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D11/2025

To: All banks, branches of foreign institutions, controlling companies, eligible institutions and auditors of banks or controlling companies

Directive issued in terms of section 6(6) of the Banks Act 94, 1990 (Act No. 94 of 1990)

Prudential treatment of distressed restructured credit exposures

Executive summary

Effective credit risk management must include systems and processes that enable banks, controlling companies and branches of foreign institutions (hereinafter collectively referred to as 'banks') to continuously assess, monitor and manage the quality of credit exposures. In this context, banks must be consistent and have credible categorisation schemes that distinguish credit exposures based on differences in credit quality. This, in turn, requires consistent definitions of various asset quality metrics.

In this regard, a bank's Board of Directors (Board) and senior management are responsible for ensuring that the bank has effective systems and processes in place to consistently identify, monitor and manage any deterioration in the credit quality of its credit exposures. The Board is also responsible for ensuring that the identification and reporting of the credit quality of credit exposures in the statutory returns is performed consistently across all credit exposures.

Distressed restructured credit exposures is one of the indicators the Prudential Authority (PA) uses to monitor the quality of credit exposures on which banks grant various concessions to counterparties experiencing financial difficulties.

The definition of 'default' in terms of regulation 67 of the Regulations relating to Banks (Regulations) defines distressed restructured credit exposures for banks when determining a bank's risk-weighted assets and required capital and reserve funds for credit risk.

The purpose of this Directive is to specify the minimum requirements relating to the definition and reporting of distressed restructured credit exposures. It also directs banks on the proper application of regulation 67 of the Regulations.

This Directive replaces Directive 7 of 2015, dated 12 May 2015, with effect from 1 January 2027.

1. Introduction

- 1.1 Regulation 67 of the Regulations defines a restructured credit exposure as a credit exposure in respect of which the bank grants a concession owing to a deterioration in the obligor's financial condition¹ or a distressed financial situation.
- 1.2 This definition of restructured credit exposure has significant implications for both the definition and classification of credit exposures in default, as outlined in regulation 67 of the Regulations. This is because 'default' is defined to include, among other things, credit exposures on which "the bank has consented to a distressed restructuring of the credit obligation, which restructuring is likely to result in a reduced financial obligation".
- 1.3 Accordingly, the act of restructuring a credit exposure is essentially a deviation from the original terms and conditions agreed between the bank and its client. This deviation takes the form of concessions that include, but are not limited to:
 - 1.3.1 extending the term of the loan;
 - 1.3.2 rescheduling the dates of principal and interest payments;
 - 1.3.3 payment holidays, including the postponement of principal, interest or fee amounts;
 - 1.3.4 easing the covenants of the agreement;
 - 1.3.5 offering a revised interest rate that is lower than the contractual interest rate the bank would offer to a counterparty with similar risk characteristics; and
 - 1.3.6 changing an amortising loan to an interest payment-only loan.
- 1.4 Importantly, distressed restructuring is about avoiding default and a loss that is *likely* to result from this default. In essence, banks grant concessions to maximise their chances of recovering all that is due under the loan agreement, considering the changed financial circumstances of the counterparty.
 - 1.4.1 The word 'likely' in this context is instructive, for two reasons:
 - 1.4.1.1 Firstly, financial distress logically implies a deterioration in the counterparty's credit quality. This, in turn, increases the likelihood that the counterparty will not be able to repay all the contractually due amounts, potentially suggesting a default event and, with that, the likelihood that the bank will experience a loss. Therefore, the bank would restructure the loan agreement based on its assessment that the counterparty is more likely to repay all contractually due amounts under less stringent terms and conditions. However, this assessment may not yield the desired outcome given the uncertainties regarding the client's performance under an amended loan agreement and less stringent terms and conditions.

¹ Throughout this Directive, a distinction is made between restructured credit exposure, as defined in regulation 67 of the Regulations, and what is referred to as business-as-usual (BAU) restructures. Therefore, unless specifically stated otherwise, restructures will mean all restructures, including distressed and BAU restructures.

- 1.4.1.2 Secondly, a counterparty may still be up to date and performing in line with the terms and conditions of the loan agreement at the time of the restructure event.
- 1.4.2 It follows that reduced financial obligation (as discussed in paragraph 2.7) will in this case result from the bank having consented to amendments of the loan agreement, leading to relatively less stringent terms and conditions that do not require the full repayment of the outstanding amounts that are contractually due to the bank as originally agreed.
- 1.5 A key distinguishing characteristic of distressed restructuring as referred to in the Regulations, in contrast to any other forms of restructuring or what banks often refer to as business-as-usual (BAU) restructures, is the underlying reason for the restructure. Simply put, a restructure results in a distressed restructured credit exposure if it is performed in response to the financial distress of the counterparty.
- 1.5.1 For instance, the bank may extend the term of a loan, not because the counterparty is experiencing financial distress, but rather to refinance a bullet payment that was part of the original loan agreement. Such a refinancing arrangement is part of its BAU credit granting processes and something the bank would ordinarily offer to any of its counterparties not in financial distress. Similarly, dates of principal and interest payments may be adjusted, not due to financial distress but rather because of changes in the cashflow and/or income structure of the counterparty (e.g. a counterparty previously received monthly income but now receives it yearly).
- 1.5.2 The financial distress may be temporary, in which case the bank may grant temporary concessions. The financial distress may also be permanent, in which case the bank may grant permanent concessions. Regardless of whether concessions are temporary or permanent, the net effect is similar: the loan is restructured for financial distress reasons. This gives rise to the risk of loss and, therefore, the bank adjusts the terms and conditions of the loan agreement to offer less stringent terms and conditions compared to what was originally agreed, with the aim of preventing this loss.
- 1.6 The PA observed inconsistent approaches used by banks to identify and report distressed restructured credit exposures. The PA also observed different influences and reliance on International Financial Reporting Standard 9 (IFRS 9) in the interpretation and implementation of the reduced financial obligation requirement. These inconsistencies are reflected in the quarterly form BA 210, with some banks, for instance, reporting all their restructured credit exposures as distressed restructures and others only what they regarded as their distressed restructured credit exposures, distinct from BAU restructures.
- 1.7 The interpretation of the reduced financial obligation requirement has also been a source of diverse and inconsistent interpretation among banks using the internal ratings-based (IRB) approach.
- 1.8 Accordingly, this Directive is intended to address inconsistencies noted in the identification, treatment and reporting of distressed restructured credit exposures by:

- 1.8.1 specifying a minimum set of indicators of financial distress which banks must use when identifying and classifying credit exposures as distressed restructured credit exposures;
 - 1.8.2 providing guidelines for an appropriate interpretation of regulation 67 of the Regulations (i.e. default treatment), specifically the reduced financial obligation requirement; and
 - 1.8.3 providing clarity on reporting requirements for the completion of the quarterly form BA 210.
- 1.9 A bank may perform a distress restructure on a credit exposure that is classified as performing, in arrears or in default. This Directive applies to all distressed restructures and, unless specifically stated otherwise, to all banks.

2. Directive

- 2.1 In accordance with the provisions of section 6(6) of the Banks Act, 1990 (Act No. 94 of 1990), banks are hereby directed as follows:
- 2.1.1 A bank must put in place the relevant policies that outline the criteria for identifying and reporting distressed restructured credit exposures, in accordance with the provisions of this Directive and the relevant requirements specified in the Regulations. These policies must also outline the relevant approval process and appropriate delegated authority for approving any distressed restructures.
 - 2.1.2 The Board of the bank and its senior management are ultimately responsible for ensuring compliance with the requirements of this Directive and other relevant internal policies relating to the identification, classification, management and reporting of distressed restructured credit exposures.
 - 2.1.3 The Board of the bank and its senior management must, through the relevant internal committees, maintain oversight of the overall management of distressed credit exposures and all relevant practices used by the bank to assist counterparties that are experiencing financial distress.
 - 2.1.4 The bank must also put in place a monitoring mechanism to continuously monitor the volume and value of distressed restructured credit exposures as well as the migration of exposures across the various arrears categories, including, but not limited to, the classification of a restructured credit exposure at the end of the probation period.
- 2.2 The process of identifying and consenting to a distressed restructured credit exposure must be supported by an assessment of the counterparty's current financial position and ability to repay in line with the amended terms and conditions of the loan agreement. This assessment must, in turn, be supported by credible documentation of the counterparty's financial status, overall current debt obligations, and how this is likely to impact the counterparty's performance under the amended terms and conditions of the distressed restructured credit exposure.

- 2.3 The classification of an exposure as a distressed restructure (as per paragraph 2.2) should consider the materiality of the exposures.
- 2.3.1 In the case of wholesale exposures, only exposures in excess of 1% (as a percentage of the counterparty's cumulative exposures) will be considered material for the purposes of this Directive. In this case, exposure refers to both the on- and off-balance sheet amount.
- 2.3.2 For retail exposures, the Directive will apply regardless of the materiality of the exposure.
- 2.4 For the purposes of this Directive, a distressed restructure must be defined to include, among other things, exposures that are deemed to constitute a substantial modification in terms of IFRS 9, thereby resulting in the original exposure being derecognised and a 'new' exposure being recognised.
- 2.5 Importantly, a bank must not restructure any credit exposures for financial distress reasons with the intention of obscuring a deterioration in the credit quality of a counterparty.
- 2.6 Indicators of financial distress
- 2.6.1 When deciding if a restructured credit exposure should be classified as a distressed restructured credit exposure, a bank must determine whether the restructuring is due to the financial distress of the counterparty.
- 2.6.2 For retail exposures other than exposures that are in debt counselling, financial distress must be identified at the credit exposure level at which the bank grants the concession. For wholesale exposures, financial distress must be identified at the counterparty level at which the bank grants the concession.
- 2.6.3 In general, indicators of financial distress will include, but are not limited to:
- 2.6.3.1 a credit exposure that is in arrears² (excluding technical arrears)³ at the time of the restructure;
- 2.6.3.2 a credit exposure that is in arrears (excluding technical arrears) at any point during the six months prior to the restructure;
- 2.6.3.3 a credit exposure that is not in arrears at the time of the restructure, but where it is probable that the counterparty will be past due in the foreseeable future if the bank does not grant a concession; and

² For the purposes of this Directive, 'in arrears' means a payment or portion of a payment that is one day past due in terms of the contractual due date.

³ For the purposes of this Directive, 'technical arrears' means any account that is classified as being in arrears for technical reasons such as operational errors or the bank's information technology system not updating the relevant information on time.

- 2.6.3.4 a restructure of a counterparty's debt obligations on account of changed financial circumstances, resulting in the bank offering revised terms and conditions which the bank would not ordinarily grant as part of its BAU credit granting process. For example, this may include the counterparty not being able to obtain a contractual interest rate at an amount lower than or equal to the interest rate for similar loans to a counterparty that is not experiencing financial distress.
- 2.6.4 The behaviour of revolving credit facilities⁴ differs from that of amortising loans. For instance, outstanding balances on revolving facilities fluctuate due to drawdown features. This contrasts with amortising loans, where the outstanding balance is repaid over a prespecified term. Moreover, revolving facilities have minimum capital and interest repayment schedules that often fluctuate based on the outstanding balance. This contrasts to amortising facilities where capital and interest repayments are often in the form of fixed prespecified instalment schedules over the term of the loan.
- 2.6.5 Accordingly, banks must consider the following non-exhaustive factors to decide whether a restructured revolving facility must be classified as a distressed restructure:
- 2.6.5.1 The bank consents to a change in limit in cases where a credit assessment of the counterparty indicates financial distress. Financial distress may be demonstrated by, for instance, a significant deterioration in behavioural credit scores or risk ratings over the past 12 months, along with a consistent pattern of missed repayments and arrears during the same period.
- 2.6.5.2 Concessions are granted to the counterparty due to financial difficulty.
- 2.6.6 In addition to the indicators listed in paragraph 2.6.3, banks must also consider other indicators that are specific to retail and wholesale⁵ exposures. These indicators include, but are not limited to, the following:
- Wholesale credit exposures*
- 2.6.6.1 The counterparty voluntarily applies for, or is subject to, liquidation.
- 2.6.6.2 The counterparty voluntarily enters into, or applies for, business rescue as provided for under the Companies Act, 2008 (Act No. 71 of 2008).
- 2.6.6.3 The counterparty's listed shares have been suspended, delisted, are in the process of being delisted or are under threat of being delisted from an exchange due to non-compliance with the listing requirements, or for financial or other reasons indicative of distress.

⁴ In this case, revolving facilities refers to exposures that are defined or referred to in regulation 23(11)(c)(iv)(B)(ii) of the Regulations for the IRB approach, and regulation 23(6)(b)(ii)(A) of the Regulations for the standardised (STA) approach.

⁵ Wholesale credit exposures are credit exposures classified under the following regulatory asset classes: corporates (including specialised lending and small and medium-sized enterprises); public sector entities; local government; sovereign (including central government and central bank); banks; and securities firms.

- 2.6.6.4 Based on actual performance, estimates and projections that encompass the counterparty's current capabilities, the bank forecasts that all the counterparty's committed or available cash flows will be insufficient to service all of its loans or debt obligations in accordance with the contractual terms of the existing agreement for the foreseeable future. These estimates may be based on an analysis of the counterparty's internally assigned and up-to-date credit risk ratings, external credit ratings and other relevant quantitative and qualitative information, collected on a best-effort basis.
- 2.6.6.5 A counterparty's committed or available cash flows include, but are not limited to, cash flows from committed assets, shareholder guarantees and other similar credit contracts.⁶
- 2.6.6.6 The bank has placed the counterparty on its internal watchlist.
- 2.6.6.7 Other indicators that may indicate financial distress include significant losses over sustained periods, sustained losses in market share or competitive position, and management instabilities.

Retail credit exposures

- 2.6.6.8 The counterparty applies for debt counselling as provided for under the National Credit Act, 2005 (Act No. 34 of 2005).
- 2.6.6.9 Based on actual performance, estimates and projections that encompass the counterparty's current capabilities, the bank forecasts that all the counterparty's committed or available cash flows will be insufficient to service all of its loans or debt obligations in accordance with the contractual terms of the existing agreement for the foreseeable future. These estimates may be informed by the counterparty's behavioural scores and other relevant quantitative and qualitative indicators collected (e.g. from credit bureaus) that list the counterparty's credit obligations, debt payment capacity as well as debt-to-income, debt service coverage or bureau scores.
- 2.6.6.10 A counterparty's committed or available cash flows include, but are not limited to, cash flows from committed assets, shareholder guarantees and other similar credit contracts.⁷

Exclusions

- 2.6.7 The PA acknowledges that not all restructures performed by banks should be regarded as distressed restructures.
- 2.6.8 Accordingly, banks' internal policies must make a clear distinction between BAU restructures and distressed restructures. These policies must be applied consistently over time and across all credit exposures.
- 2.6.9 Unless the restructured credit exposure complies with the requirements of paragraphs 2.6.3 to 2.6.6.9, the following will not be regarded as distressed restructuring:

⁶ These commitments must be explicitly included in the legal agreement.

⁷ These commitments must be explicitly included in the legal agreement.

- 2.6.9.1 There are changes in payment frequency or date.
- 2.6.9.2 There is a reduction of term with a commensurate increase in the agreed instalment amount.
- 2.6.9.3 There are revisions to terms and conditions based on changes in a counterparty's business activities, the industry in which it conducts business or the nature of its revenues. These changes must not be due to financial distress but should be a reflection of changes in the counterparty's business conditions which give rise to different banking needs (e.g. changes in revenue streams of a counterparty which may necessitate a change in the payment schedules of its loans from monthly to quarterly).
- 2.6.9.4 A bank offers a counterparty revised and relatively more favourable terms and conditions, for instance for competitive reasons, to prevent a counterparty from moving to a competitor. Importantly, these revisions must be in line with the concessions the bank ordinarily grants to counterparties that are not in financial distress as part of its BAU credit granting processes.
- 2.6.10 Where a bank applies a blanket approach, for example, by classifying all or portions of its restructured exposures as distressed restructured credit exposures, this must be well documented in its credit or impairment policies and reporting in the form BA 210 must be in line with this internal blanket approach. The PA must be notified in writing within three months of the policy's approval if a bank decides to apply this approach.
- 2.7 Reduced financial obligation and the definition of 'default'
 - 2.7.1 In terms of regulation 67 of the Regulations, a default is deemed to have occurred if a bank is of the opinion that an obligor is unlikely to pay its credit obligations in full without any recourse by the said bank to actions such as the realisation of security. This opinion must be based on what is commonly referred to as indicators of unlikelihood to pay.
 - 2.7.1.1 A distress restructure that is likely to result in a reduced financial obligation is an indicator of unlikelihood to pay.
 - 2.7.2 A reduced financial obligation, in this context, must be interpreted to refer to instances where the amended loan agreement and its related revised terms and conditions will result, or are likely to result, in a loss for the bank. In essence, if the revised terms and conditions result in the bank not recovering the total amount due – both the interest and capital amounts – the bank must classify the loan as being in default.
 - 2.7.3 Banks must assess whether a loss is likely to result by first considering the principles outlined in paragraph 2.7.4.
 - 2.7.4 The following are some of the concessions granted to a distressed restructure that are likely to result in a loss and, therefore, the classification of the distressed restructured credit exposure in default:

- 2.7.4.1 The amended loan agreement reduces the instalment without an extension of the term.
- 2.7.4.2 The amended loan agreement reduces the interest rate, all other things being equal.
- 2.7.4.3 The bank writes off a part of the credit obligation.
- 2.7.4.4 If the net present value (NPV) of the future contractual cash flows under the amended loan agreement is less than the NPV of the future contractual cash flows of the original loan agreement, this will be evidence that the amended loan agreement will result in a reduced financial obligation. Accordingly, the distressed restructured credit exposure must be classified as being in default. The effective interest rate should be used as the discount rate when determining the NPV.
- 2.7.5 At a minimum, a distressed restructured credit exposure for which a bank has raised a specific impairment must be classified in default.
- 2.7.5.1 For a wholesale distressed counterparty, banks must adopt a more holistic approach when assessing whether the distressed counterparty should be classified in default, in line with paragraph 2.7.1.
- 2.7.6 A bank must not treat credit exposures as distressed restructures to obscure a deterioration in the credit quality of their counterparties and, by implication, their classification in default. Accordingly, banks must put in place stringent internal policies and measures to prevent the misuse of distressed restructure practices to obscure a deterioration of counterparties' credit quality. Moreover, banks must put in place measures to, for instance, limit the number of times credit exposures can be restructured within a specific period, which banks must determine internally. Such internal measures must be sufficiently granular to account for differences in how the bank approaches distressed restructures across various product types and asset classes.
- 2.7.7 In terms of regulation 23(11)(d)(ii)(B) of the Regulations, IRB banks are required to compare their loss given default estimates for defaulted loans with the best estimate of their expected loss (BEEL), where BEEL should at least equal specific credit impairments. For distressed restructured credit exposures classified in default (in terms of paragraph 2.7) that are not classified as credit impaired (i.e. stage 3), BEEL should be at least equal to the expected credit loss as calculated under IFRS 9.
- 2.8 Categorisation of distressed restructured credit exposures before, during and after rehabilitation
- 2.8.1 If a bank has consented to a distressed restructure of a credit exposure, the arrears status must be reset to zero days at the beginning of the probation period. The distressed restructured credit exposure must migrate across arrears buckets during the probation period. However, the resetting of the arrears status does not remove banks' responsibility to assess the distressed restructured credit exposure for a significant increase in credit risk in terms of IFRS 9.

- 2.8.2 If a bank consents to a distressed restructure that results in a reduced financial obligation in terms of paragraphs 2.7.1 to 2.7.5.1, the distressed restructure must be classified as in default for the duration of the probation period.
- 2.8.3 A distressed restructure that was in default at the beginning of the probation period must remain classified in default for the duration of the probation period.
- 2.8.4 A distressed restructure that was performing⁸ at the beginning of the probation period but subsequently defaulted any time during the probation period must remain classified in default for the remainder of the probation period.
- 2.8.5 A distressed restructure may be reclassified as performing at the end of the probation period if it is rehabilitated in accordance with the rehabilitation criteria specified in paragraph 2.9.6 of this Directive.
- 2.8.6 Unless specifically stated otherwise, BAU categorisation⁹ applies to all distressed restructures.
- 2.9 Criteria for distressed restructured credit exposures to exit the probation period
- 2.9.1 The start of the probation period will depend on the distressed restructured credit exposure's payment schedule. For distressed restructured credit exposures with monthly payment schedules, the probation period must begin on the date that the payments under the amended loan agreement and revised terms and conditions are due to begin. For distressed restructured credit exposures with payment schedules that are not monthly, the beginning of the probation period must be the effective date of implementation of the amended loan agreement and revised terms and conditions.
- 2.9.2 The probation period for retail distressed restructured credit exposure must be a minimum of 12 months.
- 2.9.3 Similarly, the probation period for wholesale distressed restructured credit exposure must be a minimum of 12 months. However, in exceptional circumstances, a wholesale distressed restructured credit exposure may exit the probation period after no less than six months, subject to the counterparty having been approved for exit by an internal credit committee with the relevant delegated authority. This approval must be based on, among other things, an appropriate assessment that demonstrates that the counterparty's distressed position has been sufficiently mitigated to reasonably be expected to perform in line with the revised terms and conditions.
- 2.9.4 If the terms and conditions of a distressed restructured credit exposure are amended again during the probation period due to financial distress, this must trigger a restart of the probation period.

⁸ Performing refers to a counterparty honouring its debt obligations as per the terms and conditions of the loan agreement.

⁹ BAU categorisation refers to the arrears status of the distressed restructure.

- 2.9.5 To conclude that the distressed restructured counterparty has rehabilitated, the bank must determine whether the counterparty has resolved its financial difficulties and that the amended loan agreement and revised terms and conditions will likely result in the full repayment of the credit exposure over the revised and remaining term of the loan. This assessment must be consistent with the bank's relevant policies and processes.
- 2.9.6 In this regard, a distressed restructured credit exposure will be considered rehabilitated, and therefore qualify to exit the probation period, if the following criteria are met:
- 2.9.6.1 For retail credit exposures, all payments required by the amended loan agreement must have been made in a timely manner, ensuring that the distressed counterparty is fully up to date at the end of the probation period. In most cases, this requirement will equate to 12 full consecutive monthly payments, or fewer if the remaining loan term is shorter than 12 months. However, in cases where a distressed restructured counterparty misses any of the monthly instalments or makes partial payments but subsequently makes additional payments to become up to date before the end the probation period, such a counterparty must also be regarded as rehabilitated. A counterparty that is not up to date due to technical arrears must also be regarded as rehabilitated.
- 2.9.6.2 For credit exposures that do not have monthly repayment schedules, the counterparty must be up to date with all its payments, as per the amended loan credit agreement, at the end of the probation period.
- 2.9.6.3 For restructured retail revolving credit facilities, the exposure will only be considered rehabilitated at the end of the probation period if the outstanding amount is less than or equal to the revised limit¹⁰ as set out in the restructured terms and conditions.
- 2.9.6.4 For wholesale credit exposures, the ultimate decision as to whether the underlying counterparty has rehabilitated must be taken by the bank's relevant committee, which holds the requisite authority to monitor and make the decision on the distressed restructured credit exposure. This decision must be based on an objective assessment of the counterparty's financial circumstances and debt repayment capacity, given its existing debt obligations. This assessment must rely on credible quantitative and qualitative information, including but not limited to the distressed counterparty's internally assigned credit risk ratings and, where necessary, external credit ratings, financial statements and its performance during the probation period.
- 2.9.7 If the distressed restructured credit exposure has not rehabilitated at the end of 12 months, the restructure must remain in probation until all the requirements of paragraph 2.9.6 have been satisfied.

¹⁰ It is assumed that the restructuring of the obligor's revolving credit facility will result in a revised limit that is smaller than the obligor's existing outstanding amount. In such a case, it is further assumed that the bank will not allow the counterparty to draw down on the remaining limit. Rehabilitation relates to whether the counterparty repays the amount in excess of the new limit. In cases where the outstanding balance is below the limit but the counterparty is in arrears, then rehabilitation relates to the counterparty clearing the arrears amounts.

- 2.9.8 If a distressed restructure credit exposure defaults or is restructured again during the probation period due to financial distress reasons, this must not trigger a reset of the probation period.
- 2.10 Distressed restructured credit exposures and significant increase in credit risk
- 2.10.1 It is not the intention of this Directive to require banks to deviate from the requirements of IFRS 9 or from banks' internal policies and methodologies put in place to give practical effect to these IFRS 9 requirements. This implies, among other things, that this Directive does not prescribe specific approaches, but rather relies on banks' approved policies and methodologies used for the staging¹¹ and estimation of expected losses of distressed credit exposures.
- 2.11 Formalisation of the restructured loan agreement
- 2.11.1 Paragraph (b)(iv) of the definition of a restructured credit exposure in regulation 67 of the Regulations states that the restructuring agreement must be in writing. For the purposes of this Directive, 'in writing' shall include:
- 2.11.1.1 paper-based or electronic documentation of the revised terms and conditions, signed physically or electronically by both parties;
- 2.11.1.2 verbally agreed changes to the original terms and conditions, which are digitally recorded and legally enforceable; and
- 2.11.1.3 electronic communication of the revised terms and conditions to the counterparty, for example by email or short message service (SMS), which is legally enforceable.
- 2.11.2 It is essential that the legal position of the bank is protected when the terms and conditions of an agreement are revised. It follows that, where there is uncertainty regarding the legal enforceability of a particular method of communication, the bank must obtain legal opinion to that effect.
- 2.11.3 When a bank decides not to formalise the revised terms and conditions in writing as specified by this Directive, the relevant lines of the BA 210 return will apply.
- 2.12 Reporting requirements/transition arrangements
- 2.12.1 Banks must report all distressed restructured credit exposures in the quarterly form BA 210.
- 2.12.2 The reporting must accurately reflect the bank's risk management practices.
- 2.12.3 For regulatory reporting purposes, all banks are required to start reporting distressed restructured credit exposures in accordance with this Directive starting from the reporting month of April 2027.

¹¹ In this regard, 'staging' refers to the process of categorising exposures into the three IFRS 9 stages.

- 2.12.4 The phase-in period will start on the date of publication of this Directive and continue until 31 December 2026. During this time, banks must continue to report all restructured credit exposures in accordance with the requirements of D7/2015 in the new statutory BA 210 return. At the same time, throughout the phase-in period, the PA also requires banks to make all the requisite changes to their systems, processes and policies to prepare for regulatory reporting in line with the requirements of the revised credit restructures directive by the 1 January 2027 reporting month.
- 2.12.5 Restructured credit exposures that are in probation, in terms of paragraphs 5.11 to 5.16 of D7/2015, up to and including 31 December 2026 (D7/2015 stock), must continue to be reported in accordance with the requirements of D7/2015 until 31 December 2026. For D7/2015 stock exposures after 31 December 2026, banks must prospectively apply all the requirements relating to the treatment of restructured credit exposures as outlined in this Directive.
- 2.12.6 For restructured credit exposures initiated on or after 1 January 2027 (inflows), banks must report in accordance with the requirements of this Directive.
- 2.12.7 This Directive replaces Directive 7 of 2015, dated 12 May 2015, with effect from 1 January 2027.

3. Acknowledgment of receipt

- 3.1 Kindly ensure that a copy of this Directive is made available to your institution's external auditors. In addition, the attached acknowledgment of receipt, duly completed and signed by both the Chief Executive Officer of the institution and said auditors, should be returned to the PA at the earliest convenience of the aforementioned signatories.

Fundi Tshazibana
Chief Executive Officer

Date:

The previous Directive issued was Directive 10/2025, dated 11 August 2025.