

Regulator issues draft rule to prevent misuse of personal loans

China's banking regulator Wednesday issued a draft plan on stepping up rules of personal loans to prevent misuse of money lent from the country's financial institutions.

The draft regulation, posted on the website of the China Banking Regulatory Commission (CBRC) to solicit public opinions, aimed to enhance prudent management of personal loans and ensure that the money enters real economy, the CBRC said.

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The CBRC ordered lenders not to give loans to individuals without knowing their proposed usage. The regulations did not raise the threshold for people applying for funds, the CBRC said.

In the first six months, new personal loans hit 650.8 billion yuan, 391.7 billion yuan more than the same period of last year, the CBRC said.

The amount and types of personal loans was rising, but the country lacked a unified regulation, which would result in legal

risks and affect the steady and fast development of the country's economy, the CBRC said.

The draft regulation came amid the concerns that part of loans were used for speculation rather than in real economy, increasing risks of asset bubbles and bad loans.

In the first nine months, Chinese banks lent 8.67 trillion yuan of new loans, compared with the full year target of 5 trillion yuan after the government eased restrictions to back the economic growth amid the global economic downturn.

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