

ROYAL MONETARY AUTHORITY OF BHUTAN



Standard Operating Procedures for the Implementation of Phase II Monetary Measures

10 July, 2020

In line with the Press Release issued by the Prime Minister's Office on **Comprehensive National Response to the Challenges of the COVID-19 Pandemic Phase II** on 26th June 2020, the Royal Monetary Authority of Bhutan hereby issues the Standard Operating Procedures (SOPs) for smooth implementation of Phase II Monetary Measures. All Financial Service Providers (FSPs) under the purview of Royal Monetary Authority shall implement the monetary measures. FSPs include the following:

- Financial Institutions (Banks, Insurance Companies & NPPF);
- CSI Bank; and
- Microfinance Institutions.

PART A

Loans covered under Druk Gyalpo's Relief Kidu - Support for Interest Payment

1. The continuation of the Druk Gyalpo's Relief Kidu-Support for interest payment for the next nine months (July 2020-March 2021) shall be implemented as follows:

1.1 Continuing from Phase I, all loans outstanding as on 10th April 2020 shall be eligible for the interest payment support, except for the following:

- (a) loans to Government;
- (b) loans to FIs; and
- (c) staff incentive loans.

1.2 The interest payment shall be as follows:

Sl.No	Period	Interest payment
1.	01 st July - 30 th September 2020 (3 months)	100 percent of the interest payment shall be granted as the Druk Gyalpo's Relief Kidu from the National Resilience Fund.
2.	01 st October 2020 - 31 st March 2021 (6 months)	50 percent of the interest payment shall be granted as the Druk Gyalpo's Relief Kidu from the National Resilience Fund. The remaining 50 percent shall be paid by the borrowers.

2. All loans covered under the interest payment Kidu shall be eligible to defer their loan repayment for one year, i.e. until 30th June 2021 as per the following terms and conditions:

2.1 Loan deferment can either be full or partial, i.e. either the full amount or a part of the Equated Monthly Installment (EMI) can be deferred. However, partial repayments shall cover at least the interest portion of the EMI or any other agreed repayment modality.

- 2.2 Interest not covered by the interest payment Kidu shall continue to accrue at normal interest rate on the principal outstanding during the deferment period. The interest accrued shall be capitalized at the end of the deferment period.
- 2.3 Any past interest overdues shall not be capitalized and shall not change the classification category of loans due to deferment.
- 2.4 FSPs shall work out a suitable plan for the repayment of loans after the deferment period in consultation with borrowers.
- 2.5 Any repayment from borrowers during the deferment period shall be adjusted first towards the past dues, interest accrued and then to the principal outstanding.
- 2.6 Late fees/penal interests shall not be charged during the deferment period.

PART B

All other loans

3. All other loans outstanding as of 30th June 2020 shall have the option of deferring their loan repayments by one year i.e. until 30th June 2021 as per the following terms and conditions:
- 3.1 Loan deferment can either be full or partial, i.e. either the full amount or a part of the Equated Monthly Installment (EMI) can be deferred. However, partial repayments shall cover at least the interest portion of the EMI or any other agreed repayment modality.
- 3.2 Interest shall continue to accrue at normal interest rate on the principal outstanding during the deferment period. The interest accrued shall be capitalized at the end of the deferment period.
- 3.3 Any past interest overdues shall not be capitalized and shall not change the classification category of loans due to deferment.

3.4 FSPs shall work out a suitable plan for the repayment of loans after the deferment period in consultation with borrowers.

3.5 Any repayment from borrowers during the deferment period shall be adjusted first towards the past dues, interest accrued and then to the principal outstanding.

3.5 Late fees/penal interests shall not be charged during the deferment period.

PART C

General conditions for deferment

4. All borrowers shall formally inform their FSPs irrespective of whether they wish to defer their loan repayments or not. Borrowers shall inform their respective FSPs by submitting the form prescribed by the RMA on or before **30th September 2020**.
5. FSPs shall put in place effective procedures to facilitate their borrowers in availing the measures, including an efficient communication strategy to ensure that their borrowers are well informed.

PART D

Incentive for Regular Repayments during the Deferment Period

6. FSPs shall offer one percent interest rate reduction to borrowers who repay their EMIs (after necessary adjustment of interest waiver) regularly and fully as per the agreed repayment schedule during the **entire deferment period**.
7. For loans covered under Part A, in order to be **eligible** for this incentive, borrowers are required to make **payments** during the deferment period as follows:
 - a. **From 1st July 2020 to 30th September 2020**: Since the interest during this period is fully paid from the National Resilience Fund (100 percent interest payment support), borrowers have to pay only the principal portion of the EMI.

- b. **From 1st October 2020 to 31st March 2021:** Since 50 percent of the interest is paid from the National Resilience Fund, the borrowers have to pay:
- Principal portion of the EMI; and
 - 50 percent of interest portion of the EMI.
- c. **From 1st April 2021 to 30th June 2021:** Borrowers have to pay full EMI comprising of both principal and interest.
8. The rebate of one percent interest rate reduction shall be calculated on the principal outstanding during the deferment period, that is, from 1st July 2020 to 30th June 2021.
9. The rebate of one percent interest rate reduction shall be adjusted at the end of the deferment period as follows:
- a. **Performing loans:** The rebate of one percent interest rate reduction shall be directly adjusted to the principal outstanding thereby reducing the principal outstanding. Thereafter, the interest computation shall be on the reduced principal.
- b. **Non-performing loans:** The rebate of one percent interest rate reduction shall be adjusted first against the past overdues, if any and the balance will be adjusted against the principal outstanding.
10. For those loans that are fully repaid (liquidated loans) during the deferment period, FSPs will refund the interest differential to borrowers within three months after liquidation of loans.

PART E

Soft Term Loans to Businesses (Bridging Loans) by Financial Institutions (FIs)

11. The purpose of this loan facility is to ensure the resilience and continuation of operations for corporate and business entities (CIT & BIT filing business/agencies) that are affected by COVID-19 Pandemic. Financial institutions shall provide bridging loan to meet the operational cost/expenses which includes the following:

- (a) Employment expenses (wage and salary paid to employees);
- (b) Overhead expenses (rents, utility bills, lease, insurance premiums); and
- (c) Procurement/purchase of raw materials.

12. The FIs shall provide Soft Bridging Loans under following terms & conditions:

- (a) This facility shall be available for registered/licensed businesses on the submission of financial information based on June 2019 tax returns and validation of other relevant documents. In addition to these conditions, FIs shall develop their own assessment criteria and carry out their own due diligence in sanctioning the soft loan.
- (b) Loan size shall be determined by FIs to finance operational expenses for one year until 30th June 2021. The loan to value (LTV) ratio can be up to 100 percent.
- (c) Eligible businesses can avail the soft loan facility for a period of one year, from 1st July 2020 to 30th June 2021 (this period shall be treated as gestation period) at concessional interest rate of 5 percent per annum.
- (d) Interest accrued from 1st July 2020 to 30th June 2021 shall be capitalized at the end of gestation period. The capitalized amount shall be amortized/repaid over a period of 4 years at concessional rate of 5 percent per annum.
- (e) Disbursement of the loan shall be made on a phased manner based on the agreed modalities between the FIs and borrowers.
- (f) Any repayment during the gestation period shall be adjusted as per the normal adjustment applications.

PART F

Soft Short-Term Loans to Micro Businesses and CSIs

13. In order to continue supporting micro and CSI borrowers including informal/mobile businesses and borrowers not covered under point 5 above, the microloan and working capital loan to CSIs under the monetary measures phase I shall be extended by another 12 months until 30th

June 2021. The NCSIDBL and the MFIs shall provide loans as per the following terms and conditions:

13.1 National CSI Development Bank Limited (NCSIDBL):

13.1.1 Soft Term Micro Loans:

- (a) The maximum amount of loan shall be Nu.500,000
- (b) The interest rate shall be 2 percent per annum until liquidation of the loan.
- (c) Borrowers can avail the soft loan facility for a period of one year, from 1st July 2020 to 30th June 2021 (this period shall be treated as gestation period) at concessional interest rate of 2 percent per annum.
- (d) Interest accrued from 1st July 2020 to 30th June 2021 shall be capitalized at the end of gestation period. The capitalized amount shall be amortized/repaid over a period of 4 years at concessional rate of 2 percent per annum.
- (e) The NCSIDBL shall develop their own assessment criteria and carry out their own due diligence in sanctioning the loan.

13.1.2 Soft Term Loans to CSIs:

- (a) The purpose of this loan facility is to finance operational expenses such as:
 - (i) Employment expenses (wage and salary paid to employees);
 - (ii) Overhead expenses (rents, utility bills, lease, insurance premiums); and
 - (iii) Procurement/purchase of raw materials.
- (b) Loan size shall be determined by NCSIDBL to finance operational expenses for one year until 30th June 2021.
- (c) Borrowers can avail the soft loan facility for a period of one year, from 1st July 2020 to 30th June 2021 (this period shall be treated as gestation period) at concessional interest rate of 4 percent per annum.

- (d) Interest accrued from 1st July 2020 to 30th June 2021 (gestation period) shall be capitalized at the end of gestation period. The capitalized amount shall be amortized/repaid over a period of 4 years at concessional rate of 4 percent per annum.
- (e) Disbursement of the loan shall be made on a phased manner based on the agreed modalities between the NCSIDBL and the borrower.

13.2 Microfinance Institutions (MFIs):

- (a) Microloans up to Nu.500,000 will be provided by MFIs.
- (b) Interest rate and other conditions shall be as determined by MFIs.
- (c) All MFIs are also encouraged to formulate concessional loan schemes tailor-made to the requirement of their borrowers.

PART G

Conversion of concessional term-based soft working capital facilities (under Phase I Monetary Measures) to concessional term-based loans.

14. Working capital facilities for wholesalers, industries and tourism availed under the Phase I Monetary Measures (April 2020 to June 2020) has ended on 30th June 2020. These working capital facilities shall be converted into new term-based loans with the following arrangements:

- (a) The interest accrued until 30th June 2020 shall be capitalized and the repayment shall commence from 1st July 2020.
- (b) The loan tenure shall be for a period of four years at the interest rate of 5 percent per annum.

OR

- (a) Financial institutions shall formulate separate arrangements for the treatment of the loans sanctioned under the Monetary Measure phase I.

