

## **BANK QUESTIONNAIRE**

*This questionnaire is provided in connection with a study by The World Bank to assess the effectiveness of creditor rights and insolvency systems in [Name of Country]. The study is being conducted in collaboration with the [Name of Counterpart Authority] under a program sponsored jointly by The World Bank and the International Monetary Fund to assess country systems against international best practices in core areas affecting financial stability and market integrity. Responses to this questionnaire will be used to develop general findings and conclusions without specific reference to institutions, clients or credits, except where information may be independently available in the public domain or where permission has been granted approval.*

*Responses to the questionnaire should be completed in as much detail as possible, and supported by relevant statistics and data where available.*

### **1. Types of Lending.**

- a. Describe the types of lending provided by your institution and the total volume and percentages of lending in each category (e.g., corporate (capital and credit line/revolving credit), personal, real estate, automobile, etc.).
- b. What portion of lending is provided to affiliated institutions (i.e., connected lending)? Describe any legal or internal restrictions that are imposed on this type of lending?

### **2. Interest rates.** What are the interest rates charged on each of the above types of lending.

### **3. Security/Collateral.**

- a. What proportion of corporate lending is secured? (by category)
- b. What types of security/collateral does the Bank require and what is the preferred (or most common) form used?
- c. Describe the key problems that exist in the creation, recording (registration) and enforcement of security and collateral?

### **4. Credit Recovery and Credit Risk Management.**

- a. Does your institution have a credit recovery department that handles collection of credits in default? If so, describe the following:
  - i. The organizational structure of the department, number of staff bank-wide, and the process for decision-making.
  - ii. The qualification requirements and training process for staff in this department.
  - iii. Any standardized procedures for handling credit recovery and whether a general operations manual or guide exists.
- b. At what point is a credit transferred to the credit recovery department for action?

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- c. Provide data on the level of non-performing loans (NPLs) in your institution on an annual basis **for the past 5 years** by amounts and percentages with reference to (i) aggregate amounts; (ii) amounts by type of lending provided by your institution (as set forth in question 1), and (iii) by industry.
- d. Provide a list of the amounts and percentages of classified loans in each classification category.

**5. Credit Recovery Methodologies.**

- a. In each of the following categories, provide number of credits (cases), amounts and percentages (as a percent of the total credits under collection or recovery):
  - i. Sale of credit to a third party;
  - ii. Debt rescheduling;
  - iii. Informal workout;
  - iv. Non-judicial foreclosure or execution;
  - v. Judicial foreclosure (immoveable assets);
  - vi. Judicial proceedings and execution (moveable assets);
  - vii. Liquidation proceedings (e.g., bankruptcy);
  - viii. Rehabilitation proceedings (formal, court-supervised; e.g., concordat, etc.);
  - ix. Conversion of Debt to equity;
  - x. Other (describe).
- b. For each of the categories listed in 5.a., indicate the following information to the extent possible **on an annual basis for the past 4-5 years**: (i) average recovery rates (as a percentage of the total credit due, including interest components) (ii) average recovery rates (as a percent of nominal value of the credit); (iii) the average duration for recovery; and (iv) the average costs incurred in trying to collect the loans (e.g., costs of litigation, costs for external lawyers, valuation reports, auction or execution costs, experts.). The following table may be helpful for assembling the information in sections a. and b of this question.

Credit Recovery Method	Total Credits		Ave. Recovery (% Total Due)	Ave. Recovery (% Nominal)	Ave. Duration	Ave. Costs Incurred
	No.	Amount				
(i) Sale of credit to third party						
(ii) Debt Rescheduling						
(iii) Informal workout						
(iv) Non-judicial foreclosure/Exec.						
(v) Judicial Foreclosure (immoveable)						
(vi) Judicial execution (moveable)						
(vii) Liquidation						
(viii) Formal Rehabilitation (e.g., concordat, administration, etc.)						
(ix) Debt Equity Swap						
(x) Other						

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6. **Information.** (This question deals with the quality of information available for credits)
- Describe the type of information routinely requested by your institution from a corporate borrower workout (e.g., financial statements, cash flow projections, pro forma statements, etc.) when (i) seeking a new credit; (ii) during the course of the course of a credit relationship in which the credit is performing, and (iii) in the context of renegotiations or workouts of a credit; (iv) in the context of a formal rehabilitation or reorganization proceeding (e.g., concordat or reorganization).
  - How would you describe the quality of the information provided by the debtors in each of the above instances?
  - What steps does your institution follow to verify the integrity and accuracy of information provided by borrower (and borrowers in default)?
7. **Workouts.** In a debt rescheduling or a more extensive workout arrangement, what changes in the business (e.g., change in management, cost cutting measures, downsizing of workforce, sale of assets, provision of new collateral/security) does your institution require as a condition to rescheduling or workout? How frequently are these changes implemented?
8. **Asset Sales.**
- In what percentage of cases in which your institution forecloses or executes on assets are the assets retained? Under what circumstances would assets be retained rather than sold? What is the average length of time that assets are generally retained?
  - In what percentage of cases are assets (or collateral) voluntarily turned over by the borrower in cases of default?
  - Describe your experience with public or judicial auction procedures? Are these procedures generally satisfactory?
9. **Formal Insolvency Proceedings.**
- In the context of liquidation (bankruptcy) proceedings, does your institution generally play an active role as a creditor in the case or in the creditors' meeting? If not, why not?
  - In the context of rehabilitation proceedings (e.g., reorganization, concordat, etc.) does your institution generally play an active role as a creditor in the case or in the creditors' meeting? If not, why not?
  - Describe the key problems that exist in the liquidation and rehabilitation proceedings?
10. **Additional Recommendations.** What additional changes or recommendations would your institution propose to improve and strengthen the area of creditor rights and recovery for banks, or to reduce the risk faced by lenders? Would these changes, if made, cause your institution to lower interest rates for corporate borrowers?

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11. [*This question applies where draft legislation has been introduced*] **Proposed Legislation.** If you have formed a view of the proposed legislation [insolvency or creditor rights], describe generally your view of the proposed legislation, areas that need to be further improved, and areas of the bill that are acceptable. If you have prepared draft comments to the legislation, attach your comments.