



## DEBT SERVICE RATIO (DSR) RULES TO BE INTRODUCED IN NON-BANKING SECTOR

The FSC announced its plan to extend current debt service ratio (DSR) standards to non-bank financial institutions as one of the criteria for managing household loans. The DSR is the ratio of a household borrower's total debt repayment (i.e. principal and interest payments) to his/her annual income. The DSR was first introduced to the banking sector from October 2018. Starting from June 17, 2019, the DSR will be implemented across the non-banking financial sector - e.g. savings banks, insurers and card companies.

### IMPLEMENTATION PLAN

Differential target ratios will be set across the sector, reflecting different conditions faced with each sector and borrowers' characteristics. The non-banking sector will be given enough time to gradually reduce their DSRs to target ratios to make sure borrowers' access to loans is not excessively curtailed.

### <DSR TARGET RATIOS FOR NON-BANK FINANCIAL INSTITUTIONS >

	average DSR (by end-2021)	Targets for high-risk loans	
		Ratio of loans with DSR exceeding 70%	Ratio of loans with DSR exceeding 90%
<b>Mutual finance</b>	160% (80% by end-2025)	50% (30% by end-2025)	45% (25% by end-2025)
<b>Saving bank</b>	90%	40%	30%
<b>Insurance</b>	70%	25%	20%
<b>Specialized credit business</b>	- Card companies (60%) - Installment financing companies (90%)	- Card companies (25%) - Installment financing companies (45%)	- Card companies (15%) - Installment financing companies (30%)