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ROYAL MONETARY AUTHORITY OF BHUTAN

RMA/FISD/04-2004/1778

September 16, 2004

The Managing Director
Bank of Bhutan
Phuentsholing

The Managing Director
Bhutan National Bank
Thimphu

The Managing Director
Bhutan Development Finance Corporation
Thimphu

The Managing Director
Royal Insurance Corporation of Bhutan Ltd.
Phuentsholing

Sir(s),


**Subject: RMA Action plan on the final minutes of the RMA's meeting with
FIs in March 2004 – Point (11.9)Information to Clients**

Please refer the final minutes of the RMA's meeting with the financial institutions sent to you vide RMA/FISD/04-2004/5537 dated April 15,2004 on the above-cited subject. In this regard, we would like to inform you that necessary changes have been made to Section 11, Clause 11.9 of the Prudential Regulations 2002 as agreed upon in the meeting, a copy of which is attached herewith for your kind information and it shall come to effect immediately.

Please acknowledge receipt of this letter to the FISD of RMA and ensure compliance accordingly.

Thanking you.

Yours sincerely


Daw Tenzin
Managing Director

11.7 For small borrowers with loans totaling not more than Nu.500,000/-, the borrowers' financial information shall be obtained at the time of loan application, and, if the respective debt is maintained current as to the contracted repayment program on a continuous basis, it need not be updated. However, the credit files for these types of loans shall contain initial information and underwriting factors such as the borrower's income, job stability, credit history, debt load, and the loan-to-value requirements for collateral. For loans of any amount which are in default, and regular large loans of Nu.500,000 and above, the borrower's financial information must be obtained on a regular basis as stated in 11.6 above.

11.8 Sections 11.1 through 11.7 shall be implemented by all financial institutions in entirety, and no later than December 31, 2002.

11.9 Information to Clients⁹

In accordance with provisions of Article 22 of the Financial Institutions Act of Bhutan, 1992, every financial institution engaged in extensions of financial business is required to notify their customers of the terms and conditions associated with their deposits or loans and advances, including the annual rate of interest and charges, and the method of calculation used. Every institution must send a statement to their customers at the end of every calendar quarter or more frequently. The statement must be mailed on or **before the last day of the month following the quarter.**

⁹ Amended on 16th September 2004