



## PRESS RELEASE

### WITHDRAWAL OF DIRECTIVE ON MINIMUM DOWNPAYMENT REQUIREMENT FOR MOTOR VEHICLES LOANS/FINANCING

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1. Autoriti Monetari Brunei Darussalam (AMBD) would like to inform that the directives issued on December 2004 and October 2006 to finance companies, which required customers to place a deposit of a minimum of 12.5% of the vehicle price (approved by the Department of Economic Planning and Development (JPKE), Prime Minister's Office), as a downpayment for all vehicle loan/financing have been withdrawn on 8<sup>th</sup> September 2015.
2. As part of AMBD's ongoing commitment to the development of a sound and progressive financial sector, AMBD has conducted a review of the continuing need for the directive, taking into account the enhancements to Brunei Darussalam's financial infrastructure as well as the issuance of recent notices, particularly as follows:
  - 2.1. The Credit Bureau, which has been fully functioning since 2012, enables the finance companies to assess the credit worthiness of borrowers more prudently; and
  - 2.2. The new notices regarding the total debt service ratio (TDSR), which came into effect on 8 June 2015, aim to ensure that the borrower has sufficient income to cover monthly living expenses after meeting monthly debt repayments. The TDSR approach also encourages borrowers to manage their debt more efficiently. Therefore, the TDSR notice indirectly has covered one of the main objectives of the initial directives which is to encourage borrowers to budget carefully before entering into any motor vehicle loan/financing commitment.
3. Despite the cancellation of the above directives, please be informed that finance companies, may still request customers to place a minimum deposit of the vehicle price for their own risk due diligence purposes.
4. AMBD would also wish to emphasize that the maximum tenure of motor vehicles loans/financing is still maintained at seven (7) years.
5. For more information, please call Banking Supervision Unit, Regulatory Department at 2382253.

#### **Autoriti Monetari Brunei Darussalam**

Date: 6 Rabiulawal 1437H /18 December 2015

Reference: AMBD/COMMS/3