

**The Central Bank of The Bahamas
Bank Supervision Department**

**GUIDANCE NOTICE
Commercial Banks**

Re: REPORTING ON RESTRUCTURED ASSETS

**Senior I Name, Email: Email Address
Licensee Name**

We wish to take this opportunity to remind local commercial banks of their responsibility to accurately classify and report on restructured assets, as outlined in **Section III C of the Guidelines for the Measurement, Monitoring and Control of Impaired Assets** (“the Guidelines”). The said guidelines defined a restructured asset as one in which the original contractual terms have been modified to provide for concessions (i.e., that renders the asset “non-commercial”) of interest or principal for reasons related to the financial difficulties of a counterparty. In other words, restructuring on non-commercial terms is the main driver for classifying an asset as restructured.

During the most recent round of Quarterly Credit Meetings, we took note that some licensees expressed difficulty with the phrase “non-commercial” in that while a loan may be restructured due to financial difficulties of a counterparty, concessions associated with such a loan rarely renders it non-commercial as defined by the guidelines. Hence, such a scenario raises the question as to whether to report same as restructured assets/loan, given the practice of some commercial banks, which appear to have resulted in non-reporting of restructured loans by some licensees.

In light of the above, and in an effort to minimize inconsistencies in reporting and or non-reporting of restructured loans, commercial banks are hereby required to consider “**financial difficulty**” of a counterparty specifically spurred by the current **economic downturn** (i.e. loss of job or cash flow impairment) as the key driver for determining and reporting of a restructured asset/loan, effective October 2009, irrespective of whether it remains on commercial terms or not.

A copy of the revised restructured loans template is attached for your ease of reference. In addition, it has been posted to the Bank’s website (www.centralbankbahamas.com) under Bank Supervision Department/Regulatory Framework/Downloadable Forms section. The returns should be submitted to the Commercial Bank Unit within fifteen

(15) calendar days of month-end¹ via email to combankunit@centralbankbahamas.com

.

Any questions or concerns regarding the foregoing should be addressed to:

*Commercial Bank Unit
Bank Supervision Department
Central Bank of The Bahamas
P.O. Box N-4868
Nassau, Bahamas
Telephone: (242) 302-2615
Fax: (242) 356-3897
E-Mail: combankunit@centralbankbahamas.com*

Dated: 26th October 2009

¹ The return is to be submitted by the next business day, when the 15th day occurs on a weekend.