



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/FIDD/2017-2018/55

Master Direction FIDD.CO.FSD.BC No.8/05.10.001/2017-18

July 03, 2017

The Chairman/Managing Director/Chief Executive Officer
All scheduled commercial banks
(including Small Finance Banks and excluding Regional Rural Banks)

Madam / Sir,

Master Direction – Reserve Bank of India (Relief Measures by banks in areas affected by Natural Calamities) Directions 2017

Please refer to our '[Master Direction FIDD.No.FSD.BC.2/05.10.001/2016-17 dated July 1, 2016](#)' incorporating guidelines issued to banks in regard to matters relating to relief measures to be provided in areas affected by natural calamity.

This Master Direction consolidates all the guidelines issued on the subject till date. The list of circulars compiled into this Master Direction is given in the [Appendix](#).

Please acknowledge receipt.

Yours faithfully,

(Ajay Kumar Misra)
Chief General Manager

Master Direction - Reserve Bank of India (Relief Measures by Banks in Areas Affected by Natural Calamities) Directions, 2017

In exercise of the powers conferred under Sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Directions hereinafter specified.

CHAPTER I PRELIMINARY

1.1 Short Title and Commencement.

- (a) These Directions shall be called the Reserve Bank of India (Relief Measures by Banks in Areas Affected by Natural Calamities) Directions, 2017.
- (b) These Directions shall come into effect on the day they are placed on the official website of the Reserve Bank of India.

1.2. Applicability

The provisions of these Directions shall apply to every Scheduled Commercial Bank {including Small Finance Banks (SFBs) and excluding Regional Rural Banks(RRBs)} licensed to operate in India by Reserve Bank of India.

CHAPTER II BACKGROUND

2.1 Periodical but frequent occurrence of natural calamity takes a heavy toll on human life and cause wide spread damage to economic pursuits in one or the other part of the country. The devastation caused by natural calamities calls for massive rehabilitation effort from all agencies. The Central, State and local authorities draw programmes on economic rehabilitation for the people affected by natural calamities. The developmental role assigned to the commercial banks including Small Finance Banks warrant their active support in reviving the economic activities of those affected by the occurrence of a natural calamity.

2.2 In terms of the National Disaster Management Framework, there are two funds constituted viz. National Disaster Response Fund (NDRF) and State Disaster

Response Fund (SDRF) for providing relief in the affected areas. This framework currently recognizes 12 types of natural calamities viz. cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave/frost. Out of these 12, for 4 calamities i.e. drought, hailstorms, pest attack and cold wave/frost, the Ministry of Agriculture is the nodal point and for the remaining 8, the Ministry of Home Affairs is the nodal ministry to make the necessary administrative arrangements. A slew of measures for relief are undertaken by the Sovereign (Central/State Government) from time to time to provide relief to the affected people including, inter alia, provision for input subsidies, financial assistance to farmers including small and marginal farmers.

2.3 The role of the scheduled commercial banks including Small Finance Banks (SFBs) is to provide relief measure through rescheduling existing loans and sanctioning fresh loans as per the emerging requirement of the borrowers. To enable banks to take uniform and concerted action expeditiously, these directions are issued covering four aspects viz. Institutional Framework ([Chapter III](#)), Restructuring of Existing Loans ([Chapter IV](#)), Providing Fresh Loans ([Chapter V](#)) and Other Ancillary Relief Measures ([Chapter VI](#)).

CHAPTER III INSTITUTIONAL FRAMEWORK

3.1 Establishing Policy/Procedures for dealing with Natural Calamities

The area, time of occurrence and intensity of the natural calamity cannot be anticipated. It is, therefore, imperative that banks have a **blueprint of action** duly approved by the Board of Directors for such eventualities so that the required relief and assistance is provided with utmost speed and without any loss of time. Further, all Divisional/Zonal Offices and branches of Scheduled Commercial/Small Finance banks should be familiar with these standing instructions. These standing instructions will immediately come to force after the district/state authorities put in place the requisite declaration. It is essential that these instructions should also be made available to the State Government authorities and all the District Collectors so that all concerned are aware about the action that should be taken by the concerned authorities in the affected area.

3.2 Discretionary Powers to Divisional / Zonal Manager of banks

The Divisional/Zonal Managers of scheduled commercial/SF banks must be vested with certain discretionary powers to avoid the need to seek fresh approval from their Central Office regarding the line of action decided by the District Consultative Committee/State Level Bankers' Committee. Some of the areas, among others where such discretionary powers are vital may be the adoption of scale of finance, extension of loan period, margin, security, sanction of new loan keeping in view the total liability of the borrower arising out of the old loan where the asset financed is damaged or lost due to the natural calamity and the new loan financed for creation/repair of such asset(s).

3.3 Meeting of State Level Bankers' Committee (SLBC)/District Consultative Committee (DCC)

3.3.1 In the event of an occurrence of a natural calamity which covers a larger part of a State, the State Level Bankers' Committee convener bank should convene a meeting immediately. The committee, in collaboration with the State Government authorities should evolve a coordinated action plan for implementing the relief programme. If the calamity has affected only a small part of the state/few districts, the convener of the District Consultative Committee of the affected district(s) should convene a meeting immediately. In the special SLBC/DCC meeting, the position of the affected areas may be assessed so as to ensure speedy formulation and implementation of suitable relief measures.

3.3.2 In the areas where the calamity is severe, the relief measure(s) implemented should be reviewed periodically through a specially constituted Task Force/Sub-Committee by way of weekly/fortnightly meetings as decided by the SLBC/DCC.

3.4 Declaration of Natural Calamity

3.4.1 It is recognised that declaration of a natural calamity is in the domain of the Sovereign (Central / State Governments). The inputs received from the State Governments reveal that there are no uniform procedures being followed for declaration of natural calamity and issue of declarations / certificates. These declarations/certificates are called by different names such as Annewari, Paisewari, Girdawari, etc. in different States. Nevertheless, the common thread to extend

relief measures including reschedulement of loans by banks, is that **the crop loss assessed should be 33% or more**. For assessing this loss, while some States are conducting crop cutting experiments to determine the loss in crop yield, some others are relying on the eye estimates/visual impressions.

3.4.2 In case of extreme situations such as wide-spread floods, etc. when it is largely clear that most of the standing crops have been damaged and/or land and other assets have suffered a wide-spread damage, the matter be deliberated by State Government/District Authorities in the especially convened SLBC/DCC meetings where the concerned Government functionary/District Collector may explain the reasons for not estimating 'Annewari' (percentage of crop loss – by whatever name called) through crop cutting experiments and that the decision to provide relief for the affected populace needs to be taken based on the eye estimate/visual impressions.

3.4.3 In both the cases, however, DCCs/SLBC have to satisfy themselves fully that the crop loss has been 33% or more before acting on these pronouncements.

CHAPTER IV RESTRUCTURUNG OF EXISTING LOANS

In the event of a natural calamity, the repaying capacity of the people gets severely affected due to the disruption of their economic activities and loss of economic assets. Therefore, relief in loan repayment, by restructuring the existing loan may become necessary.

4.1. Agriculture Loans: Short-term Production Credit (Crop Loans)

4.1.1 All short-term loans, except those which are overdue at the time of occurrence of natural calamity, should be eligible for restructuring. The principal amount of the short-term loan as well as interest due for repayment in the year of occurrence of the natural calamity may be converted into term loan.

4.1.2 The repayment period of the restructured loan may vary depending on the severity of the calamity, the impact on loss of economic assets and distress it caused. A maximum repayment period of up to 2 years (including the moratorium period of 1 year) should be allowed if the loss is between 33% and 50%. If the crop

loss is 50% or more, repayment period may be extended upto a maximum of 5 years (including the 1 year moratorium period).

4.1.3 In all restructured loan accounts, moratorium period of **at least one year** should be considered. Banks should also not insist on additional collateral security for such restructured loans.

4.2 Agriculture Loans: Long term (Investment) Credit

4.2.1 The existing term loan installments should be rescheduled keeping in view the repaying capacity of the borrower and the nature of natural calamity viz.

4.2.1.1 Natural Calamities where only crop for that year is damaged and productive assets are not damaged.

4.2.1.2 Natural Calamities where the productive assets are partially or totally damaged and borrowers are in need of a new loan.

4.2.1.3 In regard to natural calamity under category (4.2.1.1) above, the banks may reschedule the payment of installment during the year of natural calamity and extend the loan period by one year. Under this arrangement the installments defaulted wilfully in earlier years will not be eligible for rescheduling. The banks may also have to postpone payment of interest by borrowers.

4.2.1.4 In regard to category (4.2.1.2) i.e. where the borrower's assets are partially/totally damaged, the rescheduling by way of extension of loan period may be determined on the basis of overall repaying capacity of the borrower vis-a-vis his total liability (old term loan, restructured crop loan, if any and the fresh crop/term loan being given) less the subsidies received from the Government agencies, compensation available under the insurance schemes, etc. While the total repayment period for the restructured/fresh term loan will differ on case-to-case basis, generally it should not exceed a period of 5 years.

4.3 Other Loans

4.3.1 A view needs to be taken by SLBC/DCC depending on the severity of the calamity as to whether a general reschedulement of all other loans (i.e. besides the agriculture loans as indicated above) such as loans granted for allied activities and

loans given to rural artisans, traders, micro/small industrial units or in case of extreme situations, medium enterprises is required. If such a decision is taken, while recovery of all the loans be postponed by the specified period, banks will have to assess the requirement of the individual borrowers in each such case and depending on the nature of his account, repayment capacity and the need for the fresh loans, appropriate decisions shall be taken by the individual banks

4.3.2 The primary consideration before the banks in extending credit to any unit for its rehabilitation should be based on the viability of the venture after the rehabilitation programme is implemented.

4.4 Asset Classification

The asset classification status of the restructured loans will be as under:

4.4.1 The restructured portion of the short term as well as long-term loans may be treated as current dues and need not be classified as NPA. The asset classification of these term loans would thereafter be governed by the revised terms and conditions. Nevertheless, banks are required to make higher provisions for such restructured standard advances as prescribed by Department of Banking Regulation¹ from time to time.

4.4.2. The asset classification for the remaining dues, which does not form a part of the restructured portion, will continue to be governed by the original terms and conditions of its sanction. Consequently, the dues from the borrower shall be classified by the lending bank under different asset classification categories viz. standard, sub-standard, doubtful and loss.

4.4.3. Additional finance, if any, shall be treated as “standard asset” and its future asset classification will be governed by the terms and conditions of its sanction.

4.4.4. With the objective to ensure that banks are proactive in extending relief to the affected persons, the **benefit** of asset classification of the restructured account as on the date of natural calamity will be available only if the restructuring is completed within a period of three months from the date of natural calamity. In the event of extreme calamity, when the SLBC/DCC is of the view that this period will

¹ DBR's Master Directions on Prudential Guidelines on Income Recognition, Asset Classification and Provisioning

not be sufficient for the banks to reschedule all the affected loans, it should immediately approach the concerned Regional Office of RBI detailing the reasons for seeking extension. Such requests will be considered on the merit of each case.

4.4.5 The accounts that are restructured for the second time or more on account of recurrence of natural calamities should retain the same asset classification category on restructuring. Accordingly, for a restructured standard asset, the subsequent restructuring necessitated on account of natural calamity would not be treated as second restructuring, i.e., the standard asset classification will be allowed to be maintained. However, all other restructuring norms will apply.

4.5 Utilization of Insurance Proceeds

4.5.1 While the above measures relating to rescheduling of loans are intended to provide relief to the farmers, the insurance proceeds should, ideally, compensate their losses. In terms of orders issued by the **Department of Agriculture, Cooperation and Farmers Welfare**, the Pradhan Mantri Fasal Bima Yojana (PMFBY) has, replaced the existing schemes of National Agricultural Insurance Scheme (NAIS) & Modified National Agricultural Insurance Scheme (MNAIS) with effect from Kharif 2016. Under the scheme all agriculture loans are provided insurance cover for all stages of the crop cycle including post-harvest risks in specified instances. Farmers' details are required to be entered by banks in the unified portal for crop insurance which is available at www.agri-insurance.gov.in in order to facilitate assessment of coverage of crops insured, premiums deducted, etc.

4.5.2 While restructuring the loans in areas affected by a natural calamity, banks should also take into account the insurance proceeds, if any, receivable from the Insurance Company. They should adjust these proceeds to the 'restructured accounts' in cases where they have granted fresh loan to the borrower. However, banks should act with empathy and consider restructuring and granting fresh loans without waiting for the receipt of insurance claim, in cases where there is reasonable certainty of receiving the claim.

CHAPTER V PROVIDING FRESH LOANS

5.1 Sanctioning of Fresh Loans

5.1.1 Once the decision to reschedule loans is taken by SLBC/DCC, pending conversion of short-term loans, banks shall grant fresh crop loan to the affected people based on the scale of finance for the crop and the cultivation area, as per the extant guidelines².

5.1.2 The bank assistance in agriculture and allied activities (poultry, fishery, animal husbandry, etc.) may also be **needed** for long term loans for a variety of purposes such as repair of existing economic asset(s) and/or acquisition of new asset(s). Similarly, rural artisans, self-employed persons, micro and small industrial units, etc. in the areas affected by a natural calamity may require fresh credit to sustain their livelihood. Banks should assess the need and decide on the quantum of loans to be granted to the affected borrowers taking into consideration, amongst others, their credit requirement and the due procedure for sanctioning loans.

5.1.3. Banks shall also grant consumption loan up to ₹ 10,000/- to existing borrowers without any collateral. The limit may, however, be enhanced beyond ₹ 10,000/- at the bank's discretion.

5.2 Terms and Conditions

5.2.1 Guarantee, Security and Margin

5.2.1.1 Credit should not be denied for want of personal guarantees. Where the bank's existing security has been eroded because of damage or destruction by floods, assistance will not be denied merely for want of additional fresh security. The fresh loan shall be granted even if the value of security (existing as well as the asset to be acquired from the new loan) is less than the loan amount. For fresh loans, a sympathetic view will have to be taken.

5.2.1.2 Where the crop loan (which has been converted into term loan) was earlier sanctioned against personal security/hypothecation of crop and the borrower is not able to offer charge/mortgage of land as security for the converted loan, she/he

² [Master circular on Kisan Credit card Scheme](http://www.rbi.org.in) available @ www.rbi.org.in

should not be denied conversion facility merely on the ground of his/her inability to furnish land as security. If the borrower has already taken a term loan against mortgage/charge on land, the bank should be content with a second charge for the converted term loan. Banks should not insist on third party guarantee for providing conversion facility.

5.2.1.3 Where land is taken as security, in the absence of original title record, a certificate issued by the Revenue Department officials may be accepted for financing to farmers who have lost proof of their title such as title deed or registration certificate issued to registered share-croppers.

5.2.1.4 Margin requirements may be waived or the grant/subsidy given by the concerned State Government may be considered as margin.

5.3 Rate of Interest

The rates of interest will be in accordance with the directives of the Reserve Bank. Within the areas of their discretion, however, banks are expected to take a sympathetic view of the difficulties of the borrowers and extend a concessional treatment to calamity-affected people. In respect of current dues in default, no penal interest will be charged. The banks should also suitably defer the compounding of interest charges. Banks may not levy any penal interest and consider waiving penal interest, if any, already charged in regard to the loans converted/rescheduled. Depending on the nature and severity of natural calamity, the SLBC/ DCC shall take a view on the interest rate concession that could be extended to borrowers so that there is uniformity in approach among banks in providing relief.

CHAPTER VI OTHER ANCILLARY MEASURES

6.1 Relaxation on Know Your Customer (KYC) Norms

It needs to be recognized that many persons displaced or adversely affected by a major calamity may not have access to their normal identification and personal records. In such cases a small account based on the photograph and signature or thumb impression rendered in front of the bank official shall be opened. The above instructions will be applicable to cases where the balance in the account does not

exceed ₹ 50,000/- or the amount of relief granted (if higher) and the total credit in the account does not exceed ₹1,00,000/- or the amount of relief granted, (if higher) in a year.

6.2 Providing access to Banking Service

6.2.1 Banks may operate its natural calamity affected branches from temporary premises under advice to the concerned Regional Office of RBI. For continuing the temporary premise beyond 30 days, banks may obtain specific approval from the concerned Regional Office of RBI. Banks may also make arrangements to render banking services in the affected areas by setting up satellite offices, extension counters or mobile banking facilities etc. under intimation to RBI.

6.2.2 To meet the immediate cash requirement of the affected people, due importance may be given towards restoring the ATMs or other alternate arrangements maybe provided to avail such facilities.

6.2.3 Other measures that banks may initiate at their discretion to alleviate the condition of the affected people could be waiving ATM fees, increasing ATM withdrawal limits; waiving overdraft fees/early withdrawal penalty on time deposits /late fee for credit card/other loan installment payments etc. and giving option to credit card holders to convert their outstanding balance to EMIs repayable in 1-2 years. Besides, all charges debited to the farm loan account other than the normal interest may be waived considering the hardship caused to the affected people.

CHAPTER VII

RIOTS AND DISTURBANCES: APPLICABILITY OF THE GUIDELINES

Applicability of the guidelines in case of riots and disturbances

7.1 Whenever RBI advises the banks to extend rehabilitation assistance to the riot/ disturbance affected persons, the aforesaid guidelines may broadly be followed by banks for the purpose. It should, however, be ensured that only genuine persons, duly identified by the State Administration as having been affected by the riots/ disturbances, are provided assistance as per the guidelines.

7.2. The issuance of advice to the banks by Reserve Bank of India on receipt of request/ information from State Government and thereafter issue of instructions by banks to their branches generally results in delay in extending the assistance to riot-affected people. With a view to ensuring quick relief to the affected persons, it has been decided that the District Collector, on occurrence of the riots/ disturbances, may ask the Lead Bank Officer to convene a meeting of the DCC, if necessary and submit a report to the DCC on the extent of damage caused to life and property in the area affected by riots/disturbances. If the DCC is satisfied that there has been extensive loss to life and property on account of the riots/ disturbances, the relief as per the above guidelines may be extended to the people affected by the riots/ disturbances. In certain cases, where there are no District Consultative Committees, the District Collector may request the convener of the State Level Bankers' Committee of the State to convene a meeting of the bankers to consider extension of relief to the affected persons. The report submitted by the Collector and the decision thereon of DCC/ SLBC may be recorded and should form a part of the minutes of the meeting. A copy of the proceedings of the meeting may be forwarded to the concerned Regional Office of the Reserve Bank of India.

Master Direction - Reserve Bank of India (Relief Measures by Banks in Areas Affected by Natural Calamities) Directions, 2017

List of circulars consolidated for the Master Direction

Sr. No.	Circular No.	Date	Subject
1.	RPCD.No.PS.BC.6/PS.126-84	2.8.1984	Revised guidelines for relief measures by banks in areas affected by natural calamities
2.	RPCD.No.PLFS.BC.38/PS.126-91/92	21.9.1991	Banks' assistance to persons affected by riots/ communal disturbances, etc.
3.	RPCD.No.PLFS.BC.59/05.04.02/92-93	6.1.1993	Guidelines for Relief Measures by banks in areas affected by natural calamities-(Consumption Loans)
4.	RPCD.No.PLFS.BC.128/05.04.02/97-98	20.6.1998	Relief measures to persons affected by natural calamities – Agricultural advances
5.	RPCD.PLFS.BC.No.42/05.02.02/2005-06	1.10.2005	The Advisory Committee on Flow of credit to Agriculture and related activities from the Banking System
6.	FIDD No.FSD.BC.12/05.10.001/2015-16	21.8.2015	Guidelines for Relief Measures by Banks in Areas Affected by Natural Calamities
7.	FIDD NO.FSD.BC.27/05.10.001/2015-16	30.06.2016	Guidelines for Relief Measures by Banks in Areas Affected by Natural Calamities- Utilization of Insurance Proceeds