

## GENERAL GUIDELINES

### Company

1 In general, credit facilities extended to a parent company shall be combined with credit facilities given to all subsidiary companies and other companies over which it has control or influence. Subsidiary companies are as defined in Sections 5 and 6 of the Companies Act, Cap 185. Control or influence over a company exists when there is ownership or power to control 20% or more of the voting shares of the company or when there is power to determine the composition of the board of directors of the company or when there is power to exercise controlling influence over management and policies of the company.

2 If the parent company borrows, or has received the proceeds of loans extended to its subsidiaries or companies over which it has control or influence, then all credit facilities to the parent, its subsidiaries and those companies under its control must be aggregated.

3 If the parent company is not borrowing, the credit facilities of its subsidiaries and those companies under its control are generally not combined, except in the following situations:—

- a) The finance company is looking to a single source for repayment of the loan. Thus, where a parent company has no loans from the finance company and has not received the proceeds of a loan, but has guaranteed the credit facilities of a subsidiary or company under its control, the facilities extended to all such companies may have to be aggregated, if the finance company looks primarily to the guarantee for repayment of that loan.
- b) The loan is for the use or accommodation of the parent company or other subsidiary or company under its control.
- c) Where loans are made to separate concerns, one of which has control or influence over the other(s) or which are under common control, the loans are aggregated if their businesses are interdependent. Interdependence exists if 50% or more of any one such company's gross revenue or expenditure is derived from transactions with the other company(ies). (However, if the loans to these companies are extended on their own merits, being supported by the credit standing of the individual borrowers as evidenced by cash flow, capital size, profitability and other financial indicators, no aggregation may be needed if the companies are not interdependent and the parent is not borrowing and has done nothing more than given its guarantee as an additional comfort to the finance company.)

4 Credit facilities granted to a company must be combined with other extensions of credit, whether to the company or other borrowers, if the proceeds of the credit are used for the benefit of the company.

5 The above guidelines apply to any secondary level group below the ultimate parent.

**Partnership**

6 Credit facilities granted to every member of a partnership, regardless of the purpose or use of the proceeds, are required to be combined with the credit facilities extended to the partnership. Where the partner is a company and has the substance and means to repay the credit facilities (including that of the partnership) attributed to it, then this amount need not be aggregated with that of the parent of the company unless the guidelines for companies as stipulated above so require. Credit facilities to a limited partner, not used for the partnership, are not required to be aggregated.

7 Credit facilities to persons engaged in a common enterprise whether in the form of a partnership, joint venture or other association, must be considered to be a single credit.

**Individual**

8 All credit facilities given to an individual and any of his associates as defined in Section 9A3(f) including relatives shall be aggregated, unless the credit facilities granted to them satisfy both the following conditions:—

- a) The borrower must have the resources or income of its own to service the loan.
- b) The proceeds of the credit facilities must be for the borrower's own particular use and for the purpose as stated in the loan agreement or otherwise in writing by the borrower;

in which case only the credit facilities that meet the conditions need not be combined.