

Technical Notes on AMBD Overnight Standing Facilities

Introduction

1. As part of the objectives set out in Pillar 1 of the Brunei Darussalam Financial Sector Blueprint 2016-2025, AMBD has been taking steps towards creating conditions conducive to the development of a more efficient money market in Brunei Darussalam. One of the steps is the introduction of Overnight Standing Facilities. The Overnight Standing Facilities are fundamental tools for effective and efficient liquidity management for the banks as well as to facilitate the smooth functioning of the financial system. This is in line with the functions of AMBD as stipulated in the AMBD Order, 2010, to develop and manage the interbank funds system as well as to establish the requirements for its participants.

2. In designing the Overnight Standing Facilities framework, AMBD ensures that the instruments and operations in relation to the framework are strictly consistent with the Currency Board principles as Brunei Darussalam remains fully committed to the Currency Board Arrangement, and the Currency Interchangeability Agreement with the Republic of Singapore.

3. The Overnight Standing Facilities consist of both Syariah-Compliant and Conventional Facilities, available to all licensed banks in Brunei Darussalam with terms and conditions. These facilities aim to support the liquidity management of the banks and shall provide an element of assurance as they are available towards the close of the business day, if required, under strictly predictable conditions.

Counterparty Eligibility

4. Under the Syariah-Compliant Standing Facility, an eligible counterparty is a bank that is licensed under the Banking Order, 2006 or Islamic Banking Order, 2008 and is a participant in the Real-Time Gross Settlement (RTGS) and, in the case of Funding Facilities, the Central Securities Depository (CSD).

5. Under the Conventional Standing Facility, an eligible counterparty is a bank that is licensed under the Banking Order, 2006 and is a participant in the RTGS and, in the case of Lending Facilities, the CSD.

Overnight Syariah-Compliant Standing Facility

6. The Overnight Syariah-Compliant Facility consists of Funding and Acceptance Facilities.

7. Under the Funding Facility, a bank can obtain overnight Brunei Dollar liquidity from AMBD via Ar-Rahnu concept by pledging eligible Syariah-Compliant assets as collateral in the CSD. In return, AMBD will provide Brunei Dollar liquidity to the bank based on the Qard concept. The eligible Syariah-Compliant assets include the Brunei Government Sukuk and other Syariah-Compliant assets acceptable to AMBD as may be specified in the Terms and Conditions of AMBD's Syariah-Compliant Standing Facilities. A haircut, as specified in the Terms and Conditions of AMBD's Syariah-Compliant Standing Facilities, will be applied on the eligible Syariah-Compliant asset. AMBD will impose a Safekeeping Fee for the safekeeping of the collateral.

8. Under the Acceptance Facility, a bank can place its excess Brunei Dollar liquidity overnight with AMBD via Wadiah Yad Dhamanah concept. AMBD will safe keep the placement and is not obliged to invest on the placement. Any hibah paid on the Acceptance Facility will be at the absolute discretion of the AMBD.

Overnight Conventional Standing Facility

9. The Overnight Conventional Facility consist of Lending and Deposit Facilities.

10. Under the Lending Facility, a bank can obtain overnight Brunei Dollar liquidity from AMBD by pledging eligible assets as collateral in the CSD. The eligible assets include the Brunei Government Sukuk and other assets as may be specified in the Terms and Conditions of AMBD's Conventional Standing Facilities. A haircut, as specified in the Terms and Conditions of AMBD's Conventional Standing Facilities, will be applied on the eligible assets. The interest rate on the Lending Facility is determined at the Lending Rate.

11. Under the Deposit Facility, a bank can place its excess Brunei Dollar liquidity overnight with AMBD. The interest rate on the Deposit Facility is determined at the Deposit rate.

Transaction Limit on the Brunei Government Sukuk

12. The eligible collateral for both the Syariah-Compliant and Lending Facilities will include the Brunei Government Sukuk. A global limit on the use of Brunei Government Sukuk as collateral is imposed by AMBD, which will be distributed among the banks based on their share of the total assets of the banking sector, based on their last audited balance sheet. AMBD shall, at any time, be entitled to revise the global limit and the distribution among the banks.

Threshold on Acceptance Facility and Deposit Facility

13. Access to the Acceptance and Deposit Facilities will be limited by an excess liquidity threshold that will be established for every bank by AMBD. Only the excess liquidity above this threshold can be placed in the Acceptance and/or Deposit Facilities at any given moment by any bank. AMBD shall, at any time, be entitled to revise the level of the threshold.

Establishment of Fees and Hibah on the Overnight Syariah-Compliant Facilities

14. The Safekeeping Fee on the Overnight Funding Facility shall be determined by AMBD, at its discretion, from time to time.

15. The Safekeeping Fee shall be announced on AMBD's website.

16. Any hibah paid on the Acceptance Facility will be at the absolute discretion of the AMBD.

Establishment of Rates on the Overnight Conventional Standing Facilities

17. The Lending Rate and Deposit Rate on the Overnight Conventional Standing Facilities shall be determined by AMBD, at its discretion, from time to time.

18. The Lending and Deposit Rate shall be announced on AMBD's website.

AMBD Overnight Standing Facilities

	Overnight Syariah-Compliant Standing Facilities		Overnight Conventional Standing Facilities	
	Funding Facility	Acceptance Facility	Lending Facility	Deposit Facility
Instrument	Ar-Rahnu	Wadiah Yad Dhamanah	Pledging	Deposit
Objective	Provision of Brunei Dollar liquidity to bank against eligible collateral	Placement of excess Brunei Dollar liquidity with AMBD	Provision of Brunei Dollar liquidity to bank against eligible collateral	Placement of excess Brunei Dollar liquidity with AMBD
Tenor	Overnight	Overnight	Overnight	Overnight
Establishment of Fees/Rates	Safekeeping Fee	Any hibah paid will be at the absolute discretion of the AMBD	Lending Rate	Deposit Rate
Collateral	<ol style="list-style-type: none"> 1. Brunei Government Sukuk 2. Other eligible Syariah-compliant assets specified in the Terms and Conditions of AMBD's Syariah-Compliant Standing Facilities 	-	<ol style="list-style-type: none"> 1. Brunei Government Sukuk 2. Other eligible assets specified in the Terms and Conditions of AMBD's Conventional Standing Facilities 	-
Counterparties	Licensed Islamic and Conventional banks in Brunei Darussalam	Licensed Islamic and Conventional banks in Brunei Darussalam	Licensed conventional banks in Brunei Darussalam	Licensed conventional banks in Brunei Darussalam