

**Banking Regulation & Policy Department**  
**Bangladesh Bank**  
**Head Office**  
**Dhaka-1000**

January 29, 2015

Date: -----

Magh 16, 1421

BRPD Circular No.-04

Chief Executives  
All Scheduled Banks in Bangladesh

Dear Sir,

**LARGE LOAN RESTRUCTURING**

Bank borrowers in general have experienced difficulties in running business smoothly resulting in default with respect to debt servicing in particular due to the prevalent economic scenario emanating from various external and domestic factors beyond their control. This phenomenon has augmented a situation whereby present policy needs to be liberalized especially with respect to large borrowers having multiple bank exposures. Considering that affected large borrowers have significant importance from the socio-economic and employment generation perspective and hence to support the recovery efforts in this regard, the Board of Directors of Bangladesh Bank having taken due cognizance of the situation has recommended necessary policy support for the said borrowers. Accordingly, the following set of instructions is hereby issued in line with international best practices for restructuring of such affected large loans:

**1.0 LOAN ELIGIBLE FOR RESTRUCTURING**

For the purpose of restructuring of large loans, irrespective of classification status, of any business concern or group (as defined in **BRPD Circular No. 02/2014**) under this policy, following criteria are to be fulfilled:

- a) Loans of a particular borrower or group in a bank, singly or in clubbed together form, shall be eligible for restructuring. Borrower having exposure in multiple banks may also approach by forming a consortium.
- b) Minimum outstanding loan amount for restructuring shall be Tk.500 crore or above in aggregate.
- c) Restructuring facility will be provided to a particular loan account only once.

However, borrowers indulging in frauds and forgeries will not be eligible for loan restructuring.

**2.0 APPLICATION PROCEDURE**

- a) Intending borrower shall apply to the concerned bank(s) along with the following supporting documents/information:
  - i. Grounds for restructuring including the business plan.
  - ii. Financial justification and cash flow projection all duly certified by a Chartered Accountant Firm enlisted as 'Category-A' with Bangladesh Bank not being the incumbent auditor of the borrower.
  - iii. Viability Analysis in support of the restructuring.

- iv. A resolution of the Board of Directors in the form of a declaration for such restructuring, if the borrower is a limited company.
- b) Upon receipt of the application from the borrower, bank shall examine, among others, the grounds for restructuring and also assess the viability of the proposal. If it is found from such assessment that the borrower is incapable of paying the debts in question, the bank shall not consider the application for such restructuring.
- c) While examining the application, bank must consider overall repayment capability of the borrower taking into account the borrower's cash flow statement, latest audited financials along with projections, and the borrower's latest liability position with other banks and financial institutions.
- d) Restructuring of any loan must be justified through the bank's Credit Committee. Its recommendation shall include an assessment of impact, both in short and long run, of such restructuring on the liquidity, profitability, asset quality and capital adequacy of the bank, including the factors that caused the Credit Committee to believe that the loan will ultimately be repaid in full.
- e) The application of the borrower along with the bank's Credit Committee recommendation will have to be placed before the Board and approved in the presence of majority of the Board of Directors.
- f) An application in the prescribed form (Annexure-A) duly signed by the CEO/ MD shall then be forwarded to Banking Regulation & Policy Department of Bangladesh Bank on or before June 30, 2015 for its 'No Objection' along with the documents listed below. No application will be considered after the deadline.
  - i. A write-up explicitly stating the actual reasons behind non-repayment/payment difficulties of the particular loan(s) and also the underlying justifications for agreeing to such restructuring.
  - ii. Resolution of the Board of Directors of the bank with specific recommendation to this effect.
  - iii. Details of bank-wise borrowings of the concerned business/group of companies along with the latest CIB report.
  - iv. Analysis of borrower's financials with latest (June 30, 2014 or later) audited accounts including projections and viability analysis in support of the restructuring.
  - v. Details of securities, primary and secondary collaterals with latest valuation, held or to be held by the applicant bank.
- g) Bangladesh Bank shall evaluate the application based on the documents submitted under (f) above and information provided in the application as per Annexure-A.
- h) All the agreed terms and conditions shall be an integral part of the Restructuring Agreement to be made on Non-Judicial Stamp duly signed by the CEO/MD of the bank and the authorized person/signatory of the business concern or group of companies or the owner, as the case may be.

### 3.0 TERMS AND CONDITION

- a) **Tenure:** the restructured loan shall have a maximum tenure of twelve (12) years for term loan(s); in case of demand and/or continuous loan(s), the tenure shall be maximum six (06) years.
- b) **Interest Rate:** the interest rate, to be charged against the outstanding balance of the restructured loan, may be at a discount from the prevailing declared rate of the bank, but in any case, it shall not be less than the cost of fund plus 01%.
- c) **Moratorium:** if the business case warrants, the borrower may be allowed a moratorium period of maximum twelve (12) months within the total tenure of the restructuring.

- d) **Down payment:** restructuring shall be effective upon receipt of down payment in the form of cash of at least 02% of the outstanding amount if such amount is less than Tk. 1,000 crore and 01% if the total is Tk. 1,000 crore or above.
- e) **Installment:** the restructured loan shall be paid by the borrower in quarterly installments. Interest during the moratorium period shall be capitalized.
- f) **Liability Reduction:** reduction of interest liability may be considered by the bank as per existing policy on interest waiver issued by Bangladesh Bank from time to time based on the repayment capability of the borrower and adequacy of provision to absorb loss by the bank.
- g) **Default:** Failure to pay two (02) consecutive installments shall be considered as default and the restructured facility will stand cancelled.

#### 4.0 CLASSIFICATION AND PROVISIONING

- a) All restructured loans shall be treated as Special Mention Account (SMA) for the purpose of classification. Provision shall be calculated at existing applicable rate of SMA with additional 1%.
- b) Moreover, provision kept on the loan(s) prior to restructuring shall be eligible for transferring to General Reserve Account in case there is provision surplus against all classified loans.
- c) In case of default, the restructured facility shall stand cancelled and the loan shall be classified as per the existing policy. Bank shall take all possible legal steps for recovery of such defaulted loans, failing which may result in bank filing suit under the Bankruptcy Act, 1997.
- d) Income from restructured loan shall be accounted for only when it is actually received.

#### 5.0 COLLATERALS

- a) The bank shall ensure obtaining of the following instruments/documents:
  - i. Charge documents covering the restructured loan amount.
  - ii. Corporate Guarantee from all the business concerns of the group.
  - iii. Personal Guarantee from all the directors/owner(s).
- b) In addition, bank shall try to enhance the level of physical collaterals to cover the restructured loan.

#### 6.0 NEW FINANCING FACILITY

Any new financing facility or enhancement of existing credit facility subsequent to the restructuring agreement for the business concern or group of companies can be considered by the respective bank subject to Section 26Kha of the Bank Company Act, 1991 and BRPD Circular No. 02/2014 in following manner provided that the borrower complies with all the terms and conditions of the restructuring and repayments of the installments are made in time:

- a) Working capital financing may be allowed up to 50% of the last sanctioned limit during the first 03(three) years of the restructured tenure. After completion of such period, the working capital requirement issue may be decided on the basis of banker-customer relationship and need of the business.
- b) Term financing may be allowed up to 60% of the last sanctioned amount during the first 05 (five) years, if needed for up-gradation or replacement of the existing facility, subject to proper due diligence. After completion of such period, the fresh term financing may be allowed on the basis of banker-customer relationship.

## 7.0 OTHER PROVISIONS

- a) Information on restructured loan shall be reported to the Credit Information Bureau (CIB) of Bangladesh Bank as SMA (RST) immediate upon restructuring become effective.
- b) Restructured loan will have to be shown in the CL-5 (Loan classification reporting format).
- c) Bank shall make full disclosure of the restructured loans in its published audited accounts in a separate note.
- d) No cash dividend shall be declared or personal drawings shall be made by the borrower during the first 03 (three) years of the restructured tenure. After that the borrower shall obtain prior consent of the bank(s) before declaration of such cash dividend or drawings.

## 8.0 MONITORING

- a) Bank shall set up a special cell headed by Head of Recovery for continuous monitoring of the restructured loan and the cell shall submit a quarterly report to the Board of Directors through Risk Management Committee of the Board. This report must contain, among others, compliance progress of the restructuring terms and conditions.
- b) Board of Directors of the bank shall review such quarterly report and forward the same along with its specific observations to the Department of Off-site Supervision of Bangladesh Bank through the CEO/MD of the bank.

This Circular is issued with immediate effect.

Yours sincerely,



(Chowdhury Md. Feroz Bin Alam)  
General Manager  
Phone: 9530252

**Application for Large Loan Restructuring**

**A. Outline of the client:**

1. Name and Address of the Borrower (Individual/Group):
2. Business History along with types and nature of business:
3. Shareholding/ownership structure:
4. Management structure (state of professional management, accounting system, automation, etc.):
5. Size of the business, should include yearly revenue, asset, liability and net-worth:
6. Yearly Export/Import volume for last three years:
7. Market share in the particular segment:
8. Number of employee:
9. Financial Highlights for last three years (leverage, liquidity, profitability, debt-service coverage):
10. Tax, Vat and Duty paid in last three years:

**B. Client's position in the bank:**

1. Client's business relationship with the bank:
2. Exposure of the client in terms of large loans and total loans in terms of ranking and percentage:
3. Provision kept based on existing classification vs. required provision:
4. Impact on capital adequacy in case of total non-repayment:

**C. Client's exposure with other banks and financial institutions:**

**D. Actual causes for delinquency/payment difficulties in details substantiated by business facts and figures:**

**E. Particulars of the Loans to be restructured:**

1. Nature of Loan(s), Past history and present status;
2. Restructured Amount, Tenure, Rate of interest, Installment size, Grace period, Waivers:
3. Details of existing securities held stating the value and marketability, Guarantees taken:
4. Additional security offered stating the value and marketability:
5. Down-payment offered:
6. Major initiatives committed by the borrower for the purpose of restructuring, including injection of new equity, management changes, process up-gradation, re-positioning, etc.:
7. Any other condition agreed between the client and the bank concerning the restructuring:

Authorized Signature

Designation

Phone: