

Standard Operating Procedure (SOP) for FSPs to implement the COVID-19 Monetary Measures

A. DEFERMENT OF LOANS

✓ ***Deferment period***

- The deferment period shall be for three months (April, May & June 2020).

✓ ***Applicability***

All financial service providers (FSPs) which includes:

- Financial Institutions (Banks, Insurance Companies & NPPF)
- CSI Bank
- Microfinance Institutions

✓ ***Eligibility***

All loans (both performing and non-performing) except Loans to Financial Institutions (FIs), Loans to Government & Staff loans shall be eligible for deferment. Further, the loans sanctioned after 10th April, 2020 will not be eligible for this relief measure.

✓ ***Loan Classification***

- The classification of the loan after the deferment period shall be based on the status of the loan as of 31st March, 2020.

✓ ***Repayment of Principal Accrued during the deferment period***

- FSPs shall work out a suitable plan for the repayment of principal amount accrued during the deferment period. This may include extension of loan tenure by the deferred period or higher subsequent instalments.

A1. TREATMENT OF PERFORMING LOANS DURING DEFERMENT PERIOD

✓ ***Interest during deferment period***

- The waiver of interest payments for loans shall be provided for a period of three months (April to June 2020) to **only performing loans** as of 29 February 2020 (except Loans to Government, Loans to Financial Institutions and Staff Incentive Loans).
- The interest accrued (at the existing rate) on the outstanding balance as of 10th April, 2020 during the deferment period shall be waived off.
- The cost of the interest waiver shall be shared equally between the government and the financial service providers (FSPs). 50 percent of interest shall be provided as compensation from the Government and the remaining 50 percent shall be waived off by the FSPs.

- If the clients want to continue paying the EMI during the deferment period, the EMI shall be adjusted to the remaining principal outstanding.
- The interest waiver shall be based on the loan outstanding or amount disbursed (for term loan/overdraft/working capital/bullet loans) as of 10th April 2020.
- No penal interest/late fee shall be charged during the deferment period.

A2. TREATMENT OF NON-PERFORMING LOANS DURING THE DEFERMENT PERIOD

- All non-performing loans shall be deferred for three months.
- Interest shall continue to accrue during the deferment period.
- No late fee/penal interest shall be charged during the deferment period.
- The classification of the loan after the deferment period shall be based on the status of the loan as of 31 March, 2020.
- FSPs shall work out a suitable plan for the repayment of loans after the deferment period. This may include extension of loan tenure by the deferred period or higher subsequent instalments.

B. LOANS UNDER GESTATION PERIOD

Financial institutions shall provide additional gestation period of three months, in addition to the maximum gestation period specified in the Prudential Regulations 2017.

✓ *Applicability*

All financial service providers (FSPs) which includes:

- Financial Institutions (Banks, Insurance Companies & NPPF)
- CSI Bank
- Microfinance Institutions

✓ *Eligibility*

- Loans under gestation as of 10 April 2020.

✓ *Interest during gestation period*

- The interest accrued (at the existing rate) during the deferred gestation period of three months shall be waived off.
- The waiver of interest accrued on loans under gestation shall be provided for three months (April to June 2020), which shall be based on the loan outstanding as of 10th April 2020.

- In line with the Press Release from the PMO, the cost of the interest waiver shall be shared equally between the government and the financial service providers (FSPs). 50 percent of interest shall be provided as compensation from the Government and the remaining 50 percent shall be waived off by the FSPs.

C. TERM BASED SOFT WORKING CAPITAL FACILITY (TSWCF) FOR TOURISM-RELATED BUSINESS

i. Definition:

Working capital is a short-term financing (from April to June 2020) for a tourism related company/business (hotels and restaurants, tour operators, travel agents and airlines) at concessional interest rate of 5% to meet operational expenses, in particular, to assist with payroll expenses to help retain employees.

ii. Features:

✓ *Tenure:*

The total tenure of the loan shall be up to four years including the gestation period of three months.

✓ *Interest rate:*

- For all eligible borrowers – 5% p.a.
- For inter-institutions (to enable final lending to borrowers) – 4% p.a.

✓ *Amount:*

✓ The loan shall be sanctioned by the FIs based on the credibility and their business relations with the borrower after carrying out the proper assessment and due diligence of the proposal.

✓ *Security/Collateral:*

LTV-100% of collateral value

✓ *Other requirements:*

Clients have to submit proposal based largely on salary bill, rent and utilities with a signed commitment that the facility will be used to meet operational costs including financing of payroll.

The TSWCF shall be provided only to clients with loan accounts that were performing as of 29 February 2020.

D. LOANS TO COTTAGE & SMALL INDUSTRIES

- ✓ The National CSI Development Bank shall give following loans for 3 months (April to June) to help the Cottage and Small Industries:
 - i. Microloans i.e. loans up to Nu.500,000 at an interest rate of 2% per annum to promote RNR/agriculture and rural activities.
 - ii. Working Capital loan to CSIs at an interest rate of 4% per annum.

- ✓ Only clients with good credit standing (performing) as of 29 February 2020 in the Credit Report issued by CIB shall be eligible for the facility.

- ✓ The loan shall be sanctioned by the National CSI Development Bank after carrying out proper assessment and due diligence of the proposal.

Except for provided thereto, any part or whole of the loan found diverted to or used for any purposes other than intended shall be liable for to pay interest at the commercial rate as determined. Notwithstanding, the person shall also be liable for criminal charges.

✓ ***Tenure:***

The gestation period for these loans shall be provided for three months. The CSI bank shall determine the tenure of the loan after the gestation period.

✓ ***Security/Collateral:***

LTV of 100% of collateral value.
