

MAS 820

16 November 1984

(updated on 21 Nov 05)

NOTICE TO FINANCE COMPANIES  
FINANCE COMPANIES ACT, CAP 191

**Credit Facilities to a Single Borrower or Group of Borrowers**

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Pursuant to Section 23(1)(d) of the Finance Companies Act, no finance company shall grant or permit to have outstanding credit facilities to a single borrower or any group of borrowers which such borrower is able to control or influence such credit facilities, in the aggregate in excess of 25% of capital funds of the finance company. The purpose of this section is to prevent a finance company from lending an unduly large proportion of its deposits to one borrower or to a relatively small group of borrowers. This prudential measure is intended to protect the finance company's depositors by ensuring that the credit facilities of the finance company are spread over a relatively large number of persons engaged in diversified businesses.

The restriction of 25% shall apply to the limit of the credit facilities granted, or to the amount outstanding, whichever is the higher. For fully-disbursed term loans, the 25% shall apply to the amount outstanding.

**Existing Credit Facilities**

Finance companies which have outstanding credit facilities in excess of the 25% limit prior to the coming into force of the Finance Companies Act, (Cap. 108) would be given a 2-year grace period from 18 Jan 95 to comply with the new limit. Only existing fixed term credit facilities in the process of being repaid according to the agreed repayment schedules may be allowed to run down in the event that they still exceed the 25% limit after the grace period. No further extension will be given.

The general guidelines given in the [Appendix](#) are intended to assist finance companies in determining when credit facilities granted to various borrowers have to be aggregated for the purpose of this section. As these guidelines would not cover all situations, finance companies are free to aggregate the credit facilities granted to companies in a group even if the guidelines indicated that they could be treated as separate risks. Any finance company that has doubts should contact the Banking and Financial Institutions Department for clarification.