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RESERVE BANK OF INDIA

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Report of the Expert Committee on Resolution Framework for Covid-19 related Stress

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 the '[Resolution Framework for Covid19-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 which is being placed on the RBI website. The Committee has recommended financial parameters that, inter alia, include aspects related to leverage, liquidity and debt serviceability. The Committee has recommended financial ratios for 26 sectors 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, a follow up circular to the Resolution Framework guidelines announced in August 6, 2020, has been issued today by the Reserve Bank 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. In respect of other sectors where certain ratios have not been specified, the lenders shall make their own assessment keeping in view the contours of the [circular dated August 6, 2020](#) and the [follow-up circular](#) issued today.

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