



Financial Services Commission  
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## Press Release

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April 15, 2010

### LEGISLATION NOTICE OF AMENDMENTS TO THE ENFORCEMENT DECREE OF THE ACT ON REGISTRATION OF CREDIT BUSINESS, ETC. AND PROTECTION OF FINANCE USERS

Since an annual interest rate ceiling on loans extended by private lending companies was lowered from 66% to 49% in October 2007, there has been a growing need to reflect a downward trend of interest rates. As the market size of private lending business, mostly used by low-income earners, continues to grow\* and interest rates on credit loans by these lenders almost reach the ceiling, there is also an urgent need to ease the burden of rising interest rate for low-income earners.

\*The market size of private lending business has grown from KRW 4.1 trillion (Sept. 2007), to KRW 5.6 trillion (Sept. 2008), to KRW 5.9 trillion (Dec. 2009).

In order to further lower the maximum interest rates that private lending companies and financial companies can impose on their loans, the FSC made amendments to *the Enforcement Decree of the Act on Registration of Credit Business, etc. and Protection of Finance Users* with a 20-day notice from April 15 to May 5.

The amendments require private lenders and financial companies to lower their interest rate ceiling by 5 percent points from current 49% to 44% per annum. The new ceiling is applied to loan contracts that will be made or renewed after the amendments take effect.

After a 20-day notice, the amendments will go through reviews of the Regulatory Reform Committee and the Ministry of Government Legislation, and a vice ministers' meeting and a cabinet meeting and take effect right after being announced in July.

The FSC plans to cut 5 percent points further within a year, monitoring market developments such as guaranteed lending and market interest rates.



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