

MAS 811

29 December 2017

NOTICE TO FINANCE COMPANIES

FINANCE COMPANIES ACT, CAP 108

(MAS Notice 811 dated 11 March 2005 is cancelled.)

Credit Files, Grading and Provisioning

This notice is issued pursuant to section 30 of the Finance Companies Act (Cap. 108).

2 Definitions

2.1 The expressions used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meanings as in the Act.

3 Credit Files

3.1 Every finance company in Singapore shall maintain credit files whether in electronic, print or other form, on all its borrowers which shall contain adequate and timely information on the credit-worthiness of the borrowers:

- (a) to enable the proper and effective monitoring of credit facilities extended by the finance company; and
- (b) to enable examiners from the Authority, as well as the finance company's internal and external auditors, to have immediate and complete factual information from which they can form an objective appraisal of the quality of the credit facilities.

3.2 A finance company shall maintain basic information (including those set out in Appendix A, where applicable) on:

- (a) the borrower;
- (b) the credit facility;
- (c) the appraisal of the credit application; and
- (d) the periodic credit reviews,

to enable an objective evaluation of the quality of each facility.

3.3 A finance company shall also maintain in its credit files, documents which support such basic information. For consumer loans where credit risk is managed on a portfolio basis, a finance company shall maintain information on at least the borrower, credit facility and its

appraisal of the credit application.

3.4 The information in the credit files shall be made available in English.

4 Grading of Credit Facilities

4.1 A finance company in Singapore shall conduct regular and systematic reviews of all credit facilities (including off balance-sheet items) that it has extended to its borrowers. A finance company shall exercise its judgement in deciding the frequency of reviews for the various types of credit facilities. In general, facilities deemed to be of higher risk or showing signs of deterioration should be placed on a shorter review cycle. For consumer loans with homogeneous characteristics, a finance company may perform credit reviews on a portfolio basis.

4.2 A finance company shall categorise the credit facilities based on its assessment of the ability of the borrower to repay from the normal sources of income of that borrower. At a minimum, a finance company shall categorise the credit facilities into five credit grades, namely (a) pass, (b) special mention, (c) substandard, (d) doubtful and (e) loss. The last three credit grades are considered as classified grades. The description of each of the credit grades is as follows:

- (a) **Pass:** this indicates that timely repayment of the outstanding credit facility is not in doubt. Repayment is prompt and the credit facility does not exhibit any potential weakness in repayment capability, business, cash flow or financial position of the borrower.
- (b) **Special Mention:** this indicates that the credit facility exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect repayment by the borrower at a future date, and warrant close attention by a finance company.

Characteristics of “special mention” credit facilities include the following:

- (i) a declining trend in the operations of the borrower that signals a potential weakness in the financial position of the borrower, but not to the point that repayment is jeopardised;
 - (ii) economic and market conditions that may unfavourably affect the profitability and business of the borrower in the future.
- (c) **Substandard:** this indicates that the credit facility exhibits definable weaknesses, either in respect of the business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms.

Characteristics of “substandard” credit facilities include the following:

- (i) inability of the borrower to meet contractual repayment terms of the credit facility;
- (ii) unfavourable economic and market conditions or operating problems that would affect the profitability and business of the borrower in the

future;

- (iii) weak financial condition or the inability of the borrower to generate sufficient cash flow to service the payments;
- (iv) difficulties experienced by the borrower in repaying other credit facilities granted by the same finance company, or by other financial institutions (where such information is available);
- (v) breach of any key financial covenants by the borrower.

A finance company shall assess the severity of each weakness exhibited by the credit facility and consider whether the weakness, when considered singly and in combination with other weaknesses, would adversely affect the repayment ability of the borrower.

- (d) **Doubtful:** this indicates that the outstanding credit facility exhibits more severe weaknesses than those in a “substandard” credit facility, such that the prospect of full recovery of the outstanding credit facility is questionable and the prospect of a loss is high, but the exact amount remains undeterminable as yet. Consumer loans past due for 120 days or more, but less than 180 days fall under this classification.
- (e) **Loss:** this indicates that the outstanding credit facility is not collectable, and little or nothing can be done to recover the outstanding amount from any collateral or from the assets of the borrower generally. Consumer loans past due for 180 days or more fall under this classification.

4.3 Based on repayment conduct, a finance company shall, at the minimum, classify every credit facility:

- (a) where the principal or interest or both is past due for more than 90 days;
- (b) in the case of a revolving credit facility (such as an overdraft), where the outstanding amount, including interest, has remained in excess of the approved limit for a period of more than 90 days; or
- (c) where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or less, if the credit facility exhibits weaknesses that render a classification appropriate according to the credit grading framework.

4.4 For credit facilities with repayments on a quarterly, semi-annual or longer basis, a finance company shall classify such a credit facility as soon as a default occurs, unless the credit facility does not exhibit any weakness that would render it classified according to the credit grading framework set out in paragraph 4.2.

4.5 A credit facility is restructured when a finance company grants concessions to a borrower because of a deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule. The revised repayment terms

relating to the interest or repayment period, are normally considered as non-commercial by a finance company. A finance company shall place a restructured credit facility on the appropriate classified grade depending on its assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms.

4.6 For any credit facility which has been classified according to the requirements set out in paragraph 4.2 (“classified credit facilities”), a finance company may use split credit grades only if certain portions of a facility are likely to be recoverable from the realisation of collateral. If the amount recoverable is considered insufficient to cover the entire amount outstanding, the portion of the credit facility covered by the amount realisable shall be graded “substandard” and the remaining portion shall be graded “doubtful” or “loss”, where appropriate.

4.7 Every finance company in Singapore is encouraged to use internal credit rating systems to categorise its credit facilities. Such internal ratings should be an integral part of the credit risk management framework of the finance company for assessing, monitoring and controlling the quality structure of the loan portfolios. Independent validation of the rating systems should also be performed to ascertain the accuracy and reliability of these systems in measuring the quality of the finance company’s loan portfolios. For the purpose of reporting to the Authority, the internal ratings from these systems shall be mapped to the 5 credit grades listed in paragraph 4.2.

5 Upgrading of Credit Facilities

5.1 Upgrading of any credit facility shall be supported by a credit assessment of repayment capability, cash flows and financial position of the borrower in line with the credit grading framework set out in paragraph 4.2. A finance company shall exercise prudence in the upgrading of any credit facility and be satisfied that the credit facility that it intends to upgrade has exhibited a sustained trend of improvement to justify the improved credit grading.

5.2 A finance company may restore a classified credit facility to unclassified status only when:

- (a) the finance company has received repayment of the past due principal and interest and the finance company expects repayment of the remaining principal and interest in accordance with the terms of the credit facility; or
- (b) in the case of a restructured credit facility, there are reasonable grounds for the finance company to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

A restructured credit facility shall, at the minimum, remain classified unless the borrower has complied fully with the restructured terms and has serviced all principal and interest payments continuously for either a period of 6 months, in the case of credit facilities with monthly repayments, or a period of 1 year, in the case of a credit facility with quarterly or semi-annual repayments. For a

restructured credit facility with repayments of principal and interest on an annual or longer basis, a finance company shall only upgrade that credit facility if the borrower has complied fully with the restructured terms and demonstrated the ability to repay after the end of one repayment period.

A restructured credit facility in respect of which a debt moratorium is given shall remain classified unless the same conditions required to upgrade a restructured credit facility with no debt moratorium set out in the paragraph above (save that the conditions apply only after the end of the period of the moratorium) are satisfied.

6 Requirements for Recognition of Loss Allowance for Expected Credit Losses

6.1 Purpose and Background

6.1.1 This section of the Notice addresses the requirements for recognition of credit loss allowance in finance companies' financial statements. Under Singapore Financial Reporting Standard ("FRS") 109 on Financial Instruments, a finance company shall recognise a loss allowance for expected credit losses ("ECL") on selected financial assets. The loss allowance for credit exposures is measured at an amount equal to 12-month ECL if the credit risk on the credit exposure has not increased significantly since initial recognition. For credit exposures on which the credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL. ECL is measured on an individual or collective basis, taking into account all reasonable and supportable information, including that which is forward-looking.

6.1.2 As the identification of impairment losses in each credit exposure¹ or groups of similar credit exposures and the recognition of appropriate loss allowance to cover such losses is critical to the safety and soundness of a finance company, this section of the Notice sets out the requirements that all finance companies shall adhere to in their credit review processes and the basis for establishing appropriate loss allowance in conjunction with the impairment requirements under FRS 109.

6.1.3 In conducting its credit review, a finance company shall assess all credit exposures in its portfolio to ascertain the degree of impairment inherent in each credit exposure that points to a reduced ability or an inability of the finance company to collect all contractual interest or principal payments due on that credit exposure. A finance company shall include in its assessment all credit exposures, including those that are considered as non-credit-impaired, to ensure that any adverse developments that may affect such credit exposures are duly taken into account.

6.1.4 A finance company shall conduct the assessment on an exposure-by-exposure basis except for homogeneous credit exposures below a certain materiality threshold (e.g. housing loans, consumer loans, credit card receivables) where such credit exposures may be pooled together with all other credit exposures that have not been considered or provided for on an individual basis according to their risk characteristics, and assessed and provided for

¹ Including both on and off balance sheet financial assets that are subject to the impairment requirements under FRS 109.

collectively as a group according to the degree of impairment.

6.1.5 A finance company shall have an adequate credit risk management process, including prudent policies and processes to identify, measure, monitor, report and mitigate credit risk on a timely basis, which covers the full credit life cycle (credit underwriting, credit evaluation and the ongoing management of the finance company's portfolios). In addition, a finance company shall have adequate policies and processes in place for the timely identification and management of problem assets and the maintenance of adequate loss allowance in accordance with FRS 109.

6.1.6 A finance company shall have appropriate mechanisms in place for regularly assessing the value of risk mitigants, including guarantees, credit derivatives and collateral. The finance company shall, in its valuation of collateral reflect the net realisable value, taking into account factors such as the legal enforceability of claims on collateral, ease of realisation of collateral and prevailing market conditions. Where appropriate, the finance company should apply a haircut to the estimated net realisable value of the credit risk mitigants or use the forced sale value of the collateral to provide more realistic estimates. A finance company's measurement of ECL should take into account updated and realistic valuations of such credit risk mitigants.

6.1.7 A finance company should adhere to the principles and guidance set out in the "Guidance on credit risk and accounting for expected credit losses" issued by the Basel Committee for Banking Supervision ("BCBS") in December 2015². These principles are reproduced in Appendix B.

6.2 Loss Allowance for Credit-Impaired Exposures³

6.2.1 For credit-impaired exposures, a finance company shall measure the ECL in accordance with the requirements of FRS 109. In adopting the measurement basis specified in FRS 109, a finance company shall have in place:

- (a) a systematic, comprehensive and consistently applied process to identify on a timely basis, all credit exposures that are credit-impaired; and
- (b) sound and robust ECL estimation methodologies that will yield timely and prudent estimates of the amount of loss allowance required for each credit exposure that is assessed by the finance company to be credit-impaired.

6.2.2 A finance company shall ensure that any loss allowance for a credit-impaired exposure is based on a reasonable and well-documented estimate of the net present value of the future cash flows that the finance company determines to be recoverable from the borrower based on the historical loss experience of the finance company for similar credit exposures, taking into consideration current conditions and forecasts of future conditions that did not affect

² BCBS issued this supervisory guidance to address how the ECL model should interact with a bank's overall credit risk management practices. It contains eight principles for banks on robust governance, methodologies, credit risk rating processes, experienced credit judgement and adequacy of allowance, ECL model validation, common data and risk disclosures. The guidance sets out sound credit risk practices associated with the implementation and application of the ECL model, and is intended to complement the applicable accounting standards.

³ For the purpose of this Notice, a credit exposure is considered credit-impaired if one or more events that have a detrimental impact on the estimated future cash flows of that credit exposure have occurred, and the credit exposure fulfils the definition of credit-impaired financial asset in FRS 109.

the period on which the historical data is based. Any decision by the finance company to deviate from an estimate that is based on the historical loss experience of the finance company shall be supported by assessment of the nature of the collateral or other circumstances that distinguish the credit exposure from similarly rated credit exposures.

6.2.3 In cases where there is limited historical loss experience or where such credit loss data is no longer relevant to the current circumstances, a finance company shall draw on its experience and exercise its expert judgement to derive a best estimate of the future cash flows that it expects to recover on that credit exposure.

6.3 Loss Allowance for Non-Credit-Impaired Exposures

6.3.1 In adopting the impairment measurement basis specified in FRS 109 for determining the appropriate level of loss allowance required on non-credit-impaired exposures, a finance company shall have in place:

- (a) a systematic, comprehensive and consistently applied process to monitor the quality of its credit exposures; and
- (b) sound and robust ECL estimation methodologies that will yield timely and prudent estimates of loss allowance for ECL on non-credit-impaired exposures.

Systematic process to monitor and assess the quality of credit exposures

6.3.2 In developing a sufficiently robust process to identify significant changes in credit risks, a finance company shall institute and maintain an effective credit risk rating process that captures the varying level, nature and components of credit risk over time, in order to ensure that all credit exposures are appropriately monitored in an accurate, systematic and timely manner.

6.3.3 A finance company should, through its credit risk rating system, capture all credit exposures to allow for an appropriate differentiation of credit risk and grouping of credit exposures within the credit risk rating system. A finance company's credit risk rating system should also reflect the risk of individual credit exposures and, when aggregated across all credit exposures, reflect the level of credit risk in the portfolio as a whole. In this context, an effective credit risk rating system should allow a finance company to identify both migration of credit risk and significant changes in credit risk.

6.3.4 A finance company should review the credit risk grades of its credit exposures whenever relevant new information is received or a finance company's expectation of credit risk has changed. A finance company should periodically conduct formal reviews of the credit risk grades of its credit exposures to reasonably ensure that those grades are accurate and up to date. A finance company should review the credit risk grades of its credit exposures that are of higher-risk or are credit-impaired more frequently. A finance company should update the ECL estimates on a timely basis to reflect changes in credit risk grades of either groups of credit exposures or individual credit exposures.

Sound and robust ECL estimation methodologies to establish loss allowance

6.3.5 A finance company shall, in its assessment of loss allowance, take into account relevant factors and expectations at the reporting date that may affect the collectability of

remaining cash flows over the life of a group of credit exposures or a single credit exposure. A finance company shall consider information that goes beyond historical and current data to consider relevant forward-looking information including macroeconomic factors that are relevant to the credit exposure being evaluated (e.g. retail or wholesale).

6.3.6 To meet the requirements in paragraph 6.3.1(b), a finance company shall:

- (i) maintain sufficient historical loss data over at least a full credit cycle to provide a meaningful analysis of its credit loss experience for use as a starting point, when estimating the level of loss allowance on a collective or individual basis. A finance company should not restrict itself to the use of a fixed time period to determine the average historical loss experience for any group of credit exposures, and should exercise its expert judgement to determine an acceptable period that will yield sensible historical loss rates.

- (ii) in deriving timely and prudent estimates of loss allowance, adjust historical data to reflect the effects of current conditions and forecasts of future conditions that did not affect the period on which the historical data is based. A finance company should consider the following factors in adjusting the historical data:
 - (a) the levels of and trends in, delinquencies and classified loans;
 - (b) the levels of and trends in, charge-offs and recoveries;
 - (c) the existence and effects of any concentrations of credit, and changes in the level of such credit concentrations;
 - (d) changes in the volume of troubled debt restructurings and other loan modifications;
 - (e) national and local economic trends and conditions;
 - (f) the experience and ability of the management of the finance company and other relevant staff involved in managing credit risks;
 - (g) the effects of any changes in risk selection, lending or underwriting standards, or other lending policies, procedures or practices; and
 - (h) the effects of external factors such as competition and legal requirements on the level of ECL in the finance company's current portfolio.

Regulatory requirements for a finance company

6.3.7 A finance company shall maintain a minimum level of loss allowance equivalent to 1.5% of the gross carrying amount of the selected credit exposures⁴ net of collaterals⁵ ("Minimum Regulatory Loss Allowance").

6.3.8 To meet the requirement in paragraph 6.3.7, a finance company shall determine and recognise the loss allowances for ECL on the selected credit exposures in accordance with the

⁴ Please refer to Appendix C for the list of selected credit exposures.

⁵ Please refer to Appendix D for the list of collaterals.

impairment requirements under FRS 109 (“Accounting Loss Allowance”). Where the Accounting Loss Allowance falls below the Minimum Regulatory Loss Allowance, the finance company shall maintain additional loss allowance in a non-distributable regulatory loss allowance reserve (“RLAR”) account through an appropriation of its retained earnings. The additional loss allowance shall be maintained in the RLAR at all times. When the sum of the Accounting Loss Allowance and the additional loss allowance exceeds the Minimum Regulatory Loss Allowance, the finance company may transfer the excess amount in the RLAR to its retained earnings.

6.3.9 Notwithstanding the requirement in paragraph 6.3.7, a finance company shall recognise, measure and disclose its accounting ECL estimates in its financial statements in accordance with FRS 109 and other Singapore Financial Reporting Standards.

6.4 Application and Transitional arrangements

6.4.1 As a transitional arrangement, where a finance company does not maintain the 1.5% minimum collective impairment provisions required under MAS Notice 811 (dated 11 March 2005) as at 31 December 2017, it shall comply with the requirements in paragraphs 6.3.7 and 6.3.8 of this Notice and establish the additional loss allowance⁶ within two years commencing from the first annual financial reporting period beginning on or after 1 January 2018.

7 Commencement Date of Notice

7.1 This Notice shall take effect on 1 January 2018.

7.2 MAS Notice 811 dated 11 March 2005 is cancelled with effect from 1 January 2018.

⁶ Additional loss allowance is the amount of excess of the Minimum Regulatory Loss Allowance over the Accounting Loss Allowance.

INFORMATION TO BE MAINTAINED IN CREDIT FILE**(I) INFORMATION ON BORROWER**

- (a) Natural Persons – Occupation, Employer, Salary/Income, Financial position/net worth and any other relevant information.
- (b) Others – Constitution (proprietorship, partnership, private company, public company, society, club, co-operative, statutory board), Business background and history, Organisation structure, Management team/Directors, Shareholders/proprietor/ partners, Financial position and performance, and any other relevant information.

(II) INFORMATION ON CREDIT FACILITY

- (a) Description of facility type
- (b) Purpose of facility
- (c) Terms of facility – limits, interest rates, repayment schedules, expiry dates
- (d) Collateral – types, valuation amount, valuation date and where applicable, name of the valuer
- (e) Guarantors – names, financial position and net worth

(III) INFORMATION ON APPRAISAL OF CREDIT APPLICATION

(Certain information would not be applicable for borrowers who are natural persons.)

- (a) Assessment and recommendations of account officer/manager
- (b) Approval and basis of approval by management/credit committee
- (c) Qualitative analyses based on:
 - (i) Borrower Information
 - (ii) History of relationship with customer
 - (iii) Information on the banking relationship of other related groups of the borrower with the finance company
 - (iv) Information obtained on the borrower from other institutions and sources,

- including related offices of the finance company
- (v) Analysis of industry and business risk
- (vi) Single customer concentration (if appropriate)
- (d) Quantitative analyses based on:
 - (i) Financial position and performance (previous, current and projected)
 - (ii) Business plans, sources and cash flow forecast for meeting repayment requirements
- (e) Capital resources
- (f) Other commitments
- (g) Collateral appraisal and value

(IV) INFORMATION ON PERIODIC CREDIT REVIEW

(Certain information would not be applicable for borrowers who are natural persons.)

- (a) Assessment and recommendations of credit review officer, including:
 - (i) Credit grading/rating accorded
 - (ii) Provision for losses
 - (iii) Suspension of interest
- (b) Approval and basis of approval for renewals; revision in terms and conditions; and changes in credit grading
- (c) Latest available information on:-
 - (i) Outstanding facilities utilised, including contingent liabilities, commitments and other off-balance sheet transactions
 - (ii) Conduct and servicing of account
 - (iii) Correspondences and call reports from meetings with borrowers and site visits
 - (iv) Current qualitative analyses based on latest updated information on borrower, including review comments from internal and external auditors where available
- (d) Current quantitative analyses based on latest updated financial information, appraisals and valuations
- (e) Information on the account conduct of other related groups of the borrower

(f) Analysis of industry and business risk

SUPERVISORY GUIDANCE FOR CREDIT RISK AND ACCOUNTING FOR EXPECTED CREDIT LOSSES

Principle 1: A bank's board of directors (or equivalent) and senior management are responsible for ensuring that the bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the bank's stated policies and procedures, the applicable accounting framework and relevant supervisory guidance.

Principle 2: A bank should adopt, document and adhere to sound methodologies that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures. The measurement of allowances should build upon those robust methodologies and result in the appropriate and timely recognition of expected credit losses in accordance with the applicable accounting framework.

Principle 3: A bank should have a credit risk rating process in place to appropriately group lending exposures on the basis of shared credit risk characteristics.

Principle 4: A bank's aggregate amount of allowances, regardless of whether allowance components are determined on a collective or an individual basis, should be adequate and consistent with the objectives of the applicable accounting framework.

Principle 5: A bank should have policies and procedures in place to appropriately validate models used to assess and measure expected credit losses.

Principle 6: A bank's use of experienced credit judgement, especially in the robust consideration of reasonable and supportable forward-looking information, including macroeconomic factors, is essential to the assessment and measurement of expected credit losses.

Principle 7: A bank should have a sound credit risk assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for expected credit losses.

Principle 8: A bank's public disclosures should promote transparency and comparability by providing timely, relevant and decision-useful information.

NON-CREDIT-IMPAIRED EXPOSURES

The credit exposures referred to in paragraph 6.3.7 of this Notice comprise the following:

On balance sheet items	% of carrying amount to be included in the computation
Debt securities issued by corporates measured at amortised cost and fair value through other comprehensive income, in accordance with FRS 109	100
Loans and advances to non-bank customers	100
Bills discounted or purchased	100

Off balance sheet items	Credit Conversion Factor
Guarantees, warranties and indemnities on account of customers	100%
Direct credit substitutes	100%
Transaction-related contingent items	50%
Short term self-liquidating trade-related contingent items	20%
Unutilised commitments and undisbursed credit facilities - with an original maturity of more than one year	50% ⁷
Unutilised commitments and undisbursed credit facilities - with an original maturity of one year or less	20%
Unutilised commitments and undisbursed credit facilities - which are unconditionally cancellable at any time by the Reporting Finance Company without prior notice, or that effectively provide for automatic cancellation due to deterioration in an obligor's creditworthiness	0%

⁷ This shall apply in the case where a finance company makes a commitment to provide a loan that is to be drawn down in a number of tranches, and it shall apply to the full undisbursed portion of the loan.

LIST OF COLLATERALS

The collaterals⁸ referred to in paragraph 6.3.7 of this Notice comprise the following:

(A) Financial collaterals

- Cash or its equivalent
- Gold
- Debt security
- Equity Security
- Any unit in a collective investment scheme where the collective scheme is limited to investing in the instruments listed above

(B) Physical collaterals

- Commercial real estate
 - Residential real estate
 - Land
-

⁸ For the purpose of computing the 1.5% Minimum Regulatory Loss Allowances, a finance company shall apply appropriate haircuts to the list of collaterals in accordance with paragraph 6.1.6 of this Notice.

Guidance Notes:

1 For the purpose of paragraph 4.2, finance companies should assess whether the problems faced by borrowers in any particular industry are in the nature of temporary or seasonal cash-flow difficulties or represent a broader deterioration in their financial condition. A finance company should classify any loan that exhibits any definable weakness which may jeopardize repayment on existing credit terms. Classification serves to signal that the loan should be carefully monitored, and that the finance company should set aside a provision to buffer against the possibility that the loan may not be repaid.

2 For syndicated loans, each participating finance company has the responsibility to maintain credit information on the borrower, and to grade and make provision for its portion of the syndicated loan in accordance with the requirements of this Notice. The lead manager has the responsibility to provide any participating financial institution with the credit information on the borrower upon request by the participating financial institution. Where information has come to the attention of a participating finance company that the lead manager or any other participating financial institution has classified the loan, the participating finance company should likewise classify the loan.