



OG/401/2023

29th November 2023

Chief Executive Officer

All Retail Banks

All Financing Companies

Manama

Kingdom of Bahrain

Dear Sir/ Madam,

Consultation: Total Repayments Ratio and Maximum Tenor Limit

With reference to CBB requirements on total repayments ratio and maximum tenor limit applicable to consumer finance, the CBB is hereby proposing amendments to Section CM-5.4 in the Credit Risk Management Module (Module CM) of the CBB Rulebook – Volumes 1 and 2.

In this regard, the CBB wishes to highlight the following:

- a) Banks and financing companies should communicate through email/SMS with all consumer finance customers requesting them to accept or decline the automatic restructure into a tenor of ten years;
- b) Such restructuring exercise must not be considered or used towards any downgrade to stage 2 in the future due to the exceptional nature of this requirement;
- c) Banks and financing companies can charge the appropriate reschedule fee allowed in accordance with the caps on fees and charges under Section BC-4.13 of the CBB Rulebook – Volumes 1 and 2 and Section BC-3.7 of CBB Rulebook – Volume 5 (financing companies);
- d) The new tenor shall not apply to stage 3 exposures;
- e) The loan period that passed already should be counted into the ten years tenor; and
- f) Banks and financing companies must not increase interest rates when restructuring the existing facilities with such new tenor.

The proposed amendments are attached and will be available on the CBB website (www.cbb.gov.bh) under the “open consultations” section.

The CBB requests you to assess the impact of the said amendments on your bank’s portfolio and customers, and provide your comments, including “nil comments”, in an editable format to consultation@cbb.gov.bh by 13th December 2023.

Yours faithfully,

Rasheed M. Al-Maraj

Governor

cc: Bahrain Association of Banks
External Audit Firms