

Cambodia: New Directive on Loan Restructuring During the COVID-19 Epidemic

On March 27, 2020, the National Bank of Cambodia (NBC) issued a directive to all banks and financial institutions to restructure loans in order to maintain financial stability, support economic activity, and ease the burden of debtors facing major revenue declines who may find it difficult to repay loans during the ongoing COVID-19 outbreak.

This directive requires banks and financial institutions to establish a policy and procedure on loan restructurings amid the COVID-19 outbreak, and have it approved by the board of directors. The banks and financial institutions must also pay close attention to clients, with particular attention given to clients engaged in the following sectors:

- ▶ Tourism (hotels, guesthouses, restaurants, and support services for these industries)
- ▶ Garments (including employees of garment factories)
- ▶ Construction (only for first home or shop construction loans and first housing loans)
- ▶ Transportation (especially taxi drivers and tuk-tuk drivers) and logistics

The directive recommends that banks and financial institutions verify that:

- ▶ clients are struggling financially before restructuring their loans;
- ▶ loans will be restructured if a client's interest or principal payments are past due for not more than 90 days (i.e., are still a performing loan); and
- ▶ that the client expects that this period of financial difficulty is only temporary.

In restructuring a loan, banks and financial institutions may:

- ▶ reduce the amount of the loan principal or the amount of the bullet loan repayment;
- ▶ lower interest rates to be lower than the rate in the original contract;
- ▶ extend the payment deadline for the principal, interest, or interest capitalization;
- ▶ extend the deadline for repaying a bullet loan;
- ▶ add or change creditors or guarantors, if applicable;
- ▶ convert from loan repayment by installment to only interest repayment and bullet repayment for the entire amount of the loan principal;
- ▶ waive or reduce collateral;
- ▶ reduce conditions in the contract; or
- ▶ provide a grace period for non-repayment of up to six months from the effective date of the new contract.

Banks and financial institutions are also required to closely monitor restructured loans and provide monthly reports to the NBC. The reports must include the following information:

- ▶ type of loan
- ▶ loan purpose
- ▶ location
- ▶ gross loan amount
- ▶ bullet loan payments
- ▶ favorable conditions
- ▶ loan classification
- ▶ date of restructured loan
- ▶ loan status (performing, non-performing or multiple restructuring)

The directive further requires that loan restructurings be carried out by a separate team from the department in charge of processing the loan. The team must regularly review clients' loan portfolios and how they are impacting clients' financial positions.

For more information on compliance obligations for your loan portfolio, restructuring your loans, or any other aspect of banking and finance law in Cambodia, please contact Tilleke & Gibbins on cambodia@tilleke.com.

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Our Commitment to Continuous Client Service

During the COVID-19 outbreak, we are focused on maintaining high-quality client services while ensuring the safety and wellbeing of our team. Over the past several weeks, Tilleke & Gibbins has implemented our Business Continuity Plan across our offices in Cambodia, Indonesia, Laos, Myanmar, Thailand, and Vietnam. The vast majority of our team members are now working remotely, and based on our robust technology infrastructure, we are providing our full range of services as usual. We are now carrying out all client meetings through the use of technology, and, as many of you will have already experienced, this is proving to be a highly effective solution. By implementing a range of technology and agile working measures, we will ensure that you continue to receive the highest quality services with the fastest possible response times from our team. We know that you are facing complex business challenges during this crisis, and we have put together a bank of practical resources tracking the legal developments in the region as they happen—[you can access them all at this link](#). In addition, we want to assure you that our team will be continuously available to help you navigate these issues across Southeast Asia. If you have any queries about these measures, please contact your usual client service partner, or email communications@tilleke.com.

Stay well, safe, and healthy.