

[**BSP CIRCULAR NO. 1223, January 19, 1990**]

RESTRUCTURED LOANS

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.