Implementing Re-ageing Policy in Banks

A Regulatory and Cross-Jurisdictional Perspective

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Abstract

Re-ageing allows a bank to reset the delinquency status of a past-due account once a borrower demonstrates renewed repayment capability. Properly bounded, it supports genuine rehabilitation; inadequately controlled, it masks deterioration, flatters delinquency statistics and delays recognition of problem assets. This paper sets out the policy choices a bank must make in designing a re-ageing framework — seasoning, evidence of repayment from the borrower's own resources, frequency limits, post-cure observation and record retention — and tests each against the quantified provisions of eight regulatory frameworks. It argues that the central design question is not whether to permit re-ageing but whether the delinquency clock, the credit-risk clock and the regulatory probation clock are permitted to run together.

Two regulatory families are distinguished. In the first, re-ageing is named and regulated directly: the United States prescribes numeric seasoning and frequency limits while leaving policy architecture to the institution, whereas Bahrain prescribes the required policy content and fixes cooling-off periods by product and repayment frequency. In the second, re-ageing is unnamed and governed indirectly through forbearance, classification and cure — the approach of the European Union, Singapore, Hong Kong, India and Japan. The United Kingdom is treated separately as a conduct regime rather than a classification regime. The Basel Committee's 2017 guidelines on problem assets supply a common baseline that the frequently repeated claim of global non-uniformity obscures.

The paper concludes that a policy built for a named re-ageing rule offers a strong foundation for compliance with a forbearance regime but does not substitute for its separate classification, probation and provisioning requirements.

Keywords

re-ageing, forbearance, non-performing exposures, loan classification, credit-risk cure, probation period, IFRS 9 staging, evergreening, prudential supervision, banking regulation

JEL Codes

G21, G28, K23, M41

Intro

Re-ageing is a legitimate credit-management mechanism, but one that requires careful policy design. It allows a bank, subject to defined conditions, to reset or modify the delinquency status of an account after a borrower demonstrates renewed repayment capability. Inadequately controlled, it can mask deterioration, artificially improve delinquency indicators and delay recognition of problem assets.

The objective should therefore be straightforward: to provide reasonable flexibility to viable borrowers without weakening the integrity of credit-risk recognition. What follows sets out the policy choices a bank must make, the time periods that give those choices effect, and how the major regulatory frameworks approach the same question.

Re-ageing should be distinguished from rescheduling, restructuring, forbearance and regulatory cure. Re-ageing principally concerns the treatment of delinquency status. Rescheduling changes the payment schedule. Restructuring or forbearance normally involves a more substantive modification or concession, particularly where the borrower is experiencing financial difficulty.

Importance of Time

Time is central to re-ageing. Banks should not simply state that an account must demonstrate satisfactory performance. They should specify the observation period, frequency restrictions and post-re-ageing monitoring period, and should be able to explain the basis for each.

Table 1 · Policy dimensions, illustrative frameworks and their regulatory anchors

Policy dimension	Illustrative framework	Nearest regulatory anchor
Minimum account seasoning	6–12 months	US: the account must have existed for at least nine months before it can be considered for re-ageing (FFIEC Uniform Policy).
Demonstrated repayment	3–6 consecutive payments	US: at least three consecutive minimum monthly payments, or the equivalent cumulative amount. Bahrain: three instalments for retail monthly repayers, six for corporate monthly repayers.
Continuous repayment before upgrade	3 months minimum	Basel: repayments made when due over a continuous period specified by the supervisor of at least three months, with a longer period permitted for non-performing forborne exposures.
Short-term relapse monitoring	30–90 days	EU: an exposure under probation that becomes more than 30 days past due, or that is granted

Policy dimension	Illustrative framework	Nearest regulatory anchor
		further forbearance, is reclassified as non-performing.
Enhanced monitoring after cure	2–4 quarters	Hong Kong: six months of continuing repayment for monthly-payment rescheduled loans; twelve months for other rescheduled loans.
Repeat re-ageing restriction	Not more than once in 12 months	US: open-end accounts should not be re-aged more than once in any twelve-month period.
Longer-term frequency cap	Cumulative limit over 3–5 years	US: no more than twice in any five-year period, plus one additional workout-programme re-age in five years.
Forbearance probation	1–2 years	Basel: at least one year. EU: at least two years from reclassification as performing, following a cure period of at least one year measured from the later of forbearance and non-performing classification.
Portfolio reporting	Monthly, quarterly committee review	Bahrain: restructured accounts reported to the CBB quarterly until satisfactory performance and resolution of financial difficulty.
Independent policy review	At least annually	General supervisory expectation; not a specific numeric rule in any of the frameworks surveyed.

The illustrative ranges are policy calibrations rather than universal requirements.

Eligibility Thresholds

Eligibility should be supported by evidence rather than by the passage of time alone. Relevant criteria include satisfactory repayment performance over a defined period, an updated assessment of repayment capacity, satisfactory credit-bureau information, the absence of specified adverse events, and evidence that qualifying repayments came from genuine customer resources.

The last point is the one most often overlooked in practice and the one the US framework makes explicit: the institution may not advance funds for the purpose of generating the payments that qualify an account for re-ageing. Additional lending should not manufacture the evidence of recovery.

The Bahraini requirement is structurally similar but more prescriptive about the policy itself. A licensee must set out, at a minimum, approval authorities and reporting requirements, the minimum age of a facility before it becomes eligible, the delinquency levels that are eligible, the maximum number of re-agings permitted per facility, and a reassessment of the borrower's capacity to repay. That is a complete policy skeleton expressed as a rule.

Limits

Re-ageing history should never disappear when an account becomes current. Repeat cases should attract tighter eligibility requirements and progressively higher approval authority. This is the principal defence against evergreening: repeatedly resetting delinquency without resolving persistent borrower weakness.

Two design features are worth borrowing. The first is the dual-horizon cap used in the United States, which combines a short-cycle limit with a long-cycle limit so that an account cannot be re-aged annually in perpetuity. The second is the Basel treatment of repeat concessions, under which a further forbearance measure granted during a probation period restarts that period and triggers a fresh assessment of whether the exposure should be non-performing.

Cure vs Re-Aging

The most important policy choice concerns what happens after re-ageing.

Re-ageing is an account-management decision. IFRS 9 staging, internal ratings, watch-list classification, regulatory default status and provisioning should continue to follow their own criteria.

Basel Guidance

It is true that there is no globally uniform re-ageing rule. While form of regulation differs, in substance, Basel Committee harmonised the definitions of non-performing exposures and forbearance in 2017, and those guidelines set precisely the separation between operational status and credit-risk cure that a sound re-ageing policy needs.

Table 2 · The Basel baseline

Basel requirement (BCBS d403, April 2017)	Threshold and mechanism
Exit from non-performing	No material exposure more than 90 days past due; repayments made when due over a continuous period specified by the supervisor of at least three months, which may be longer for non-performing forborne exposures; the counterparty's situation has improved so that full repayment is likely; and the exposure is neither defaulted nor impaired.
Exit from forborne category	All payments made in a timely manner under the revised contractual terms over a continuous period of not less than one year; and the counterparty has resolved its financial difficulty. The probation period starts at the scheduled start of payments under the revised terms, regardless of performing status when forbearance was granted.
Forbearance cannot cure	Forbearance applied to a non-performing exposure leaves that exposure non-performing. Granting forbearance to an already non-performing exposure does not trigger recategorisation as performing.
Repeat forbearance	New forbearance granted during a probation period restarts the probation period, and the bank must consider whether the exposure should be categorised as non-performing.
Relapse during probation	If a forborne exposure becomes non-performing during the twelve-month probation period, the probation period starts again.
Observed market practice	In the Basel Committee's own survey, banks in Asia and the Americas broadly required six to twelve months of performance before upgrading a forborne exposure; European banks required twelve to twenty-four months.

Regulatory approaches

Comparing jurisdictions is more useful if they are grouped by how they regulate rather than listed alphabetically. Two families emerge. In the first, re-ageing is named and regulated directly as a practice, with prescribed policy content and quantified limits. In the second, re-ageing is not named; it is governed indirectly through the rules on forbearance, restructuring, classification and cure.

A caution on comparison. The regimes below are not all doing the same job. The prudential rows govern classification, cure and provisioning. The United Kingdom row governs conduct: how a firm must treat a borrower in difficulty. UK prudential classification continues to be determined by the onshored Capital Requirements Regulation and the PRA Rulebook, not by the Consumer Credit sourcebook. The rows should be read as answers to related but distinct questions.

Jurisdictions that regulate re-ageing directly

Table 3 · Direct re-ageing regimes

Jurisdiction	Instrument	Quantified requirements
United States	FFIEC Uniform Retail Credit Classification and Account Management Policy (final notice, 12 June 2000, 65 FR 36903)	Re-ageing of open-end accounts requires demonstrated renewed willingness and ability to repay. The account must have existed for at least nine months. At least three consecutive minimum monthly payments, or the equivalent cumulative amount, must have been received; the institution may not advance funds for that purpose. No more than once in any twelve-month period and no more than twice in any five-year period. An account entering a workout or debt-management programme may be re-aged after at least three consecutive minimum payments under that programme, limited to once in five years and additional to the standard limits. For closed-end loans, the 2000 revision replaced explicit numeric limits on extensions, deferrals, renewals and rewrites with a requirement to adopt and adhere to prudential internal standards. Institutions may adopt more conservative standards; some permit only one re-ageing in the lifetime of an account.
Bahrain	CBB Rulebook Volume 1, Module	Licensees must document policies on the counting of days past due, and in particular on re-ageing and on the

Jurisdiction	Instrument	Quantified requirements
	CM, Paragraphs CM-1.8.16 to CM-1.8.18 and Appendix CM-6	granting of extensions, deferrals, renewals and rewrites. The re-ageing policy must at a minimum specify approval authorities and reporting requirements, the minimum age of a facility before it is eligible, the delinquency levels eligible, the maximum number of re-agings permitted per facility, and a reassessment of the borrower's capacity to repay. Re-ageing is defined as a change to the tenor or due dates of a credit when rescheduling or restructuring a facility. Partial write-off, repossession of collateral, and the extension of forbearance to an already non-performing exposure do not permit recategorisation as performing. Cooling-off periods are prescribed by product and repayment frequency (see Table 5).

These two frameworks approach the same problem from opposite ends. The United States prescribes the numeric limits and leaves the policy architecture to the institution; Bahrain prescribes the policy architecture and leaves most of the numbers to the institution, while fixing the cooling-off periods centrally.

Jurisdictions that regulate through forbearance and cure

Table 4 · Indirect regimes

Jurisdiction	Instrument	Relevant clock	Policy implication
European Union	CRR Article 47a(3), (6) and (7), as inserted by Regulation (EU) 2019/630; Annex V of the reporting ITS	At least one year must have passed since the later of the date the forbearance measure was granted and the date the exposure was classified as non-performing. There must be no past-due amount following the forbearance measure, and the institution must be satisfied, on analysis of the obligor's financial situation,	The clearest example of operational cure and regulatory rehabilitation running on separate clocks, with a payment-quality test embedded in the probation period rather than time alone.

Jurisdiction	Instrument	Relevant clock	Policy implication
		that full and timely repayment is likely. The exposure then enters a probation period of at least two years from reclassification as performing. During probation, regular and timely payments must have been made over at least half the period, leading to payment of a substantial aggregate amount of principal or interest, and no exposure to the obligor may be more than 30 days past due. A further forbearance measure during probation, or an exposure becoming more than 30 days past due, returns it to non-performing.	
United Kingdom	FCA Handbook, CONC 7 and MCOB 13, as amended by PS24/2 (in force 4 November 2024); FG24/2	No mechanical re-ageing period. Forbearance arrangements must be reviewed at appropriate intervals, with reasonable steps taken to ensure they remain appropriate. Scope widened from customers already in arrears to customers in, or at risk of, payment difficulty.	A conduct regime, not a classification regime. It governs how a firm must treat the borrower; prudential classification, cure and provisioning continue to be governed separately by the onshored CRR and PRA Rulebook. The UK row is therefore not directly comparable with the prudential rows.
Hong Kong	HKMA loan classification framework and guidance on rescheduled assets	Six months of continuing repayment for rescheduled loans with monthly payments of both interest and principal.	A useful calibrated benchmark. A mere improvement in market conditions is not a basis for restoring a

Jurisdiction	Instrument	Relevant clock	Policy implication
		Twelve months of continuing repayment for other rescheduled loans.	rescheduled loan to normal status.
Singapore	MAS Notice 612, Credit Files, Grading and Provisioning, paragraph 5	No fixed numeric period. Upgrading must rest on a credit assessment of repayment capability, cash flows and financial position, and evidence of a sustained trend of improvement. Restoration to unclassified status requires repayment of past-due principal and interest, or, for a restructured facility, reasonable grounds to expect performance.	A principles-based standard. Evidence of sustainable repayment, not the passage of time alone, supports the upgrade.
India	RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019	Upgrade requires satisfactory performance from implementation of the resolution plan until at least ten per cent of outstanding principal plus capitalised interest is repaid. No upgrade before one year from commencement of the first payment of interest or principal on the facility with the longest moratorium. Exposures of one billion rupees and above additionally require investment-grade ratings.	Modification of terms is decisively separated from restoration of asset classification; restructuring itself downgrades a standard account.
Japan	JFSA supervisory framework for restructured loans	No single universal re-ageing clock. Emphasis on whether the modified terms constitute a restructured loan and whether the concession	Substance and economic rationale prevail over mechanical delinquency resetting. Supervisory practice has moved from checklist-based inspection toward

Jurisdiction	Instrument	Relevant clock	Policy implication
		reflects genuine borrower rehabilitation.	dialogue; current sources should be checked before relying on this row.

Calibrating to repayment frequency

One refinement deserves separate attention. A cooling-off period expressed in months treats a monthly repayer and an annual repayer identically, even though the former will have made twelve payments in the time the latter makes one. Both Hong Kong and Bahrain address this, the latter through an explicit grid.

Table 5 · Bahrain, prescribed cooling-off periods (CBB Rulebook, Appendix CM-6, added April 2023)

Repayment frequency	Performance terms	Retail (natural persons and MSMEs)	Corporate (legal persons excluding MSMEs)
Monthly	Original	3 instalments / 3 months	6 instalments / 6 months
	Restructured	3 instalments / 3 months	6 instalments / 6 months
Quarterly	Original	2 instalments / 6 months	2 instalments / 6 months
	Restructured	2 instalments / 6 months	2 instalments / 6 months
Semi-annual	Original	2 instalments / 12 months	2 instalments / 12 months
	Restructured	2 instalments / 12 months	2 instalments / 12 months
Annual	Original	1 instalment / 12 months	1 instalment / 12 months
	Restructured	1 instalment / 12 months	1 instalment / 12 months

Appendix CM-6 is a transition matrix, not a single cooling-off period. It distinguishes three routes — Stage 3 to Stage 2, Stage 3 to Stage 1, and Stage 2 to Stage 1 — and states the required number of continuous repayments for each, separately for original and restructured performance terms. The instalment counts summarised above are those published for the relevant cells; the number of repayments is the same across original and restructured terms, but it does not follow that the same staging route is available in every case, and the applicable cell should be read directly from the rulebook. Recategorisation of a corporate exposure additionally assumes that a re-rating exercise before the upgrade confirms a satisfactory credit rating and that no other trigger of a significant increase in credit risk is present.

The design lesson is that the number of demonstrated payments, not the number of elapsed months, is what evidences renewed capacity. A policy expressed only in months will be too lenient for monthly products and too harsh for annual ones.

institutional memory

Technology should reset an appropriate operational status field rather than rewrite credit history. Systems should permanently retain original delinquency, previous re-ageing events, qualifying payment evidence, reasons, approving authority, exceptions and subsequent performance. **The delinquency clock may be reset; the risk-history clock should continue.**

For restructured or forborne exposures, a third clock effectively runs alongside the first two. The European framework makes this explicit: a cure period of at least one year, measured from the later of the granting of forbearance and the classification as non-performing, followed by a probation period of at least two years from reclassification as performing. A non-performing forborne exposure therefore carries its designation for a minimum of three years, and potentially longer, even where its operational status changed at the outset. A bank's data model should be able to hold all three clocks simultaneously, to record which event started each, and to report on each independently.

10. Governance should look beyond volumes

Management reporting should assess whether re-ageing actually works, not merely how much of it is occurring. Volume alone tells the board nothing about whether the practice is preserving value or deferring recognition.

Table 6 · A management-information set for re-ageing

Metric	What it tests	Warning signal
Re-aged proportion of portfolio	Scale and concentration of the practice	Sustained growth without a matching improvement in underlying arrears
Repeat re-ageing rate	Whether re-ageing resolves or defers weakness	A rising share of accounts re-aged more than once
Vintage deterioration	Durability of the cure at 30, 60 and 90 days, then 6 and 12 months	Re-default curves converging on the pre-re-ageing cohort
Restructuring following re-ageing	Whether re-ageing was used where a concession was warranted	A material migration from re-aged to restructured within two quarters

Metric	What it tests	Warning signal
Exception and override rate	Discipline of the approval framework	Concentration of exceptions in particular units or approvers
Period-end clustering	Whether re-ageing is being used to manage reported delinquency	Spikes immediately before month-end, quarter-end or year-end
Ultimate loss on re-aged accounts	Whether the practice preserves economic value	Loss rates on re-aged cohorts approaching or exceeding non-re-aged delinquent cohorts

Vintage analysis is the most valuable of these. Deterioration should be measured at 30, 60 and 90 days after re-ageing, and again at six and twelve months, with results compared across products, branches, relationship managers and approving authorities. Where re-aged cohorts converge on the performance of cohorts that were never re-aged, the practice is working. Where they do not, the improvement in reported delinquency is an accounting artefact.

11. Making the policy choice

There is no single appropriate re-ageing model. A bank may adopt restrictive eligibility and frequency limits, or permit greater flexibility for temporary hardship while compensating through stronger affordability assessment, approvals and monitoring. The regulatory comparison nevertheless points toward six common principles:

- Seasoning before an account becomes eligible.
- Demonstrated repayment from the borrower's own resources.
- Limits on repeated use, over both short and long horizons.
- Separation of operational status from prudential cure.
- Continued observation after re-ageing, calibrated to repayment frequency.
- Permanent retention of credit history.

What varies across jurisdictions is not the philosophy but the drafting technique: whether a supervisor regulates re-ageing as a named practice or reaches the same outcome through the rules on forbearance and classification. A bank operating across both families should design to the stricter of the two. A policy built to satisfy a named re-ageing rule provides a strong foundation for compliance with a forbearance regime, because it already addresses seasoning, evidence of repayment, frequency and approval. It does not substitute for that regime’s separate requirements on the identification of financial difficulty, non-performing classification, probation, provisioning and obligor-level assessment, none of which a mechanical re-ageing policy is designed to answer.

The philosophy can ultimately be expressed simply. Re-ageing may reset delinquency status, but it should never reset the bank's institutional memory of risk.

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