



NOTICE ISSUED PURSUANT TO SECTION 32, AMBD ORDER, 2010

NOTICE NO. : AMBD/R/32/2012/1

NOTICE TO FINANCE COMPANIES

CREDIT (FINANCING) FACILITIES

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1. With effect from 1st August 2012, this notice shall apply to all finance companies licensed under Section 3, Finance Companies Act Chapter 89. The matters notified herein are as follows:-
 - 1.1 Finance companies shall not compute the interest/profit based on Rule 78 (Sum of digits) on new credit (financing) facilities offered and on credit (financing) facilities which are currently being processed, but not yet granted.
 - 1.2 Finance companies shall specify to their credit/financing customers, very clearly, the early repayment computation model used by them and ensure that their sales agents strictly adhere to requirements stipulated in paragraph 1.3 below.
 - 1.3 It should be noted that consumer interest is better safeguarded through enhancing disclosure and transparency requirements so that customers know and understand, upfront, the obligations they are about to enter into. The minimum information that finance companies should provide to prospective customers in writing, so that prospective customers can be conscious of the financial obligations they are assuming at the outset, is as follows:
 - i. the Effective Interest Rate/Annualised Profit Rate (refer to paragraph 1.4 below) of all credit (financing) facilities (to be made known in loan/financing documentation and in advertisements);
 - ii. the method of calculating the loan/financing balance upon early settlement;
 - iii. interest/profit rate for overdue instalments; and
 - iv. administrative charges (if any).



- 1.4 The Effective Interest Rate (EIR)/ Annualised Profit Rate (APR) shall be calculated in accordance with the following formula:-

$$\frac{2NF (300C + NF)}{2N^2F + 300C (N+1)}$$

$$\frac{100C \times T}{N \times A}$$

where: -

N is the total number of instalments;

C is the number of instalments that, under the contract, will be paid in one year or, where the contract is to be completed in less than one year, the number of instalments that would be paid in one year if instalments continued to be paid at the same intervals;

F is the amount determined in accordance with the formula-

$$\frac{100C \times T}{N \times A}$$

$$N \times A$$

where:-

C is the same number as the first mentioned formula;

T is the total amount of pre-determined term charges;

N is the total number of instalments;

A is the amount financed.

**MANAGING DIRECTOR
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 7 Ramadhan 1433 / 27 July 2012