Circular No. EPS/79/2020-21

To: Members of the Council

**Sub : Resolution Framework for COVID-19-related Stress – Financial Parameters**

Dear Member,

The Reserve Bank had, on August 7, 2020, announced the constitution of an Expert Committee under the chairmanship of Shri K.V. Kamath to make recommendations on the required financial parameters to be factored in the resolution plans under “Resolution Framework for Covid-19 –related Stress”, along with sector specific benchmark ranges for such parameters.

The Committee has since submitted its report to the Reserve Bank on September 4, 2020.

The Committee has recommended financial parameters that include aspects related to leverage, liquidity and debt serviceability. The Committee has recommended financial ratios for 26 sectors including textiles which could be factored by lending institutions while finalizing a resolution plan for a borrower.

The recommendations of the Committee have been broadly accepted by the Reserve Bank.

Accordingly, RBI has issued Circular dated 07.09.2020 as a follow up to the
Resolution Framework guidelines announced on August 6, 2020, specifying five specific financial ratios and the sector-specific thresholds for each ratio in respect of 26 sectors to be taken into account while finalising the resolution plans.

A copy of RBI Circular dated 07.09.2020 is enclosed herewith (click here).

Also, enclosed (click here) please find a copy of the Expert Committee Report.

You are requested to please take a note of the above and do the needful.

Regards,

Dr. Siddhartha Rajagopal
Executive Director
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