M2K Alert

Relief measures in India due to COVID-19

1. Background

On 24 March 2020, the Honourable Minister of Finance ("FM") of the Union Government Smt. Nirmala Sitharaman had on 24 March 2020, announced relaxation of several statutory and regulatory compliance deadlines in view of the lockdown in the country on account of COVID-19 outbreak. To give effect to the announcements, the Government has also promulgated the "The Taxation and Other Laws (Relaxation of Certain provisions) Ordinance, 2020 (hereinafter referred to as "the Ordinance") on 31 March 2020 followed by a Press note on the Ordinance. Some of such measures were pertaining to Income Tax, GST, Customs & Central Excise, Corporate Affairs, Insolvency & Bankruptcy Code ('IBC') etc. which have been briefed below in **Part A – Compliance Relief.**

The FM in another Press conference held on 26 March 2020 announced the economic relief-package - **The Pradhan Mantri Garib Kalyan Scheme** amounting to approximately **Rs. 1.7 lakh crores** aimed at shielding the poor, workers and those who need immediate help during the lockdown necessitated by the COVID-19 pandemic. A brief of the same has been given below in **Part B – Economic Relief to Poor and Marginalised.**

The Reserve Bank of India also joined the COVID-19 Economy Rescue Team on 27th March 2020 by bringing various developmental and regulatory policies that directly address the stress in financial conditions caused by COVID-19. These have been dealt with in **Part C – Relief measures from RBI.**

2. Details of the aforesaid measures

Part A – Compliance Relief

The key compliance measures introduced by the Government under various laws are as follows:

2.1 Income Tax

Particulars	Earlier compliance requirement/ due date	Revised compliance requirement/ due date
1) Due date for filing Income tax returns for FY 18-19 (both belated and revised returns)	31st March 2020	30th June 2020
2) Due date for linking Aadhaar with PAN	31st March 2020	30th June 2020
3) No additional 10% amount under Vivad se Vishwas scheme	If payment made by 31st March 2020	If payment made by 30th June 2020
4) Due dates for issue of notice, intimation, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents and time limit for completion of proceedings by the authority and any compliance by the taxpayer under Wealth Tax Act, Prohibition of Benami Property Transaction Act, Black Money Act, STT law, CTT Law, Equalization Levy	Respective due dates	30th June 2020

Particulars		Earlier compliance requirement/ due date	Revised compliance requirement/ due date
	law, Vivad Se Vishwas law **where the time limit is expiring between 20th March 2020 to 29th June 2020**		
5)	a) Investment in saving instruments (say for Section 80C purposes) or other payments for claiming deduction (say 80D- Mediclaim Insurance or 80G - Donations). b) Investments/construction/purchase for claiming roll over benefit/deduction in respect of capital gains under Section 54 to 54GB of Income Tax Act. c) Date for commencement of operation for SEZ units to claim exemption u/s 10AA of the Income Tax Act where necessary approval was received by 31 March 2020	31 March 2020	30 June 2020
6)	Delayed payments of advance tax, self-assessment tax, regular tax, TDS, TCS, equalization levy, STT, CTT **made between 20th March 2020 and 30th June 2020.**	Interest rate at 12%/ 18% per annum	Interest rate at 9% (No late fee/ penalty shall be charged for delay relating to this period)
Contribution to PM CARES FUND Donations made to Prime Minister's Citizen Assistance and Relief in Emergency situations Fund (PM CARES Fund) is eligible for 100% deduction under Section 80G of the Income-tax Act, 1961 ('the Act').			

2.2 GST/ Indirect Tax

Particulars		Earlier compliance requirement/ due date	Revised compliance requirement/ due date
GSTR-3B for months of February, March and April 2020 (falling due in March, April and May 2020 respectively)	Those having aggregate annual turnover > 1.5 crores and < Rs. 5 Crore	Staggered basis between depending on the state of registration – Either 22nd or 24th of next month	Last week of June 2020 on a staggered basis to be notified separately (No interest, late fee, and penalty to be charged)
	Those having aggregate annual turnover > Rs. 5 Crore	On or before 20th of the next month (Interest for late filing @ 18 % per annum)	- No interest for first 15 days of delay - 9 % interest per annum from 15 days till the date of filing, if return filed before last week of June 2020. - No late fee and penalty, if return filed before last week of June 2020
Date for opting for composition scheme		Prior to the commencement of FY 2020-21, i.e. by 31st March, 2020	Last week of June 2020
Last date for making payments by the composition dealers for the quarter ending 31st March 2020		18th April, 2020	
Filing of return for 2019-20 by the composition dealers		30th April, 2020	

Particulars	Earlier compliance requirement/ due date	Revised compliance requirement/ due date
Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, or any compliance under the **GST laws** - where the time limit is expiring between 20th March 2020 to 29th June 2020	Respective due dates	30th June 2020
Payment date under Sabka Vishwas Scheme	31st March 2020	30th June 2020 (No interest for this period shall be charged if paid by 30th June 2020)
Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing applications, reports, any other documents etc., or for any compliance under the **Customs Act and other allied Laws** where the time limit is expiring between 20th March 2020 to 29th June 2020	Respective due dates	30th June 2020
Custom clearance	-	24X7 till end of 30th June, 2020

Additionally an enabling Section has been inserted in the CGST Act empowering the Government to extend due dates for various compliances inter-alia including statement of outward supplies , filing refund claims/appeals etc , specified, prescribed or notified under the Act on recommendations of the GST Council on account of force majeure event.

2.3 Corporate Affairs

Particulars	Earlier compliance requirement	Revised compliance requirement
No Late filing during a moratorium period from 1st April to 30th September 2020, in respect of any document, return, statement etc., required to be filed in the MCA-21 Registry, irrespective of its due date	All forms required to be filed with Registrar of Companies (RoC) were required to be filed within their respective due dates. In case of any delay, additional fees as applicable were required to be paid.	No additional fees shall be charged for any delayed filing during the moratorium period. This would apply even for forms for which due date is prior to the date of circular i.e. 24th March 2020 enabling companies to clear their past backlog as well.
Mandatory requirement of holding meetings of the Board of the companies within prescribed interval provided in the Companies Act 2013 till the next two quarters i.e., till 30th September. ***(Section 173 (1) of Companies Act, 2013)***	The maximum time gap between two board meetings shall not be more than 120 days.	Timeline extended by an additional period of 60 days for the meetings held between 1st April 2020 to 30th September 2020. However, the requirement of conducting minimum four board meetings in a year u/s 173 would still apply.

Particulars	Earlier compliance requirement	Revised compliance requirement
Meetings of Independent Directors (IDs) to be held for FY 2019-20 ***(Para VII (1) of Schedule IV of Companies Act, 2013)***	To hold atleast one meeting in a financial year without the presence of non-independent directors and members of management.	Any deviation of this provision would not amount to violation. However, the IDs may share their views amongst themselves through phone or e-mail, if they deem it to be necessary.
Approval of Financial statements/Directors' Report and other critical matters as per Rule 4	Atleast the minimum quorum had to be physically present at the venue of Board meeting. The other directors were permitted to join by video conferencing	The same can be taken up and approved in a meeting held through video conferencing even if the quorum is not physically present upto the period ending 30 June 2020.
Applicability of Companies (Auditor's Report) Order (CARO), 2020	Applicable for audit reports issued for the financial statements pertaining to FY 2019-20	Deferred by one-year i.e. applicable for audit reports issued for the financial statements beginning from FY 2020-21
Requirement to create a Deposit repayment reserve account for 20% of the deposit amount maturing during FY 2020-21 ***(Section 73(2)(c) of Companies Act, 2013)***	Such amount to be deposited in a separate bank account in a scheduled bank on or before 30th April 2020.	The amount can be now deposited on or before 30th June 2020.
Requirement for certain specified companies to invest 15% of debentures maturing during FY 2020-21 in specified instruments. ***(Rule 18 of Companies (Share Capital & Debentures) Rules, 2014)***	Such amount to be invested in the specified instruments on or before 30th April 2020.	The amount can now be deposited on or before 30th June 2020.
Declaration for Commencement of Business to be filed with RoC by newly incorporated companies. ***(Section 10A of Companies Act, 2013)***	To be filed within 180 days of incorporation	Additional time period of 180 days shall now be allowed for filing of the declaration.
Minimum residency in India by at least one director of every company ***(Section 149 (3) of the Companies Act, 2013)***	Atleast one director of a Company should have stayed in India for a period of not less than 182 days during the financial year.	For FY 2019-20, any deviation from this requirement shall not be treated as a non-compliance.

Particulars	Earlier compliance requirement	Revised compliance requirement
Threshold for default u/s 4 of the IBC 2016 (i.e. insolvency and liquidation of corporate debtors)[1]	This section stipulates the threshold of Rs. 1 lakh in case of default by any corporate debtor to apply for insolvency under IBC 2016.	The threshold limit of Rs. 1 lakh has now been increased to Rs. 1 crore.

<u>Corporate Social Responsibility (CSR) Spend</u>

Additionally, the Government through separate circulars has clarified that the following shall be treated as eligible CSR Expenditure: -

a) Funds spent for prevention, detection and various other activities related to COVID-19

b) Funds contributed to PM CARES fund. As indicated above, any amount contributed towards the said fund would now be eligible for 100% deduction under section 80G without any limit.

2.4 Securities Exchange Board of India (SEBI) - Relaxations in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR')

a) Filing with Stock Exchanges

Particulars	Earlier Compliance Requirement	Revised compliance requirement
Submission of Compliance certificate on share transfer facility ***(Regulation 7(3))***	Certificate shall be filed within one month from the end of the half year.	For the half year ended 31 March 2020, timeline is extended upto **31st May 2020**
Statement of number of Investor complaints ***(Regulation 13(3))***	Quarterly statement to be submitted within 21 days from the end of every quarter.	For the quarter ended 31 March 2020, timeline is extended upto **15th May 2020**.
Secretarial Compliance report ***(Regulation 24A read with CIR/CFD/CMD1/27/2019 dated February 8, 2019)***	Annual secretarial compliance report shall be filed within 60 days from the end of financial year.	For the year ended 31 March 2020, timeline is extended upto **30th June 2020**.
Corporate Governance report ***(Regulation 27(2))***	Quarterly report shall be filed within 15 days from the end of every quarter.	For the quarter ended 31 March 2020, timeline is extended upto **15th May 2020**.
Statement of holding of securities and shareholding pattern ***(Regulation 31)***	Statement shall be filed within 21 days from the end of every quarter.	For the quarter ended 31 March 2020, timeline is extended upto **15th May 2020**.
Filing Quarterly / Half-yearly Annual Financial Results (***Regulation 33 – for Listed Shares, and Regulation 52(1) – for Listed debentures NCDs / NCRPS / CPs)***	Quarterly / half yearly financial results of the company shall be filed within 45 days from the end of quarter / half year *(relevant for Companies who follow calendar year as financial year)*	Filing of quarterly / half yearly / annual financial results for period ended 31st March 2020 is extended upto **30th June 2020.**

[1]If emerging financial distress faced by most companies on account of the large-scale economic distress caused by COVID-19 continues beyond 30th April 2020, Government of India may consider suspending Section 7 (Initiation of Corporate insolvency resolution process by financial creditor), Section 9 (Application for initiation of corporate insolvency resolution process by operational creditor) and Section 10 (Initiation of Corporate insolvency resolution process by corporate applicant) of the IBC 2016 for a period of 6 months so as to stop companies at large from being forced into insolvency proceedings in such force majeure causes of default.

Particulars	Earlier Compliance Requirement	Revised compliance requirement
	Annual financial results of the company shall be filed within 60 days from the end of financial year.	
Large Corporate (LC) ***(SEBI Circular HO/DDHS/CIR/P/2018/144 dated November 26, 2018)***	Initial Disclosure - Within 30 days from the beginning of the FY, disclose the fact that the Company is identified as a LC. Annual Disclosure - Within 45 days of the end of the FY, the details of the incremental borrowings done during the financial year in the prescribed format.	Timelines extended upto **30th June 2020** for both initial and annual disclosures.
Certificate from Practicing Company Secretary on timely issue of share certificates ***(Regulation 40(9))***	To be filed within one month of the end of each half year	For half year ended 31 March 2020, the same shall be filed within **31st May 2020**.

b) Holding of Board / Committee / General Meetings

Nature of Meeting	Earlier Compliance Requirement	Revised compliance requirement
Board / audit committee meetings	Maximum time gap shall not be more than 120 days between two consecutive board / audit committee meetings. ***(Regulation 17(2) and 18(2)(a))***	Exempted from observing the maximum time gap of 120 days between two meetings for the meetings held or proposed to be held between the period 1st December 2019 to 30th June 2020. However, minimum requirement of four meetings to be held in a year to be complied with.
Nomination and Remuneration Committee	Shall meet at least once in a year. ***(Regulation 19(3A))***	For FY 2019-20, the same shall be complied within **30th June 2020**.
Stakeholders Relationship committee	Shall meet at least once in a year. ***(Regulation 20(3A))***	
Risk Management Committee	Shall meet at least once in a year. ***(Regulation 21(3A))***	
Annual General Meeting (AGM)	Top 100 listed entities by market capitalization to hold AGM within 5 months from the date of closing of the financial year. ***(Regulation 44(5))***	AGM for FY 2019-20 can be held within **30th September 2020**.

c) Disclosures to General Public

Nature of Meeting	Earlier Compliance Requirement	Revised compliance requirement
Requirement to provide audited financials in the offer document to list Non-Convertible Debentures (NCDs) / Non-Convertible Redeemable Preference Shares (NCRPS) / Commercial Papers (CPs)	The financials shall not be older than 6 months from the date of prospectus, i.e. for any issuance on or before 31st March 2020, the latest financials shall as on 30th September 2019 can be provided.	The stated time limit of 6 months has been relaxed by 2 months, i.e. The financials as on 30 September 2019 can be submitted for any issuance of NCDs / NCRPS / CPs which are to be listed on or before **31st May 2020**.
Publication of advertisements in newspapers ***(Regulation 47)***	Information on corporate actions such as notice of the board meeting, financial results, etc. required to be published in newspapers	Exempted for all events scheduled till **15th May 2020**.

2.5 Department of Commerce

The general principle enunciated by the FM was that extension of timelines would be given for various compliance, procedural aspects and eligibility related aspects. However, no extension would be provided for scheme guidelines and applicability etc. Detailed notifications will be issued by Ministry of Commerce. Accordingly, various relaxation / extension provided under the Foreign Trade Policy is given in para 2.6 below.

2.6 Directorate General of Foreign Trade (DGFT)

Particulars	Earlier compliance requirement/ due date	Revised compliance requirement/ due date
1) Application for filing of MEIS application for exports having LEO date between 01.02.2019 till 31.05.2019 without any late cut	Within 12 months from LEO Date	Within 15 months from LEO Date
2) Application for filing of SEIS application for FY 2018-19 without any late cut	31st March 2020	31st December 2020
3) Validity of status holder certificate	5 years from the date of application	Later of 5 years from the date of application or 31st March 2021
4) Validity of Norms Committee ratification for submission of Advance Authorisation under repeat basis	Later of 3 years from the date of ratification or 31st March 2020	Later of 3 years from the date of ratification or 31st March 2021
5) Validity period for import and revalidation of advance authorisation expiring between 01.02.2020 and 31.07.2020	12 months from the authorisation date	18 months from the authorisation date
6) Export Obligation Period (EOP) for advance authorisation having last EOP date between 01.02.2020 and 31.07.2020	18 months from the authorisation date	24 months from the authorisation date

Particulars	Earlier compliance requirement/ due date	Revised compliance requirement/ due date
7) Application for Replenishment Authorisation (for Gems and Jewellery Sector) where the last date for filing application falls between 01.02.2020 and 31.07.2020		Last date extended by 6 months
8) Last date of filing online application for claiming RoSCTL benefit for shipping bills with LEO date till 31.12.2019	30th June 2020	31st December 2020
9) Time limit for obtaining Certificate of Installation of Capital Goods imported under EPCG Scheme, where due date expiring between 01.02.2020 till 31.07.2020		Additional period of 6 month from original due date
10) Block wise fulfilment of Export Obligation under EPCG Scheme, if the block wise export obligation period expires between 01.02.2020 till 31.07.2020		Automatic Extension of 6 months from the due date.
11) Extension in Export Obligation Period, if the export obligation period expires between 01.02.2020 till 31.07.2020		Automatic Extension of 6 months from the due date.
12) Validity of letter of permission / approval issued for EOU's / STP's / EHTP's, original or extended, which expires on or after 1st March 2020		Deemed to be valid up to 31st December 2020
13) Application for Drawback / TED claim having last date of application on or after 1st March 2020		30th September 2020
14) Application for Transport and Marketing Assistance (TMA) benefit under para 7A of FTP for quarter ending 31st March 2019 and 30th June 2019	30th June 2020	30th September 2020

2.7 Financial Services

- Debit cardholders can withdraw cash for free from any other banks' ATM for 3 months.
- Waiver of fees for not maintaining the stipulated minimum balance.
- Reduced bank charges for digital trade transactions for all trade finance consumers.

2.8 Department of Fisheries

Certain relaxations have been given to the fisheries sector as well. The same has not been captured in this note.

Part B – Economic Relief to Poor and Marginalised

2.9 Medical Insurance cover

- An insurance cover of INR 50 Lakhs per person for healthcare workers, i.e. Doctors, medical staff, sanitation workers, paramedical staff etc covering 20 lakh health services and ancillary workers. No premium is required to be paid by any person being covered under the aforesaid insurance cover

2.10 Pradhan Mantri Garib Kalyan Anna Yojana

- 5 kgs of wheat/ rice per person will be given to everyone who come under this scheme in addition to what they were already receiving.
- 1 kg of choice of one pulse per household will also be given under this scheme
- The above can be taken in 2 instalments over the next 3 months.
- 80 crore poor people i.e. about 2/3rd of India's population shall benefit from this scheme.

2.11 Direct Benefit Transfer ("DBT")

- **Pradhan Mantri Kisan Yojana**
  - Farmers receive INR 6,000 every year under the Pradhan Mantri Kisan Yojana. The first instalment of INR 2,000 will be given upfront in the first week of April 2020.
  - This would immediately benefit 8.69 crore farmers in India.
- **MNREGA Workers**
  - The daily wage rate of MNREGA workers will be increased from INR 182 to INR 202. This would result in additional income of INR 2,000 per worker.
  - This scheme would benefit 5 crore families in India.
- **Poor Widows/ Pensioner/ Divyang**
  - A onetime ex-gratia payment of INR 1,000 per person will be given to poor senior citizens (aged 65 years and above), poor widows and poor divyang citizens.
  - This amount will be given in 2 instalments over a period of 3 months.
  - This would benefit around 3 crore senior citizens, widows and divyang citizens.
- **Woman Jan Dhan Yojana Account Holders**
  - An ex-gratia payment of INR 500 per month for the next 3 months will be transferred via Direct Benefit transfer (DBT) to woman having Jan Dhan Yojana Accounts.
  - This would be benefitting around 20 crore women holding such accounts.

2.12 Others

- **Ujjwala Scheme**

  - About 8.3 crore households (below poverty line) have been registered under the Ujjwala scheme. Such families would be provided with free LPG cylinders for 3 months.

- **Woman Self Help Groups [SHGs]**

  - Around 7 Crore households via 63 lakh SHGs, under the Deen Dayal Yojana, will now be able to avail a collateral free loan of Rs. 20 lakhs as against the earlier limit of Rs. 10 lakhs.

2.13 Benefits to the organized sector

- Employee Provident Fund Organization [EPFO]

  A) Payment to be made by the Government of both the employer & the employee contribution to the EPF Accounts

  - Government of India will pay the EPFO contribution of both Employer and Employee [12% + 12%] for the next three months provided that the entity has upto 100 employees and the monthly wage of 90% of the employees is less than Rs. 15,000.

  - It is yet to be clarified whether this benefit will start for contributions due for the month of March 2020 or for contributions for the month of April 2020. Also, it is yet to be clarified whether the employer is still required to deposit Provident Fund administrative charges payable @ 0.5% of wages.

  B) **Relaxation in Employees' Provident Fund (EPF) withdrawal rules**

  - The government has made amendments to the Employees' Provident Funds Scheme, 1952 to allow members to withdraw upto 75 percent of the credit standing in the EPF account or three months' wages, whichever is lower, as an emergency measure to tide over any difficulties arising from the COVID Pandemic. The withdrawal from the EPF account will be non-refundable.

  - The term "wages" above includes basic wages plus dearness allowances.

  - This relaxation in the withdrawal rules is expected to benefit 4.8 crore workers.

  - As per current EPF withdrawal rules, an employee can prematurely withdraw money from their EPF account only for some specific reasons such as job loss, marriage, education, purchase or construction of house, medical emergency etc. However, these withdrawals are subject to certain terms and conditions.

- **Building and Construction Sector Workers**

  - To direct the State Governments to utilise the welfare fund of Rs. 31,000 crores set up under the Central Government Act, for the purpose of welfare of 3.5 crore registered workers.

- **District Mineral Fund**

  - To direct the State Governments to utilise the district mineral fund towards supplementing all types of medical and screening activities necessary to fight the spread of coronavirus.

Part C – Relief measures from RBI

The major focus of the policy initiatives are on: -

(i) Expanding liquidity in the system sizeably to ensure that financial markets and institutions are able to function normally in the face of COVID-related dislocations

(ii) Reinforcing monetary transmission so that bank credit flows on easier terms are sustained to those who have been affected by the pandemic.

(iii) Easing financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital.

(iv) Improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

2.14 Liquidity injection in the Economy

- **Liquidity Adjustment Facility – Repo and Reverse Repo Rates Reduced**

  The Monetary Policy Committee (MPC) decided to reduce the policy Repo rate under the Liquidity Adjustment Facility (LAF) by 75 basis points from 5.15 per cent to **4.40 percent** with immediate effect. Consequently, the Marginal Standing Facility (MSF) rate stands adjusted from 5.40 percent to **4.65 percent** with immediate effect.

  Further, consequent upon the widening of the LAF corridor, the Reverse Repo rate under the LAF stands adjusted from 4.90 per cent to **4.00 percent** with immediate effect.

  What will the rate cut do?

  Repo rate refers to the rate at which commercial banks borrow money by selling their securities to the Central bank of our Country i.e. Reserve Bank of India (RBI) to maintain liquidity, in case of shortage of funds or due to some statutory measures. Since, the Repo rates have been reduced, banks will now be under pressure to pass on the huge rate cut to the end borrower. The rate cut will significantly push down end-borrower rates in the system. However, the rate cut, during a lock-down, is unlikely to boost the demand significantly since the economy is in a paralysed state. MSF is the rate at which the banks are able to borrow overnight funds from RBI against the approved government securities.

  Reverse repo rate is the rate at which the RBI borrows money from commercial banks within the country. Since, the Reverse Repo Rate is also reduced, it will now be unproductive for the banks to park money with the RBI and hence they will have to give it to the people.

- **Reduction in Cash Reserve Ratio (CRR)**

  As a one-time measure to help banks tide over the disruption caused by COVID-19, the RBI has decided to reduce the CRR of all banks by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) with effect from the reporting fortnight beginning 28th March, 2020.

  This reduction in the CRR would release primary liquidity of about ₹ 1,37,000 crore uniformly across the banking system in proportion to liabilities of constituents rather than in relation to holdings of excess Statutory Liquidity Ratio (SLR).

  CRR is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. Statutory Liquidity Ratio (SLR) is reserve requirement that commercial banks are required to maintain in the form of cash, gold reserves, RBI approved securities before providing credit to the customers.

  The above liquidity measures collectively will inject an approx. Rs. 3.74 Trillion money into the system.

2.15 Regulatory Measures

- **Rescheduling of Payments on Term Loans – Prominent Relief**

In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) ("lending institutions") are permitted to grant a **moratorium of three months on payment of all instalments falling due between 1st March 2020 and 31st May 2020**.

The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. **Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.**

Instalments will include the following payments falling due from 1st March 2020 to 31st May 2020:

(i) Principal and/or interest components
(ii) Bullet repayments
(iii) Equated Monthly Instalments (EMI)
(iv) Credit card dues

This will be a huge relief, especially for SME's and self-employed whose income had become uncertain in the wake of the lockdown.

- **Deferment of Interest on Working Capital Facilities**

In respect of working capital facilities sanctioned in the form of **cash credit/ overdraft**, lending institutions are being permitted to allow **a deferment of three months on payment of interest** in respect of all such facilities **outstanding as on 1st March 2020**. The accumulated interest for the period will be paid after the expiry of the deferment period.

In respect of the measure above, the moratorium/deferment is being provided specifically to enable the borrowers to tide over the economic fallout from COVID-19. Hence, the same will not be treated as change in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade. Wherever the exposure of a lending institution to a borrower is 5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall inter alia include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

The customer can also choose to **opt out** of the above relief measures since the interest will continue to accrue over the 3 months moratorium. It is upto the customer to decide if he wants to pay extra interest by opting for moratorium.

Interest and Instalment payments' deferment, however, **shall not apply to existing NPA'S** and in no way changes the credit history of any borrower.

- **Easing of Working Capital Financing**

In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions may recalculate drawing power by reducing margins and/or by reassessing the working capital cycle for the borrowers. Such changes in credit terms permitted to the borrowers will not be treated as concessions granted due to financial difficulties of the borrower, and consequently, will not result in asset classification downgrade.

- **Extension of realisation period of export proceeds**

  In view of the disruption caused by the COVID-19 pandemic, the time period for realization and repatriation of export proceeds for exports made up to or on July 31, 2020, has been **extended from 9 months to 15 months from the date of export**.

  The measure will enable the exporters to realise their receipts, especially from COVID-19 affected countries within the extended period and provide greater flexibility to the exporters to negotiate future export contracts with buyers abroad.

2.16 Other Initiatives/Measures by RBI

a. The implementation of Net Stable Funding Ratio (NSFR) guidelines has been deferred by six months. These guidelines will now come into effect from October 1, 2020 as against April 1, 2020.

b. Auction of targeted long-term repo operations of 3-year tenor for a total amount of Rs. 1 Lakh Crores at floating rate.

c. The implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) has been deferred from March 31, 2020 to September 30, 2020.

d. Permitting Banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in Offshore Non-Deliverable Rupee Derivative Markets with effect from 01 June 2020.

e. The RBI has decided to increase Way and Means Advances (WMA) limit by 30 percent from the existing limit for all States/UTs to enable the State Governments to tide over the situation arising from the outbreak of the COVID-19 pandemic. Ways and means advances (WMA) is a mechanism used by Reserve Bank of India under its credit policy to provide to States, banking with it, to help them tide over temporary mismatches in the cash flow of their receipts and payments.

f. The RBI has decided not to implement Counter Cyclical Capital Buffer (CCyB) framework currently. The buffer is a prudential measure to meet the funds ratio of banks during adverse market conditions.

M2K Comments: The Government and RBI have surpassed expectations by delivering more than what the market anticipated. The measures taken will provide a lot of succour to the vulnerable sections of the society. The timely and pre-emptive manner in which these steps have been implemented should also be appreciated. It should be noted that while these measures would not necessarily promote growth, they will avert a collapse and hence are a big positive in boosting sentiments.

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