

## **TREATMENT OF RESCHEDULED AND RESTRUCTURED LOANS/FINANCING**

1. The specification in this letter is to be read together with paragraph 5 of Appendix I of the policy document on *Credit Risk*.
2. Where a loan/financing has been rescheduled and restructured (R&R) to assist viable businesses and individuals who are affected by the COVID-19 outbreak, the R&R loan/financing need not be reported as 'rescheduled and restructured' in the Central Credit Reference Information System (CCRIS). This loan/financing is also not required to be classified as credit-impaired in CCRIS.
3. The exception specified in paragraph 2 above is only applicable to-
  - (i) a loan/financing where the principal or interest/profit or both is not past due for more than 90 days or 3 months at the date of application<sup>1</sup> i.e. performing loans/financing;
  - (ii) all rescheduled and restructured loans/financing, including those rescheduled and restructured under the Small Debt Resolution Scheme (SDRS);
  - (iii) any application by a borrower/customer for the rescheduling and restructuring of a loan/financing that is-
    - a) received on or before 31 December 2020;
    - b) submitted not more than once during this period i.e. a subsequent application by the same borrower/customer during the period shall be assessed for evidence of an increase in credit risk and classified in CCRIS in accordance with the applicable accounting standard; and
    - c) approved by the banking institution no later than 3 months from the date of application.
4. To ensure that risks from these loans/financing are appropriately managed, banking institutions must-
  - (i) separately monitor the performance of these exposures; and
  - (ii) assess that the banking institution's total impairment provisions remain adequate to absorb the potential credit losses from these loans/financing.
5. For the avoidance of doubt, SME loans/financing which have been accorded regulatory flexibility as specified in the letter '*Specification relating to Treatment of Rescheduled and Restructured SME Loans/Financing*' of 21 Jun 2019 are also eligible for the treatment specified in paragraph 2 above.

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<sup>1</sup> Refers to the date of application to reschedule and restructure the loans/financing.