RESTRUCTURED LOANS

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The Monetary Board, in its Resolution No. 1093 dated December 22, 1989, approved the following amendments to Books I, II, III and IV of the Manual of Regulations for Banks and Other Financial Intermediaries:

SECTION 1. Subsections 1304.6, 2304.6, and 4304Q.6 of Books I, II and IV, respectively, are hereby deleted.

SECTION 2. Sections 1322, 2322, 3322, and 4322Q are hereby added to Books I, II, III and IV, respectively, to read as follows:

"Restructured Loans: General Policy — Banks/NBQBs shall have full discretion in the restructuring of loans in order to provide flexibility in arranging the repayment of such loans without impairing or endangering the lending bank's/NBQB's financial interest, except in special cases approved by the Monetary Board such as loans, the funding of which is sourced partly or wholly from foreign currency obligations. However, the restructuring of loans granted to directors, officers, stockholders and their related interests (DOSRI) should be upon terms not less favorable to the bank/NBQB than those offered to others. While agreements on loan restructuring should be considered as management tools to maintain or improve the soundness of the bank's/NBQB's lending operations, these should be drawn mainly to assist borrowers towards the settlement of their loan obligations, taking into account their capacity to pay.

"Subsection _____ 1/ Definition — Restructured loans are loans the principal terms and conditions of which have been modified in accordance with a restructuring agreement setting forth a new plan of payment or a schedule of payment on a periodic basis.

The modification may include, but is not limited to, change in maturity, interest rate, collateral or increase in the face amount of the debt resulting from the capitalization of accrued interest/accumulated charges. Items in litigation and loans subject of judicially — approved compromise, as well as those covered by petitions for suspension or new plans of payment approved by the Court or Securities Exchange Commission, shall not be classified as restructured loans.

"Subsection _____ 2/ Procedural requirements — A Loan may be restructured, subject to the approval of the bank's/NBQBs board of directors in a resolution which shall embody, among other things: (a) the basis of or justification for the approval; (b) determination of the borrower's capacity to pay, such as viability of the business; and (c) the nature and extent of protection of the bank's/NBQBs exposure.

"The authority to approve the restructuring of loans may be delegated by the bank's/NBQB's board of directors to a committee or officer(s): Provided, that there are board-prescribed guidelines specifically on restructuring of loans: Provided, further, That said guidelines shall be submitted to the appropriate supervising and examining department of the Central Bank within thirty (30) days following the date of approval thereof. However, loans previously approved by the executive committee as well as those granted to DOSRI shall be subject to approval by the Board as provided under existing rules and regulations. Loans restructured other than those approved by the board shall be reported to it for confirmation.

"Subsection _____ 3/ Restructured loans considered past due. — Restructured loans shall be considered past due in

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accordance with Section ____ 4/.

"Subsection _____ 5/ Account classification — 'Restructured Loans' shall be an account classification by itself, and shall be identified as such for recording and reporting purposes. Separate appropriate records shall be maintained for 'Restructured Loans' accounts.

SECTION 3. Subsections 1303.5b, 2303.5b, 3303.3b and 4303Q.7b of Books I, II, III and IV, respectively, are hereby further amended to read as follows:

> "Interest earned on extended or renewed loans may be accrued: Provided, That there is no previously accrued but uncollected interest thereon.
>
> "Interest on restructured loans may be accrued under the following conditions:
>
> 1. That the loan is on current status at the time of interest accrual; and
>
> 2. That there is no previously accrued and/or capitalized but uncollected interest on such loan."

This Circular shall take effect immediately.

Adopted: 19 Jan. 1990

(SGD.) GABRIEL C. SINGSON
Senior Deputy Governor

1/ 1322.1 - Book I; 2322.1 - Book II, 3322.1 - Book III and 4322Q.1 - Book IV.

2/ 1322.2 - Book I; 2322.2 - Book II; 3322.2 - Book III and 4322Q.2 - Book IV.

3/ 1322.3 - Book I; 2322.3 - Book II; 3322.3 - Book III and 4322Q.3 - Book IV.

4/ 1304 - Book I; 2304 - Book II; 3304-Book III and 4304Q - Book IV.

5/ 1322.4 - Book I; 2322.4 - Book II; 3322.4 - Book III and 4322Q.4 - Book IV.

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