REGULATIONS AND SUPERVISION

Banking

Strengthening banking supervision

AMBD issued new notices and guidelines in 2017 to improve the soundness of prudential regulation and supervision of the banks.

The notices and guidelines aim to:

- **Guidelines on Corporate Governance and Notice on Disclosure of Corporate Governance Arrangements**: Promote higher standards of corporate governance in the banking sector.
- **Notice on Appointment of Key Responsible Persons**: Ensure key responsible persons have the integrity and competence required to perform their roles.

AMBD also issued several consultation papers to the Brunei Association of Banks (BAB) in preparation towards further regulatory improvements, including in the areas of:

- Credit risk management
- Internal audit function
- Compliance function
- Public disclosure requirements
- Internal control systems
- Bancassurance/bancatakaful

These form part of AMBD’s commitment to implement the Basel Core Principles for Effective Banking Supervision and Basel II by the year 2020.
Two amendments were made to the Notice on TDSR

In August 2017, AMBD allowed banks and Perbadanan Tabung Amanah Islam Brunei (TAIB) to increase the TDSR limit from 60% to a maximum of 70% for financing facilities used towards the purchase or construction of fixed properties only, such as houses.

The objectives of the amendment include:

- To encourage home ownership
- To stimulate the domestic property market through increased bank lending

In November 2017, AMBD allowed banks and Perbadanan TAIB to exceed the 60% TDSR limit for certain credit facilities.

Aligning banking requirements to current economic and market conditions

In May 2017, AMBD amended the Notice on Regulation of Interest/Profit and Deposit Rates to allow banks to price their lending and financing rates based on their internal risk appetites and the borrower’s creditworthiness.

A number of deposit rates were also deregulated to allow banks to price their deposit rates according to their funding needs.

These amendments will empower customers to compare lending or financing and deposit rates across different banks, thus enhancing competition.

Two amendments were made to the Notice on TDSR
This flexibility is subject to their internal financing policy for mortgage equity financing facilities and certain conditions such as the property charged must be income-generating and not the sole property of the borrower.

The same flexibility was also given to fully secured financing facilities backed by cash or fixed deposits.

In addition, the TDSR policy is uplifted for individuals with net monthly income of BND10,000 and above. Their financing limit is now subject to the banks’ and finance companies’ internal financing policy.

In September 2017, AMBD amended the Notice on Credit Cards to remove the requirement for banks to seek AMBD’s approval for any promotions and advertisements on credit cards. Simultaneously, AMBD issued Guidelines on Advertisement of Banking Products and Services, to ensure that any advertisement of banking products and services provide balanced, accurate and clear information.

In November 2017, AMBD amended the Notice on Unsecured Personal Credit/Financing Facility to provide banks the flexibility to increase their unsecured loan/financing portfolio from 40% to 60% of total financing facilities.

AMBD also issued the Notice on the Minimum Cash Balance (MCB) Requirement to banks in November 2017. The Notice aims to provide banks with greater flexibility in their liquidity management through the introduction of an averaging provision which allows banks to smoothen any temporary liquidity fluctuations.
In 2017, AMBD issued new notices on filing requirements, public disclosure requirements, appointment of external auditors and corporate governance to insurance companies and Takaful operators in 2017.

**Notice on Corporate Governance**
The Notice requires insurers and Takaful operators to establish and implement a corporate governance framework that provides sound and prudent management and oversight of the insurer’s business and adequately recognises and protects the interest of policyholders.

With the issuance of the Notice, insurers and Takaful operators are required to conduct self-assessment against the new framework and provide action plans for implementation.

**Notice on Public Disclosure Requirements**
The Notice will enhance market discipline and understanding of the risks to which an insurer is exposed to and the manner in which those risks are managed.

The objectives of the two Notices were to:

- **Maintain a fair, safe and sound insurance and Takaful sector for the benefit and protection of the interest of policyholders, as part of a risk-based supervision approach.**
- **Enhance compliance with International Association of Insurance Supervisors (IAIS) Insurance Core Principles (ICPs).**
Capital Market

AMBD issued new notices and guidelines aimed at supporting the development of the capital market in Brunei Darussalam.

The objectives of the Notices were to:

- **Notice on Public Offering Registration Requirement for Investment-Linked Insurance Contracts**
  
  Vary the requirement on issuers or distributors who sell or offer to sell investment-linked insurance contracts to file prospectuses

- **Notice on Offering of Debentures**
  
  Impose additional requirements on Capital Markets Services Licence (CMSL) holders

- **Notice to Vary the Requirements of Regulation 40, SMR**
  
  Notify CMSL holders on the variation to existing requirements in Securities Markets Regulations, 2015 (SMR)

- **Notice on Equity Based Crowdfunding (ECF) Platform Operators**
  
  Introduce additional requirements for applicants intending to operate an ECF platform in Brunei Darussalam

- **Notice on Offering of Structured Products**
  
  Impose requirements for the offering of structured products that can only be issued by the eligible issuers

Guidelines issued in 2017 were on:

- Application for CMSL and Capital Markets Services Representative’s Licence (CMSRL)
- Licensing and Recognition Application for collective investment schemes (CIS)
- Persons Seeking for Exemption Under 158(2)(b) and 159(1)(f), SMO 2013 from Holding a CMSL and CMSRL Respectively to Provide Investment Advice Upon Request
- Application to Carry on Islamic Investment Business
- Conduct Islamic Investment Business—Dealing and Arranging Deals in Investments

Guidelines were issued to provide guidance and clarity to applicants who intend to:

- Apply as CMSL or CMSRL holders
- Apply for licensing or recognition of CIS
- Carry on Islamic investment businesses