

## **ROYAL MONETARY AUTHORITY OF BHUTAN**



### **Monetary Measures in response to COVID-19**

*14<sup>th</sup> April, 2020*

While the COVID-19 pandemic has affected the tourism industry the hardest, other sectors are also beginning to feel pressures that will only heighten if the pandemic continues over a protracted period of time. One of the immediate economic impacts of COVID-19 is the disruption of business operations resulting in loss of income and employment. The decrease, or even complete loss of earnings, pose difficulties in debt repayment and place added pressures on the financial health of the sectors and the economy as a whole. Therefore, monetary measures are aimed at providing short-term monetary relief to sectors facing such financial distress in addition to assisting businesses and local production, including RNR activities, to continue.

Interventions are guided by His Majesty's wisdom to ensure that relief measures are adequate and inclusive. The pandemic also provides a unique opportunity for the financial sector to work together in the spirit of solidarity that is increasingly defining Bhutan through the way in which Bhutanese from all walks of life have come forward to support the Government's response towards the pandemic and share the burden.

As central bank, the RMA will ensure that the financial sector remains stable and resilient. However, extraordinary times call for extraordinary measures, and the financial sector is in a strong position today to provide some bold interventions that could potentially swing the trajectory of our economy in the coming months. It is against this backdrop and the willingness of our financial service providers (FSPs)<sup>1</sup> themselves to fully support the Royal Government's National Response to COVID-19, the RMA hereby issues the following monetary relief measures based on the Press Release from the Prime Minister's Office dated April 11, 2020 and with reference to Section 203(e) of the Financial Services Act, 2011:

---

<sup>1</sup> Financial Service Providers include Financial Institutions (Banks, Insurance Companies & NPPF), CSI Bank and Microfinance Institutions.

**A. DEFERMENT OF LOAN REPAYMENT**

- i. Deferment of loan repayment refers to provision of moratorium for the repayment of loan installments (both Principal and Interest).
- ii. The deferment of loan repayment loans shall be provided for a period of three months (April to June 2020) to performing as well as non-performing loans (except Loans to Government, Loans to Financial Institutions and Staff Incentive Loans).

**INTEREST WAIVER**

- iii. The waiver of interest payments shall however apply to only performing loans as of 29 February 2020.
- iv. The cost of the interest waiver will be shared equally between the Government and the FSPs. 50% of the interest shall be provided as compensation from the Government and the remaining 50% shall be waived off by the FSPs.
- v. The interest waiver shall be based on the loan outstanding (for term loan overdrafts/working capital/bullet loans) as of 10<sup>th</sup> April 2020.
- vi. No penal interest/late fee shall be charged during the deferment period.

**B. EXTENSION OF GESTATION PERIOD FOR PROJECTS UNDER CONSTRUCTION**

- i. Financial service providers shall provide additional gestation period of three months (in addition to the maximum gestation period specified in the Prudential Regulations 2017).
- ii. 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 10<sup>th</sup> April 2020.
- iii. The cost of the interest waiver will be shared equally between the Government and the FSPs. 50% of the interest shall be provided as compensation from the Government and the remaining 50% 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 AND SMALL INDUSTRIES**

The National CSI Development Bank shall provide the following loans for 3 months (from April to June 2020) 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 National CSI Development bank shall carry out proper assessment and due diligence of the proposal.

#### **Effective Date**

The Monetary Relief Measures will be effective from 14<sup>th</sup> April, 2020.

-----xxx-----