

## RESERVE BANK OF INDIA ALLOWS THREE MONTH MORATORIUM ON LOANS

The Reserve Bank of India vide circular dated 27.03.2020 set out various developmental and regulatory policies that directly address the stress in financial conditions caused by COVID-19. They consist of: (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; and (iv) improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic. The RBI amongst other policies permitted 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 and micro-finance institutions) (“lending institutions”) to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on 01.03.2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, were directed to be shifted across the board by three months.

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