



6 January 2014

The Bank of Portugal Instruction 32/2013

On 31 December 2013 the Bank of Portugal Instruction 32/2013 (the "Instruction") which sets out the new method to identify and select credit restructuring events of clients who are going through financial difficulties was enacted and entered into force.

The Instruction which revokes the Bank of Portugal Instruction 18/2012 lists in more detail the criteria which allows the assessment of events in which clients are considered to be in financial difficulties.

Moreover, the Instruction increases the length of period for re-qualifying the restructured credit due to the client's financial difficulties to two years and saves its occurrence to three cumulative conditions. In fact, contrary to the period of one year established in the revoked Instruction 18/2012, the requalification can only occur after two years of its restructuring date and is subject to further confirmation of the following events:

- > the regular payment of capital instalments during the two years period, in a cumulative amount equal to, at least, half the capital amount that would be due if a continuous instalment payment plan was implemented¹;
- > the inexistence of any capital or interest overdue instalment for a period of more than 30 days, in respect of any of such client's loan; and
- > the absence, during that period, of any recourse from the client to mechanisms for debt restructuring.

We would also like to point out that the registration as restructured credit due to the clients' financial difficulties should be stored in the information systems for a period of five years after its requalification.

It is also worth noting that the institutions shall ensure, with reference to 31 December 2013, that the identification and selection of the re-qualified credits carried out according to Instruction 18/2012 is made according to the criteria set out in this new Instruction.

¹ In case of renewable credit operations, one shall verify the reduction, during the period of 3 months, of its use to an average level inferior to 70% of the limit authorised by the institution in the moment of its restructuring.

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