

**AMENDMENT**  
**NOTICE TO FINANCE COMPANIES**  
**EFFECTIVE DATE 9 NOVEMBER 2017**

**NOTICE NO. BU/N-11/2017/46 – AMENDMENT NO. 1**  
**TOTAL DEBT SERVICE RATIO**

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**1. INTRODUCTION**

- 1.1. Financial Institutions (“FIs”) are expected to maintain sound practices in managing their credit risk. Prudent credit underwriting shall entail careful and comprehensive assessment by FIs of Customers’ repayment capabilities. Where the Customer is an individual, AMBD expects FIs to consider the income level and outstanding debt obligations of the Customer in assessing debt repayment capability.
- 1.2. This Notice is issued pursuant to section 54 of the Autoriti Monetari Brunei Darussalam Order, 2010 and applies to all finance companies in Brunei Darussalam.
- 1.3. This Notice shall only apply to Credit/Financing Facilities granted to natural persons.
- 1.4. This Notice shall take immediate effect.

**2. DEFINITIONS**

- 2.1. For the purposes of this Notice –

“**CBAMBD**” means the Credit Bureau established under section 42A of the Autoriti Monetari Brunei Darussalam Order, 2010;

“**Credit/Financing Facility(ies)**” means secured and unsecured Credit/Financing facility(ies) provided to a Customer by a finance company in the form of loan/financing(s), advance(s), hire-purchase or any other form or manner of Credit/Financing;

“**Customer**” means a borrower or a recipient of Credit/Financing from a finance company;

**“Monthly Repayment Instalment”** means the sum of the monthly repayment of the principal amount (where applicable) and the monthly payment of interest/profit under a Credit/Financing Facility.

### 3. **TOTAL DEBT SERVICE RATIO (TDSR)**

3.1. Finance companies may provide Credit/Financing Facility (or renew, extend or otherwise modify an existing Credit/Financing Facility) for an amount such that the Customer's TDSR conforms to the following:-

<b>Customer's Net Monthly Income (X)</b>	<b>Total Debt Service Ratio</b>
$X \geq \text{B\$}10,000.00$	➤ Subject to finance company's internal credit policy*
$\text{B\$}1,750.00 \leq X < \text{B\$}10,000.00$	➤ Not exceeding 60% TDSR
$X < \text{B\$}1,750.00$	➤ Subject to finance company's internal credit policy*

\*Note: A person's regular income, net of monthly debt obligations, must remain sufficient for that person to support himself and any dependents.

[Amendment No. 1 dated 9 November 2017]

3.2. A finance company shall compute the TDSR in accordance with the following formula:-

$$\frac{\text{Monthly total debt obligations}}{\text{Net Monthly Income}} \times 100\%$$

3.3. The monthly total debt obligations to be applied in the formula in paragraph 3.2 above shall be the aggregate of the Customer's Credit/Financing Facilities (existing and new/proposed) based on the Customer's information, including credit information report obtained from CBAMBD, as follows:

<b>Type of Credit/Financing Facilities</b>	<b>Monthly Debt Obligations</b>
Fixed Term Credit/Financing Facility	➤ Monthly Repayment Instalment
Revolving Credit/Financing Facility	➤ 2% of Credit/Financing Facility limit
Unsecured Credit Cards	➤ 8% of the total limit of the cards or 8% of the total outstanding amount of the cards, whichever is higher
Credit Cards secured with Fixed Deposits	➤ 0%

- 3.4. For purposes of paragraph 3.3 above, finance companies are obligated to make extensive and accurate verification on their individual Customers' monthly total debt obligations.
- 3.5. The TDSR will facilitate finance company's assessment of the Customer's repayment ability. It will also encourage financial prudence by ensuring that Customers are not overleveraged in their debt obligations. AMBD expects finance companies to have internal policies and procedures in place to implement this Notice.
- 3.6. Finance companies shall incorporate the TDSR in their credit assessment policies for individual loan/financing. Finance companies shall set appropriate and prudent TDSR thresholds in their internal credit assessment policies, to ensure that Credit/Financing Facilities granted commensurate with the finance companies' risk appetite. Finance companies shall also set out clearly the rationale behind any differentiated TDSR thresholds applied, taking into consideration factors such as the risk profile of the Customer. TDSR thresholds shall be reviewed periodically to ensure their continued relevance.
- 3.7. For the purposes of paragraph 3.5 and 3.6 above, a finance company shall notify AMBD of any policy change of its TDSR threshold in its internal credit assessment policies, within 10 working days after formal approval by the Credit Committee of the finance company.

[Amendment No. 1 dated 9 November 2017]

#### 4. **NET MONTHLY INCOME**

- 4.1. For the purpose of paragraph 3, the Net Monthly Income of a Customer shall be determined as the Gross Monthly Income less the following:-
  - 4.1.1. The Customer's contribution to any employee provident / pension fund (such as Tabung Amanah Pekerja (TAP) and Supplemental Contributory Pensions (SCP) Scheme); and
  - 4.1.2. Any other obligations that are deducted from the Customer's salary slip, including:-
    - 4.1.2.1. Government Loan;
    - 4.1.2.2. Government Housing Repayment Scheme;
    - 4.1.2.3. Company Loan; and
    - 4.1.2.4. Memberships.

- 4.2. In determining the Gross Monthly Income of a Customer, the following may be aggregated:-
- 4.2.1. Fixed basic monthly income;
  - 4.2.2. Fixed monthly allowances;
  - 4.2.3. Monthly pension except for old age pension, and credited to the Customer's account;
  - 4.2.4. 50% of the average of monthly variable income (such as commission, bonus or allowance from the Customer's employer) credited to the Customer's account earned in the preceding 12 months;
  - 4.2.5. 70% of the average monthly rental income from properties credited into the Customer's account in the preceding 12 months and supported by a valid tenancy agreement signed by both the Customer (as the landlord) and the party to whom he has leased the property. For this purpose, finance companies are required to set their own internal standards and policies to ensure such rental income is dependable and verifiable; and
  - 4.2.6. 70% of the average monthly income (for sole proprietors) credited into the Customer's account in the preceding 12 months. For this purpose, a finance company is required to set its own internal standards and policies to ensure such income is dependable and sustainable.

5. **PROVISIONS REPEALED**

- 5.1. Notice No. BS/N-1/2015/30 – Amendment No. 1 on Total Debt Service Ratio issued to finance companies on 28 October 2015 is repealed, but AMBD reserves the right to enforce any non-compliance prior to its repeal.

**MANAGING DIRECTOR**  
**AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: Safar 1439 / November 2017