



PRESS RELEASE

BDCB Policy Statement 2/2022

1. Brunei Darussalam Central Bank (BDCB) today published its second policy statement for 2022.
2. In its Policy Statement 2/2022, BDCB noted that the International Monetary Fund (IMF) maintained its global economic growth forecast for 2022 at 3.2%, and the growth forecast was slightly decreased from 2.9% to 2.7% in 2023. The basis of this revised outlook is a combination of several shocks pummelling the world economy that has yet to fully recover from the COVID-19 pandemic. This includes slower growth in China which has primarily been caused by COVID-19 outbreaks and a strict **policy towards the virus, in addition to the nation's real estate slowdown**; higher-than-expected global inflation, particularly in major and advanced economies; and negative fallout from the Ukraine-Russia conflict.
3. Meanwhile, the domestic economy contracted 4.3% in the first half of 2022. Looking ahead, domestic inflation and global inflation will remain elevated over the near-term. However, given **Brunei Darussalam's monetary policy with the value of the Brunei dollar at par with the Singapore dollar, several tightening of Monetary Authority of Singapore's (MAS) monetary policy this year** are expected to dampen the effects of imported inflation to the domestic economy. BDCB's inflation forecast for Brunei Darussalam is expected to be in the range of 3.5% to 4.5%.
4. BDCB highlighted a notable growth in the financial sector's total assets with an increase of 5.9% year-on-year with total asset value of BND24.8 billion as of Q3 2022. Of this, the Islamic finance sector accounts for 60.3%, or BND15.0 billion, of the total assets. Deposit-taking institutions comprised of 92.6% of the total financial sector assets with an asset base of BND23.0 billion.
5. The policy statement also highlighted that the banking industry continues to have a robust capital position with an aggregate Capital Adequacy Ratio of 20.1% as of Q3 2022. Nevertheless, in light of heightened global market volatility, the profitability of the banking industry has declined in Q3 2022 with the aggregate Return on Assets and Return on Equity recorded at 1.1% and 8.4% respectively, compared to 1.5% and 9.5% in the same quarter last year.
6. To further strengthen the monitoring and mitigation of fraud incidents within the financial sector, the Notice on Reporting of Fraud Incidents was introduced to banks, finance companies, takaful operators and insurance companies.
7. Additionally, Guidelines on Operational Risk Management were issued to all the banks stipulating sound principles and practices in managing their risks relating to banking operations. The Notice on Maintenance of Capital Adequacy Ratio was also introduced to the finance companies to ensure the capital level remains adequate against the identified risks under the Capital Adequacy Framework.

8. For the takaful and insurance sector, existing guidelines on sound risk management practices for the identification and mitigation of risk exposures to takaful/insurance fraud incidents, namely the Guidelines on Insurance Fraud Risk Management in Insurance and Takaful were further enhanced. A regulatory framework relating to the management of takaful funds and **shareholders' fund**, that is the Notice on Establishment and Maintenance of Takaful Funds for Takaful Operators, was also issued to promote efficient takaful business operations and sustainable takaful funds, while safeguarding takaful participants.
9. To ensure that the regulations related to Islamic finance are at par with international best practices, BDCB issued Guidelines for Syariah Standards on Tawarruq, Murabahah, Wakalah and Mudharabah. These guidelines serve as references for financial institutions to structure Islamic **products and services in accordance with Hukum Syara'**.
10. Furthermore, BDCB has also introduced the Notice on Application Process of Islamic Product with the objective of providing guidance on the approval process for Islamic financial product applications. To further facilitate the approval process for application of takaful products as outlined in the new notice, the Guidelines on Product Development and Pricing were issued.
11. The waiver of fees and charges for online local interbank fund transfers (excluding third party charges) has been put in place since 1 April 2020 to offer bank customers a safe alternative to make payments during the COVID-19 pandemic. BDCB noted an increase in the number of transactions using the Real-Time Gross Settlement (RTGS) system by 91.7% year-on-year from January to October 2022 compared to the previous year. Meanwhile, the total number of direct credit transfers using the Automated Clearing House (ACH) system also increased by 54.1% year-on-year during the same period. However, as the fee waiver is expected to expire on 31 December 2022, BDCB advise the public to check on the prevailing fees and charges imposed by their respective banks accordingly.
12. The full version of BDCB Policy Statement 2/2022 can be found on the BDCB website at www.bdcg.gov.bn. For further information and enquiries, members of the public may contact BDCB at 8318388, or email info@bdcg.gov.bn.

Brunei Darussalam Central Bank

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