to open BSBDA accounts with simplified KYC

B. Providing access to banking service

1. Where heeded the bank may operate from temporary premises up to 30 days under intimation to RBI regional office.(beyond 30 days specific approval is required)
2. Banks may provide satellite offices , extension counters, mobile banking services etc where needed, under intimation to RBI
3. Restoring ATM services need to be given priority
4. Banks at their discretion may also take other distress alleviation measures like waiver of ATM charges, increasing ATM withdrawal limit ,waiving early withdrawal fees on time deposits , conversion of credit card dues , waiving of late fee for card dues and loan installments , waiver of other charges on farm loans etc

Recommendations of SLBC Convenor

- a) *The forum may authorize the Scheduled Commercial Banks operating in the areas notified in the cited Govt pronouncements to extend the mandated relief measures outlined in the RBI master direction quoted in the agenda*
- b) *The restructuring process may be completed within 3 months from the date of Government pronouncement of Natural calamity*
- c) *As these areas faced a second flood in succession , there could be no dispute that the crop loss is more than 50 %*
- d) *The rates of interest on fresh loans shall be fixed by each bank as per its board approved policy in accordance with RBI directives*
- e) *However the banks may uniformly extend the following concessions in interest*
 - *Penal interest shall not be charged on current dues*
 - *Penal interest in the restructured loan shall be waived*
 - *Compounding of interest on fresh as well as restructured loans shall be deferred for one year*
 - *Where ever eligible , the fresh loan shall be granted under DIR scheme*
- f) *A summary of the relief measures recommended in credit portfolio is given in appendix I*
- g) *The discretionary measures may be extended at the discretion of each bank*
- h) *As an additional measure of goodwill ,we may consider the keeping in abeyance of all recovery measure for 3 months in all loans*
- i) *As part of this goodwill easure, we may request RBI for a special relaxation in Asset Classification of standard assets for 3 months for the state as a whole)*

Agenda 2 – Authorizing Regional Rural Bank and Co operative Banks to extend relief measures to flood affected areas of Alapuzha, Kottayam & Pathanamthitta Districts

(agenda by SLBC Convenor)

- Relief measures that may be taken by RRBs and Co operative in natural calamity affected areas are contained in the directions given by NABARD in its Circular no 72/DOR/18/2018 dt 2018 April 18th
- These guidelines are in similar lines to those explained in agenda 1

Recommendations of SLBC Convenor

- *The forum may authorize the RRB and Co operative banks operating in the notified in the cited Govt pronouncements to extend the relief measures outlined in the NABARD master direction quoted in the agenda*
- *The discretionary measures and interest concessions may be extended at the discretion of each bank*

Agenda 3 – Forming a state level task force to examine and act upon any fresh natural calamity notification during this year’s SW Monsoon (2018-19) (agenda by SLBC Convenor)

1. Subsequent to the flood calamity notifications cited in agenda 1 , heavy to very heavy rainfall was received in other parts of the state as well .So there is a likely hood of the State Govt declaring more districts as flood affected during this years’ SW Monsoon season
2. Therefore it is suggested that a state level task force comprising of RBI, SLBC Convenor , Revenue Department and NABARD may be constituted in the state. Instead of requiring an SLBC meeting , this committee shall examine the flood /natural calamity notifications if any released during this year’s rainy season(SW & NE monsoons) and make appropriate decisions regarding relief measures to be taken by banks
3. Such decisions shall take immediate effect and shall be placed in the next regular meeting of SLBC for ratification

Agenda 4 – Debt Relief Scheme for the debts of fishermen who lost lives in Oakhi Cyclone (agenda by Revenue Department)

- More than 174 Keralite fishermen lost their lives in the very severe cyclonic storm Oakhi that hit the Arabian sea in Nov,2017
- It is estimated that at least 50 of them had loans from various banks in the state .
- Govt of Kerala proposes to assist the bereaved families to close these loans by paying the outstanding principal portion if the lending banks are willing to waive the entire interest and other charges in the account .
- SLBC may draft a scheme and submit to the Government for consideration

Agenda 5 – Campaign to increase the Crop Insurance Cover in Kerala (2018-19) (agenda by SLBC Convenor)

- Crop insurance becomes relevant in a natural calamity of this scale
- While banks’ measures to reschedule loans are intended to provide relief to the borrowers, it is the insurance proceeds that should ideally compensate their losses
- The crop insurance coverage in Kerala is very poor (in the PMFBY , RWBIS as well as Agri Department Insurance scheme)
- Every year the farmers of Kerala invest not less than Rs.48000 cr in Crop production & other short term agricultural operations
- But crop Insurance cover is available for Rs 226 Cr only
- Ultimate goal of the policy makers is to cover all eligible farmers . This can be achieved only in a phased manner
- Therefore SLBC proposes to launch a mission mode campaign to bring 1 lakh farmers under crop insurance umbrella within this financial year (2018-19)

- This mission will focus on the 1,17,007 Paddy farmers availing the benefit of MSP procurement programme .

District	No of Regd Farmers	Regd Area (Acres)
Pathanamthitta	2677	7094
Alapuzha	29261	64488
Kottayam	12613	28300
Thrissur	34183	47898
Palakkad	38273	68323
Total	117007	216103

The suggested action plan is as under

- We propose to start this campaign in the Rabi cropping season
- The campaign participants will be the SLBC, Banks , Department of Agriculture, Agri Insurance Company, Department of Co operation, NABARD & Supplyco
- SLBC shall mobilise participation of all commercial banks & monitor the implementation
- Banks shall see that all loanee farmers are covered
- Dept of Agri shall mobilise Krishi bhavans & bring in Farmers clubs & Padasekhara Samithis. Krishi bhavans shall assist non loanee farmers for enrolment
- Govt shall sent letters by post to all registered paddy farmers in Malayalam SLBC shall assist the dept to generate notices in Malayalam , thorough mail merge. Cost of letters may be shared by Dept, Banks & AIC
- AIC shall conduct intensive camps in all these districts for banks, Krishi Officers and Banks
- The Dept of Co operation and NABARD shall mobilise the Dist Co op Banks
- Supplyco shall include facility for crop insurance marking in their online farmer registration

Additional Agenda based on the suggestions received in the bankers meeting dt 2018 Aug 17th

Additional Agenda 1 - Certification Regarding damaged title deeds

- Many bank branches were flooded . Many title deeds held in custody by banks may have been damaged or carried away by floods
- For a common citizen , who have lost title deeds in floods, Revenue Dept proposes to issue title certificates in lieu of deeds
- We request State Govt to provide a similar facility to banks also
- Bank manager to apply to Govt with declaration that original title deed was in bank's custody & damaged/lost in natural calamity
- Revenue dept may issue a title certificate which, together with the declaration of bank manager, be treated as good as the original deed for all purposes

Additional agenda 2- Extension of Repayment due date for Crop loans

- Crop loan additional interest subvention for prompt repayment will be forfeited if repayment is not done within one year

- Many customers missed these dates due to reasons beyond their control
- Just as permitted by RBI during demonetization, the Central Govt may extend the due dates by one year and also provide the subvention for the restructured loans as well
- Similar requirement is there for other subvention schemes also (NRLM , NULM etc)

Additional Agenda 3. Restructured accounts be given favored treatment in the event of any debt relief/repayment support scheme

- The past Govt Debt relief schemes or Banks' own OTS schemes gave favored treatment to NPA accounts
- Many restructured accounts which genuinely deserved to be NPAs missed the opportunity for fair settlement because they were Standard in the books
- If the Govt or Banks were to devise any settlement schemes in future , the accounts restructured in natural calamities may be given favored treatment irrespective of their status

Additional agenda 4 – Expediting Insurance claims

The insurance companies may be requested to expedite the insurance claim settlement process to avoid delay in providing assistance

Additional Agenda 5 Waiver of stamp duty for additional loans (by Syndicate Bank)

The State Govt may waive the stamp duty for the agreements and other documentation of fresh loans granted as part of flood relief

Additional Agenda 6 – Waiving provision norms for restructured accounts and fresh loans

- As per the RBI master directions, The restructured portion of short term/term loan shall be treated as standard asset. But it will attract higher provision
- RBI may be requested to waive the requirement of higher provisions.

Additional Agenda 7 –Receiving credit in BSBDA accounts (suggested by LDM Wayanad) –

- Many affected persons are going to receive financial assistance from the Govt through DBT credit to their bank accounts
- In some banks where the account is BSBDA , the DBT remittances beyond Rs.50000 will be returned automatically by the system
- Such banks should either enable these accounts to receive such DBT payments , or allow the beneficiary to open normal accounts with zero balance without collecting penalties

**Appendix I Summary of relief measures under Credit Portfolio
recommended for natural calamity affected victims in Kerala**

A. Short term crop production loans

1. Conversion to term loan if the account is not overdue as on date of declaration (2018 July 26th for Alapuzha & Kottayam, 2018 August 03rd for 5 villages in Thiruvalla taluk)
2. One year moratorium from the above date
3. Revised repayment period : 5 years from the above date (5 years including moratorium period)
4. No additional security to be asked for this conversion
5. Fresh Crop Loan based on scale of finance & cultivation area as per extant guidelines
6. No additional security or guarantee to be insisted
7. Rate of Interest and margin shall be as per individual bank's policies
8. No Penal interest on current dues and waiver of penal interest in restructured loan
9. No Compounding of interest during moratorium period (1 year)
10. No compounding of interest on the fresh loan for one year
11. The restructured portion of loan shall be treated as Standard asset
12. The fresh loan also shall be standard asset
13. Insurance claim if any should be adjusted to the rescheduled loan

B. Long Term(Investment) Credit to Agriculture

3. Where only crop is damaged , but no productive asset damaged
 - Moratorium for one year .
 - Extending repayment period by one year & rescheduling installments current dues accordingly
 - Installments defaulted willfully in previous years not eligible for rescheduling
4. Where both crop and productive assets are damaged
 - Moratorium for one year
 - Term loan to be rescheduled
 - Fresh crop loan as per item (A) above
 - Need based term loan repair /acquisition of the damaged productive asset
 - Rescheduling period based on overall repaying capacity of borrower vis-à-vis his total liability (including fresh loan). (Maximum extension by 5 years)
 - Installments defaulted willfully in previous years not eligible for rescheduling
14. No additional security or guarantee to be insisted for fresh loan/rescheduling
15. Rate of Interest and margin shall be as per individual bank's policies
16. No Penal interest on current dues and waiver of penal interest in restructured loan
17. No Compounding of interest during moratorium period (1 year)
18. No compounding of interest on the fresh loan for one year
19. The restructured portion of loan shall be treated as Standard asset
20. The fresh loan also shall be standard asset
21. Insurance claim if any should be adjusted to the rescheduled loan

C. Credit to agri allied activities dairy/fishery/poultry & other animal husbandry

(Both Term loan & Working Capital short term loan)

1. Where there is no damage to livestock or other productive assets

- Moratorium for one year.
- Extension of repayment period by one year and rescheduling installments/current

dues accordingly

- Installments defaulted willfully in previous years not eligible for rescheduling
- Need based working capital loan may be granted as per banks assessment

2. Where live stock & other productive assets are damaged

- Moratorium for one year
 - Loan to be rescheduled
 - Need based term loan & working capital limit for repair /acquisition of the damaged productive asset and running cost may be granted based on the viability of the rehabilitated farms per bank's assessment
 - Rescheduling for a period based on overall repaying capacity of borrower vis-à-vis his total liability (including fresh loan). (Maximum extension by 5 years)
 - Installments defaulted willfully in previous years not eligible for rescheduling
22. No additional security or guarantee to be insisted for fresh loan/rescheduling
23. Rate of Interest and margin shall be as per individual bank's policies
24. No Penal interest on current dues and waiver of penal interest in restructured loan
25. No Compounding of interest during moratorium period (1 year)
26. No compounding of interest on the fresh loan for one year
27. The restructured portion of loan shall be treated as Standard asset
28. The fresh loan also shall be standard asset
29. Insurance claim if any should be adjusted to the rescheduled loan

D. MSME (Including trade)

1. Restructuring of existing loans

- One year moratorium for all loans to Micro Small & Medium enterprises (Considering the gravity of the flood , Medium enterprises are covered)
- Extension of repayment period by one year and rescheduling installments & current dues accordingly
- Installments defaulted willfully in previous years not eligible for rescheduling

2. Fresh loans

- Need based fresh loans may be extended based on the case to case assessment of requirement, and repayment capacity of individual borrowers, by individual banks
 - The primary consideration for extending credit for rehabilitation shall be the viability of the unit after rehabilitation
3. Security, Rate of Interest and margin shall be as per individual bank's policies
4. No Penal interest on current dues and waiver of penal interest in restructured loan
5. No Compounding of interest during moratorium period (1 year)
6. No compounding of interest on the fresh loan for one year
7. The restructured portion of loan shall be treated as Standard asset
8. The fresh loan also shall be standard asset
9. Insurance claim if any should be adjusted to the rescheduled loan

F. HOUSING LOANS

1. Restructuring of existing loans

- Need based moratorium of one year & rescheduling installments accordingly
- Installments defaulted willfully in previous years not eligible for rescheduling

2. Fresh Loans

- Top up loan for repair/renovation/refurnishing up to 25% of the sanctioned limit
- Repayment period 5 years after moratorium

- Rate of interest as applicable to housing loan
 - Margin may be waived
 - Continuing security taken for housing loan
 - One year moratorium for the fresh loan
3. No Penal interest on current dues and waiver of penal interest in restructured loan
 4. No Compounding of interest during moratorium period (1 year)
 5. No compounding of interest on the fresh loan for one year
 - 6.. The restructured portion of loan shall be treated as Standard asset
 7. The fresh loan also shall be standard asset
 8. Insurance claim if any should be adjusted to the rescheduled loan

G. OTHER LOANS

1. Restructuring of existing loans

- One year moratorium for other loans of the calamity affected borrowers
- Extending repayment period by one year & rescheduling installments accordingly
- Installments defaulted willfully in previous years not eligible for rescheduling

2. Fresh loans

- Need based fresh loans may be extended based on the case to case assessment of requirement, and repayment capacity of individual borrowers, by individual banks
3. Security, Rate of Interest and margin shall be as per individual bank's policies
 4. No Penal interest on current dues and waiver of penal interest in restructured loan
 5. No Compounding of interest during moratorium period (1 year)
 6. No compounding of interest on the fresh loan for one year
 7. The restructured portion of loan shall be treated as Standard asset
 8. The fresh loan also shall be standard asset
 9. Insurance claim if any should be adjusted to the rescheduled loan

H. FRESH CONSUMPTION LOANS

1. Fresh consumption loans up to Rs.10,000/- may be granted on need basis
2. Repayable in 30months
3. Security and Margin may be waived
4. Interest rate at individual bank's rates
5. As alternative to consumption loan , instant OD limit in PMJDY accounts up to Rs.10000 may be considered

I. General Terms

1. No Penal interest on current dues and waiver of penal interest in restructured loan
2. No Compounding of interest during moratorium period (1 year)
3. No compounding of interest on the fresh loan for one year
4. The restructured portion of loan shall be treated as Standard asset
5. The fresh loan also shall be standard asset
6. Insurance claim if any should be adjusted to the rescheduled loan
7. In the case of term loans Installments defaulted willfully in previous years not eligible for rescheduling
8. In the case of short terms loans only current dues are eligible for rescheduling
9. Wherever eligible fresh loans may be granted under DIR scheme