



# Annual Report | 2020









بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah  
Ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien  
Sultan and Yang Di-Pertuan of Brunei Darussalam



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# CHAIRMAN'S SABDA



His Royal Highness Prince Haji Al-Muhtadee Billah Ibni  
His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah,  
The Crown Prince and Senior Minister at the Prime Minister's Office  
As Chairman of Autoriti Monetari Brunei Darussalam (AMBD)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ  
الحمد لله رب العالمين، والصلاة والسلام على أشرف المرسلين، سيدنا محمد وعلى آله وصحبه  
أجمعين، وبعد

2020 saw the outbreak of the COVID-19 pandemic affecting not only economic activities, but also all walks of life. Brunei Darussalam was not spared from its impact. Nevertheless, under the guidance and leadership of His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah Ibni Al-marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan and Yang Di-Pertuan of Negara Brunei Darussalam; Alhamdulillah, the government of Brunei Darussalam has managed to prevent large outbreaks of the disease within our community, and without having to undergo any lockdowns.

With cross border restrictions and social distancing measures in place, travel-related services such as aviation, tourism, hotels and money-changing businesses were severely impacted. There have also been disruptions to logistics and supply chain as well as the flow of workers. To tackle the implications brought about by the pandemic, AMBD together with the Brunei Association of Banks (BAB) introduced several interim relief measures to alleviate the financial burden of affected businesses, households and individuals.

Despite the challenges encountered, AMBD continued to effectively deliver its mandates in upholding monetary and financial stability with the financial sector remaining strong and liquid. On this front, the AMBD Islamic Bills Programme was introduced to ensure banks' capabilities to manage their liquidity more efficiently. In Shaa Allah, other money market instruments will be developed in the future.

As a country with a very high mobile penetration rate, there lies great potential in further developing a payment landscape in Brunei Darussalam. AMBD has released the requirements in relation to payment systems operated in Brunei Darussalam. Indeed, digital payments will contribute to greater efficiency and further spur economic activities. Though 2020 was a turbulent year, it also presented windows of opportunity for new and existing businesses and this has also resulted in the surge and demand in digital payments. At the same time, we have to be mindful of cybersecurity risks such as fraud and information theft that must be addressed. To this end, AMBD will continue to place greater importance in supervising the use of technology in the domestic financial sector.

In Shaa Allah, with the development of the AMBD Strategic Plan 2021-2025, AMBD will be focusing on three strategic themes - strengthening resilience and trust, developing a dynamic and inclusive financial sector and enhancing organisational capabilities in the next five years. Among other things, in the next year, AMBD will particularly focus on developing the necessary framework for technology risk and overseeing the establishment of the Digital Payment Hub. Concurrently, AMBD plans to develop in-house subject matter experts and enhance our data capabilities to support policy making. These efforts will further promote development of the financial sector while ensuring AMBD is a workplace whose values and culture complement a fulfilling work environment.

2021 will be a significant year as Brunei Darussalam has assumed the ASEAN chairmanship at the close of the 37<sup>th</sup> ASEAN Summit. The theme for Brunei Darussalam's 2021 chairmanship, "We Care, We Prepare, We Prosper", represents three fundamental areas to strengthen ASEAN's solidarity and reinforce ASEAN Centrality. The theme focuses on harnessing the caring nature of people in the region, preparing ASEAN for the future, and enabling sustainable prosperity in a resilient region.

Finally, I would like to end by commending our Financial and Monetary Stability, Investment Advisory, Human Resource, Risk Management and Audit Committees, as well as AMBD employees for their continued contribution towards delivering AMBD's mandates under the management of Dayang Hajah Rokiah binti Haji Badar, despite the challenges brought about by COVID-19.

The coming years may continue to pose different challenges. Therefore, the concerted efforts between AMBD and the financial institutions will remain vital to ensure the resilience of the financial sector and needs of the public can be met. We shall recover together and come out of this pandemic, stronger.



# MANAGING DIRECTOR'S FOREWORD

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ



I had initially written this foreword when there was still much uncertainty in the global and domestic economy due to the COVID-19 outbreak. Earlier in the year 2020, we had to quickly adapt to what had been considered as the new normal while striving to continue to deliver our mandates effectively in the interest of financial consumers, and the wider economy.

A comprehensive approach was taken to ease the financial burden experienced by households and businesses affected by the pandemic, and to ensure financial institutions were able to support their clients. The banks offered deferment of repayments and restructuring and conversion of unsecured loans/financing.

In addition, fees and charges for their customers, including fees related to the transfer of interbank payments, were waived. Ultimately, within the financial sector, money changing businesses were amongst the hardest hit due to restrictions in cross-border movements. To assist these businesses, AMBD reduced their annual licence fee and provided flexibility to the renewal terms. Alhamdulillah, affected businesses and households have benefited in one way or another from the relief measures offered. The pandemic has shown that readiness and resilience of stakeholders involved are vital in managing a crisis.

COVID-19 has accelerated the uptake of digital payments within the economy. AMBD's farsighted investments in its national payment and settlement systems had allowed the financial system to accommodate the rapid surge in the value and volume of transactions in its Real-Time Gross Settlement (RTGS) and Automated Clearing House (ACH) systems. AMBD continues to invest and oversee the efficiency of these payment systems to pave the way for the country towards a digital economy.

AMBD recognises digital payments and FinTech providers as key components to support digitalisation in the financial industry in line with Brunei Darussalam's Digital Economy Council's (DEC) vision. On this note, AMBD has started engaging with the relevant stakeholders on the establishment of a Digital Payment Hub. The multi-bank connections will provide secure connectivity while the interoperability will further enhance and accelerate the pace of digitalisation in the financial industry. AMBD has also published the requirements of payment service operators which aim to provide further clarity for aspiring players in the payments landscape and create more interest in the space.

To echo AMBD's efforts in promoting innovative solutions in the financial industry, AMBD published a White Paper on the State of FinTech in Brunei Darussalam in 2020 which charts the road ahead for FinTech development in the country. In developing a favourable regulatory environment for FinTech companies, AMBD has upgraded its FinTech Regulatory Sandbox to enable faster approvals for areas with existing regulations in place.



Towards ensuring the overall stability of the financial sector, AMBD has successfully established the Domestic Systemically Important Bank (D-SIB) framework to identify the D-SIBs in the country for closer supervision and better risk management. This will further strengthen resilience of the banking sector as their failure or impairment can transmit severe shocks through the financial system.

Towards continuing to develop Brunei Darussalam as an international hub for Islamic finance as outlined in the Financial Sector Blueprint (FSBP) 2015-2026, AMBD has made great strides in charting the growth of the industry to elevate the reputation and quality of Islamic Finance in the country. Brunei Darussalam was ranked 11th in the performing Islamic finance markets out of 135 countries as reported in the report by ICD-Refinitiv on Islamic Finance Development Report 2020: Progressing Through Adversity.

As part of AMBD's surveillance efforts in the financial sector and domestic economy, AMBD commenced the Business Sentiment Index (BSI) project in August 2020. BSI is used to gauge the level of optimism and confidence within the business sectors in Brunei Darussalam which could also affect the performance of the financial sector. This index can provide insights into the current business climate and future expectations of the private sector which can aid policymaking. As the computation of the index rely on the inputs from hundreds of businesses of all sizes across the country, I would like to take this opportunity to thank the participating businesses in the survey and look forward to publish the BSI in the third quarter of 2021, In Shaa Allah.

On tackling money laundering and terrorism financing (ML/TF) related activities, AMBD's Financial Intelligence Unit (FIU) has taken necessary actions on non-compliance with respect to ML/TF by closely working with the relevant authorities. The FIU is also a secretariat of National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC). In 2020, FIU took part and won the highly coveted Best Egmont Case Award (BECA) 2020 Competition among the 164 members of the Egmont Group of FIUs.

Indeed, it has been an eventful first year for me as Managing Director since joining AMBD in October 2019. I am very grateful to all employees of AMBD for their support and hard work and the Board of Directors for their guidance. I look forward to continue to deliver AMBD's mandates effectively, even in the face of current uncertainty and challenges, and guided by AMBD Strategic Plan 2021-2025.

***Dayang Hajah Rokiah binti Haji Badar***  
Managing Director, AMBD

# AMBD IN BRIEF

## MISSION, VISION AND MAIN OBJECTIVES

AMBD is responsible in providing currency notes and coins, issuing regulations and prudential standards, as well as in overseeing financial institutions and the financial market infrastructure. These ensure that the financial system in Brunei Darussalam is well-functioning and the public interest is protected.

### Mission

To ensure a well-functioning monetary and financial stability system, as well as to promote the development of a sound and progressive financial services sector.

### Vision

With the blessings of Allah Subhanahu Wa Ta'ala, to be a dynamic monetary authority that supports a progressive and sustainable economy.

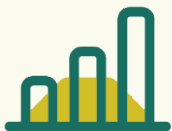
### Objective

AMBD fulfils its objectives under the AMBD Order, 2010 by carrying out the following:



#### To achieve and maintain domestic price stability

Under the Currency Interchangeability Agreement (CIA) between Brunei Darussalam and Singapore, the Brunei Dollar is interchangeable with the Singapore Dollar at par. This allows AMBD to operate on a currency board arrangement, ensuring all currency in circulation in the economy is fully backed up by foreign exchange reserves.



#### To ensure the stability of the financial system, in particular by formulating financial regulations and prudential standards

AMBD is the overall supervisor of financial institutions in Brunei Darussalam, which allows AMBD to issue prudential and market conduct regulations to ensure that financial institutions are operating in a sound and safe manner while providing fair services to their customers.



#### To assist in the establishment and functioning of efficient payment systems and to oversee them

The National Payment and Settlement Systems were established by AMBD to provide a digital platform for more efficient and secure interbank payment systems. AMBD conducts oversight of payment systems to ensure that the national and public interests are safeguarded.



#### To foster and develop a sound and progressive financial services sector

In promoting financial sector development, AMBD actively engages with the industry and our stakeholders both in Brunei Darussalam and abroad to support economic development.

# BOARD OF DIRECTORS

## Chairman

Duli Yang Teramat Mulia Paduka Seri Pengiran Muda Mahkota Pengiran Muda Haji Al-Muhtadee Billah ibni Kebawah Duli Yang Maha Mulia Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah  
The Crown Prince and Senior Minister at the Prime Minister's Office

## Deputy Chairman

Yang Berhormat  
Pehin Orang Kaya Seri Kerna Dato Seri Setia (Dr.)  
Haji Awang Abu Bakar bin Haji Apong  
Minister of Home Affairs  
[30 January 2018 - Present]

## Members

Yang Berhormat  
Dato Seri Setia Haji Awang Abdul Mokti bin Haji Mohd Daud  
Minister at the Prime Minister's Office  
[30 January 2018 - Present]

Yang Berhormat  
Dato Seri Setia Dr. Awang Haji Mohd Amin Liew bin Abdullah  
Minister at the Prime Minister's Office and Minister of Finance and Economy II  
[30 January 2018 - Present]

Yang Mulia  
Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain @ Maidin  
Deputy State Mufti, State Mufti's Office  
[1 January 2020 - Present]

Yang Mulia  
Dr. Dayang Hajah May Fa'ezah binti Haji Ahmad Ariffin  
Permanent Secretary (Economy), Ministry of Finance and Economy  
[21 August 2019 - Present]

Yang Mulia  
Dr. Haji Azman bin Ahmad  
Permanent Secretary (Higher Education), Ministry of Education  
[1 January 2020 - Present]

Yang Mulia  
Dayang Hajah Zuraini binti Haji Sharbawi  
Solicitor General, Attorney General's Office  
[10 August 2018 - Present]

Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
as the Managing Director of AMBD under Section 13, AMBD Order, 2010  
[5 October 2019 - Present]

# GOVERNANCE

## FINANCIAL AND MONETARY STABILITY COMMITTEE (FMSC)

The FMSC monitors the risks present in the global and domestic financial and economic environment. It also provides policy recommendations to the Board of Directors, maintains the Currency Board Arrangement according to the Currency Order, 2004 as amended by the Currency and Monetary [Amendment] Order, 2010 for monetary stability of Brunei Darussalam as well as promotes the understanding of the Currency Board Arrangement in Brunei Darussalam. The members of the FMSC for 1 January 2020 to 31 December 2022 are:

Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
Managing Director, AMBD  
As Chairman  
[1 January 2020 - 31 December 2022]

Yang Mulia  
Dayang Hajah Chairani binti Haji Sulaiman  
Accountant General  
Treasury Department,  
Ministry of Finance and Economy  
[1 January 2020 - 31 December 2022]

Yang Mulia  
Dayang Hajah Mariah binti Haji Yahya  
Director General  
Department of Economic Planning and Statistics,  
Ministry of Finance and Economy  
[1 January 2020 - 31 December 2022]

Yang Mulia  
Dayang Hajah Rashidah binti Haji Sabtu  
Deputy Managing Director, AMBD  
[1 January 2020 - 31 December 2022]

Yang Mulia  
Dayang Hajah Noorrafidah binti Sulaiman  
Deputy Managing Director, AMBD  
[1 January 2020 - 31 December 2022]

Yang Mulia  
Awang Mozart bin Haji Brahim  
Deputy Chief Executive Officer,  
Bursa Brunei Darussalam Sdn. Bhd  
[1 January 2020 - 31 December 2022]

Yang Mulia  
Awang Mardini bin Haji Eddie  
Acting Assistant Managing Director, AMBD  
[1 January 2020 - 31 December 2022]

Yang Mulia  
Dr. Irene Yap Tsue Ing  
Executive Director, AMBD  
[1 January 2020 - 31 December 2022]

## INVESTMENT ADVISORY COMMITTEE (IAC)

The IAC is responsible for advising the Board of Directors on investment selection and other related matters including providing advice on investment policies, appointment of external fund managers and assisting in the evaluation of performance of the investments, reviewing and evaluating investment proposals by AMBD and review any other related matters as may be directed from time to time by the Board of Directors. The members of the IAC are:

Yang Mulia  
Awang Haji Khairuddin bin Haji Abdul Hamid  
Permanent Secretary (Investment),  
Ministry of Finance and Economy  
As Chairman  
[11 February 2016 - Present]

Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
Managing Director, AMBD  
As Deputy Chairman  
[5 October 2019 - Present]

Yang Mulia  
Awang Haji Sofian bin Mohammad Jani  
Acting Managing Director,  
Brunei Investment Agency  
Ministry of Finance and Economy  
[14 July 2018 - Present]

Yang Mulia  
Dayang Hajah Noorrafidah binti Sulaiman  
Deputy Managing Director, AMBD  
[1 January 2020 - Present]

Yang Mulia  
Awang Haji Mokhzani Izhar bin Pehin Orang Kaya  
Seri Kerna Dato Seri Setia Dr Haji Abu Bakar  
Senior Manager,  
Brunei Investment Agency  
Ministry of Finance and Economy  
[1 January 2020 - Present]

## HUMAN RESOURCE COMMITTEE (HRC)

The HRC is responsible for reviewing AMBD Employee Services Terms and Conditions as well as reviewing AMBD Human Resource and Human Capital Development policies. The HRC, among others, also endorses recommendations to the Board of Directors for key appointments; approves the appointment and hiring of Management positions; and endorses the State Decorations and Honorary State Medal Recipient of AMBD. The members of the HRC are:

Yang Mulia  
Dr. Haji Azman bin Ahmad  
Permanent Secretary (Higher Education),  
Ministry of Education  
As Chairman  
[1 January 2020 - Present]

Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
Managing Director, AMBD  
[1 January 2020 - Present]

Yang Mulia  
Awang Ajman bin Haji Meludin  
Deputy Permanent Secretary  
[Vision, Finance and Cabinet],  
Prime Minister's Office  
[1 January 2020 - Present]

Yang Mulia  
Awang Shamsul Baharin bin Abdul Rahman  
Senior Manager, Human Resource  
DST Communications Sdn. Bhd  
[1 January 2020 - Present]

## RISK MANAGEMENT COMMITTEE (RMC)

The RMC is responsible for reporting and advising the Board on the Authority's overall risk tolerance; risk management framework (principles, policies, systems, processes, and procedures) and oversees the development of the overall risk management frameworks. The members of the RMC are:

Yang Mulia  
Dr. Haji Azman bin Ahmad  
Permanent Secretary (Higher Education),  
Ministry of Education  
As Chairman  
[January 2020 - June 2020]

Yang Mulia  
Awang Haji Maswadi bin Haji Mohsin  
Deputy Permanent Secretary,  
Ministry of Health  
As Chairman  
[June 2020- Present]

Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
Managing Director, AMBD  
[January 2020- Present]

Yang Mulia  
Awang Haji Hairul Mohd. Daud bin Haji Abd. Karim  
Deputy Permanent Secretary  
[Infocommunication, Cybersecurity,  
Strategy and Corporate]  
Ministry of Transport and Infocommunications  
[January 2020- Present]

Yang Mulia  
Dayang Mazriyani binti Haji Abd Ghani  
Director  
E-Government National Centre,  
Ministry of Transport and Infocommunications  
[January 2020- Present]

Yang Mulia  
Dayang Rosminah binti Haji Awang Besar  
Manager,  
Brunei Investment Agency  
Ministry of Finance and Economy  
[January 2020- Present]

Yang Mulia  
Dayang Hajah Latifah binti Haji Mahmud  
Senior Assistant Accountant General  
Treasury Department,  
Ministry of Finance and Economy  
[January 2020- Present]

## AUDIT COMMITTEE (AC)

The responsibilities of the AC as stipulated under Section 21(4) of the AMBD Order, 2010, include oversight of the Internal Audit function, review and recommend on the appointment of the external auditors, the scope of external audits and other inter-related services. The committee also provides opportunity for the auditors to meet and discuss findings and recommendations, and review with the external auditors the end of year financial statements. The Members of the AC, as of 31 December 2020, are:

Yang Mulia  
Dayang Hajah Zuraini binti Haji Sharbawi  
Solicitor General at Attorney General's Chambers,  
Prime Minister's Office  
As Chairman  
[1 January 2020 - Present]

Yang Mulia  
Awang Haji Hairul Mohd Daud bin Haji Abd Karim  
Deputy Permanent Secretary  
[Information, Cybersecurity, Strategy and Corporate]  
Ministry of Transport and Infocommunications  
[1 January 2020 - Present]

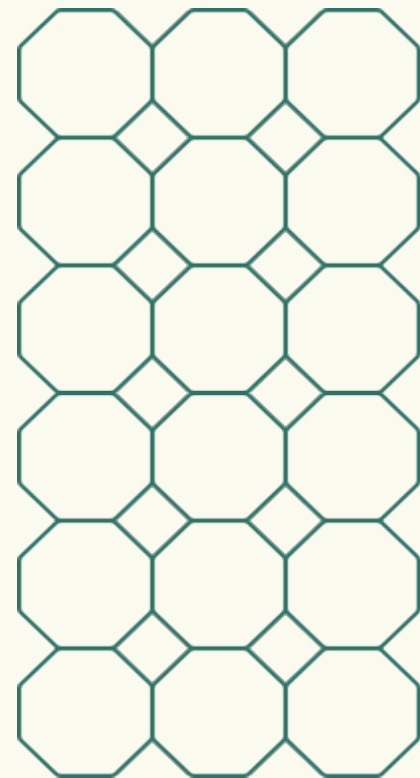
Yang Mulia  
Dayang Hajah Chairani binti Haji Sulaiman  
Accountant General  
Treasury Department  
Ministry of Finance and Economy  
[1 January 2020 - Present]

Yang Mulia  
Awang Haji Asrul Adrain bin POKSP DSS Dr. Haji Ahmad  
Deputy Accountant General  
Treasury Department  
Ministry of Finance and Economy  
[1 January 2020 - Present]

Yang Mulia  
Dayang Mazriyani binti Haji Abdul Ghani  
Director  
E-Government National Centre  
Ministry of Transport and Infocommunications  
[1 January 2020 - Present]

Yang Mulia  
Dayang Rosminah binti Haji Awang Besar  
Manager  
Brunei Investment Agency  
Ministry of Finance and Economy  
[1 January 2020 - Present]

Yang Mulia  
Awang Muhammad Yusri bin Dato Abdul Majid  
Head of Risk Management, AMBD  
As Observer  
[1 January 2020 - Present]



# EXECUTIVE MANAGEMENT



Yang Mulia  
Dayang Hajah Rokiah  
binti Haji Badar

**Managing Director**



Yang Mulia  
Dayang Hajah Rashidah  
binti Haji Sabtu

**Deputy Managing Director**

[Regulatory and Supervision Department]



Yang Mulia  
Dayang Hajah  
Noorrafidah binti  
Sulaiman

**Deputy Managing Director**

[Monetary Operations/Development  
and International Department]



Yang Mulia  
Awang Mardini bin  
Haji Eddie

**Acting Assistant Managing Director**

[Monetary Operations],  
Monetary Operations/Development and  
International Department

**Executive Director**

[Treasury and Investment Management],  
Monetary Operations/Development and  
International Department



Yang Mulia  
Dayang Hajah Sufinah  
binti Haji Sahat

**Acting Assistant Managing Director**

[Corporate Development Division]

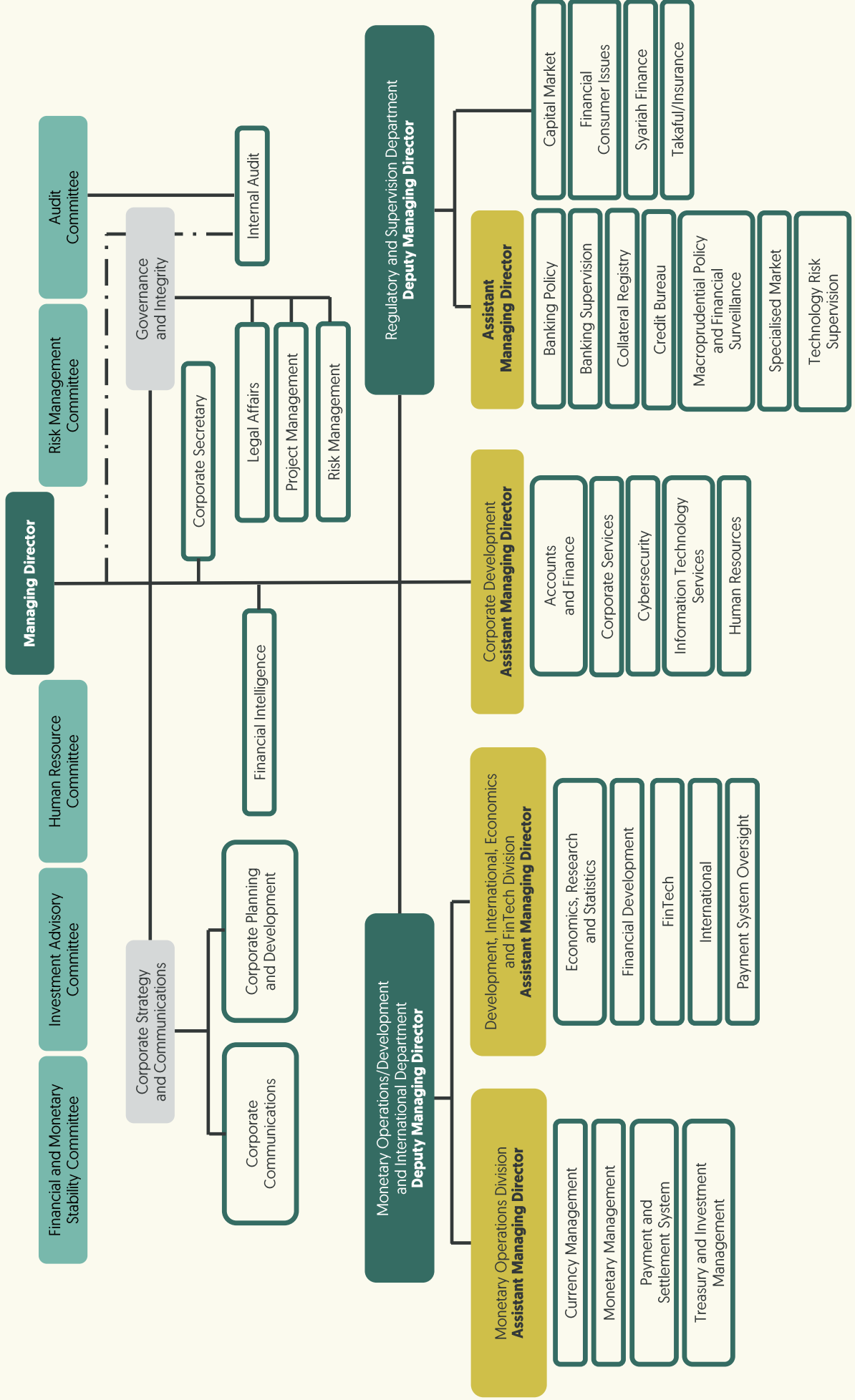
**Executive Director**

[Account and Finance],  
Corporate Development Division



# ORGANISATIONAL CHART

As at October 2020





# HEARTS OF AMBD



**EXECUTIVE MANAGEMENT**  
 1 Managing Director  
 2 Deputy Managing Directors

**3**

**OFFICERS**  
 25 Senior Managers  
 35 Managers  
 49 Associates

**109**

**SUPPORT STAFF**  
 52 Administrative Assistants  
 1 Office Assistant  
 2 Drivers  
 1 Security

**56**

**OVERALL**  
 41% Male  
 59% Female

**227**

**MANAGEMENT**  
 15 Executive Directors  
 9 Assistant Executive Directors

**24**

**STAFF**  
 25 Assistant Officers  
 1 Confidential Secretary  
 1 Customer Service Officer  
 1 Confidential Clerk

**28**



# THE YEAR IN REVIEW

## ECONOMIC REVIEW

The COVID-19 pandemic and measures implemented by authorities to curb the spread of the virus throughout the year had led to a broad-based economic slowdown in all major and emerging market economies in 2020.

The unprecedented slowdown has led authorities around the world to respond with a variety of fiscal and monetary stimulus to help mitigate the impacts felt by individuals, households and businesses.

### Financial Markets

- Major equity markets ended mixed in 2020, primarily due to the turbulence caused by the global widespread of COVID-19 infections since the start of the year. Equity markets in some countries managed to recover, supported by aggressive monetary and fiscal policies, positive progress on vaccine development and Joe Biden's victory as the 46th President of the United States.
- Stocks listed in the United Kingdom and Europe represented by FTSE 100 Index and EURO STOXX 50 respectively fell on the back of sluggish progress in Brexit discussions. Singapore's Strait Times Index ended negatively due to the nation's high dependency on the tourism industry.

Equities

- Global government bonds performed generally well due to the continuous monetary policy support by the central banks and investments' flight to safety, leaving yields at very low levels.

Bonds

- Oil prices had a double digit rate of decline from overall weak global demand as surge in coronavirus cases affected business activities worldwide.
- Gold price edged higher as investors flocked to safe haven assets during period of heightened financial markets uncertainties.

Commodities

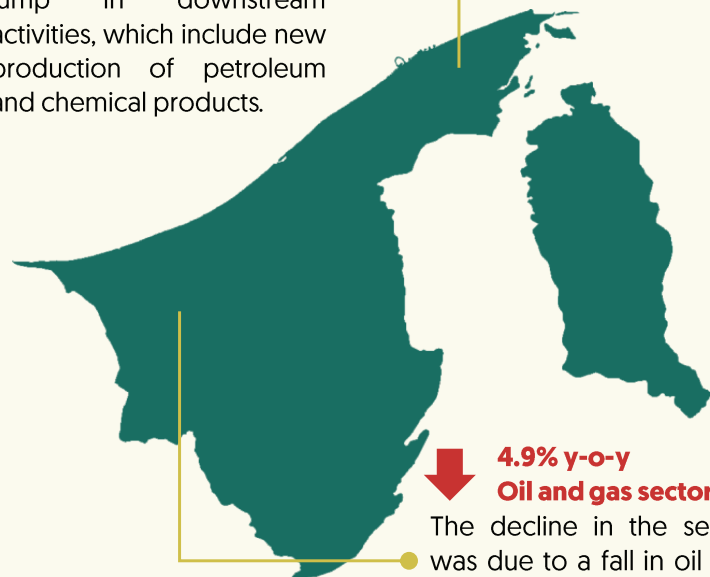
### Domestic economy growth continues, albeit at a slower pace

In 2020, the economy of Brunei Darussalam expanded by 1.2%. This is at a slightly slower pace compared to the 3.9% growth in 2019, due to slower external demand, low commodity prices and the impact of COVID-19 measures.



**9.0% Non-oil and gas sector**

This was driven largely by a jump in downstream activities, which include new production of petroleum and chemical products.



**4.9% y-o-y Oil and gas sector**

The decline in the sector was due to a fall in oil and gas mining activities.

In 2020, real GDP was recorded at **BND 19,328.3 million.**



**36.9% 2020 Net exports**  
[2019: 18.4% y-o-y]

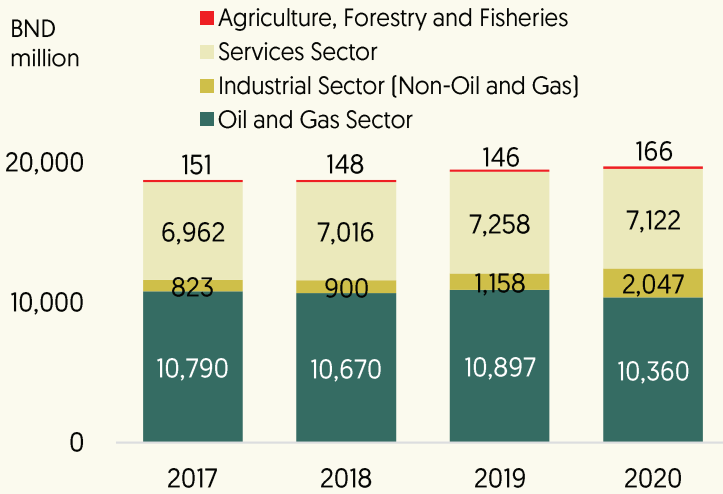


**2.1% 2020 Imports**  
[2019: 13.8% y-o-y]

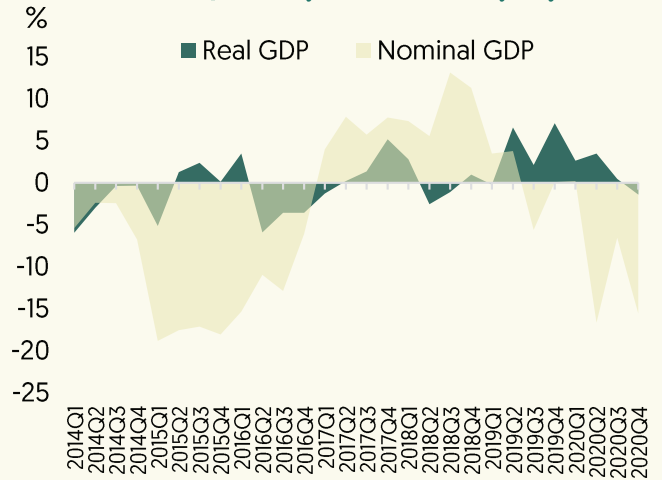


**7.5% 2020 Exports**  
[2019: 14.9% y-o-y]

**Chart 1: Real GDP by sector**



**Chart 2: Quarterly GDP Growth (y-o-y)**

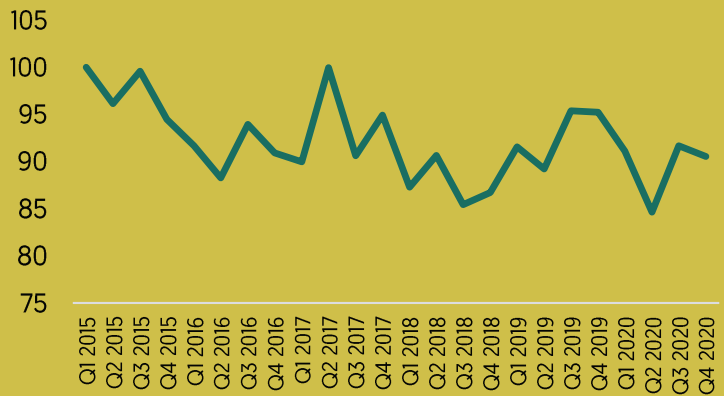


The rise in exports in 2020 was largely due to a surge in the exports of chemicals (352.4%). Meanwhile, there were fewer imports of manufactured goods due to slower demand arising from the pandemic. Lower imports of machinery and transport equipment (-5.1%) may be attributed to the winding down of construction work related to ongoing major foreign direct investments (FDI) projects. Simultaneously, the significant uptick in the imports of mineral fuels (14.4%) was likely driven by an increase in oil refining activities and linked to the FDI projects.

### Residential property market

The Residential Property Price Index (RPPI) continued to decline on an annual basis in Q4 2020 by 4.9% y-o-y, which marked the fourth consecutive quarter of decline. Nevertheless, in terms of the number of transactions, 2020 recorded the highest number since records began in 2015.

**Chart 3: RPPI (Q1 2015=100)**

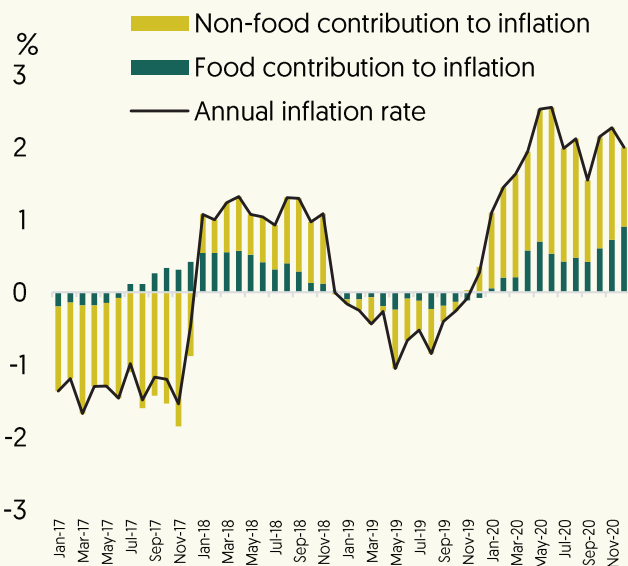


### Slight pickup in inflation

Inflation rose by 1.9% in 2020. The largest price increases were seen in miscellaneous goods and services (10.9%), which was largely due to increased prices of insurance while supply disruptions in relation to the COVID-19 outbreak may have led to price increases in clothing and footwear, furnishings, household equipment and routine household maintenance, as well as food and non-alcoholic beverages.

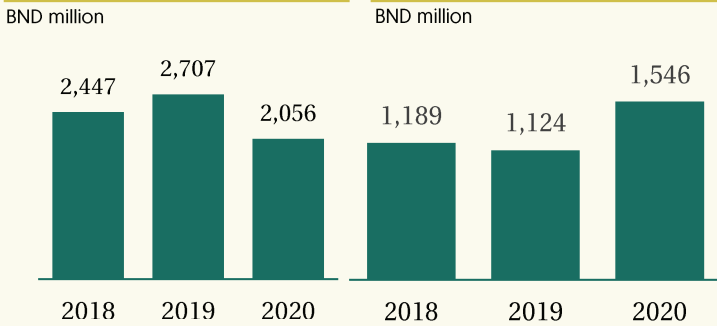
Global inflation has been subdued on the back of weak overall demand, and its pass-through into domestic inflation is expected to remain relevant given the Brunei dollar's peg to the Singapore dollar. Domestically, sectors that have been negatively affected by the COVID-19 outbreak such as *restaurants and hotels* and *recreation and culture* will likely continue to face downward price pressures.

**Chart 4: Inflation Rate (y-o-y)**

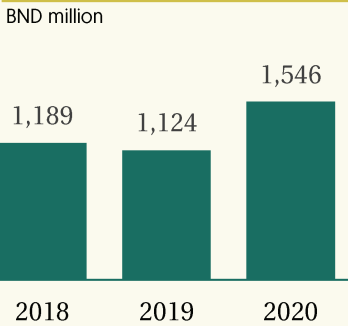


# MONETARY SECTOR STATISTICS

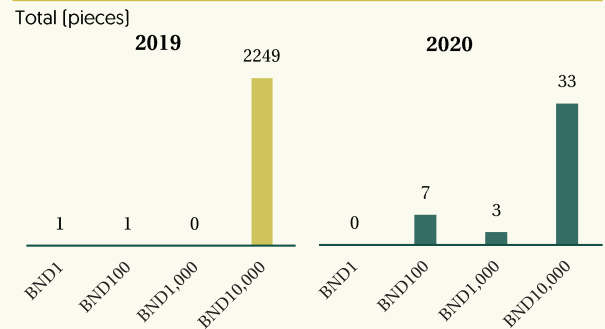
**Chart 5: Banknotes Issued**



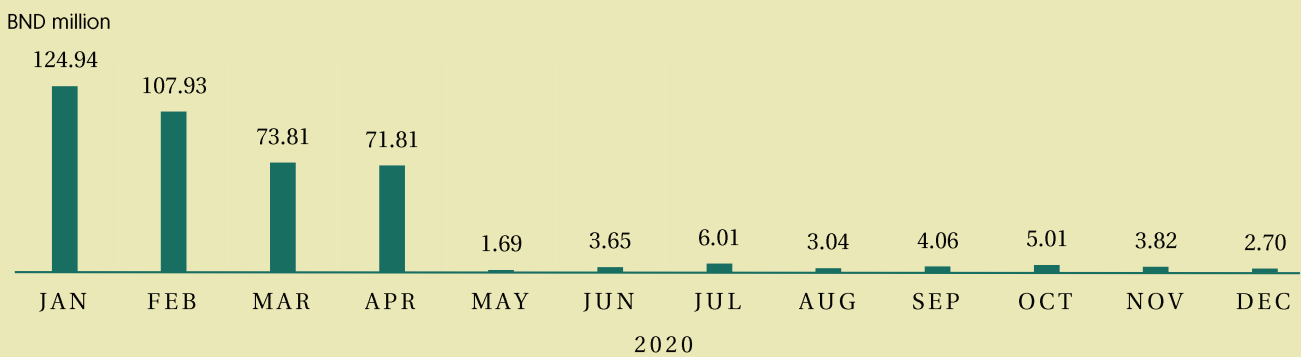
**Chart 6: Banknotes Returned from Local Banks**



**Chart 7: Counterfeit BND Banknotes**

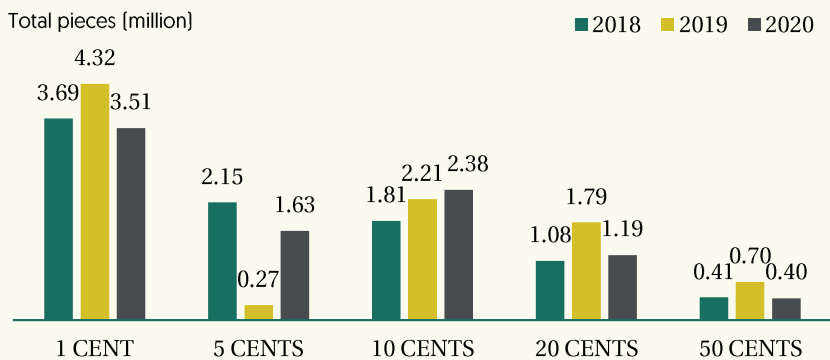


**Chart 8: BND Received from/in Custody with Monetary Authority of Singapore (MAS)**

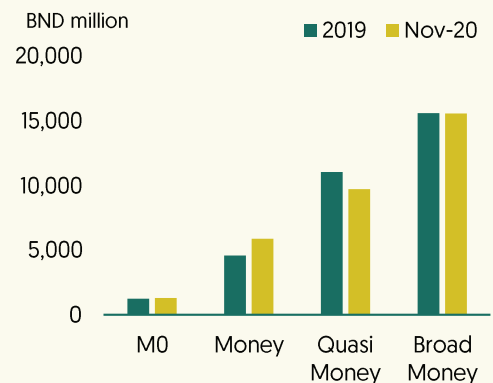


Note: The Brunei dollar currencies from March until December 2020 were in the custody of the MAS due to the COVID-19 pandemic and expected to be consigned by March 2021.

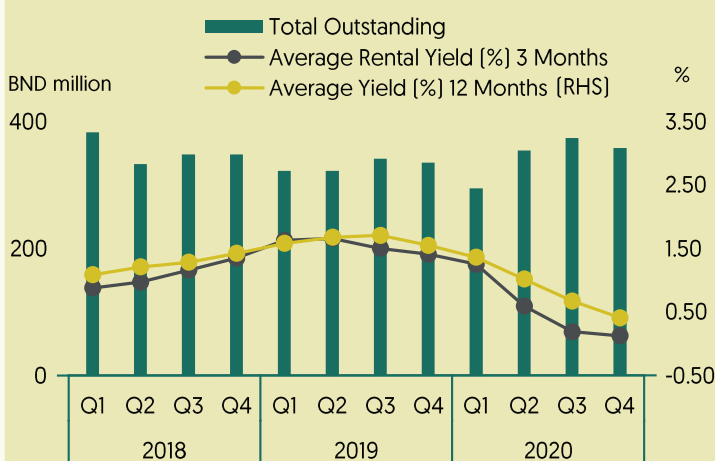
**Chart 9: Production of Coins**



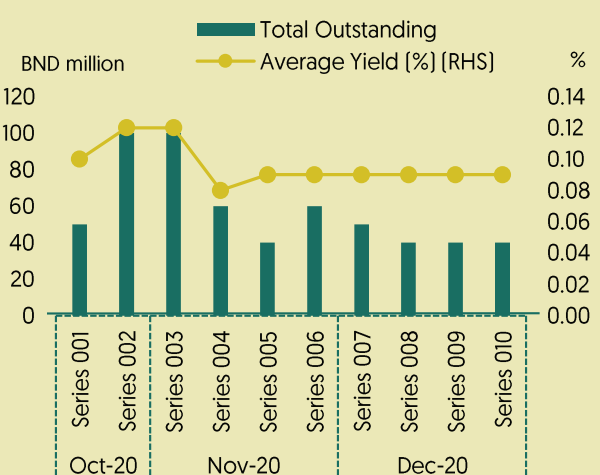
**Chart 10: Monetary Aggregates**



**Chart 11: Brunei Government Sukuk Al-Ijarah**



**Chart 12: AMBD Islamic Bills (I-Bills)**





## FINANCIAL SECTOR STATISTICS

### STRUCTURE OF THE FINANCIAL SYSTEM IN BRUNEI DARUSSALAM

Amidst the pandemic, the financial sector remained stable and sound. In 2020, financial sector assets ended with a slight y-o-y reduction of 0.5% to BND22.3 billion from BND22.4 billion in 2019. The banking sector, which accounts for 81.8% of the total financial assets, entered the pandemic with sufficient capital and liquidity buffers. Banks capital remained above minimum regulatory requirements despite a slight decline in asset quality and banks' profitability in 2020.

**Table 1: Total Assets of Financial Institutions in Brunei Darussalam for the year 2020**

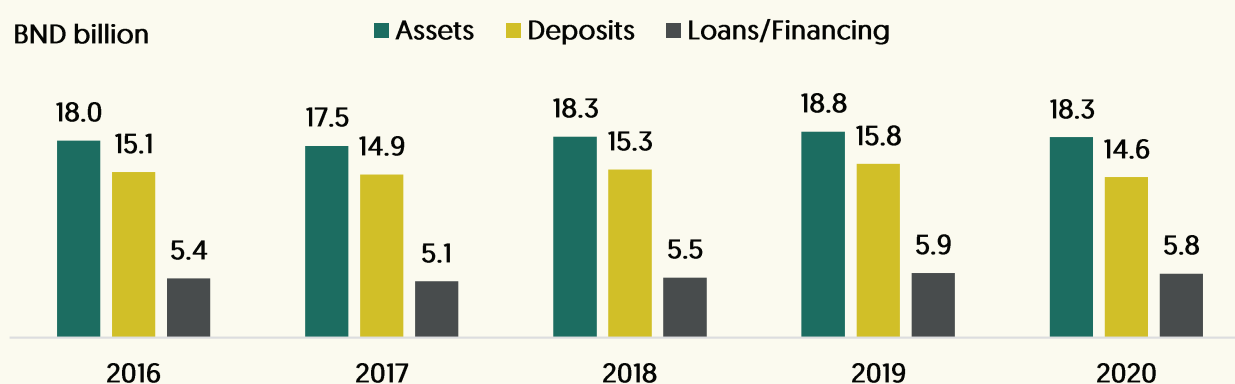
Financial Institutions Regulated by AMBD	No. of Financial Institutions	Amount (BND billion)	Share of Total Assets (%)
<b>Deposit Taking Institutions</b>	<b>10</b>	<b>20.4</b>	<b>91.2</b>
Banks including Perbadanan TAIB	8	18.3	81.8
- Conventional	6	6.9	30.9
- Islamic	2	11.4	50.9
Finance Companies	2	2.1	9.4
<b>Other Licensed Financial Institutions</b>	<b>11</b>	<b>2.0</b>	<b>8.8</b>
Insurance Companies and Takaful	11	2.0	8.8
- Conventional	7	1.4	6.1
- Islamic	4	0.6	2.7
<b>Total</b>	<b>21</b>	<b>22.4</b>	<b>100.0</b>

Brunei Darussalam has dual financial system comprising of Islamic and conventional financial institutions operating in parallel.

### BANKING INDUSTRY

As of 2020, the banking industry indicated a slowdown in its growth momentum recording a slight reduction of assets, deposits and loans/financing by 2.6%, 7.6% and 1.1% respectively. Despite this, asset quality of the banks' loans/financing portfolios remains stable at a ratio of 4.70%, with ample capital and liquidity buffers at a ratio of 20.8% and 48.2% respectively. Simultaneously, profitability of the banking industry remains stable with Return on Assets (ROA) and Return on Equity (ROE) stood at 1.5% and 10.6% respectively.

**Chart 13: Banking Industry - Assets, Deposits and Loans/Financing**



**Table 2: Financial Soundness Indicators for Banks** (Unaudited figures)

Key Financial Soundness Indicators [%]	2019	2020
<b>Capital Adequacy</b>		
Regulatory Capital to Risk Weighted Assets	20.9	20.8
Tier 1 Capital to Risk Weighted Assets	20.5	20.5
Non-Performing Loans/Financing [Net of Specific Provisions] to Capital Funds	6.5	6.1
<b>Assets Quality</b>		
Non-Performing Loans/Financing to Gross Loans/Financing	4.7	4.7
Net Non-Performing Loans/Financing [Net of provisions] to Gross Loans/Financing	2.4	2.4
Provision Coverage [Specific Provisions to Total NPLFs]	48.1	48.2
<b>Profitability</b>		
Return on Assets [Before Tax]	1.8	1.5
Return on Equity [After Tax]	12.6	10.6
Efficiency Ratio	47.4	50.7
<b>Liquidity</b>		
Liquid Assets to Total Assets	46.8	48.2
Liquid Assets to Total Deposits	55.5	60.2
Liquid Assets to Demand and Savings Deposits [Non-bank customers]	102.9	95.9
Loans/Financing to Deposits Ratio	37.2	39.8

Despite the slight reduction of the overall loans/financing portfolio, the corporate sector recorded a significant growth of 6.4%, especially in the manufacturing sector with 64.5%. However, the household sector recorded a decline of 8.0% mainly contributed by the decline in personal loans/financing of 16.3%. The corporate sector became the dominant sector with 51.3% share of total financing, as of December 2020.

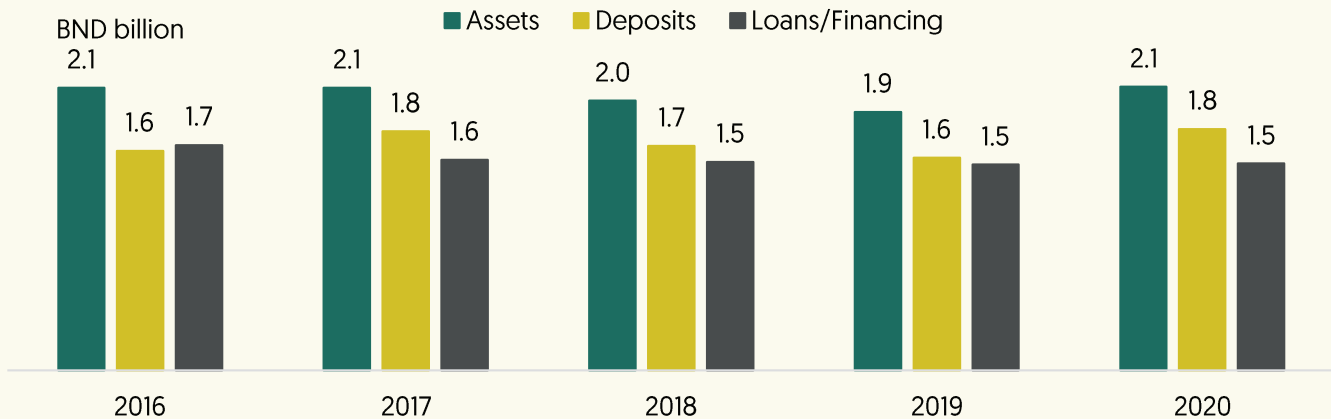
**Table 3: Banking - Distribution of Loans/Financing** (Unaudited figures)

Sector	2019		2020		Percentage Change
	Amount [BND million]	% of total financing	Amount [BND million]	% of total financing	
<b>Household Sector</b>	<b>3,079.8</b>	<b>52.3</b>	<b>2,834.9</b>	<b>48.7</b>	<b>-8.0</b>
Personal Loan (including Credit Card)	1,680.2	28.5	1,407.1	24.2	-16.3
Residential housing	1,399.6	23.8	1,427.8	24.5	2.0
<b>Corporate Sector</b>	<b>2,809.6</b>	<b>47.7</b>	<b>2,989.2</b>	<b>51.3</b>	<b>6.4</b>
Agricultural	26	0.4	34.8	0.6	33.7
Commercial Property	753.6	12.8	743.4	12.8	-1.3
Financial	115.5	2	184.5	3.2	59.7
Infrastructure	39.9	0.7	43.7	0.8	9.4
Manufacturing	305.1	5.2	501.8	8.6	64.5
Services	697	11.8	766.7	13.2	10
Telecom and IT	13.5	0.2	6.1	0.1	-54.6
Tourism	37	0.6	35.2	0.6	-4.8
Traders	397.7	6.8	347.4	6	-12.7
Transportation	424.3	7.2	325.6	5.6	-23.3
<b>Total Loans/Financing</b>	<b>5,889.4</b>	<b>100.0</b>	<b>5,824.1</b>	<b>100.0</b>	<b>-1.1</b>

## FINANCE COMPANIES

Conversely, the performance of the finance companies showed improvement in terms of assets, deposits and loans/financing by 9.3%, 13.5% and 2.4% respectively. Albeit the profitability (before tax) showed a slight reduction by 1.5%, the asset quality slightly improved with a ratio of 0.8% from 1.0% a year ago with a provision coverage of approximately 78.6%.

**Chart 14: Finance Companies - Assets, Deposits and Loans/Financing** (Unaudited figures)



## ACCESS TO FINANCE

The geographical segmentation of banks' (including Perbadanan TAIB) facilities remain concentrated in the Brunei-Muara district, the most populated and the centre of economic and financial activities. Nevertheless, other districts, also have good access to finance.

**Table 4: Banking - Distribution of Branches and ATMs by District as at 31 December 2020**

District	Branches (including Head Office)	Single Function Machines (ATM, CDM and CQM)		Multi-Function Machines	
		Onsite	Offsite	Onsite	Offsite
Brunei/Muara	36	84	64	33	13
Tutong	3	4	7	3	0
Kuala Belait	8	19	9	6	6
Temburong	2	6	0	0	0
<b>Total</b>	<b>49</b>	<b>113</b>	<b>80</b>	<b>42</b>	<b>19</b>



**13 Branches**  
Per 100,000 Adults



**70 ATMs**  
Per 100,000 Adults

Note: Adult refers to those 15 years old and above based on 2019 population. Branches are from both banks and finance companies including its head office. ATMs from both banks and finance companies.

## INSURANCE AND TAKAFUL INDUSTRY

**Table 5: Number of Insurance Companies/Takaful Operators**

	2019	2020
General conventional insurers	4	4
General Takaful	2	2
Life conventional insurers	3	3
Family Takaful	2	2
<b>Total</b>	<b>11</b>	<b>11</b>

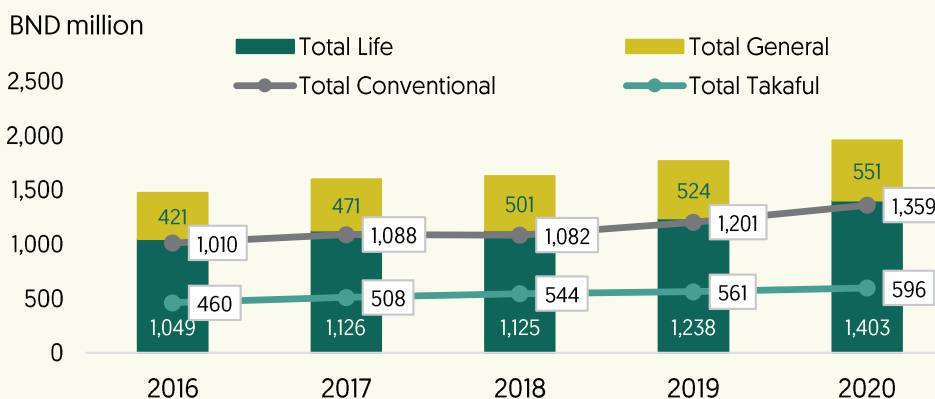
**Table 6: Insurance and Takaful - Number of Intermediaries**

	2019	2020
Insurance Broker	1	1
Loss Adjuster	0	0
General Insurance/Takaful Agents	241	240
Individual	223	220
Corporate	18	20
Life Insurance/Takaful Agents	286	315
Individual	285	314
Corporate	1	1

**Table 7: Insurance and Takaful Highlights** (Unaudited figures)

(In BND Million)	2016	2017	2018	2019	2020
Assets	1,470.3	1,596.7	1,625.8	1,762.4	1,954.4
Gross Premiums	301.2	296.1	294.7	291.2	300.2
Gross Claims/Benefits	174.2	144.9	126.6	145.8	161.8

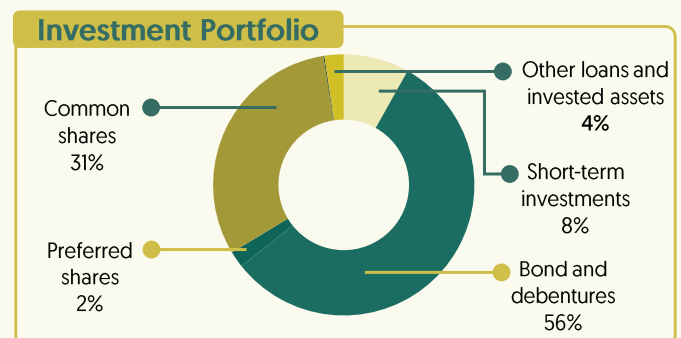
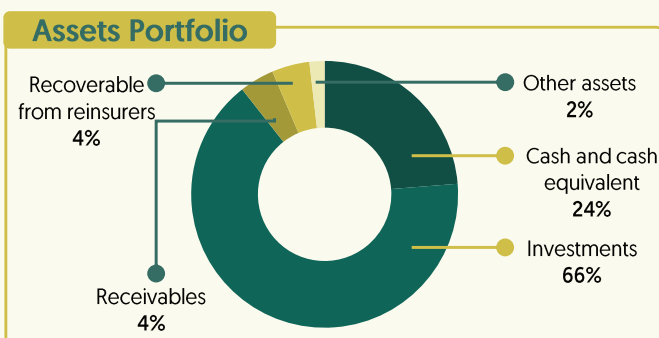
**Chart 15: Insurance and Takaful - Total Industry Assets** (Unaudited figures)



### Assets

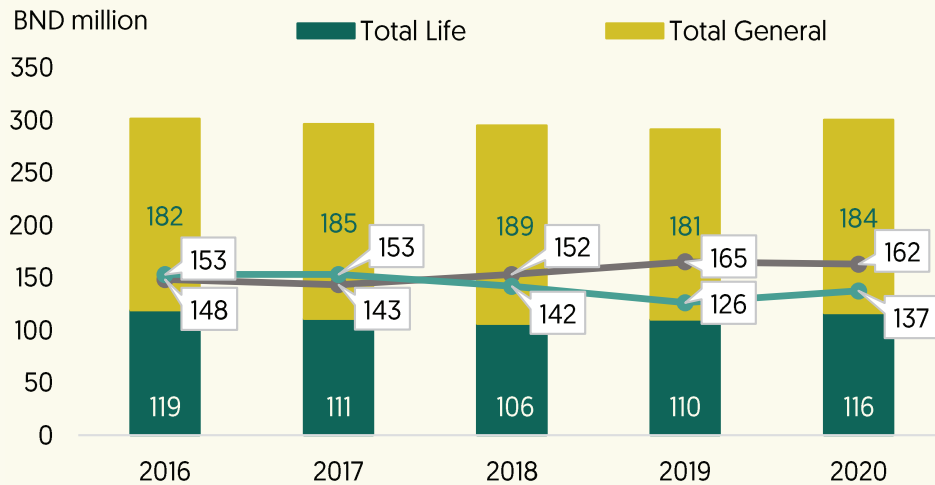
Total assets of the insurance and takaful industry have increased by 10.9% in 2020 to BND1.95 billion. Both life and general sectors increased by 13.3% and 5.2% respectively due to overall increases in investments [12.5%] and recoverable from reinsurers [8.5%].

**Chart 16: Insurance and Takaful: Assets and Investment Portfolio** (Unaudited figures)





**Chart 17: Insurance and Takaful - Total Industry Gross Premiums/Contributions**



**Gross Premiums/Contributions**

The industry saw an improvement in gross premiums by 3.1% from BND291.2 million in 2019 to BND300.2 million in 2020 owing to growth in life and general sectors by 5.6% and 1.6% respectively.

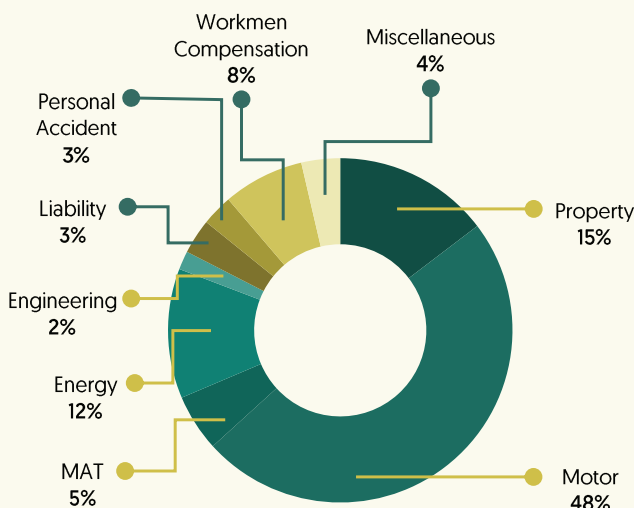
In the life insurance and family takaful sector, business in-force premiums/contributions grew by 5.6% at BND116.2 million in 2020. This is due to an increase in medical and health by 47.0% from BND3.1 million to BND4.5 million y-o-y in both the conventional life and family takaful business. As of 2020, a total of 31,218 new policies/certificates were issued totalling 240,319 policies/certificates in-force at the end of 2020.

**Table 8: Insurance and Takaful: Gross Premiums/Contributions for General Business**

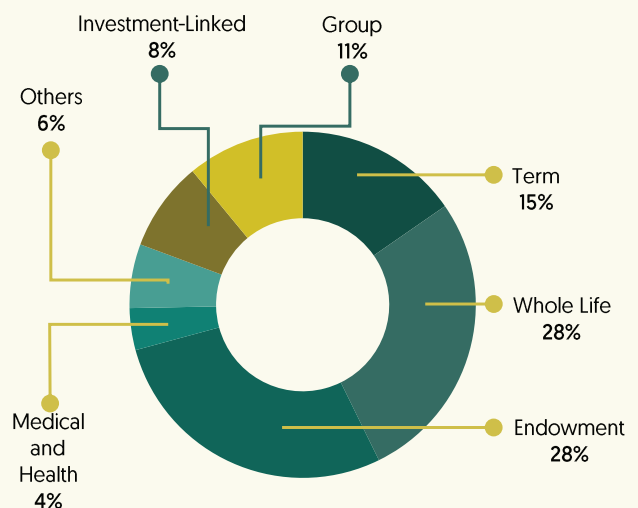
(Unaudited figures)

Classes of General Business	2019 [BND Million]	2020 [BND Million]	Percentage Change [%]
Property	36.5	27.0	-26.1
Motor	89.8	89.4	-0.4
MAT	12.5	9.8	-21.2
Energy	2.2	22.4	929.8
Engineering	1.6	3.2	105.4
Liability	10.2	6.0	-41.2
Personal Accident	8.9	5.4	-39.7
Workmen Compensation	13.3	14.0	5.0
Miscellaneous	6.1	6.7	9.7
<b>Total Gross Premiums/Contributions</b>	<b>181.1</b>	<b>183.9</b>	<b>+1.6</b>

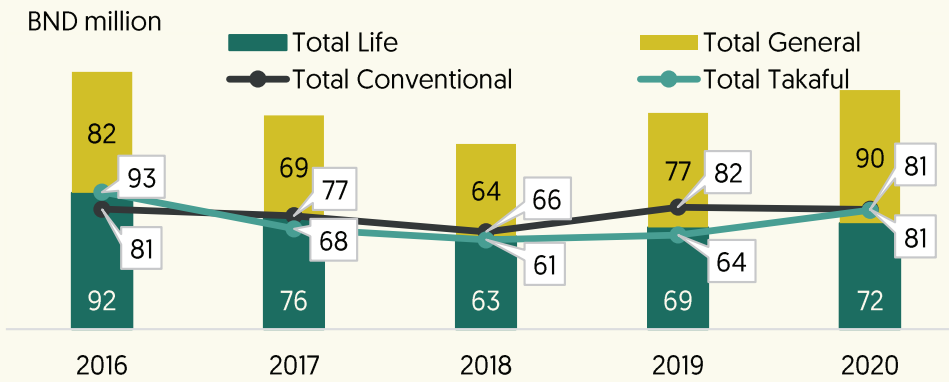
**Chart 18: Insurance and Takaful: General Gross Premiums/Contributions by Classes of Business**



**Chart 19: Insurance and Takaful: Life Premiums/Family Contributions by Classes of Business**



**Chart 20: Insurance and Takaful: Total Industry Gross Claims/Benefits**  
(Unaudited figures)

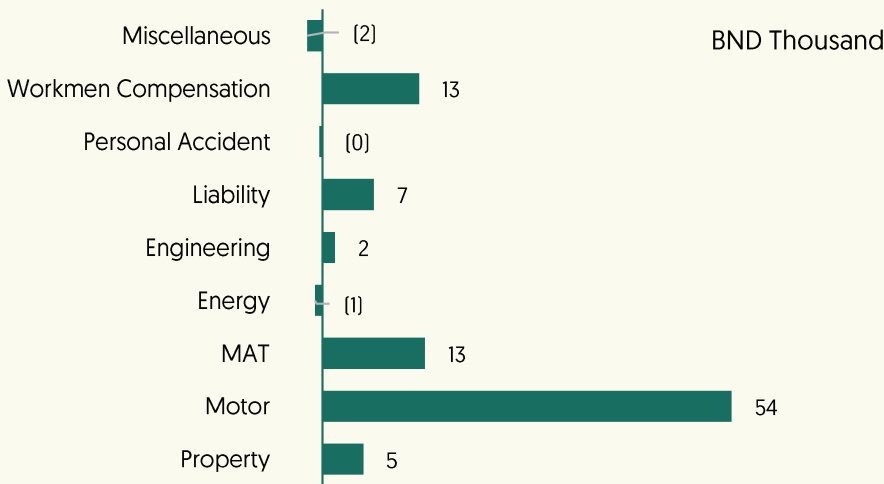


**Gross Claims/Benefits**

The industry's total gross claims and benefits have seen an increase of 10.5% from BND146.4 million in 2019 to BND161.8 million in 2020 as both life and general sectors experienced an increase in claims by 4.3% and 16.1% respectively. Benefits incurred from life insurance/family takaful sector have increased, contributed by the rise from investment [unit]-linked products of 70.4% from BND11.3 million to BND19.2 million y-o-y. Meanwhile, in the general sector, the increase in claims was contributed by property [+25.5%] and motor [+11.5%] businesses.

Nonetheless, motor business accounted for 59.4% of total general claims [refer to chart on Total Industry Gross Claim/Benefits] or BND53.7 million in 2020, an increase by 11.5% when compared to 2019.

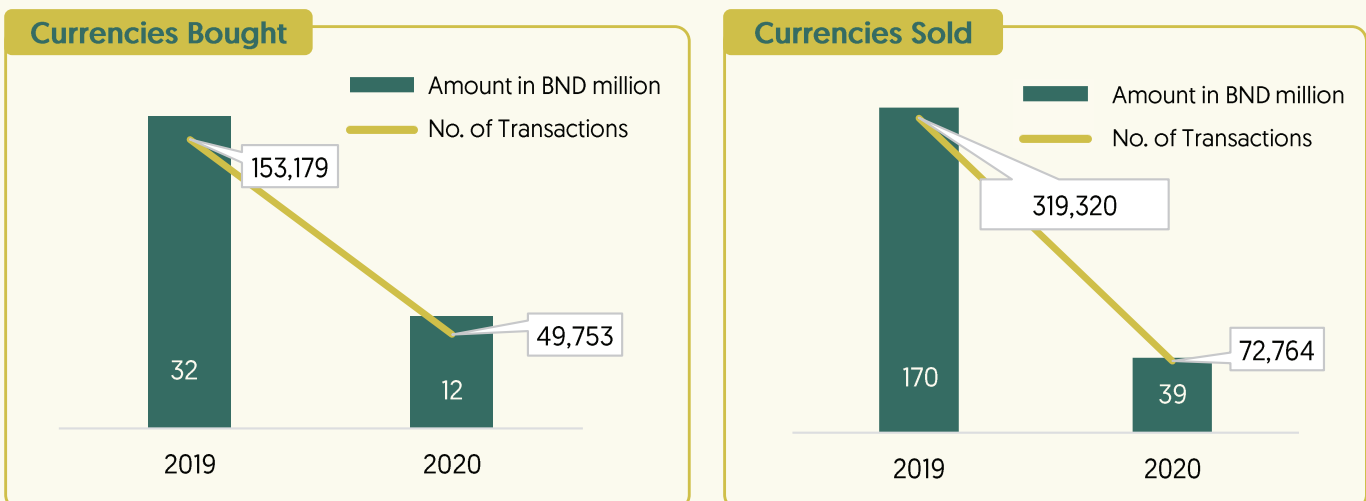
**Chart 21: Insurance and Takaful: General Gross Claims/Benefits by Classes of Business** (Unaudited figures)



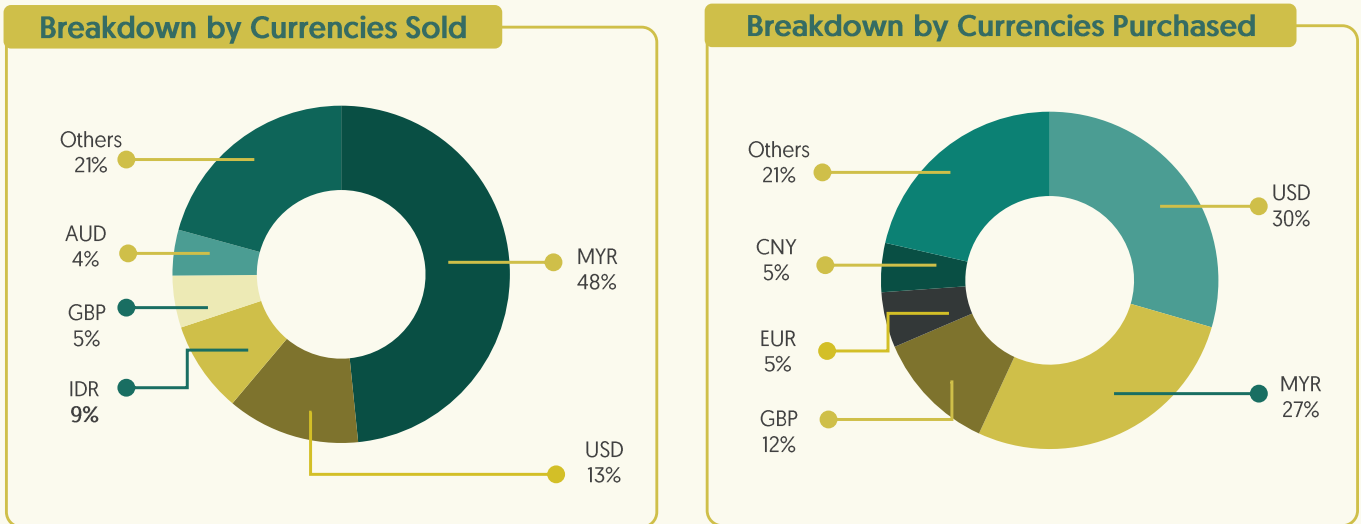
**SPECIALISED MARKET**

In 2020, the money-changing sector was severely affected due to the travel restrictions which were imposed to control the outbreak of COVID-19 pandemic. The value of both buying and selling of foreign currencies fell by 64% (BND 20.6 million) and 77% (BND 130.5 million) respectively compared to 2019.

**Chart 22: Money Changers - Currencies Bought and Sold**

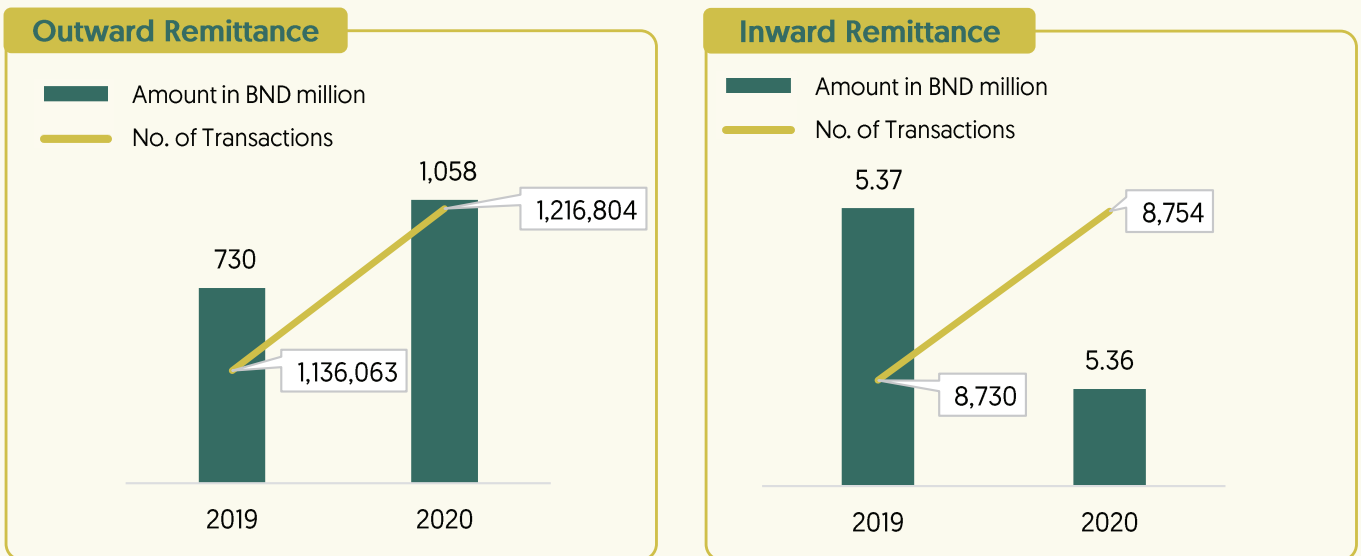


**Chart 23: Breakdown of Currencies Sold and Purchased in 2020**

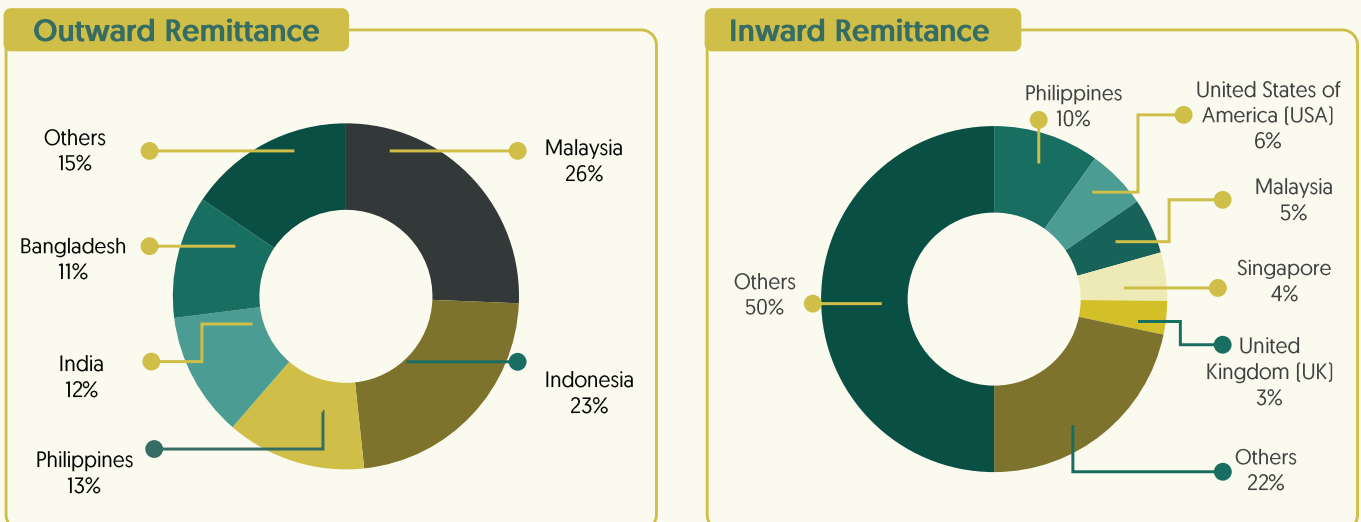


On the contrary, the remittance sector has shown an increase in both value and number of transactions by 45% (BND 328.9 million) and 7% (80,741 transactions) respectively compared to 2019; mainly contributed by increase in remittances to Malaysia and the People’s Republic of China. 81% of the remittances were for personal purpose. However, remittance for business purpose has shown a significant increase in 2020 by 110% from BND 78.0 million in 2019 to BND 163.9 million in 2020.

**Chart 24: Inward and Outward Money Remittance**



**Chart 25: Breakdown of Money Remittance by Countries in 2020**

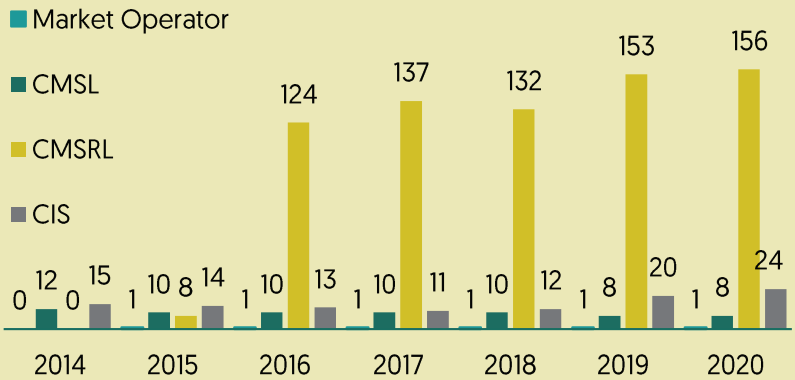


## CAPITAL MARKET

### Number of Regulated Persons under Securities Market Order (SMO), 2013

There were three new Capital Markets Services Representative's Licence (CMSRL) holders and four new Collective Investment Schemes (CIS) in 2020.

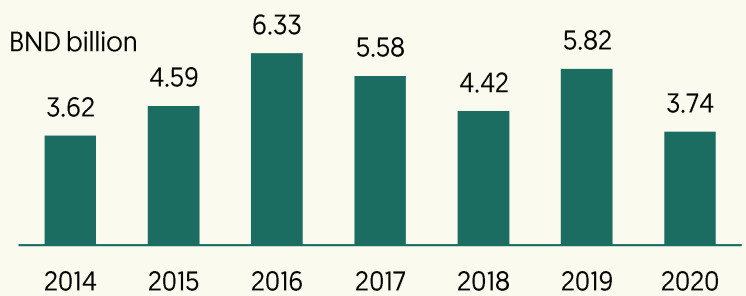
Chart 26: Total Number of Regulated Persons under SMO, 2013



### Total Assets under Management

The total assets under management (AUM) managed via the CMSL holders in Brunei Darussalam reached BND3.74 billion, showing a significant decline of 35.7% y-o-y compared to 2019. This may be attributed to investors' appetite and sentiment in the current economic condition.

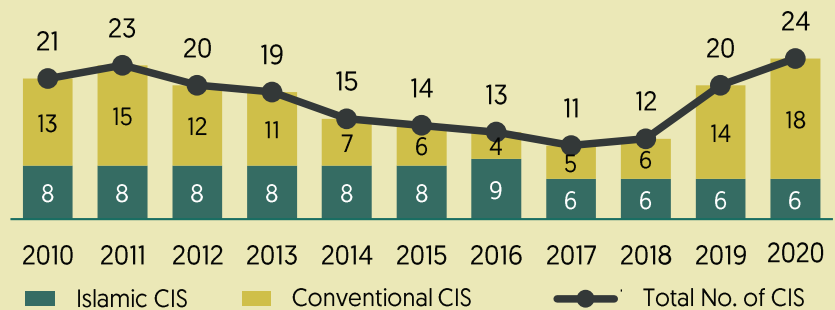
Chart 27: Total Assets under Management



### Collective investments Scheme (CIS)

There were three new CIS recognised under SMO in 2020 including one fund which is aligned with a Sustainable and Responsible Investment strategy.

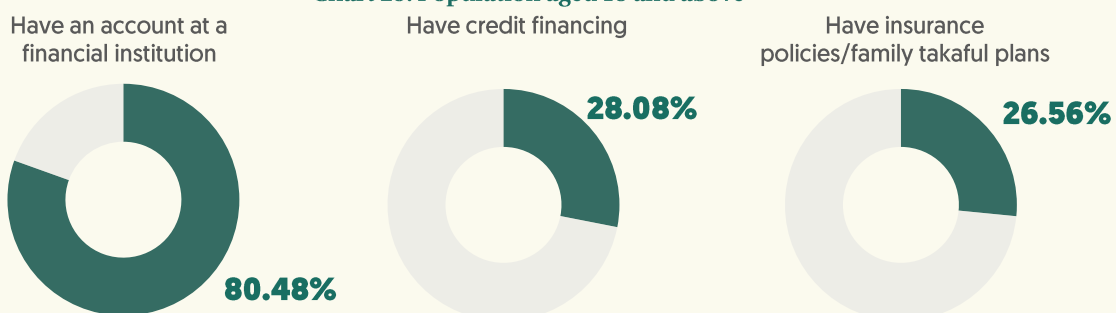
Chart 28: Number of Collective Investment Scheme



## FINANCIAL INCLUSION

As of H1 2020, there was a 7.6% increase y-o-y in the number of account ownership for adults aged 65 years old and above. This figure may be attributed to efforts made by the relevant ministries and agencies in encouraging the opening up of bank accounts for recipients of old age pensions. There was a 8.9% decrease y-o-y in the number of credit financing, of which may be attributed to the COVID-19 restrictions and social distancing measures, reduction of the number of walk-in credit applications. Similarly, insurance policies/family takaful plans holders declined by 3.5% y-o-y, which may be due to policy lapses and maturity.

Chart 29: Population aged 15 and above



## MEASURES TO SUPPORT THE FINANCIAL SECTOR DURING THE COVID-19 PANDEMIC

In addressing the economic impact during the COVID-19 pandemic in 2020, AMBD in close co-ordination with the financial industry and other stakeholders, took bold and concerted actions to help affected businesses, workers and households in the nation. The policy responses to address the pandemic has been wide and varied, focusing on supporting private sector activities in ensuring job security and job creation particularly for locals and protecting the well-being of our people.

AMBD, as the regulator of the financial sector, recognise that a balanced and targeted approach is needed to preserve financial stability while supporting the country's efforts to sustain economic activity. When Brunei Darussalam's first COVID-19 case was reported on 9 March 2020, AMBD took swift action to monitor the implementation of the financial sector's business continuity plan (BCP) and social distancing measures. Advisory letters were issued to the financial sector to promote the usage of online services, in order to minimise unnecessary visits to premises during the pandemic. Financial institutions were also reminded to exercise and strengthen preventative measures to reduce the risk of spread of the virus and safeguard the health of customers, including to practise good hygiene, encourage social distancing, promote digital channels, and promote a safer workplace.

### BANKING SECTOR

A set of interim measures have been undertaken by members of the Brunei Association of Banks (BAB), with the support of AMBD and Ministry of Finance and Economy (MOFE), from 1 April 2020 to 30 December 2020. These measures in the form of principal deferment on business and household loans, loan restructuring and credit card restructuring, were aimed towards reducing the burden of sudden disruptions to cash flows and to support working capital of businesses to ensure their sustainability. Banking fees and charges were also willingly waived by the banking industry during the challenging period.

A *Notice on Temporary Regulatory Measures* was issued on 15 April 2020 to all banks and finance companies to facilitate assistance to affected customers as outlined below:

FOR BUSINESSES	FOR INDIVIDUALS INCLUDING SELF-EMPLOYED
a) Deferment of principal payment on: <ul style="list-style-type: none"> <li>Loans/financing</li> <li>Hire purchase facilities limited to motor vehicle loans/financing</li> </ul>	a) Deferment of principal payment on: <ul style="list-style-type: none"> <li>Personal loans/financing</li> <li>Property loans/financing (for home ownership and property investment)</li> <li>Hire purchase facilities limited to motor vehicle loans/financing</li> </ul>
b) Trade and payment transaction fee waivers for eligible business sectors, from 1 April to 30 September 2020: <ul style="list-style-type: none"> <li>Tourism</li> <li>Hospitality/event management</li> <li>Restaurant/cafes (food and beverages)</li> <li>Air transport</li> <li>Food importers</li> <li>Medical supplies importers</li> </ul>	b) Restructuring up to 10 years on: <ul style="list-style-type: none"> <li>Personal loans/financing</li> <li>Hire purchase facilities limited to motor vehicle loans/financing</li> </ul>
	c) Conversion of outstanding credit card balances to term loans/financing of up to 3 years, for individuals employees in business sectors including self-employed
<ul style="list-style-type: none"> <li>Waiver of related fees and charges including processing fees on deferment/restructuring/conversion of credit card facilities. This excludes third party fees and charges.</li> <li>Waiver of all local online interbank fund transfers for all customers from 1 April to 30 September 2020. This has been extended until 31 March 2021.</li> </ul>	

In facilitating the implementation of the interim measures by the banking industry, AMBD also provided temporary assistance to all banks including regulatory flexibility of loan classification, flexibility of the Single Borrowing Limit, waiver of transaction charges on Automated Clearing House (ACH) and Real Time Gross Settlement (RTGS), and extension of unsecured personal loan/financing tenors for up to 10 years.

The fee waiver for online interbank fund transfer was put in place to encourage individuals and businesses to conduct payment transactions online via available digital platforms and minimise the need to visit bank branches during the COVID-19 pandemic.

Following the pandemic, AMBD recognised the limited functioning of banks' operations due to activation of BCP. In providing operational relief to the banks, AMBD revised the frequency and deadline of selected regulatory returns to ensure banks are able to focus on their customers' needs.

Supplementary guidelines to all Credit Bureau members were also issued to provide guidance and standardisation in the submission of credit information on the interim measures. The objectives of the guidelines were to facilitate consistency in reporting customers' credit information to the Credit Bureau, promote fair credit assessment and informed decision-making by banks and finance companies, and provide protection to consumers from misinformation being used against them.

**Table 9: Statistics on Interim Measures as of December 2020**

Types of Assistance	No. of Approved Applications	Outstanding Amount [BND million]
Total	2,014	557.1
Deferment	1,964	556.6
Restructuring	13	0.3
Conversion of Credit Card Balance	37	0.2

Since the implementation of the temporary regulatory measures by banks and finance companies, a total of 2,014 applications were approved, with overall outstanding amount accounting to BND557.1 million for the year ending December 2020. It was also observed that the majority of applicants have taken the assistance in the early period in order to opt for the longer period of 12-month deferment.

## TAKAFUL/INSURANCE SECTOR

At the start of the pandemic, industry dialogue was held to ensure that the insurance and takaful industry was prepared for COVID-19 related implications on claims such as medical, travel and business disruption. To monitor any adverse impacts to the industry, companies were required to submit additional financial information periodically. This included an updated 3-year business plan with projections incorporating COVID-19 implications as well as stress-testing scenarios.

In April 2020, AMBD issued an advisory letter to Brunei Takaful/Insurance Association (BITA) to encourage companies to provide financial flexibility to their customers where possible. Several companies took the initiative to offer deferment of premium payments to their existing customers and extend coverage for certain policies to include COVID-19 positive diagnoses.

In 2020, AMBD together with BITA had finalised the new Risk Based Capital and Solvency (RBCS) Framework. Due to COVID-19, AMBD had deferred the implementation of the new RBCS to give companies sufficient time to adjust with parallel run scheduled in 2021.

## SPECIALISED MARKET

With COVID-19 travel restrictions in place, there was a marked decrease in demand for money changing businesses. In May 2020, to assist licensed money changers with the reduced cash flow, AMBD introduced an interim measure to allow money changers to pay for their annual licence in two phases. Subsequently to further support money-changers, in October 2020 AMBD issued a Notice on Temporary Regulatory Relief Measure for Money-Changing Business where money-changing licensees were subject to a one-time 80% reduction on their annual license fee. Moving forward, AMBD will continue to monitor the developments of COVID-19 pandemic and its impact to the financial sector.



# AMBD AT A GLANCE IN 2020

## FINANCIAL SECTOR BLUEPRINT 2016 - 2025: WHERE WE ARE



### Monetary and Financial Stability

- Launch of AMBD Islamic Bills (I-Bills)
- Commencement the Business Sentiment Index (BSI)
- Risk-based Supervision 2.0 for Takaful and Insurance
- APG Mutual Evaluation: Submission of questionnaires
- National Strategy on Anti Money Laundering and Combating financing of terrorism and proliferation 2020 - 2023
- Interconnectedness and Contagion Analysis of Brunei's Financial Sector Study
- Development of Financial System Stability Index
- Issuance of Market Risk Management Guidelines for Banks
- Issuance of Domestic Systemically Important Banks (D-SIB) framework and designation of D-SIBs for the year 2020/2021



### Competitive and Innovative Financial Institutions

- Issuance of Guidelines on Online Distribution for Insurance and Takaful
- Completed Third Party Review of Listing Rules in preparation for listing of companies
- Introduction of the Finance Providers Order to replace the Moneylenders Act Chapter 62



### Robust and Modern Infrastructure

- Digital Payment Hub development
- Notice on Requirements for Payment Systems
- New entrants in the Fintech Regulatory Sandbox



### Enhanced International Integration

- Signing of an enhanced Memorandum of Understanding (MoU) on Bilateral Cooperation between AMBD and Monetary Authority of Singapore (MAS)
- Signing of MoU with Cyber Resilience Information Sharing Platform (CRISP) and Digital Technology Network (DTN)
- Chairmanship of the South East Asian Central Banks (SEACEN) Governors' Virtual Meeting
- Signing of MoU between AMBD and Bangko Sentral ng Pilipinas
- Chairmanship of ASEAN Working Group on Capital Account Liberalization with MAS
- Chairmanship of ASEAN Senior Level Committee on Financial Integration



### Human Capital Development

- Launch of CIBFM's Leadership in Islamic Finance and Economics (LIFE) Programme - Common Core

# OBJECTIVE I:

## DOMESTIC PRICE STABILITY



### CURRENCY BOARD ARRANGEMENT

One of AMBD's objectives under the AMBD Order, 2010 is to maintain price stability through Brunei Darussalam's unique monetary policy framework. This framework consists of the Currency Board Arrangement with the Brunei Dollar pegged to the Singapore Dollar at par under the Currency Interchangeability Agreement, which has been in place between Brunei Darussalam and Singapore since 1967. This framework is a key contributing factor to price stability as the inflation rate in Brunei Darussalam remains low and stable, averaging around 1.0% over the period 1981 to 2020.

A currency board must fully back up the total amount of currency issued in the economy with an equivalent amount held in foreign reserves. This is also stated in the Currency Order, 2004, which requires AMBD to back up every note and coin issued with foreign exchange reserves. This is to ensure confidence and stability in the Brunei dollar, and hence, eases trade and investment.

In 2020, AMBD signed an enhanced Memorandum of Understanding with the Monetary Authority of Singapore to further enhance the long standing cooperation between Brunei Darussalam and Singapore, including the Currency Interchangeability Agreement and currency management operations.

### MONETARY OPERATIONS

AMBD conducts monetary operations, including the Overnight Standing Facilities and the issuance of AMBD I-Bills to ensure sufficient liquidity for the smooth functioning of the domestic banking system. Such operations play an important role in achieving monetary stability by providing adequate liquidity in the system.

### Government Sukuk Al-ijarah

AMBD, as the appointed financial agent to the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, is responsible for the management and administration of the Brunei Darussalam Government Sukuk Al-Ijarah issuances. The objective of this programme is to develop the Brunei Darussalam government securities yield curve as a benchmark for corporate sukuk and provide a safe and liquid investment instrument for domestic financial institutions.

The first Brunei Government Sukuk Al-Ijarah was issued on 6 April 2006. Since the inception of this programme, the Brunei Darussalam Government has issued a total of 189 issuances of Sukuk Al-Ijarah securities, with maturities of 3-months, 1-year and 5-years with a total value of BND14.23 billion.

A total of 13 sukuk were issued in 2020, which comprised of eight issuances of 3-months maturities, four issuances of 1-year maturities and one issuance of 5-year maturities with the total outstanding as at 31 December 2020 stood at BND357.5 million.



## AMBD Islamic Bills (AMBD I-bills)

As part of AMBD's commitment to Pillars I and II of the Brunei Darussalam Financial Sector Blueprint 2016-2025 and continued efforts to develop a more efficient money market for Brunei Darussalam, the AMBD Islamic Bills (AMBD I-Bills) was successfully launched with the maiden issuance on 22 October 2020. Objective of the AMBD I-Bills include supporting liquidity management for the banks as primary investors in Brunei Darussalam, and simultaneously expanding the list of money market instruments available to AMBD and the domestic financial sector.

The inaugural AMBD I-Bills had a tenor of two weeks and are based on the Syariah concept of Wakalah bil Ujah, the first of its kind in Brunei Darussalam. In addition, the AMBD I-Bills Programme adheres to the Currency Board Principles, as part of Brunei Darussalam's commitment to the Currency Board Arrangement and the Currency Interchangeability Agreement with Singapore.

The AMBD I-Bills will be a part of the benchmark yield curve and are designed to facilitate the development of other financial instruments in Brunei Darussalam, particularly Syariah-compliant instruments. The AMBD I-Bills are regarded as eligible collateral under the AMBD Syariah-compliant Funding and Conventional Lending Facilities.

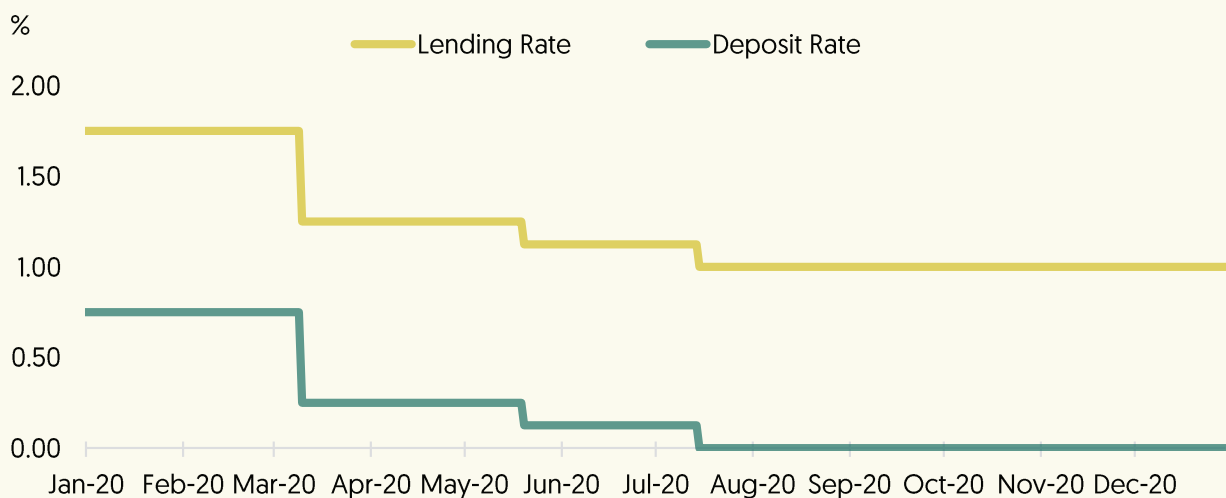
Since its maiden issuance, AMBD has issued BND300 million worth of AMBD I-Bills through a total of 10 issuances, and the total holdings of the AMBD I-Bills outstanding as at 31 December 2020 stood at BND20 million.

## Overnight Standing Facility Rates

The Overnight Standing Facilities are fundamental tools for effective and efficient liquidity management for the banks. The Facilities consist of Syariah-Compliant Funding and Acceptance Facilities as well as Conventional Lending and Deposit Facilities. The Funding and Lending Facilities allow banks to obtain Brunei dollar liquidity from AMBD, against sufficient eligible collateral on an overnight basis. Meanwhile, the Acceptance and Deposit Facilities allow banks to place excess deposits in Brunei dollar with AMBD, on an overnight basis. The Lending and Deposit Rates are determined by the Financial and Monetary Stability Committee (FMSC).

To support the liquidity and stability of the domestic banking system due to the COVID-19 pandemic, the FMSC has agreed for the Lending and Deposit Rates to be lowered in March, May and July 2020. Notwithstanding these changes, the domestic banking system proved resilient to the pandemic given its high level of capitalisation and liquidity.

Chart 30: AMBD Overnight Standing Facility Rates



# OBJECTIVE II:

## STABILITY OF THE FINANCIAL SYSTEM



### REGULATORY DEVELOPMENTS

In meeting its mandate to safeguard the stability of the financial sector, AMBD took several regulatory initiatives in 2020 focusing on enhancing governance and risk management within the financial sector as well as actions undertaken by AMBD in addressing COVID-19 pandemic.

### COVID-19 Relief Measures

When Brunei Darussalam's first COVID-19 case was reported on 9 March 2020, AMBD took swift action to monitor the implementation of the financial sector's business continuity plan and social distancing measures. AMBD had been working closely with the financial industry and other relevant stakeholders to alleviate the financial burden of affected households and businesses.

*\*Full article on Page 29*

### SUPERVISING FINANCIAL INSTITUTIONS IN THE NEW NORMAL

#### 1<sup>st</sup> COVID-19 Case in Brunei Darussalam in March 2020

In early 2020 as COVID-19 spread across the globe, financial supervisors had to change their approach.



With the news of Brunei Darussalam's first COVID-19 case in March 2020, AMBD took immediate action to stop on-site inspections of banks and financial institutions and limit physical interaction with our licensees. AMBD activated its Pandemic Corporate Business Continuity Plan (BCP) in March 2020 and declared "amber phase" situation from 17 March to 18 May 2020.

### AMBD OPERATIONS

During AMBD's "amber phase", AMBD operated on a split team basis and had to limit physical interaction between the teams. Meanwhile, AMBD supervisors also had to maintain open and frequent communication with banks and financial institutions and be updated on their respective operational and financial situation. More granular data and information were required by supervisors and face-to-face meetings were moved to virtual platform.

With the activation of AMBD Pandemic Corporate BCP, all international meetings and training were conducted online where possible; including the participation of AMBD supervisors in virtual supervisory colleges with foreign supervisors.

## GOVERNANCE AND RISK MANAGEMENT

### Enhancing Risk Management Practices

AMBD issued *Guidelines on Market Risk Management* for the banking sector in April 2020 which covers sound principles and practices that should be embedded in bank's management of market risks.

In ensuring that Capital Markets Services Licence (CMSL) holders have the necessary organisational arrangements in respect of outsourcing of important operational function, AMBD issued *Notice and Guidelines on Outsourcing for Capital Market Services License Holders* which set out additional requirements to section 161[4][c] of the Securities Markets Order, 2013 (SMO).

In 2020, AMBD issued *Guidelines on Reinsurance/Retakaful Management* for the insurance and takaful industry to provide guidance on the use of reinsurance to ensure that insurers adequately control and transparently report their reinsurance activities.

AMBD has also issued *Notice on Product Approval for Insurance Companies* where AMBD introduced a "launch and file" system to expedite the approval of insurance products, applicable for insurance products that are not considered a "new product", a life annuity or investment-linked insurance products, or where the features of the product being launched are already present in existing products offered by the insurance companies in the Brunei Darussalam market.

With the implementation of risk-based supervision for the money-changing and remittance sector, a briefing session was conducted for licensed remittance businesses to introduce risk-based approach and the processes involved in risk management. The briefing session also included a presentation by Financial Intelligence Unit on Transaction Monitoring Guideline.

### Strengthening Syariah Governance In Islamic Financial Institutions

Towards strengthening Syariah governance and compliance, AMBD issued the Notices and Guidelines of the Syariah Governance Framework and the Internal Syariah Audit Framework in 2018. In 2020, Syariah Finance conducted onsite examinations to validate the self-assessment compliance of the Islamic Financial Institutions in Brunei Darussalam on the framework. This ensures that the financial institutions will be able to align its processes and arrangements with AMBD's requirements and expectations that their operations and business activities are in accordance with the Notices and Guidelines.

### Towards Better Compliance

In February 2020, AMBD issued *Guidelines on Minimum Standards for A Remittance System* to all remittance businesses. These Guidelines aim to provide guidance and facilitate compliance to the licensing conditions specifically on the requirement for the licensees to provide a robust and secure remittance system to support business operations and to safeguard the integrity of the remittance sector. Following the issuance, remittance companies were required to conduct self-assessment on the implementation of the Guidelines in May 2020 followed by further onsite inspections which were completed in October 2020.

To strengthen money changers' and money remittance companies' compliance to AMBD requirements, AMBD issued *Guidelines on Minimum Requirements for Money Changing and Remittance Businesses Compliance Officer* in June 2020. These Guidelines provide guidance for the appointment of a Compliance Officer in order to ensure compliance to licensing conditions including the Criminal Assets Recovery Order, 2012 as well as other relevant guidelines, rules and regulations.



## TACKLING TECHNOLOGY RISKS

In light of the recent rise in cybersecurity incidents happening around the world, it has become more likely that financial institutions will be targeted by cybercriminals. Many studies have repeatedly shown that most organisations were unaware of a breach in their systems and networks long after it has taken place. In many cases, external parties rather than the organisation itself discovered the breach. Such delays in detecting cyber intrusions have compromised the interests of the organisations and their customers, and in the case of financial institutions, this could potentially disrupt financial stability.

In August 2020, AMBD issued a *Notice to Banks and Islamic Banks on Early Detection of Cyber Intrusion and Incident Reporting*. This sets our requirements for banks to continuously enhance their detection of cyber intrusion and to report any major IT incidents to AMBD as well as carry out regular risk assessments, gap analysis and testing against AMBD's technology-related notices and guidelines.



## MACROPRUDENTIAL POLICY AND FINANCIAL SURVEILLANCE

### Identification of Domestic Systemically Important Banks

In May 2020, AMBD identified the domestic systemically important bank(s) [D-SIB(s)] in Brunei Darussalam for the year 2020/2021, guided by the quantitative and qualitative criteria specified in the “Framework for Domestic Systemically Important Banks in Brunei Darussalam” that was published in the same month. The identification of D-SIB(s) aims to strengthen the resilience of the banking sector and overall stability of the financial sector through better management of the risks posed by systemically important financial institutions. The list of D-SIB(s) will be reviewed on an annual basis to consider changes in the banks' systemic importance over the past year while the framework will be reviewed once every three years.

### Expanding macro-surveillance capabilities

In enhancing its macro-surveillance capabilities, AMBD expanded its macroprudential toolkit to manage and address systemic risks. As a start, AMBD conducted a study to assess the level of interconnectedness in Brunei Darussalam's financial system. This study allowed AMBD to identify potential channels of contagion to mitigate risks related to existing exposures. AMBD also developed a Financial System Stability Index (FSSI) which aggregates several quantitative information sources to measure the overall level of financial stability in the country. This will facilitate AMBD in the formulation and implementation of appropriate policy responses to vulnerabilities or rising systemic risks in the financial sector.

## DEVELOPMENT OF RISK-BASED CAPITAL AND SOLVENCY (RBCS) FRAMEWORK FOR INSURANCE AND TAKAFUL INDUSTRY

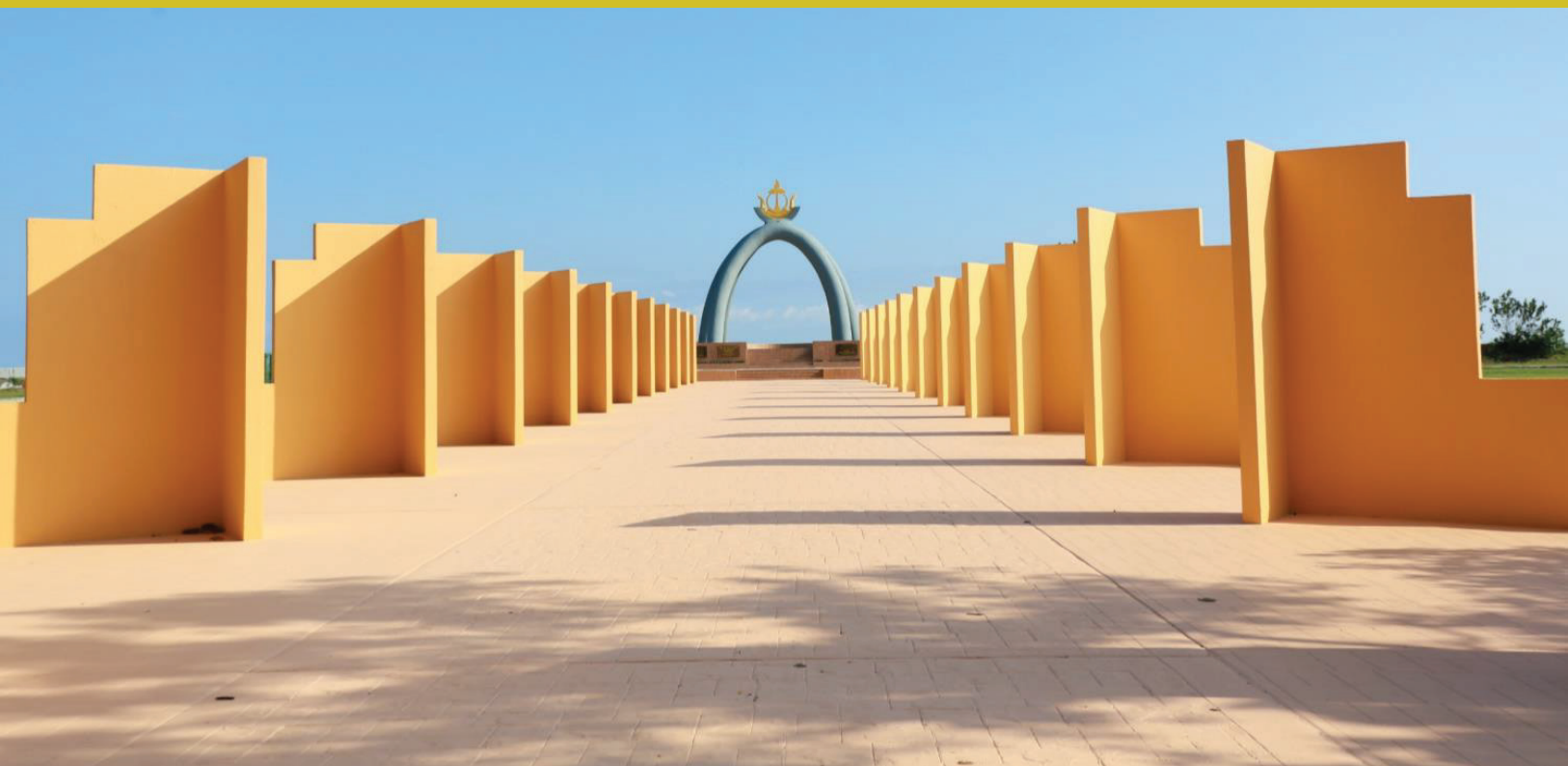
AMBD is focused on improving the supervisory framework in accordance with the International Association of Insurance Supervisors (IAIS) Insurance Core Principles (ICPs). The Risk Based Capital & Solvency Framework project which started in 2018 was completed and AMBD has conducted the first parallel run in Q3 2020.

In preparation for the implementation of the RBCS Framework, AMBD issued two notices in 2020. The Notice on Surplus Distribution for Takaful Operators was issued in January 2020 to specify the basis of determining the surplus in the Participants' Risk Fund and the method of transferring the surplus to Takaful participants. In this case, surplus can only be distributed to participants who have not received indemnity during the financial period and provides examples of the acceptable manner of distribution which should be stated clearly in the Takaful certificates. Meanwhile, the Notice on Establishment and Maintenance of Insurance Funds for Insurance Companies and Takaful Operators issued in June 2020 require insurance and takaful funds to be appropriately segregated and effectively managed and provides for the proper attribution of assets and liabilities to the businesses of each insurer and Takaful operator.

## RECOVERY PLANNING

As part of AMBD's risk-based supervision approach, financial institutions are required to establish their recovery plans. A recovery plan is a plan that identifies in advance the options to restore financial position and viability if the financial institution comes under severe stress. It aims to help banks and financial institutions in understanding its own risks under severe stress scenarios and to be better prepared under such circumstances should it arise.

Following the issuance of a Notice on Bank's Recovery Plan in 2019, AMBD issued a Notice on Recovery Planning for Insurance Companies and Takaful Operators in March 2020. The Notice requires insurers to develop recovery plans proportionate to their sizes, complexities, incorporations, risk profiles and business models. Guidelines on Elements of a Recovery Plan for Insurance Companies and Takaful Operators were also issued to provide guidance on the appropriate development of a recovery plan such as in the insurer's governance, trigger framework, recovery options and consideration of stress scenarios and communication strategy.



## MARKET CONDUCT AND CONSUMER PROTECTION



### Increasing Product Transparency

In facilitating consumers in making comparisons of lending rates between banks and to promote competition amongst banking players, AMBD published its first publication on retail lending rates on AMBD's website. The publication started with Q1 - Q3 2020 data and will be updated on a quarterly basis.

### Strengthening Conduct of Business Practices

AMBD issued amendments to the Guidelines to Persons Seeking for Exemption Under Section 158(2)(B) And 159(1)(F), Securities Markets Order, 2013 from Holding a Capital Markets Services Licence and Capital Markets Services Representative's Licence Respectively to Provide Investment Advice Upon Client's Request. The amendments provide guidance and clarity on the regulated activity of giving or offering investment advice.

Guidelines on Handling of Conflict of Interest Upon Promoting Research Report were also issued to provide guidance to persons who conduct the regulated activity of giving or offering investment advice and who produce or disseminate research reports to any investors or potential investor concerning securities or issuers of securities, whether in electronic, print or other form. The Guideline aims to ensure effective controls and management of conflict of interest when producing or disseminating research reports.

### Online distribution for insurance companies and Takaful Operators

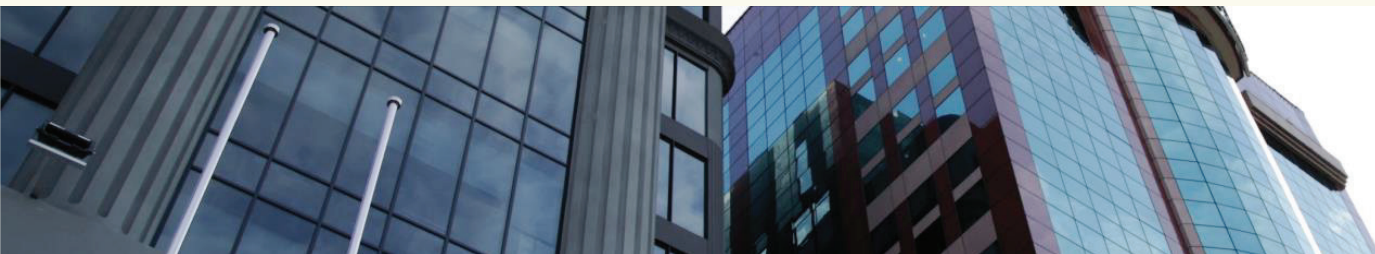
In February 2020, in recognition of growing digitalisation of takaful offerings, AMBD issued Guidelines on Online Distribution for Insurance Companies and Takaful Operators. These set out AMBD's expectations for insurance companies, takaful operators and intermediaries when conducting insurance-related transactions online in terms of risk management and internal control.

### Industry Consultation on Insurance and Takaful Guarantee Scheme Fund

As part of AMBD's objective to enhance safety nets for financial consumers, AMBD issued the second Consultation Paper on the Establishment of an Insurance and Takaful Guarantee Scheme Fund (ITGSF) to seek views and feedback from Brunei Insurance and Takaful Association's (BITA). Following the first consultation in 2018, the ITGSF is planned to be a comprehensive scheme that provides insurance policyholders and takaful participants payouts in case an insurer or takaful operator defaults. The second consultation paper discusses the proposed levy framework of the ITGSF.



## GUARDING THE FINANCIAL SECTOR AGAINST ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM (AML/CFT) RISKS



### Best Egmont Case Award 2020

In July 2020, the Financial Intelligence Unit (FIU) was announced as the winner of the prestigious Best Egmont Case Award (BECA) 2020, a highly coveted achievement among the 164 members of the Egmont Group of FIUs (Egmont Group). This marked only the second time an FIU in Southeast Asia has won this international award, following the success of the Anti-Money Laundering Council (the FIU of the Philippines) in 2015. BECA is an annual contest created in 2011 to recognise successful cases from which member-FIUs can learn and appreciate real-life examples of cases that have been successfully prosecuted.

In 2020, the Egmont Group received 24 cases from 19-member FIUs. FIU Brunei's case study demonstrated an investigation that benefited from the FIU's contribution. This was through provision of intelligence, extensive cooperation with domestic and international partners, the use of innovative techniques and a successful outcome of the case - all of which are considered essential criteria for the Award. FIU Brunei's submission was related to the involvement in supporting a trial regarding criminal breach of trust and money laundering charges which concluded in 2020.

### Cessation of The Issuance of BND10,000 Currency Note

As part of AMBD's continuous effort to safeguard Brunei Darussalam from risks associated with large value cash transactions, particularly money laundering, terrorism financing and counterfeiting of high denominations currency notes, BND10,000 currency notes have been ceased from issuance to all banks in Brunei Darussalam effective from 2 November 2020 and are withdrawn from circulation. The denomination will however remain legal tender and retain its full-face value.

### Amendments to the Criminal Asset Recovery Order, 2012 (CARO)

Amendments were made to CARO in April 2020, granting AMBD powers to impose compounds for offences made under CARO or any regulations made thereunder. The CARO was enacted on 16 June 2012 as the primary statute governing the AML/CFT regime in Brunei Darussalam, which criminalises money laundering under Section 3, CARO. The CARO spells out the obligations for financial institutions and designated non-financial businesses and professions (DNFBPs) to implement customer due diligence, appointment of designated compliance officer, internal reporting procedures, record keeping, tipping off and submission of suspicious transaction reports (STRs) and cash transaction reports (CTRs).

### Issuance of Transaction Monitoring Programme (TMS) Guidance Papers

The Guidance Paper to financial institutions on Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) Transaction Monitoring Programme (TMS Guidance Paper) was issued in January 2020 to provide clarification and guidance to financial institutions on the expected overall AML/CFT transaction monitoring programme based on their size, complexity and risk profile of the respective institutions, in line with the requirements of Part II of CARO.

The key elements and expected outcomes of an effective AML/CFT transaction monitoring programme should enable financial institutions to detect and investigate ML/TF and help strengthen FIS' internal controls and ML/TF risk mitigation measures.



## ENFORCEMENT ACTIONS

In 2020, 67% of supervisory letters issued by AMBD in relation to AML/CFT deficiencies were to seek information on transaction monitoring conducted by financial institutions. Findings from the responses received have assisted AMBD with streamlining the type of regulatory actions to be taken on the specific sectors.

Other supervisory letters issued in 2020 were on non-compliance with STR and CTR filing requirements under Sections 15 and 16, CARO. Furthermore, AMBD has issued a total of six Directions under Section 34 of the AMBD Order between 2018 and 2020 in relation to AML/CFT deficiencies.

### Non-Compliance with CTR Filing Requirements

Between 2018 and 2020, AMBD issued the following supervisory actions for non-compliance with Section 16, CARO which requires FIs, DNFBPs and dealers in high value goods to promptly report cash transactions of BND15,000 and above to AMBD. The CTR filing requirement was first implemented by AMBD in June 2014 in phases, starting with the banking sector.

Between 2019 and 2020, AMBD issued three directions pursuant to Section 34(1), AMBD Order in relation to these deficiencies. Of these, two subsequent fines were imposed amounting to BND400,000 in total. Penalties issued by the FIU is hoped to compel an increase in the institutions' overall internal policies and procedures for the filing of CTRs.

Table 10: No. of Enforcement Actions in 2020

	2020
Onsite examinations	3
Supervisory Letters	53
Directions	2
Fines	2

Table 11: No. of Non-compliance with s.16 CARO

	2020
Supervisory Letters	5
Directions	1
Fines	1

Table 12: No. of STR, Intelligence Reports, CTR, RFI and Physical CBNI Reports

Suspicious Transaction Reports (STR)	
No. of STRs Received	3,187
Intelligence Reports	
No. of Intelligence Reports Disseminated	22 9 non-STR-based 13 STR-based
Cash Transaction Reports (CTR)	
No. of CTRs Received	6,508
Amount Reported in CTRs	BND 3.49 mil
Requests for Information (RFI)	
Received from Domestic Agencies and Stakeholders	196
No. of Persons and Entities	495 persons 42 entities
Sent to Reporting Entities	186
Received from International Counterparts	1
No. of Persons and Entities	2 persons
Sent to International Counterparts	1
No. of Persons and Entities	1 person

Physical Currency or Bearer Negotiable Instruments (CBNI) Reports	
No. of CBNI Reports Received	209
Total Amount Reported in CBNI	BND 51,927,214
Reported Entering Brunei Darussalam	120 reports BND 27,333,466
Reported Exiting Brunei Darussalam	63 reports BND 17,696,075
Reported Transiting Through Brunei Darussalam	26 reports BND 6,897,673

### Suspicious Transaction Report (STR)

A Suspicious Transaction Report (STR) is filed whenever a transaction(s) or attempted transaction(s) is/are found with suspected involvement in a serious offence. In 2020, the FIU received a total of 3,187 STRs, the highest number of STRs filed since reporting began in 2008. This significant increase can be attributed to reporting entities' improved monitoring and detection of suspicious activities related to predicate crimes. Banks continue to be the most active reporting entities, accounting for 99% of the total STRs received in 2020. Submissions from the banking sector increased by 53% from 2,063 in 2019 to 3,160 in 2020, continuing the rising trend in numbers of STRs reported by banks over the past five years.

### Physical Currency and Bearer Negotiable Instruments (CBNI) Report

CARO imposes measures for the disclosure of information regarding movements of Physical Currency and Bearer Negotiable Instruments (CBNI) into and out of Brunei Darussalam. Failure to submit a CBNI declaration is an offence liable on conviction to a fine not exceeding BND50,000 or imprisonment for a term not exceeding 3 years or both. There was a steep decline in report-submissions in 2020 in comparison to previous years due to the impact of the COVID-19 pandemic on cross-border travel.

### Cash Transaction Report (CTR)

A Cash Transaction Report (CTR) is filed on any cash transaction(s) made within a day amounting to BND15,000 or more, or the equivalent in a foreign currency. CTRs are submitted by financial institutions, designated non-financial businesses and professions (DNFBPs), and motor vehicle dealers who are registered as reporting entities, to the FIU through the Integrated Financial Intelligence System (IFIS).

In 2020, the FIU received 6,508 CTRs from reporting entities, amounting to BND3.49 million reported. From the CTRs received in 2020, 47% were submitted by banks, 34% by remittance companies and 10% by car dealers. Following previously observed patterns, these sectors continue to report the majority of CTRs received over the years. The total monetary value of CTRs received decreased from BND4.82 million reported in 2019 to BND3.49 million in 2020. This reduction can be attributed to the impact of COVID-19 on the local economy and mitigation measures introduced in Brunei Darussalam such as the closing of borders in March 2020 as well as a likely increase in the use of electronic means of fund transfers.

## Intelligence Report

Where there are substantiated suspicions of activity relating to money laundering, terrorism financing, or other serious offences, the FIU disseminates the results of its analysis to relevant authorities and stakeholders. A marked increase in the number of disseminations was observed in the past five years as the FIU strived to increase its output and produce more effective reports based on quality and timely analysis. Uniquely, there was a 29% decrease in Intelligence Reports disseminated in 2020 which could be attributed to a shift from report-based intelligence exchange to a more direct collaborative approach undertaken alongside the FIU's stakeholders particularly in assisting law enforcement agencies with their financial investigations.

## APG Mutual Evaluation of Brunei Darussalam

The Asia/Pacific Group on Money Laundering (APG) members and observers are committed to the effective implementation and enforcement of internationally-accepted standards against money laundering and terrorism financing, in particular the Financial Action Task Force (FATF) Recommendations. Compliance to the FATF Recommendations is assessed through a mutual peer review system known as a Mutual Evaluation. The review is conducted by a number of experts drawn together from APG member jurisdictions specially trained and qualified in the FATF's assessment methodology.

In 2020, the APG initiated Brunei Darussalam's 3rd round Mutual Evaluation process. The FIU as the NAMLC Secretariat is the co-ordinator for Brunei Darussalam's preparations, including compiling responses to in-depth questionnaires for submission to the assessment team. The Evaluation is expected to be concluded by the end of 2021, depending on the situation of the COVID-19 pandemic.



# OBJECTIVE III:

## EFFICIENT PAYMENT SYSTEM

AMBD has been at the forefront of developing modern payment market infrastructures for the country. AMBD has established three payment systems since 2014; the Real Time Gross Settlement (RTGS) system, the Automated Clearing House (ACH) system, and the Central Securities Depository (CSD) system.

Having efficient and secure payment and settlement systems (PSS) enables consumers, corporates and banks to mobilise resources efficiently and safely thus supporting the day-to-day activities of the economy and contribute to being an enabler for economic growth.

AMBD oversees the payments system as a whole, which encompasses a wide variety of individual payment instruments - ranging from cheques to high-value payments - and ensures the smooth transfer of funds from accounts at one financial institution to another. By guaranteeing funds can seamlessly flow within the economy and instilling confidence in the means by which the funds flow, the PSS helps to ensure that financial stability is upheld.



### Real Time Gross Settlement (RTGS)

The RTGS system, an electronic fund transfer system, is generally used to transfer large value and urgent payments between banks in real time. Being the first in ASEAN to use SWIFT's ISO20022 messaging standard, AMBD's RTGS system is well positioned to allow more seamless integration in the future.

In 2020, the RTGS system processed over 102,000 transactions, representing an annual growth of

# 75%

compared to 2019.

This growth was largely due to the interim fee waiver that was introduced in April 2020 for all RTGS and ACH transactions to encourage more customers to conduct interbank transactions online, thereby helping to curb the spread of COVID-19 in the country.



### Automated Clearing House (ACH)

The ACH system is an electronic clearing system designed to process high volume and low value payments. Transactions are cleared in batches by calculating the net position at the end of each clearing session and submitting a net settlement instruction to the RTGS system. The system supports the clearing and settlement of direct credit transfers and cheque clearing.

The current trend in the ACH system has demonstrated that cheque clearing has been declining, while there has been a significant uptake by customers making low value payments using direct credit transfers due to the fee waiver. In 2020, the ACH system cleared over 655,000 cheques compared to 687,000 cheques in the previous year. Meanwhile, the total volume of direct credit transfers grew by 52% y-o-y to 183,000 transactions.

### Central Securities Depository (CSD)

The CSD system is a fully integrated system designed to offer a range of depository services, liquidity management tools and a trading module which supports auction and trading between market participants. The CSD system registered a total of 22 new securities consisting of the Brunei Government Sukuk Al-Jarah Programme and the newly introduced AMBD I-Bills in 2020.

### Payment Service Providers (PSPs)

AMBD's Digital Payment Roadmap for Brunei Darussalam 2019-2025 focuses on promoting the use of digital payments as a viable alternative to cash and cheques. In line with that objective, Brunei Darussalam has seen an expansion in the variety of Payment Service Providers (PSPs) besides the incumbent banks that have dominated the space so far. Several companies began offering payment services while operating in the AMBD FinTech Regulatory Sandbox, precipitating the need for a regulatory framework that would cover these types of services.

In November 2020, AMBD issued the Notice on Requirements for Payment Systems to notify all payment service providers with regards to the requirements in relation to payment systems operated in Brunei Darussalam. It outlines the activities in the domestic payments ecosystem that require approval from AMBD, the criteria for approval, the key regulatory requirements for all approved payment systems, as well as reporting requirements. The Notice was shared with banks and non-bank payment service providers during a briefing session in December 2020. The Notice will provide further clarity for aspiring players in the payments landscape, promote interest in the area and encourage further development in the digital payment landscape.



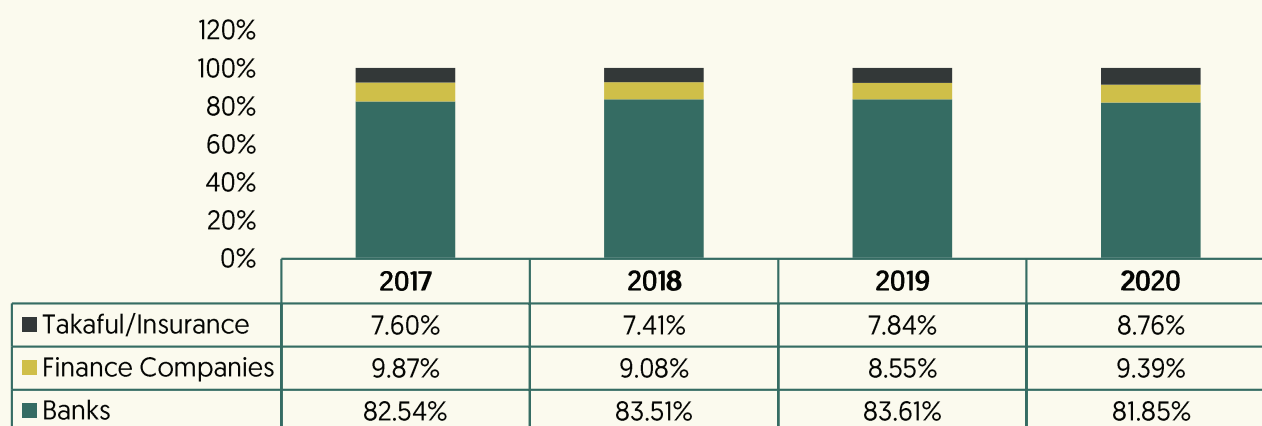
# OBJECTIVE IV:

## SOUND AND PROGRESSIVE FINANCIAL SERVICES

Although COVID-19 pandemic outbreak presented unprecedented challenges in 2020, AMBD remains committed to building a sound and progressive financial services sector by encouraging developments in Islamic finance, capital market and FinTech. Beyond these sectoral developments, AMBD also prioritised enhancing financial inclusion and access to credit by undertaking several initiatives such as collaborations with telecommunication service providers in Brunei Darussalam and various public engagement activities.

Total financial sector assets declined, mainly contributed by the banking sector. Banks continued to make up majority of the assets at 82%, followed by Finance Companies and Takaful/Insurance as shown in the chart on Sectoral Segmentation of Financial Sector Assets.

Chart 31: Sectoral Segmentation of Financial Sector Assets



## ISLAMIC FINANCE

In 2020, total assets have increased across Takaful and Islamic capital market sectors but declined slightly in the Islamic banking sector. Standing at 62.3% of total banking assets, Islamic banking activities demonstrated a stable annual return on assets (ROA) of 1.7% and an annual return on equity (ROE) of 11.5%. Meanwhile, the share of Takaful activities in the Takaful and Insurance market fell slightly from 31.6% to 30.5%, leaving room for more growth in the future.

Table 13: Islamic Finance Assets, Growth and Market Share

Islamic Finance (BND million)	2017	2018	2019	2020
Banking and Finance Companies	12,051.53	12,520.58	13,089.80	12,238.09
Takaful	508.53	543.90	552.99	595.74
Total	12,560.04	13,055.55	13,635.98	12,833.84

Islamic Finance Growth [%]	2017	2018	2019	2020
Banking and Finance Companies	2.56%	3.89%	4.55%	-6.51%
Takaful	10.54%	6.97%	1.66%	7.73%
Total	2.86%	3.95%	4.45%	-5.88%

Islamic Finance Shares	2017	2018	2019	2020
Banking and Finance Companies	95.95%	95.83%	95.94%	95.36%
Takaful	4.05%	4.17%	4.06%	4.64%
Total	100.00%	100.00%	100.00%	100.00%

## Islamic Finance Market Ranking

Brunei Darussalam ranked 11th out of 135 countries in Islamic finance markets as reported in the recently published ICD-Refinitiv Islamic Finance Development Report 2020: Progressing Through Adversity. The report, which took into account data accumulated in 2019, revealed that Brunei Darussalam's indicator value was 36 points in the Islamic Finance Development Indicator (IFDI), with the global average indicator value remaining constant at 10.8. This score is an aggregated score based on five indicators which are quantitative development, knowledge, governance, awareness and Corporate Social Responsibility.

Brunei Darussalam has achieved some notable achievements in Islamic Finance in 2019 including:

**#5**      **4<sup>th</sup> Highest**

Awareness  
Indicator

Share of Islamic banking to  
total banking assets

**Highest Takaful share to  
GDP and Fastest Growing  
Sukuk Market**

## Upgrading Syariah Standards

In supporting Islamic finance development in Brunei Darussalam, AMBD is working on the Amendment of the Guidelines on the Islamic Product Approval Process under Section 14 of Syariah Supervisory Board Order 2006. These Guidelines provide guidance on the requirements of the application submitted by financial institutions offering Islamic products and services. The amendments aim to streamline and facilitate the approval process for Islamic products and services.

Further, AMBD is in the midst of preparing Syariah Standards as an effort to promote end-to-end compliance with Syariah requirements, which are targeted to be completed by Q2 2021. These Standards on Syariah rulings are associated with Syariah concepts and requirements. These also help to ensure sound practices and consumer protection are implemented throughout the life cycle of the Islamic products and services offering.



## Dialogues on Islamic Finance

In further developing human capital in Islamic finance, Centre for Islamic Banking, Finance and Management (CIBFM) organised the *Muzakarah Ilmuan Kewangan Islam (MIKI): Developing Non-Government Organisations (NGOs) with Islamic Social Finance, Issues and Challenges* in January 2020. The panelists were Dr, Irfan Syauqi Beik from Badan Amil Zakat Nasional (BAZNAZ), Indonesia, YM Awang Haji Abdul Aziz bin Haji Akop from Majlis Ugama Islam Brunei, YM Profesor Madya Dr Dayang Hajah Rose Binti Abdullah from Syariah Advisory Body of BIBD, and YM Awang Ahmad Syauqie bin Haji Satia from Society for Community Outreach and Training (SCOT).

The Muzakarah highlighted the collaborations between BAZNAZ and NGOs in Indonesia to alleviate poverty. The discussion also included the governance of BAZNAZ and the role of NGOs in ensuring that the underprivileged have access to the Zakat funds and transform them into social entrepreneurs to sustain them, where such initiatives have widened financial inclusion to the underserved in Indonesia. The Muzakarah was attended by students from higher education institutions, senior officers of relevant agencies and financial institutions.

In November 2020, AMBD organised the first *Muzakarah Lembaga Penyeliaan Kewangan Syariah 2020* at The Empire Brunei. The Muzakarah provided a platform for the Syariah Financial Supervisory Board (SFSB) members and AMBD employees to exchange views and knowledge on current issues and development in Islamic finance.



## DEVELOPMENT OF BRUNEI DARUSSALAM'S CAPITAL MARKET

### Establishment of Securities Exchange Project

Following the progress in the development of the securities exchange, AMBD continued to work closely with MOFE and other relevant stakeholders in ensuring the success of this project. In this regard, AMBD issued an Exposure Draft of the Listing Rules to the industry in September 2020. The aim of the issuance of the exposure draft was to gather input and views from relevant stakeholders on the proposed Listing Rules and the framework.

During the consultation period, AMBD and Bursa Brunei Darussalam Sdn. Bhd (BNX) had engaged with many stakeholders including the financial industry players, law firms, audit firms, Chambers of Commerce, government-linked companies, and private companies. This had been a fruitful exercise to gauge the general interest in listing and to obtain feedback on the level of readiness of potential listed companies and other supporting services.

### The Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Cooperation (COMCEC) Project Funding

COMCEC Project Funding (CPF) is a financing mechanism introduced by the COMCEC co-ordination Office in 2013. It finances projects submitted by the Member Countries and relevant Organisation of Islamic Cooperation (OIC) institutions to realise the strategic objectives and outcomes of the COMCEC Strategy.

In September 2019, AMBD, through MOFE, as the Project Owner and CIBFM as the Project Co-ordinator submitted a proposal for a project to be funded under the CPF. To that end, Brunei Darussalam successfully secured the grant and subsequently, the contract between MOFE and COMCEC was signed in May 2020. The proposed project will be a Capacity Building Programme on Sukuk including elements of Environmental, Social and Governance (ESG). This will tentatively be held in 2021, subject to the recovery of the COVID-19 pandemic.

## DIGITALISATION OF FINANCIAL SERVICES

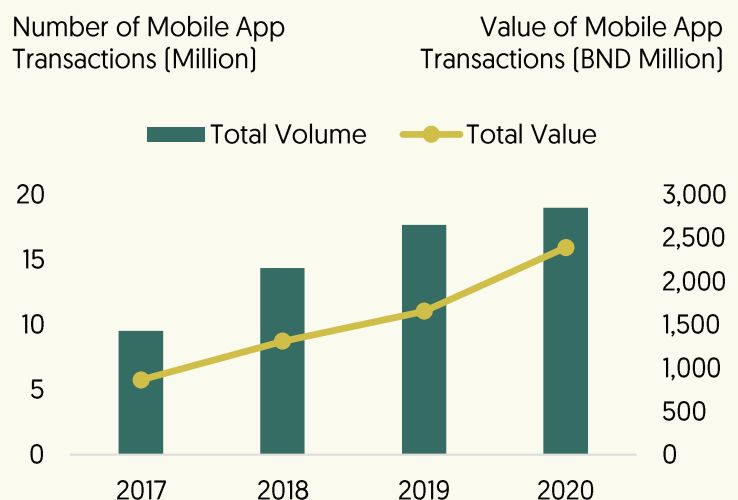
In 2020, the pandemic that limited mobility and physical access to financial services has accelerated the digitalisation of financial services in Brunei Darussalam. This can be illustrated by the surge in the total value and volume of mobile app transactions by 44.50% and 7.52% respectively from 2019 to 2020 as shown in Chart 32.

“

*In 2020, the pandemic outbreak that limited mobility and physical access to financial services has accelerated the digitalisation of financial services in Brunei Darussalam.*

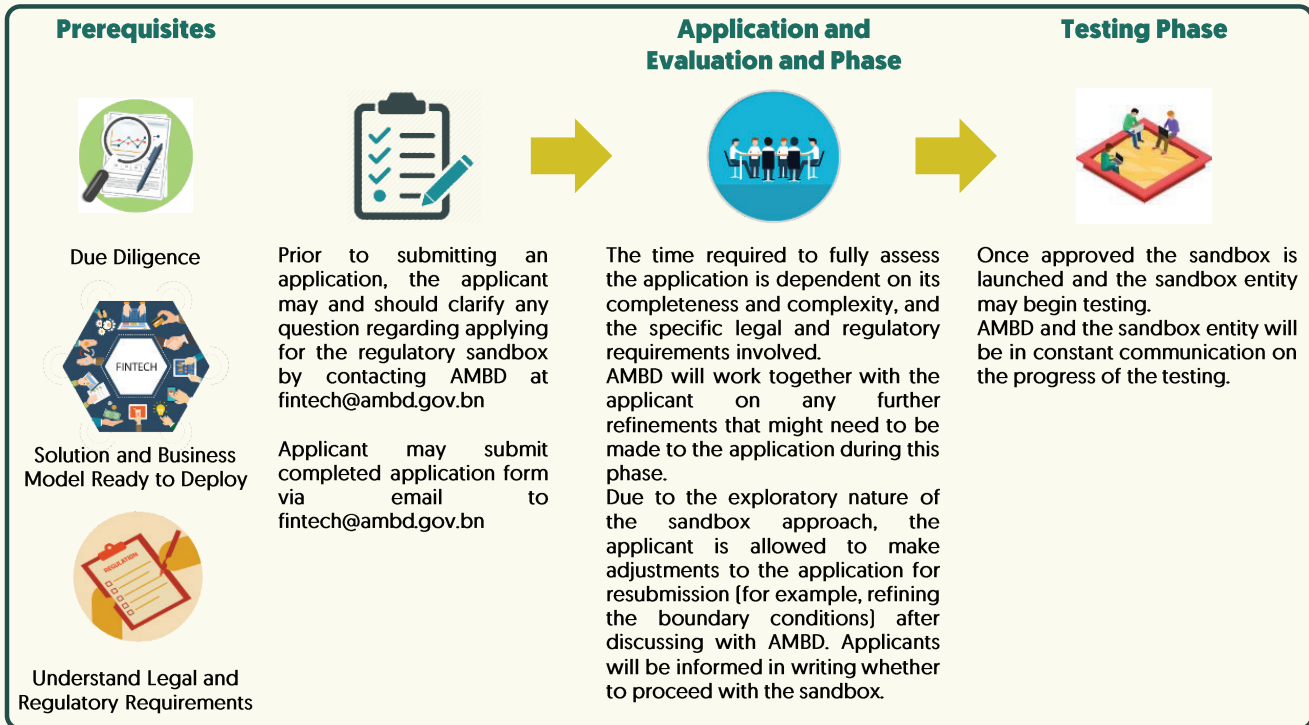
”

**Chart 32: No. of Transaction and Value of Mobile App Transactions**



## FinTech Regulatory Sandbox

On 9 December 2020, AMBD released FinTech Regulatory Sandbox 2.0 to supersede the first set of guidelines issued in 2017 that enables qualified companies or businesses to experiment with innovative FinTech solutions in a relaxed regulatory environment, for a limited period of time and within well-defined boundaries or thresholds. With the revised guidelines, the application process for applicants to the FinTech Regulatory Sandbox programme is more streamlined with faster turnaround time.



In 2020, AMBD approved the entry of one (1) new FinTech startup into the AMBD FinTech Regulatory Sandbox which is testing Syariah-based Peer-to-Peer (P2P) Crowdfunding platform for MSMEs. It has been approved for a 24-month period in the Sandbox to test the P2P platform for MSMEs. This brings the total to six (6) FinTech companies testing various FinTech solutions in the FinTech Regulatory Sandbox ranging from e-wallets to digital remittance services.

AMBD launched a white paper on The State of FinTech in Brunei Darussalam 2020 in December 2020. The paper focuses on the current landscape of FinTech in Brunei Darussalam and the recommendations for stakeholders to cultivate a thriving local FinTech ecosystem, including a variety of initiatives achieved through multilateral government collaboration which can be facilitated by AMBD.



## World FinTech Festival in Brunei Darussalam

On 9 December 2020, AMBD and CIBFM hosted the World FinTech Festival in Brunei Darussalam (WFFBD) at The Empire Hotel as part of the Singapore FinTech Festival (SFF) 2020, organised by Monetary Authority of Singapore (MAS) and SingEx. The SFF 2020 was a hybrid physical-digital event that was held globally for 24-hours for five days from 7 to 11 December 2020. Brunei Darussalam was one of more than forty (40) Partner Cities that MAS collaborated with to organise a network of global FinTech events.

## Objective IV: Sound and Progressive Financial Services



The WFFBD provided the opportunity to support and showcase the local FinTech developments and solutions to both domestic and global audience. It also served as a platform for idea generation and interaction between the industry players, ecosystem builders, investors and the regulators. Two panel sessions and a fireside chat session consisting of high-level speakers and panelists from Brunei Darussalam and Singapore discussed a wide range of topics relevant for the industry leaders and policy makers alike in the FinTech ecosystem. The event was streamed live to the global audience.

## FINANCIAL SECTOR TALENT DEVELOPMENT

AMBD was invited by the Faculty of Islamic Economics and Finance (FEKIm), Universiti Islam Sultan Sharif Ali (UNISSA) on 5 March 2020 to deliver a lecture on Syariah Governance Framework, Product Approval Process Guidelines and Internal Syariah Audit Framework. This session served as an interactive platform for the students and provided them with exposure to the Syariah regulatory framework of the Islamic finance industry in Brunei Darussalam. The lecture was attended by a total of 38 FEKIm UNISSA students in their third and final years of study.



## ACCESS TO CREDIT

In 2020, AMBD continued to promote consistency in customers' credit information, fair credit assessment and informed decision-making by banks and finance companies; and protect consumers from misinformation being used against them. With these objectives in mind, AMBD released supplementary guidelines to all the Credit Bureau members to provide guidance and standardisation in the submission of credit information to complement the temporary measures and regulatory reliefs provided to banks during the COVID-19 pandemic.

AMBD increased its efforts in enhancing access to credit in Brunei Darussalam by signing three separate Participant Service Agreements (PSA) with local telecommunication service providers in Brunei Darussalam, namely Datastream Digital Sdn. Bhd. (DST), Progresif Sdn. Bhd. (Progresif) and Imagine Sdn. Bhd. (Imagine). These agreements will enable the providers to subscribe to the Telco Credit Report on customers' creditworthiness and payment behaviour and in exchange, data from these providers will also be fed into the Credit Bureau database to complement the existing information gathered from financial institutions. With a holistic view of customers' creditworthiness, it will assist financial institutions and telecommunication service providers in designing new products that are well suited to their targeted market segment.

With the addition of the telecommunication service providers, there is a total of 22 reporting data providers. There has also been growth in the number of individuals' and commercial entities' accounts.



Objective IV: Sound and Progressive Financial Services

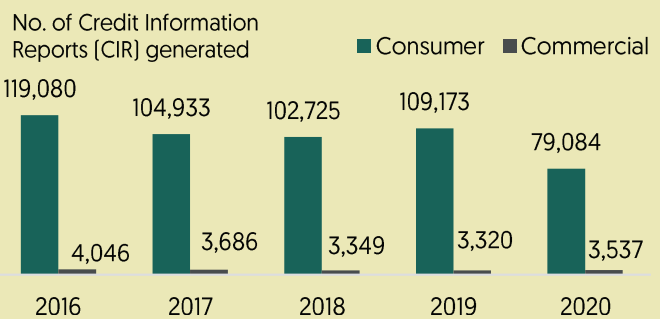
Table 14: Key Statistics on the Credit Bureau's Repository

	2019	2020	% Change
Total No. of reporting Financial Institutions	11	11	
Total No. of reporting Non-Financial Institutions	9	11	
Total Accounts	1,179,997	1,323,300	12.14%
Total Individuals	208,672	224,032	7.36%
Total Individual Accounts	1,102,137	1,227,656	11.39%
Active Individual Accounts	337,238	347,311	2.99%
Total Commercial Entities	7,892	9,404	19.16%
Total Commercial Accounts	40,666	54,093	33.02%
Active Commercial Accounts	12,574	13,106	4.23%
Historical Records Duration (Months)	120	132	

AMBD issue two types of reports: Credit Information Reports [CIR] for the Credit Bureau Members and Self-Inquiry Reports [SIR] for the public.

In light of the pandemic outbreak in 2020, there was a decline in the CIR requests by 26.6% from 2019 especially in the consumer segment. Similarly, SIR requests also decreased by 55.9% from 6,579 requests in 2019 to 4,277 requests in 2020.

Chart 33: No. of Credit Information Reports (CIR) Requested by CB AMBD Members



In 2020, on average, 46.6% of total applicants were in the very low or low risk categories in terms of their credit scores. On average, 20.3% applicants had no credit score which could be because the applicants were inactive in the last 12 months, had no existing financing, or closed all their accounts 12 months prior.

Out of the total 68,311 credit facilities applications by consumers, 46% of them were hire purchase including vehicle financing applications, followed by 37% of personal loan applications, 10% of credit card applications and the rest was other applications such as home mortgage and home product applications. Given these applications, 75.9% of total applications were granted and they were mainly hire purchase applications, personal loans and credit cards.

Chart 34: Credit Score Distribution of Applicants In 2020

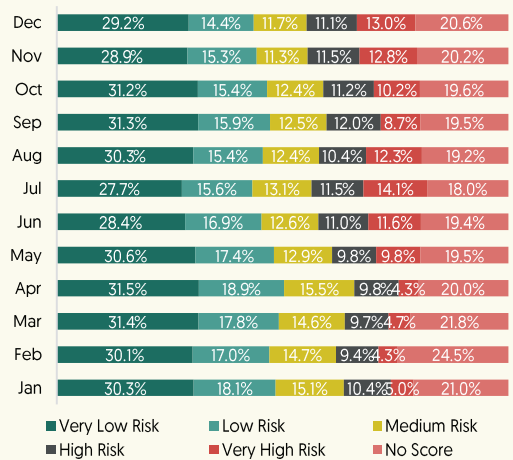


Chart 35: Type of Credit Facilities requested by Consumers

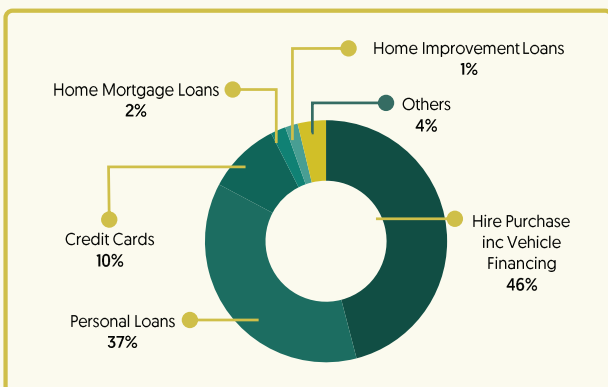
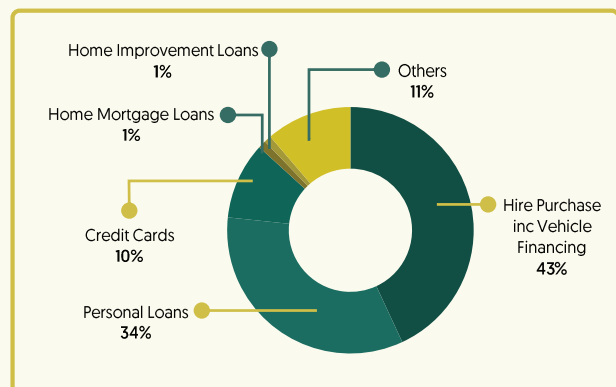


Chart 36: Type of Credit Facilities Granted to Customers



# THE YEAR AHEAD



With the launch of AMBD's Strategic Plan 2021-2025, AMBD will focus on meeting the three strategic themes towards supporting the overarching AMBD Financial Sector Blueprint 2016-2025.

## STRENGTHENING RESILIENCE AND TRUST

AMBD will continue its work in aligning the regulatory framework to international standards and best practices, while considering current market environment to ensure policies and regulatory reforms are conducive and able to support financial sector activities. AMBD will outline the plan to implement Basel III framework for the banks which we foresee to take place in the medium to long-term horizon. Frameworks to address emerging issues such as climate change risks and sustainable finance will also be studied, while simultaneously addressing commitments in support of the Brunei Darussalam National Climate Change Policy. In 2020, AMBD has established the Sustainable Finance Task Force (SFTF) represented by the relevant functions within AMBD to monitor the development of sustainable finance and propose and assess action plans to develop sustainable finance within the financial industry in Brunei Darussalam.

In 2021, AMBD will be intensifying macroprudential surveillance to observe any potential sources of systemic risks and undertake several studies including a study on indirect interconnectedness on common debtors which will allow us to identify potential channels of contagion to mitigate risks related to existing exposures. Meanwhile, to further strengthen the confidence in the financial system and to protect depositors, a recovery and resolution framework that ensures adequate safety nets are in place for the banking industry and the financial sector will be developed in phases.

As part of AMBD's role in economic surveillance, macroeconomic and data modelling are continuously improved with the cooperation of government agencies and other stakeholders. In 2020, AMBD started to embark on the Business Sentiment Index which gauges the level of confidence or sentiment of the private sector in the country. AMBD plans to publish the index in 2021.

The FIU, as the Secretariat to the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC) is co-ordinating the ongoing 3rd Mutual Evaluation by the Asia/Pacific Group on Money Laundering which may take place in 2021. AMBD continues to put heavy emphasis on ensuring money laundering and terrorism financing risks are managed effectively as financial crimes can have negative impacts on the financial sector and its stability.



## DEVELOPING A DYNAMIC AND INCLUSIVE FINANCIAL SECTOR

Through the Brunei Darussalam Financial Sector Blueprint 2016-2025, AMBD aims to develop a diversified and dynamic financial sector that serves as a key enabler in supporting national economic growth and Wawasan Brunei 2035. This includes increased services and activities in Islamic finance as well as in the area of FinTech. Therefore, AMBD will develop a clear roadmap in promoting Islamic finance development and support FinTech developments, in line with the FinTech White Paper. As observed in 2020, digitalisation of financial services played a significant role in maintaining business continuity during the pandemic. In this vein, AMBD continues to strive for a conducive ecosystem which can help to accelerate the digitalisation efforts in the country. Regulations on digital on-boarding will be introduced in 2021 while the near future will also see the establishment of the Digital Payment Hub (DPH).

To ensure Brunei Darussalam's financial sector is inclusive and serves the needs of all walks of life, access to finance will be enhanced by accelerating the diversification of the financial sector and the use of alternative sources of financing. AMBD will also promote the practice of integrating environmental, social and governance (ESG) criteria in the financial services as a way to promote sustainable finance. AMBD will also continue to support talent development in the financial industry so that there will be a strong pool of local talent in the financial sector and also increase in local employment for specialist and expert positions.



## ENHANCING ORGANISATIONAL CAPABILITIES

Within the organisation, AMBD aims to enhance its effectiveness as well as develop its people and enriching the workplace experience. It will enhance the skillset of the workforce and further develop expertise in our core areas by developing and implementing a tailored learning and development framework while operationalising its specialist track programme. AMBD will also ensure sufficient human resources, both quantitatively and qualitatively, in order to fulfill the AMBD's strategic priorities and address the changing needs of the organisation. Finally, to better deliver its communications to the public and stakeholders, AMBD will be developing and executing its Communication Guidelines in 2021 which can help ensure effective delivery of its mandates.

AMBD also strives to adapt to market trends and changing consumer behaviours, and to proactively respond to the opportunities presented by technological innovation. Thus, AMBD will intensify efforts to digitally transform itself and seek to enrich AMBD's work experience and ease of doing work by adopting technologies and practices to provide more efficient operations and services.



# COMMUNITY AND OUTREACH



## RAISING BRUNEI DARUSSALAM'S FINANCIAL AWARENESS

While most programmes were suspended for the H1 2020 due to the outbreak of COVID-19 pandemic, AMBD made continuous efforts to strengthen consumer knowledge in making informed financial decisions, which was mostly communicated through both our online and offline campaigns.

Enhancements to AMBD's digital financial literacy initiatives were mostly carried out in 2020, as AMBD actively leveraged on its social media engagements for the delivery of financial education. Infographics and videos pertaining various financial topics were produced to encourage smarter financial management such as digital payments, financial consumer rights, financial planning, emergency fund, takaful/insurance, investments, cybersecurity and financial scams. Active collaborations were also organised between AMBD and other stakeholders including relevant Ministries, government agencies, financial institutions, and financial associations, as well social media influencers. Additionally, AMBD has circulated both posters and digital posters to its stakeholders for these to be displayed on their premises to promote savings habits and to be extra vigilant of financial scams tactics.

In August 2020, A Remittance Forum entitled "How Technology is Transforming the Remittance Sector" was held to create awareness to remittance licensees on the role of technology in improving the delivery of remittance service, reduction of costs and compliance.

In November 2020, Standard Operating Procedure [SOP] Workshop for money changing and remittance businesses were held in collaboration with CIBFM to guide licensees on the thought process involved in developing a comprehensive SOP that best fit their need and purpose.

As part of AMBD's continuous effort in enhancing public awareness, AMBD in August 2020 circulated posters on "Tips on How to Send Money Safely" to all remittance businesses and various government departments as well as foreign embassies in Brunei Darussalam to advise the public to only deal with licensed remittance businesses when sending money abroad to ensure it reaches the intended recipient safely.



## National Savings Day

2020 marked the 6th National Savings Day (NSD), an initiative started by AMBD since 28 May 2015 to promote a savings culture, as well as prudent money management in Brunei Darussalam. The NSD is celebrated annually in collaboration with the Ministry of Finance and Economy, Ministry of Education, as well as various financial institutions and financial associations, through the Financial Fun Fair, financial roadshows and mini-competitions.

AMBD kick-started the NSD with a Financial Management Quiz in July 2020, followed by a video competition from August to September 2020, where members of the public submitted their personal insights and experiences on the importance of saving money and how saving could assist them achieve their past financial goals. Both competitions were hosted on AMBD's Instagram account.

## World Investors Week

AMBD as the lead national co-ordinator to the World Investor Week (WIW) global campaign since its introduction in 2017, organised this annual campaign in Brunei Darussalam in October 2020. In line with the goals of the global campaign, the event, themed "Invest with Confidence", was aimed to enhance awareness on the importance of savings, investor education and protection and enhance the public's confidence to invest in Brunei Darussalam.

AMBD collaborated with the Financial Planning Association of Brunei Darussalam (FPAB), Brunei Darussalam Capital Market Association (BCMA) and CIBFM to carry out various initiatives to celebrate the WIW.

Industry-led initiatives included an interview by Radio Televisyen Brunei's Rampai Pagi with qualified financial planners, a radio interview by Kristal FM with qualified financial planners and investment professionals, as well as an investment scam awareness artwork contest on Instagram. AMBD also shared investment concepts and tips, and other financial topics on its official platforms, including its website and social media account.

A webinar, titled "Guide to Be a Smart Investor", was successfully organised in conjunction with the WIW. A total of three webinars were conducted; two was opened to all AMBD staff and personnel and one webinar was opened to the general public, which had attracted more than 200 participants. Among the topics covered in the webinar included budget and debt management, investment types and opportunities, rights of an investor, and avoiding financial scams.

**CIRI-CIRI PENIPUAN KEWANGAN**

1. Pengalihan perhatian yang terlalu tinggi dalam masa yang singkat, yang tidak rasional atau bertukar-rebut.
2. Menggunakan nama orang-orang yang terkenal untuk mendapatkan kredibiliti dan kepercayaan.
3. Konsep pasaran "member-get-member".
4. Tidak dikurusi oleh pihak yang sah dan rasmi.
5. Para pengagut utama dan tidak mempunyai alamat yang tetap dan tidak boleh dihubungi.

**RIGHTS OF AN INVESTOR**  
Wan Rizaidy bin Wan Mamat Saifi  
Capital Market Expert, AMBD

**INVESTMENT OPPORTUNITIES**  
Abdullah Hassan bin Png Hg Kamarulazman  
Manajer Chorweid Securities Sdn Bhd  
Member of Brunei Darussalam Capital Market Association  
04 October 2020

**MINGGU PELABUR SEDUNIA**  
19 - 25 OKT 2020  
MAGAZIN INVESTOR

WIW2020 Presenter

## ASEAN Savings Day

The first ASEAN Savings Day celebration, an event initiated by the ASEAN Working Committee on Financial Inclusion (WC-FINC) was held in October 2020. The celebration supports financial inclusion efforts within the region and highlights the importance of instilling a savings culture through formal institutions. AMBD issued both a celebratory post and an infographic on 'Smart Money Habit: Save and Spend Sensibly' to underline the importance of financial management, particularly on practical ways of saving money, setting financial goals, budgeting, digital payment, needs versus wants, and utilising qualified financial planners.

## Developing Financial Education in the Workforce

With the gradual easing of COVID-19 restrictions starting May 2020, there was growing interest for financial literacy modules offered by AMBD for both on-boarding and off-boarding officers and staff from the Ministry of Finance and Economy, Ministry of Culture, Youth and Sports (MCYS), Royal Brunei Armed Forces (RBAF), Royal Brunei Police Force (RBPF), Royal Brunei Airlines (RB), and Nex.Us Sdn. Bhd. The financial literacy modules covered various financial management topics such as financial planning, budgeting, inflation, debt management, takaful/insurance, investments, financial scams and Brunei currency.

## FOSTERING STAKEHOLDER ENGAGEMENTS

AMBD regularly receives requests from interested parties wanting to learn more about AMBD's activities and areas of potential collaboration.

### Visit from Brunei Malay Chamber of Commerce and Industry

AMBD received a delegation from the Brunei Malay Chamber of Commerce and Industry on 10 January 2020. The purpose of the visit was to have better understanding on Sukuk environment and initiatives in Brunei Darussalam.



### StudyRama Maktab Duli

In January 2020, AMBD was invited by Maktab Duli Pengiran Muda Al-Mutadee Billah, a Sixth Form College, to its annual StudyRama: Pengajian Tinggi dan Karier Kerjaya, an event aimed to educate students with alternative opportunities following their education. The event saw participation from 32 various agencies from both public and private sectors, including AMBD. AMBD's role during the StudyRama was to provide insight on the various job roles available in the organisation, based on the different qualifications and qualities posed by the individuals.



## Hari Mesra Pelanggan

AMBD was invited to participate in the Hari Mesra Pelanggan event hosted by MOFE in February 2020 to increase public awareness and knowledge on initiatives implemented. AMBD showcased the Brunei currency and raised awareness on how to determine the authenticity of Brunei notes and coins.

## Study Visits

School visits are hosted by AMBD as part of the HeartsofAMBD initiatives to increase public awareness of AMBD's roles and responsibilities. In 2020, AMBD received school visits from Seri Mulia Sarjana School (SMSS) in February 2020 and Sultan Sharif Ali Islamic University (UNISSA) in March 2020.



## PROMOTING FINANCIAL LITERACY

AMBD participated in a number of events throughout 2020 to promote greater awareness on its roles and functions.

- 10 February 2020**
  - Financial Awareness Roadshow at Sekolah Menengah Arab Laki-Laki Hassanal Bolkiah (SMALHB)
- 27 February 2020**
  - Jerayawara 10 Years Towards Retirement TAP
  - Jerayawara DARE (Daerah Belait)
- 3 March 2020**
  - Jerayawara DARE (Daerah Temburong)
- 4 March 2020**
  - Kursus Induksi bagi Pegawai dan Kakitangan Kementerian Pendidikan
- 4 & 5 March 2020**
  - Financial Talk at Nex.Us Sdn. Bhd
- 9 March 2020**
  - Maktab Duli English Fest 2020 with the theme: Outside Looking in
- 31 August 2020**
  - Jerayawara 10 Years Towards Retirement TAP
- 18 November 2020**
  - Kursus Induksi bagi Pegawai Dan Kakitangan dan Yang Baru IPA
- 26 November 2020**
  - Jerayawara 10 Years Towards Retirement TAP
- 9 December 2020**
  - TAP Jerayawara Lakastah bersedia



## HEARTS OF AMBD INITIATIVES

AMBD through its Corporate Social Responsibility (CSR) initiatives aim to maximise employee engagement through supporting volunteerism, community service, and environmental preservation, whilst promoting an inclusive working environment that is compatible with and respectful of the diversity of AMBD's employees.

In 2020, AMBD organised a number of CSR initiatives for the public, including donations to support home-learning during the COVID-19 pandemic, the economically disadvantaged, and cancer awareness.

### AMBD Care Packages for Eight Schools in Brunei Darussalam

In May 2020, AMBD Care Packages were delivered to various schools in Brunei Darussalam, in support of the Ministry of Education's efforts to ensure continuity in the students' education during the COVID-19 pandemic outbreak, where schooling was conducted online via e-learning and home-pack learning. The AMBD Care Packages, consisting of printers, printer ink cartridges and printing papers, were purchased based on the contributions from AMBD employees, amounting to a total of BND8,276 for this initiative.

A total of 16 packages were delivered to eight primary and secondary schools across the four districts including Haji Mohd Jaafar Maun Primary School, Lambak Kiri Secondary School, Batang Mitus Primary School, Raja Isteri Pengiran Anak Saleha Secondary School, Kuala Belait Primary School, Pengiran Anak Puteri Hajah Rashidah Secondary School, Semabat Primary School and Labu Estate Primary School.



AMBD believes that education is the foundation for building and fostering strong human capital in Brunei Darussalam, in line with Pillar V of the Brunei Darussalam Financial Sector Blueprint (2016-2025). In addition, AMBD previously collaborated with schools to strengthen financial literacy and education in Brunei Darussalam through organising roadshows on savings at schools and Financial Fun Fairs. AMBD remains committed in its efforts to support the nation's Wawasan Brunei 2035's objective of developing a dynamic and sustainable economy and produce a highly-skilled population.



### AMBD Ramadhan Drive

As part of AMBD's Annual Ramadhan Drive in May 2020, BND4,450 was raised by AMBD's employees' contributions to help seven families in need across the Brunei-Muara District. They were given donations in the form of cash, shopping vouchers, household items and groceries, and articles of clothing.

### Pinktober 2020

In conjunction with the Breast Cancer Awareness Month, AMBD organised Pinktober 2020 in the month of October. Pinktober 2020 was created to foster a sense of caring and responsibility amongst AMBD employees, provide emotional and monetary support to those who are and have suffered from breast cancer, and to raise awareness on breast cancer, including its signs and impact to an individual's health for both males and females.

As part of Pinktober 2020, AMBD raised BND5,700 from its employees. The funds raised were used to provide 21 sets of mastectomy bras and breast prosthetics for the Brunei Darussalam Breast Cancer Support Group, a non-government organisation.





### Blood Donation Campaign

AMBD, in collaboration with MOFE and the Blood Donation Centre (BDC) of the Ministry of Health, organised the AMBD Blood Donation Drive for the agencies and departments residing in the MOFE Building in November 2020. The AMBD Blood Donation was hoped to increase the supply of blood for the country's blood bank and encouraged the practice of blood donation. It is hoped that, through this initiative, the blood donated would enable those requiring blood transfusions to continue to receive their medical treatment. The drive saw more than 100 registrations, and successfully collected a total of 73 pints of blood, which was an increase from the previous year's blood donation drive.



### Projek Keluarga

In December 2020, AMBD kick-started a long-term project, AMBD CSR Give Back Projek Keluarga, in collaboration with Bina Ukhwah Home Betterment Programme (BU HOBPRO), Projek Bina Ukhwah with the aim to ease the burden of less fortunate members of the community and improve their welfare. The Project started with the refurbishment and cleaning campaign of the home of an underprivileged family in Temburong district.

This project also aimed to foster strong relationship between AMBD and non-profit organisations through AMBD's CSR initiatives



# INTERNATIONAL RELATIONS

Despite a tumultuous year amidst the COVID-19 outbreak, AMBD was able to forge closer ties with its international counterparts through the signing of agreements and Memorandum of Understanding (MOU) in 2020. These initiatives are also in line towards the aspirations outlined under the Financial Sector Blueprint (2016-2025) in enhancing international integration, particularly in fostering ASEAN economic ties and expanding technical cooperation with other central banks and authorities.

## AGREEMENTS

In December 2020, an agreement was signed between ASEAN+3 Member States to amend the Chiang Mai Initiative Multilateralisation (CMIM) Agreement to include operational changes as endorsed during the previous ASEAN+3 Finance Ministers and Central Bank Governors Meeting (AFMGM+3) Meeting.

### ASEAN+3

06 August 2013



- Chiang Mai Initiative Multilateralisation (CMIM) Agreement signed by Dato Paduka Haji Mohd Rosli bin Haji Sabtu, Managing Director, AMBD

16 August 2019



- Amended CMIM Agreement signed by Dato Seri Setia Haji Awang Metussin bin Haji Baki, Acting Managing Director, AMBD

18 December 2020



- Agreement to Amend the CMIM Agreement signed by Hajah Rokiah Binti Haji Badar, Managing Director, AMBD

## MEMORANDUM OF UNDERSTANDING (MOU)

In January 2020, AMBD and Monetary Authority of Singapore (MAS) enhanced its existing MOU signifying the longstanding cooperation between the two countries. New areas of cooperation covered under the enhanced MOU included financial sector development, cross-border supervision, crisis management, AML/CFT, and currency management and operations. The signing was carried out on the sideline to the third AMBD and MAS Bilateral Meeting held in Brunei Darussalam on 22 January 2020 where discussions covered economic, monetary and financial developments, FinTech collaboration and currency management.

In February 2020, AMBD and Bangko Sentral Ng Pilipinas signed an MOU to establish, promote and encourage cooperation in human capital development, exchange of information, and exchange of regulatory expertise and regulatory knowledge.



## CHAIRING AND HOSTING OF REGIONAL FORUMS

In light of the COVID-19 pandemic in 2020, Brunei Darussalam took a number of preventive measures including the imposition of travel restrictions nationwide. This has led to a shift towards virtual meetings where AMBD managed to successfully host several virtual international meetings from Q2 2020 onwards.

### Co-chair of Working Committee on Capital Account Liberalisation

Within the ASEAN forum, ASEAN Working Committee on Capital Account Liberalisation [WC-CAL] is currently co-chaired by AMBD and the MAS for the period 2020 - 2022. AMBD co-chaired The 40th Meeting of the ASEAN WC-CAL virtually in November 2020.

### Co- Chair of ASEAN Senior Level Committee

AMBD became the co-chair to the ASEAN Senior Level Committee [SLC] alongside Bank of Thailand [BOT] for the period 2020-2022. AMBD hosted and co-chaired The 20th Meeting of the ASEAN Senior Level Committee [SLC] on Financial Integration virtually in November 2020.

### Chair of South East Asian Central Bankers (SEACEN) Board of Governors

AMBD as the chair for the SEACEN Board of Governors for 2020/2021 convened the 40th South East Asian Central Banks Research and Training Centre Board of Governors' Meeting [SEACEN BOG] meeting virtually in December 2020.



## MEMBERSHIPS IN INTERNATIONAL RELATIONS

AMBD is a member to various international standard-setting bodies and actively contributes to the development of international standards as well as network. These include:

- Financial Stability Board [FSB] - Regional Consultative Group [Asia]
- International Association of Insurance Supervisors [IAIS]
- International Islamic Financial Market [IIFM]
- International Organisation of Securities Commission [IOSCO]
- Islamic Financial Services Board [IFSB]

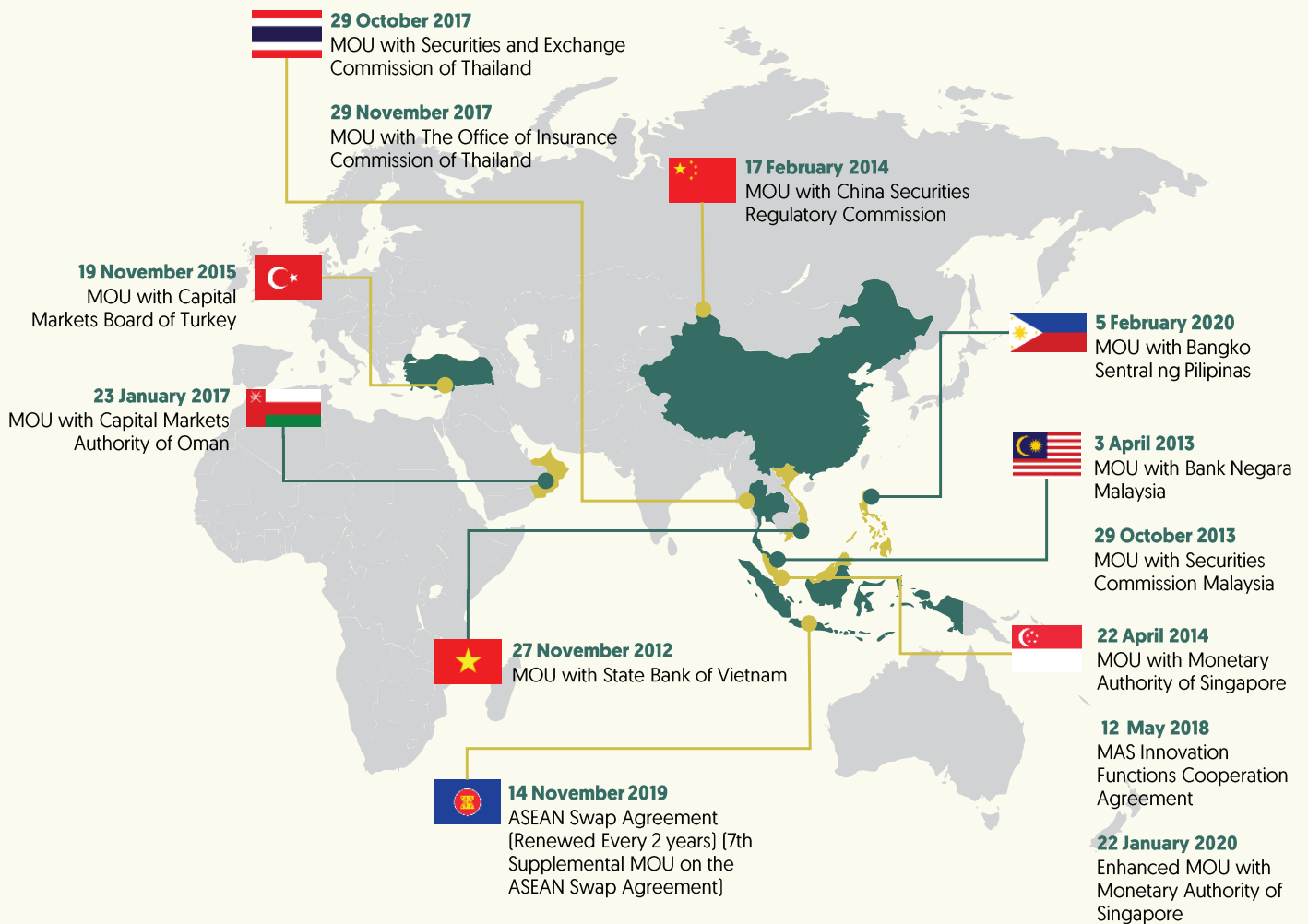


AMBD actively contributes to the following regional and international collaboration platforms:

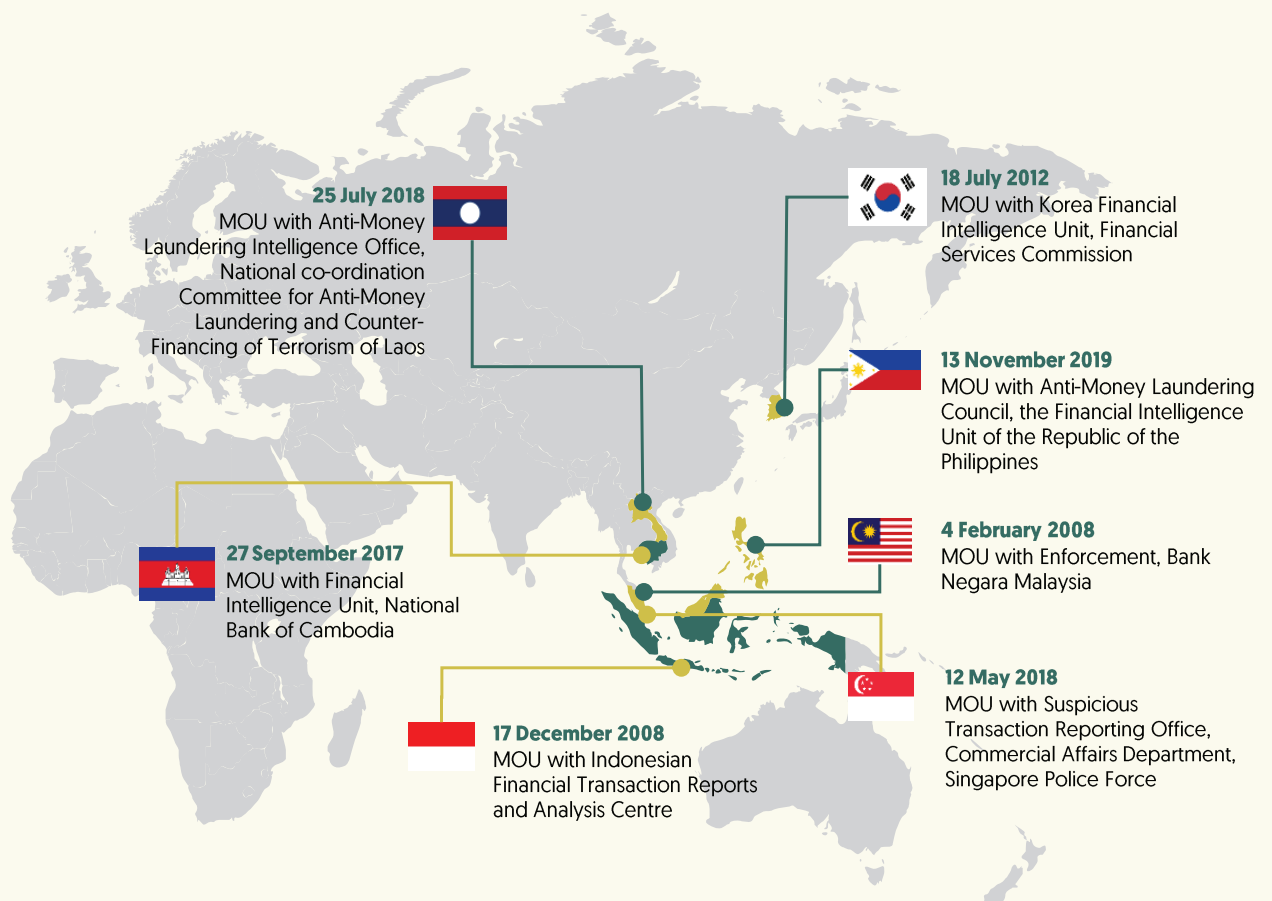
- ASEAN Finance and Central Bank track meetings
- Asia/Pacific Group on Money Laundering [APG]
- Egmont Group
- South East Asian Central Banks [SEACEN] Research and Training Centre
- Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation [COMCEC]
- Technical Meeting of Mints in ASEAN [TEMAN]



## AMBD LIST OF MOUs



## AMBD LIST OF MOUs - FINANCIAL INTELLIGENCE UNIT

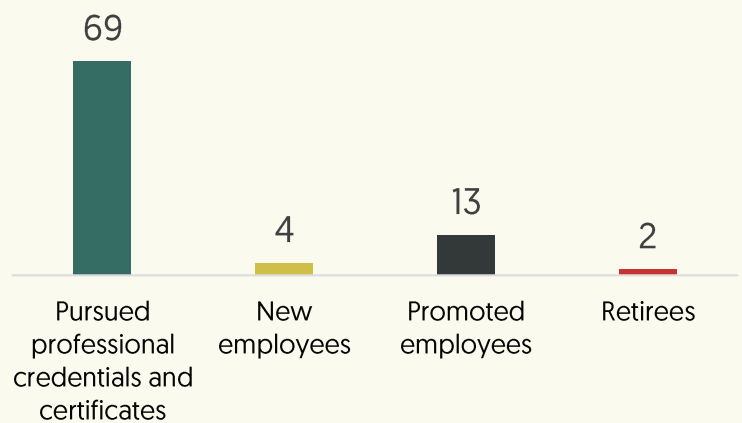


# ORGANISATIONAL DEVELOPMENT

AMBD recruits, develops and maintains a highly professional workforce to support its objectives and responds flexibly to changing work priorities. We strive to be the “Employer of Choice” in Brunei Darussalam and focus on nurturing growth and development among our workforce and the well-being, safety and health of our workforce.

## DEVELOPING PEOPLE

In 2020, AMBD invested an equivalent of 2.6% of total gross salaries of AMBD employees in human capital development, despite cross border travel restrictions due to the COVID-19 pandemic. Employees were given the opportunity to attend various programmes, conducted both in-house and externally, with a majority delivered on virtual platforms.

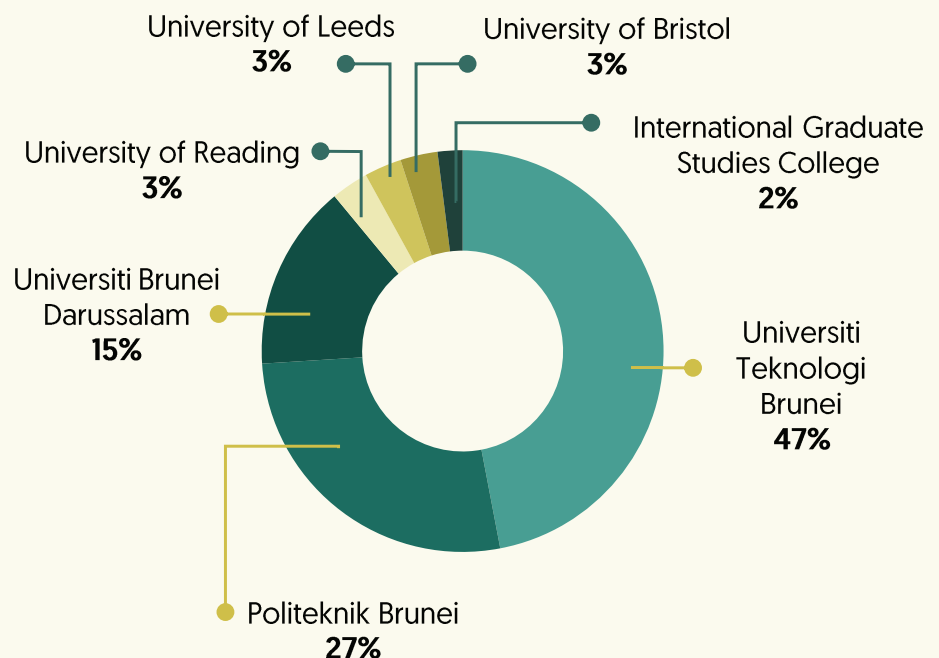


In addition, employees were offered opportunities to further develop their skills and careers within AMBD by taking up additional roles outside their main roles and responsibilities. Such lateral movements are aimed to ensure employees are equipped with continuous development and to promote career progression within the organisation.

More than 69 employees pursued professional credentials and certificates in 2020. AMBD hired 4 new employees in 2020 and bid farewell to 2 retirees.

## AMBD Internship Programme

AMBD's Internship Programme provides an avenue for students in tertiary level education to gain exposure to hands-on, real-world work environment and help equip students with skills to enter the corporate world. In 2020, AMBD accepted 40 interns from various universities and colleges, both local and overseas institutions.



## Mental Health Survey

Since 2018, AMBD has introduced talks and programmes to support the mental health of our workforce. In conjunction with the World Mental Health Day 2020, a talk was held in October 2020, where a survey on Mental Health Awareness was circulated among AMBD employees. The survey helped to gain better understanding of the level of mental health within the organisation which could assist AMBD with providing suitable initiatives to cater to the mental health needs of employees. The survey also aimed to enhance awareness on the mental health situation in Brunei Darussalam.

## Snapshots of Capacity Building Programmes and Trainings

*In-House Training on Sukuk with Securities Commission of Malaysia, 21 January 2020*



*Training on Getting Things Done, September 2020*



## A BETTER WORK ENVIRONMENT

### Fostering Team Building and Leadership Skills

The AMBD Interhouse was introduced in 2016 as a channel for employees to build and strengthen bonds between employees, boost morale, increase motivation, and create a positive workplace environment. The Interhouse is one of the most anticipated events of the year, where AMBD employees participate in a variety of activities ranging from physical activities such as sports and obstacle courses, to virtual games and board games. The activities are designed to ensure employees of different age range, interests, and capabilities are able to participate.

In 2020, the AMBD Interhouse was conducted differently compared to the previous years, in light of the COVID-19 restrictions. The Interhouse activities were conducted virtually, where employees got a chance to showcase their different skillsets such as coffee making, painting and physical stamina, by uploading videos of them performing the activities via Microsoft Teams. The pandemic has indirectly given employees the chance to think of alternative ways to ensure activities could still continue regardless of the measures implemented.



## Upholding Independence and Objectivity

Internal Audit (IA) provides independent, objective assurance and consulting activities designed to add value and to improve the performance of AMBD's tasks and activities. In doing so, IA assists in accomplishing its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of governance, risk management and control processes. To maintain its independence, IA reports functionally to the Audit Committee (AC) and administratively to the Managing Director of AMBD. IA is also Secretariat to the AC.

IA conducted a range of audits across AMBD in 2020 including audits on Acting Process, Operational Risk Reporting and Consignment. IA also performed a Verification Review on Syariah Products Application and an Advisory Exercise on Security Process (Physical Security).

### Assurance Activities: SWIFT Customer Security Programme (CSP) Independent Assessment

In 2020, IA facilitated the SWIFT Customer Security Programme (CSP) Independent Assessment on AMBD Payment and Settlement System where a third party consultant was engaged as the independent assessor. This is in line with SWIFT's mandatory requirement for users to perform independent assessment against the Customer Security Control Framework (CSCF) beginning 2020 onwards. The assessment began in August 2020 and concluded in September 2020.

### Quality Assurance and Improvement Program

In line with the requirements of The Institute of Internal Auditors (The IIA) International Professional Practices Framework (IPPF), The IIA Australia was engaged to perform an independent assessment on the AMBD Internal Audit function in March 2020 to assess its conformance with international standards, including its efficiency and effectiveness.

### Key Project: Manpower Audit

In November 2019, the Managing Director appointed IA to co-ordinate and facilitate the Manpower Audit Project in 2020, with the objective to independently determine the appropriate organisation structure and number of employees to improve the efficiency and effectiveness of AMBD in order to achieve its mission and vision in line with AMBD's Strategic Plan 2021-2025.

The scope of audit includes:

- Alignment of resources in accordance to AMBD Strategic Plan 2021-2025;
- Review, analyse and determine whether the AMBD organisation structure promotes efficiency and is aligned by looking at the level of management and spans of control; and
- Assessment of current job evaluation methodology and recommendation for improvements.

*\*This was a joint project with the Corporate Planning Development and Human Resources team*

The assessment was performed in accordance with Standard 1312 of the Standards issued by the IIA which states that 'External assessments must be conducted at least once every 5 years by a qualified, independent reviewed or review team from outside the organisation'.



## Towards Cybersecurity Readiness

In conjunction with International Cybersecurity Awareness month, AMBD organises Cyber Security activities every October to increase the Cyber Security readiness of AMBD personnel. The year 2020 has marked the second time AMBD celebrated Cyber Security Awareness Month. The objective of activities was to increase awareness on Cyber Security.

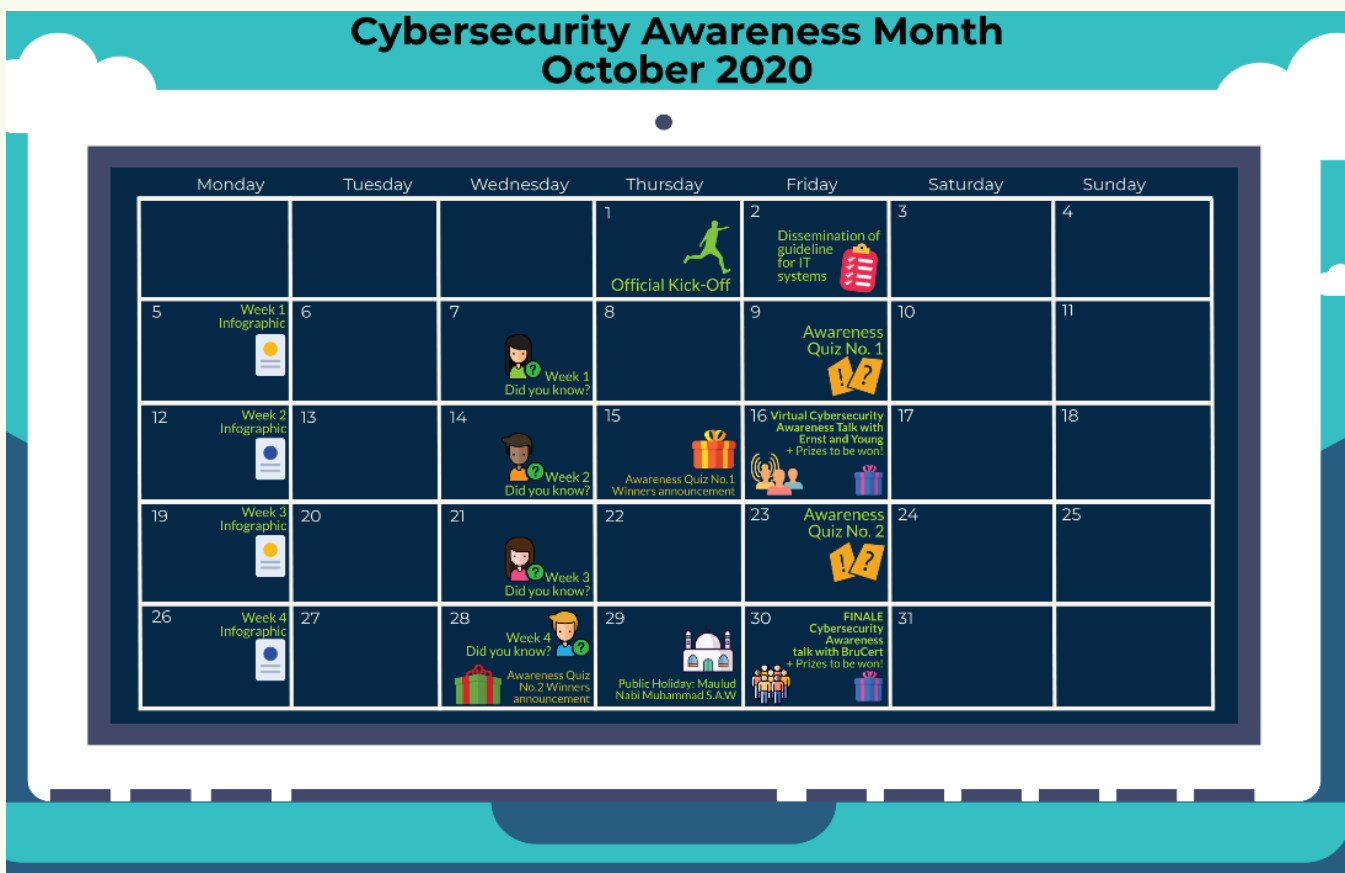
Concurrently, AMBD disseminated guideline for AMBD IT Systems, which provides guidance to AMBD personnel and relevant stakeholders in ensuring the security and integrity of classified information in meeting the best standards, as well as, safeguarding all IT systems from any known vulnerabilities and threats.

Furthermore, weekly infographics and videos touched topics on, “How to know if an email has been compromised?”, “How to check if we are browsing a safe website?” and “How to protect your mobile devices?” In addition to that, weekly interesting facts were shared along with quizzes and challenges making it more interactive.

Some of the highlight of the year’s awareness month was the virtual Cyber Security Awareness Training conducted by Ernst and Young. The programme covered the issues on Current Cybersecurity Risk Landscape, Cybersecurity Good Practices and Individual Roles and Responsibilities.

A Cyber Security Awareness Training session was also conducted by Brunei Computer Emergency Response Team [BruCERT] for all AMBD personnel which focused on Workplace Cybersecurity: Top Threats and Trends such as Importance of Cybersecurity Awareness, Social Engineering, Physical Security (Clean Desk policy), and Incident Handling and Reporting.

Following the awareness efforts, AMBD observed that more incidents were being reported such as phishing email attempts targeted to a number of employees. In 2021, AMBD plans to ramp up its efforts and offer more cybersecurity training.



# CONTENTS

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FS 12	Statements of Cash Flows
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# REPORT OF THE BOARD

for the financial year ended 31 December 2020

The Members of the Board hereby submit their report and the audited consolidated financial statements of Autoriti Monetari Brunei Darussalam (the “Authority”, “AMBD”) and its subsidiary (the “Group”) for the year ended 31 December 2020.

## Principal Activities

Autoriti Monetari Brunei Darussalam (the Authority) was established on 1 January 2011 pursuant to Section 3(1) of the Autoriti Monetari Brunei Darussalam Order, 2010 (the Order).

Under Section 4 of the Order, the principal objects of the Authority are;

- a) To achieve and maintain domestic price stability;
- b) To ensure the stability of the financial system, in particular by formulating financial regulation and prudential standards;
- c) To assist in the establishment and functioning of efficient payment systems and to oversee them; and
- d) To foster and develop a sound and progressive financial services sector.

Without prejudice to the above-mentioned principal objects, the Authority shall support the general economic policies of the Government to the extent that it considers appropriate.

Al-Munawwarah Sdn. Bhd (the subsidiary) (AMSB) is a special purpose vehicle (SPV), which facilitates the Authority’s liquidity management activities and other investment activities through the issuance of Sukuk under a variety of Syariah principles. AMSB is controlled by the Authority as it has existing rights that give the Authority the current ability to direct the relevant activities of AMSB.

## Financial Statements Highlights

	<b>The Group</b> <b>BND’000</b>	<b>The Authority</b> <b>BND’000</b>
Profit for the year	26,704	26,709
Other comprehensive income	82,354	82,354
<b>Total comprehensive income for the year</b>	<b>109,058</b>	<b>109,063</b>
Add: Loss for the year (non-distributable)	5	-
<b>Distributable earnings</b>	<b>109,063</b>	<b>109,063</b>
<b>Distributable to:</b>		
Market valuation reserve fund	101,170	101,170
AMBD reserve fund	2,368	2,368
The Government of Brunei Darussalam	5,525	5,525
	<b>109,063</b>	<b>109,063</b>

# REPORT OF THE BOARD

for the financial year ended 31 December 2020

## Members of the Board

The members of the Board are as follows:-

Duli Yang Teramat Mulia Paduka Seri Pengiran Muda Mahkota Pengiran Muda  
Haji Al-Muhtadee Billah ibni Kebawah Duli Yang Maha Mulia Paduka Seri Baginda  
Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah  
Senior Minister at the Prime Minister's Office  
As Chairman

Yang Berhormat  
Pehin Orang Kaya Seri Kerna Dato Seri Setia  
[Dr.] Haji Awang Abu Bakar bin Haji Apong  
Minister of Home Affairs  
As Deputy Chairman  
[30 January 2018 - Present]

Yang Berhormat  
Dato Seri Setia Haji Awang Abdul Mokti bin Haji Mohd Daud  
Minister at the Prime Minister's Office  
[30 January 2018 - Present]

Yang Berhormat  
Dato Seri Setia Dr. Awang Haji Mohd Amin Liew bin Abdullah  
Minister at the Prime Minister's Office and Minister of Finance and Economy II  
[30 January 2018 - Present]

Yang Mulia  
Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain @ Maidin  
Deputy State Mufti at State Mufti's Office  
[1 January 2020 - Present]

Yang Mulia  
Dr. Dayang Hajah May Fa'ezah binti Haji Ahmad Ariffin  
Permanent Secretary (Economy) at Ministry of Finance and Economy  
[21 August 2019 - Present]

Yang Mulia  
Dr. Haji Azman bin Ahmad  
Permanent Secretary (Higher Education) at Ministry of Education  
[1 January 2020 - Present]

Yang Mulia  
Dayang Hajah Zuraini binti Haji Sharbawi  
Solicitor General at Attorney General's Chambers, Prime Minister's Office  
[10 August 2018 - Present]

Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
Managing Director, Autoriti Monetari Brunei Darussalam  
[5 October 2019 - Present]



# REPORT OF THE BOARD

for the financial year ended 31 December 2020

## Audit Committee

The members of the Audit Committee are as follows:

Yang Mulia Dayang Hajah Zuraini binti Haji Sharbawi  
Solicitor General at Attorney General's Chambers, Prime Minister's Office  
As Chairperson  
(1 January 2020 - Present)

Yang Mulia Haji Hairul Mohd Daud bin Haji Abd Karim  
Deputy Permanent Secretary (Infocommunications, Cybersecurity, Strategy and Corporate),  
Ministry of Transport and Infocommunications  
(1 January 2020 - Present)

Yang Mulia Dayang Hajah Chairani binti Haji Sulaiman  
Accountant General, Treasury, Ministry of Finance and Economy  
(1 January 2020 - Present)

Yang Mulia Awang Haji Asrul Adrain bin  
Pehin Orang Kaya Setia Pahlawan Dato Seri Setia Dr. Haji Ahmad  
Deputy Accountant General, Treasury, Ministry of Finance and Economy  
(1 January 2020 - Present)

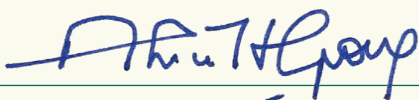
Yang Mulia Dayang Mazriyani binti Haji Abdul Ghani  
Director E-Government National Center (EGNC), Ministry of Transport and Infocommunications  
(1 January 2020 - Present)

Yang Mulia Dayang Rosminah binti Haji Awang Besar  
Head of Business and Operations Compliance, Brunei Investment Agency  
(1 January 2020- Present)

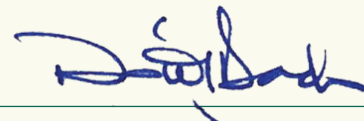
Yang Mulia Awang Muhammad Yusri bin Dato Abdul Majid  
Head of Risk Management, AMBD  
As Observer  
(1 January 2020 - Present)

The Audit Committee has held several meetings in 2020. In performing its functions, the Audit Committee met with the Group's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Group's internal accounting control system.

For and on behalf of the Board



Yang Berhormat  
Pehin Orang Kaya Seri Kerna Dato Seri Setia  
(Dr.) Haji Awang Abu Bakar bin Haji Apong  
Deputy Chairman



Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
Managing Director

# INDEPENDENT AUDITOR'S REPORT

as at 31 December 2020

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### AUTORITI MONETARI BRUNEI DARUSSALAM AND ITS SUBSIDIARY

[Established in Brunei Darussalam]

#### Opinion

We have audited the consolidated financial statements of Autoriti Monetari Brunei Darussalam (the "Authority") and its subsidiary (the "Group") which comprise the statements of financial position of the Group and the Authority as at December 31, 2020 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Authority for the year ended 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 53.

In our opinion, the accompanying consolidated financial statements of the Group and the Authority are properly drawn up in accordance with the provisions of the Autoriti Monetari Brunei Darussalam Order, 2010 (the "Order"), the Companies Act, Cap. 39 (the "Act"), the Currency Order, 2004 (the "CO"), and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and the Authority as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group and the Authority for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Authority in accordance with the International Ethics Standards Boards for Accountants ("IESBA") together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information Other than the Consolidated Financial Statements and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the Report of the Board, as set out on pages 1 to 3.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Members for the Consolidated Financial Statements

The members are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Orders, Act, and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The members' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

as at 31 December 2020

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# INDEPENDENT AUDITOR'S REPORT

as at 31 December 2020

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Orders and the Act to be kept by the Group and the Authority have been properly kept in accordance with the provisions of the Orders and the Act. We have obtained all the information and explanations that we required.



DELOITTE & TOUCHE  
Certified Public Accountants



HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN  
Public Accountant

Brunei Darussalam  
Date: 1 April 2021



# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

	Note	The Group		The Authority	
		2020	2019	2020	2019
		BND'000	BND'000	BND'000	BND'000
<b>ASSETS</b>					
Cash and cash equivalents	4	2,668,442	3,010,908	2,668,442	3,010,908
Deposits with financial institutions		117,138	106,994	117,138	106,994
Investment securities	5	1,340,927	1,642,141	1,340,927	1,642,141
Derivative financial assets	6	7,478	4,417	7,478	4,417
Inventories		9,749	10,403	9,749	10,403
Assets held with International Monetary Fund (IMF)	7	500,876	486,090	500,876	486,090
Other assets	8	15,346	15,979	15,346	15,979
Investment in AMSB	1	-	-	-	-
Gold	9	364,270	297,404	364,270	297,404
Property and equipment, net	10	44,798	32,444	44,798	32,444
<b>TOTAL ASSETS</b>		<b>5,069,024</b>	<b>5,606,780</b>	<b>5,069,024</b>	<b>5,606,780</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Currency in circulation	11	1,357,801	1,228,121	1,357,801	1,228,121
Deposits and balances of local banks and other local financial institutions	13	1,597,275	2,195,245	1,757,289	2,315,245
Deposit balance of international financial institutions	14	23,582	23,852	23,582	23,852
Derivative financial liabilities	6	2,608	402	2,608	402
Payables to the Government of Brunei Darussalam		110,031	106,329	110,031	106,329
Liabilities with IMF	7	391,805	380,721	391,805	380,721
Other liabilities	15	63,596	299,773	63,986	300,182
Provisions	16	9,356	2,900	9,356	2,900
Sukuk issuance	17	160,411	120,411	-	-
<b>Total liabilities</b>		<b>3,716,465</b>	<b>4,357,754</b>	<b>3,716,458</b>	<b>4,357,752</b>

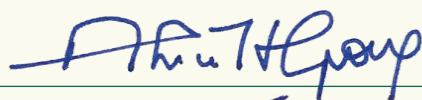
See accompanying notes to the consolidated financial statements.

# STATEMENTS OF FINANCIAL POSITION

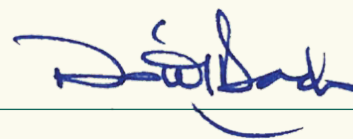
as at 31 December 2020

	Note	The Group		The Authority	
		2020	2019	2020	2019
		BND'000	BND'000	BND'000	BND'000
<b>Equity</b>					
Capital	18	1,000,000	1,000,000	1,000,000	1,000,000
Reserve fund	18	133,474	131,106	133,474	131,106
Market valuation reserve	18	219,092	117,922	219,092	117,922
Retained earnings		[7]	[2]	-	-
<b>Total equity</b>		<b>1,352,559</b>	<b>1,249,026</b>	<b>1,352,566</b>	<b>1,249,028</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,069,024</b>	<b>5,606,780</b>	<b>5,069,024</b>	<b>5,606,780</b>

For and on behalf of the Board



Yang Berhormat  
Pehin Orang Kaya Seri Kerna Dato Seri Setia  
(Dr.) Haji Awang Abu Bakar bin Haji Apong  
Deputy Chairman



Yang Mulia  
Dayang Hajah Rokiah binti Haji Badar  
Managing Director

See accompanying notes to the consolidated financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	The Group		The Authority	
		2020	2019	2020	2019
		BND'000	BND'000	BND'000	BND'000
<b>INCOME</b>					
Interest income	19	39,561	45,723	39,547	45,723
Dividend income		4,387	5,810	4,387	5,810
Net gain on investment securities measured at fair value through profit or loss (FVTPL)	20	9,255	24,699	9,255	24,699
Net gain from derecognition of investment securities measured at fair value through other comprehensive income (FVOCI)	21	9,346	14,474	9,346	14,474
Operating income	22	3,086	3,942	3,086	3,942
<b>TOTAL INCOME</b>		<b>65,635</b>	<b>94,648</b>	<b>65,621</b>	<b>94,648</b>
<b>EXPENSES</b>					
Staff costs	23	(17,920)	(16,709)	(17,920)	(16,709)
Other operating expenses	24	(15,738)	(16,239)	(15,729)	(16,237)
Sukuk coupon cost		(3,020)	(3,000)	(3,009)	(3,000)
Fee and commission expense		(2,253)	(2,291)	(2,254)	(2,291)
<b>TOTAL EXPENSES</b>		<b>(38,931)</b>	<b>(38,239)</b>	<b>(38,912)</b>	<b>(38,237)</b>
<b>Net profit for the year</b>		<b>26,704</b>	<b>56,409</b>	<b>26,709</b>	<b>56,411</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Net gain on investment securities measured at FVOCI	21	15,488	24,449	15,488	24,449
Net gain on gold revaluation	9	66,866	42,860	66,866	42,860
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>82,354</b>	<b>67,309</b>	<b>82,354</b>	<b>67,309</b>
<b>Total comprehensive income for the year</b>		<b>109,058</b>	<b>123,718</b>	<b>109,063</b>	<b>123,720</b>

See accompanying notes to the consolidated financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

The Group	Share capital	Distributable earnings	Retained earnings**	Reserve fund	Market valuation reserve	Total
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Balance as at 1 January 2019	1,000,000	-	-	105,399	19,909	1,125,308
Comprehensive income / (loss):						
Net profit / (loss) for the year	-	56,411	(2)	-	-	56,409
Other comprehensive income	-	67,309	-	-	-	67,309
Transfers during the year:						
Fair value movement of gold at FVOCI (Note 9)	-	(42,860)	-	-	42,860	-
Fair value movement of investment securities at FVOCI (Note 21)	-	(24,449)	-	-	24,449	-
Fair value movement of investment securities at FVTPL (Note 20)	-	(30,704)	-	-	30,704	-
Transfer to reserve fund	-	(25,707)	-	25,707	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>1,000,000</b>	<b>-</b>	<b>(2)</b>	<b>131,106</b>	<b>117,922</b>	<b>1,249,026</b>
Balance as at 1 January 2020	1,000,000	-	(2)	131,106	117,922	1,249,026
Comprehensive income / (loss):						
Net profit / (loss) for the year	-	26,709	(5)	-	-	26,704
Other comprehensive income	-	82,354	-	-	-	82,354
Transfers during the year:						
Fair value movement of gold at FVOCI (Note 9)	-	(66,866)	-	-	66,866	-
Fair value movement of investment securities at FVOCI (Note 21)	-	(15,488)	-	-	15,488	-
Fair value movement of investment securities at FVTPL (Note 20)	-	(18,816)	-	-	18,816	-
Transfer to reserve fund	-	(2,368)	-	2,368	-	-
Transfer to the Government of Brunei Darussalam*	-	(5,525)	-	-	-	(5,525)
<b>Balance as at 31 December 2020</b>	<b>1,000,000</b>	<b>-</b>	<b>(7)</b>	<b>133,474</b>	<b>219,092</b>	<b>1,352,559</b>

\* Transfer to the Government of Brunei Darussalam in accordance to Section 9 of the Order.

\*\* Retained earnings of AMSB.

See accompanying notes to the consolidated financial statements.



# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

The Authority	Share capital	Distributable earnings	Reserve fund	Market valuation reserve	Total
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Balance as at 1 January 2019	1,000,000	-	105,399	19,909	1,125,308
Comprehensive income / (loss):					
Net profit for the year	-	56,411	-	-	56,411
Other comprehensive income	-	67,309	-	-	67,309
Transfers during the year :					
Fair value movement of gold at FVOCI (Note 9)	-	(42,860)	-	42,860	-
Fair value movement of investment securities at FVOCI (Note 21)	-	(24,449)	-	24,449	-
Fair value movement of investment securities at FVTPL (Note 20)	-	(30,704)	-	30,704	-
Transfer to reserve fund	-	(25,707)	25,707	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-
Balance as at 31 December 2019	1,000,000	-	131,106	117,922	1,249,028
Balance as at 1 January 2020	1,000,000	-	131,106	117,922	1,249,028
Comprehensive income:					
Net profit for the year	-	26,709	-	-	26,709
Other comprehensive income	-	82,354	-	-	82,354
Transfers during the year :					
Fair value movement of gold at FVOCI (Note 9)	-	(66,866)	-	66,866	-
Fair value movement of investment securities at FVOCI (Note 21)	-	(15,488)	-	15,488	-
Fair value movement of investment securities at FVTPL (Note 20)	-	(18,816)	-	18,816	-
Transfer to reserve fund	-	(2,368)	2,368	-	-
Transfer to the Government of Brunei Darussalam*	-	(5,525)	-	-	(5,525)
Balance as at 31 December 2020	1,000,000	-	133,474	219,092	1,352,566

\* Transfer to the Government of Brunei Darussalam in accordance to Section 9 of the Order.

See accompanying notes to the consolidated financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Not e	The Group		The Authority	
		2020 BND'000	2019 BND'000	2020 BND'000	2019 BND'000
<b>Cash flows from operating activities</b>					
Net profit for the year		26,704	56,409	26,709	56,411
<i>Adjustments for:</i>					
Depreciation on property and equipment		3,196	3,263	3,196	3,263
Unrealised gain on currency and market		(13,141)	(26,866)	(13,141)	(26,866)
Sukuk coupon cost		3,020	3,000	3,009	3,000
		<b>19,779</b>	<b>35,806</b>	<b>19,773</b>	<b>35,808</b>
<b>Changes in operating assets and liabilities</b>					
<b>(Increase)/decrease in operating assets:</b>					
Deposits with financial institutions		(10,144)	141,637	(10,144)	141,637
Investment securities		329,843	291,786	329,843	291,786
Derivative financial assets		(3,061)	(1,615)	(3,061)	(1,615)
Inventories		654	1,659	654	1,659
Other assets		633	954	633	954
<b>(Decrease)/increase in operating liabilities:</b>					
Decrease in currency in circulation		129,680	(20,666)	129,680	(20,666)
Deposits and balances of local banks and other local financial institutions		(597,970)	654,539	(557,956)	654,539
Deposit balance of international institutions		(270)	630	(270)	630
Derivative financial liabilities		2,206	353	2,206	353
Payables to the Government of Brunei Darussalam		-	(5)	-	(5)
Other liabilities		(236,177)	291,624	(236,196)	291,622
Provisions		931	(16,326)	931	(16,326)
<b>Net cash (used in) from operating activities</b>		<b>(383,675)</b>	<b>1,344,570</b>	<b>(343,680)</b>	<b>1,344,568</b>
<b>Cash flows from investing activities:</b>					
Additions to property and equipment		(15,550)	(9,701)	(15,550)	(9,701)
<b>Cash flows from financing activities:</b>					
Sukuk issuance		40,000	-	-	-
Sukuk coupon cost		(3,020)	(3,000)	(3,009)	(3,000)
<b>Net cash flows from (used in) financing activities</b>		<b>36,980</b>	<b>(3,000)</b>	<b>(3,009)</b>	<b>(3,000)</b>
<b>Net (decrease) increase in cash &amp; cash equivalents</b>		<b>(342,466)</b>	<b>1,367,675</b>	<b>(342,466)</b>	<b>1,367,675</b>
Cash and cash equivalents at beginning of the year		3,010,908	1,643,233	3,010,908	1,643,233
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>2,668,442</b>	<b>3,010,908</b>	<b>2,668,442</b>	<b>3,010,908</b>

See accompanying notes to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

The consolidated financial statements were authorised for issue by the Board of Directors on 1 April 2021.

## 1. Domicile and activities

Autoriti Monetari Brunei Darussalam [“the Authority”] acts as the central bank of Brunei Darussalam, domiciled in Brunei Darussalam and was established on 1 January 2011 pursuant to Section 3(1) of the Order.

Under Section 4 of the Order, the principal objects of the Authority are:

- (a) to achieve and maintain domestic price stability;
- (b) to ensure the stability of the financial system, in particular by formulating financial regulation and prudential standards;
- (c) to assist in the establishment and functioning of efficient payment systems and to oversee them; and
- (d) to foster and develop a sound and progressive financial services sector.

Without prejudice to the above-mentioned principal objects, the Authority shall support the general economic policies of the Government to the extent that it considers appropriate.

The address of the Group’s registered office is Level 14, Ministry of Finance and Economy Complex, Commonwealth Drive, Bandar Seri Begawan, BB3910, Negara Brunei Darussalam.

The Government of Brunei Darussalam is the sole shareholder of the Authority.

Al-Munawwarah Sdn. Bhd [“the subsidiary”] [“AMSB”] is a special purpose vehicle [“SPV”], which facilitates the Authority’s liquidity management activities and other investment activities through the issuance of sukuk under a variety of Syariah principles. AMSB is controlled by the Authority as it has existing rights that give the Authority the current ability to direct the relevant activities of AMSB. AMSB has \$2.00 paid up capital which is held by nominees who are key officers of the Authority.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

### 2.1. Basis of preparation

#### 2.1.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Autoriti Monetari Brunei Darussalam Order, 2010 [the “Order”], the Companies Act, Cap. 39 [the “Act”], the Currency Order, 2004 [the “CO”], and the International Financial Reporting Standards [“IFRS”] including any relevant interpretations issued by the IFRS Interpretations Committee [“IFRIC”] applicable to entities reporting under IFRS.

The consolidated financial statements comply with the Orders Act, the CO issued by the Government of Brunei Darussalam and IFRS issued by the International Accounting Standards Board [“IASB”].

#### 2.1.2 Functional currency

The consolidated financial statements of the Group are presented in Brunei Dollars, rounded to the nearest thousands, except as otherwise stated. The Brunei Dollar is also the functional currency of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2.1.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that the following assets and liabilities are stated at their fair values as disclosed in the accounting policies set out below:

- Financial assets (Note 2.3);
- Financial liabilities (Note 2.4);
- Derivatives financial instruments (Note 2.5); and
- Gold (Note 2.8)

## 2.1.4 Basis of consolidation

The consolidated financial statements of the Group comprises the financial statements of the Authority and the subsidiary (AMSB) made up to 31 December 2020. The group controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. For the group to have power over an entity, it must have the practical ability to exercise those rights. In situations where potential voting rights exist, these are taken into account if the group has the practical ability to exercise those rights.

Entities that are controlled by the group are consolidated from the date the group gains control and ceases to be consolidated from the date the group loses control of the entities.

All intra-group transactions are eliminated on consolidation.

## 2.2. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (except for financial assets and financial liabilities measured at FVTPL and FVOCI) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL and FVOCI are recognised immediately in profit or loss.

## 2.3. Financial assets

Financial assets consist of cash balances with banks and other financial institutions, investments in equity and debt securities, assets held with IMF, and other receivables.

### 2.3.1 Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Investment securities at FVTPL;
- Investment securities at FVOCI;
- Investment securities at amortised cost; or
- Other receivables at amortised cost.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

The classification requirements for debt and equity instruments are described below:

## Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds, loans, and other receivables.

Classification and subsequent measurement of debt instruments depend on:

- a) The Group's business model for managing the asset; and
- b) The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate (EIR) method.
- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain from derecognition of investment securities measured at FVOCI". Interest income from these financial assets is included in 'Interest income' using the EIR method.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented within "Net gains on investment securities measured at FVTPL" in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the EIR method.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

## Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the "Net gains on investment securities measured at FVOCI" line in the statements of comprehensive income.

### **2.3.2 Impairment of financial assets**

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The Group recognises a loss allowance for such loss at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments, (referred to as Stage 2 and Stage 3); or
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk ("SICR") are provided in Note 28.2.1[c].

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

ECLs are probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of securities that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

## Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender or the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

## Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a SICR.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in debt securities a qualitative indicator used is the breach of covenants. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

## Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a SICR since initial recognition. If there has been a SICR, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an external credit rating of 'investment grade', which is above Baa2 for Moody's and above BBB for S&P and Fitch. Accordingly, the Group assumes the application of the low credit risk expedient on the debt securities portfolio that broadly represents bonds issued with strong credit ratings of at least A3 for Moody's and A- for S&P and Fitch.

For cash and cash equivalents, assets held with IMF, deposits with financial institutions and other receivables, these are either repayable on demand, mature within a year or placed with reputable financial institutions with high external credit rating. Accordingly, determination of staging triggers for identifying significant increase in credit risk is not consequential taking into account the rating of the counterparties are consistent

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has significantly increased since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group incorporates forward-looking information in its determination whether credit risks have increased significantly since initial recognition through its rating mechanism using external rating or based on criteria involving qualitative forward-looking elements.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a SICR before the amount becomes past due.

## Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECL are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for debt instruments measured at FVOCI: the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised as a part of net income in the statements of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised as a part of net income in the statements of comprehensive income. When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries of accounts previously written off are recognised directly in the statements of comprehensive income as a part of net income.

### **2.3.3 Modification and derecognition of financial assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing debt security would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

## 2.3.4 Write-off

Debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in other income.

## 2.4. Financial liabilities

### Classification and subsequent measurement

Financial liabilities are any liabilities that are contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or a contract that will or may be settled in the Group's own equity instrument. Financial liabilities are classified as either financial liabilities at FVTPL (including financial liabilities held for trading and those designated at FVTPL) or financial liabilities at amortised cost.

#### (a) Financial liabilities at FVTPL

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or if so designated by management. Financial liabilities designated as at FVTPL at inception are those that are managed and whose performance is evaluated on a fair value basis, and are intended to be held for an indefinite period of time but may be extinguished in response to needs for liquidity or changes in interest rates or exchange rates. Information about these financial liabilities is provided internally on a fair value basis to the Treasury Investment Management. Financial liabilities classified as FVTPL consist of derivative financial liabilities.

Financial liabilities at FVTPL are initially recognised and subsequently measured at fair value with any gains or losses recognised in profit or loss. Fair value is computed using quoted market prices.

#### (b) Other financial liabilities at amortised cost

Other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the EIR method, where applicable.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Derecognition of financial liabilities

The Group derecognises financial liabilities only when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## **2.5. Derivative financial instruments**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques (for example for structured notes), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the statements of comprehensive income under "Net gain/loss on investment securities measured at FVTPL".

## **2.6. Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter ("OTC") derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The Group has no assets or liabilities classified under Level 3 as at 31 December 2020 and 2019.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from Bloomberg.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting date. The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity such as forward contracts. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the OTC market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The fair value of OTC derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates, with the resulting value discounted back to present value.

## 2.7. Property and equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. The periods used for this purpose are:-

Buildings	3 to 50 years
Furniture, fixtures & fittings	5 to 10 years
Motor vehicles	7 years
Office equipment, machinery & computers	3 to 10 years

Fully depreciated assets are retained in the consolidated financial statements until they are no longer in use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statements of comprehensive income.

Construction-in-progress consists of items of property under construction. Assets under construction are depreciated once they are completed and ready for operational use, at which time these are derecognised in the construction-in-progress account and recognised within the specific asset classification in property and equipment account.

## 2.8. Gold

Gold is recognised initially at cost and subsequently measured at fair value at reporting date. The Group's intention is to hold the asset as part of its long-term reserves.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Changes in carrying amount of gold relating to the price of gold bullion are recognised in OCI as “Net gains on gold revaluation”. This in turn forms part of market valuation reserve in accordance with Section 7 of the Order. When gold is derecognised, the cumulative gain or loss previously recognised in market valuation reserve is retained in equity and will be reclassified to reserve fund.

## 2.9. Impairment on non-financial assets

The carrying amounts of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. If this is not possible to do so, the recoverable amount for the cash-generating unit to which the asset belongs to shall be determined. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash generating unit is the greater of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s or cash generating unit’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2.10. Interest income and expense

Interest income and expense are recognised in profit or loss for all interest-bearing financial instruments using the EIR method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

## 2.11. Dividend income

Dividends are recognised in profit or loss when the Group’s right to receive payment is established.

## 2.12. Operating income

Operating income is recognised in the accounting period in which it is earned, except where it is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the income is recognised as revenue as the services are provided, or when the significant act has been completed, or as an adjustment to the EIR.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2.13. Fee and commission expense

Fee and commission expense is recognised in the period in which related revenue is recognised. This includes management fee, custody fee and other charges arising from other operations.

## 2.14. Foreign currency transactions and translation

### Functional and presentation currency

Items in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Brunei dollar, which is the Group’s functional currency.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

Translation differences on non-monetary financial instruments, such as equities held at FVTPL, are reported as part of the fair value gain or loss recognised under “Net gain/loss on investment securities measured at FVTPL” in the statements of comprehensive income.

## 2.15. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis. The right to offset must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

As at 31 December 2020 and 2019, there are no financial assets and liabilities that have been offset.

## 2.16. Cash and cash equivalents

Cash and cash equivalents consist of cash and other cash items, deposit placements with local and international financial institutions with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value. Restricted cash is disclosed separately from cash and cash equivalents in Note 4 and in the statements of cash flows.

## 2.17. Advances to suppliers and other assets

Advances to suppliers are expenses paid in advance and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Advances to suppliers expire and are recognised as expense either with the passage of time or through use or consumption.

Other assets include assets that are realised as part of the normal operating cycle and are expected to be realised within twelve months after the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2.18. Inventories

Inventories consist of bank notes and coins and are recorded at cost upon receipt of stock. They are subsequently expensed when issued into circulation.

Inventories also consist of numismatic notes and coins, which are specially minted or packaged as collectors' items which are not issued for monetary purposes and are not included as part of currency in circulation. Any profit or loss arising from the sale of these coins is included in the statements of comprehensive income.

The cost of inventories is based on the first-in first-out principle, and is defined as the sum of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

## 2.19. Currency in circulation

Currency issued is a claim on the Authority for notes and coins issued for circulation, fully guaranteed by the Government of Brunei Darussalam, in favour of the holder. Currency in circulation is recorded at face value as a liability in the Statements of Financial Position.

## 2.20. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2.21. Sukuk issuance, accrued expenses and other liabilities

Sukuk are financial certificates that provide an investor with proportionate beneficial ownership of an asset, and returns based on this ownership. They are commonly referred to as Islamic bonds.

Accrued expenses and other liabilities represent liabilities for goods and services provided to the Group prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid subsequent to year-end.

They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method, unless the discounting effect is immaterial.

## 2.22. Employee benefits

### 2.22.1 Defined contribution plans and other employment benefits

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

- a) Employees Trust Fund (“TAP”) and Supplemental Contributory Pension (“SCP”)

Under Section 26 of the Order, the laws of Brunei Darussalam which relate to retirement benefits schemes shall apply to the employees of the Group. The Group participates in TAP and SCP.

- b) Incentive scheme

The incentive scheme is a bonus scheme of which the calculation is referenced to monthly salary of the employee. Employees are eligible to participate in the incentive scheme after completing the six-month trial period. The main objective of this incentive is to provide incentives to employees to improve the level and quality of their services according to their capabilities. The Group contributes 5 or 10 percent of employee’s monthly salary depending on the employee’s annual performance. This incentive scheme is recognised as an employee benefits expense under “Staff costs” in the statements of comprehensive income.

## 2.22.2 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

## 2.23. Distributable earnings

The earnings available for distribution shall be determined under Section 8 of the Order, 2010 as follows:

- a) Where profits include realised and unrealised foreign currency valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the currency valuation reserve fund;
- b) Where profits include realised and unrealised foreign currency valuation losses, by adding back such losses to the net profits and deducting the amount from the currency valuation reserve fund to the extent that there are credit funds available in the currency valuation reserve fund to cover such losses;
- c) Where profits include market unrealised valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the market valuation reserve fund; and
- d) Where profits include market unrealised valuation losses, by adding back such losses to the net profit and deducting such losses from the market valuation reserve fund to the extent that there are credit funds available in the market valuation reserve fund to cover such losses.

## 2.24. Allocation of distributable earnings

The allocation of distributable earnings shall be determined under Section 9 of the Order, 2010 as follows:

- a) Within 3 months after the end of every financial year of the Group, the Group shall allocate the distributable earnings as follows:
  - where the total balance of the paid-up capital and the Reserve Fund is less than 20 percent of the total assets at the end of the financial year, 100 percent of the distributable profit is to be transferred to the Reserve Fund until the 20 percent level is met.
  - where the total balance of the paid-up capital and the Reserve Fund is greater than 20 percent of the total assets at the end of the financial year, 30 percent of the distributable profit is to be transferred to the Reserve Fund and the balance of 70 percent is to be transferred to the Government of Brunei Darussalam.
- b) No distribution shall be made out of the current income of the Group except as permitted by subsection (a) above; and
- c) If in any financial year the Group incurs negative distributable earnings, these earnings shall first be charged to the Reserve Fund and subsequently be covered by capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2.25. Other operating expenses

Other operating expenses are recognised in the consolidated financial statements as incurred.

## 2.26. Standards issued but not yet effective

As at January 1, 2020, the Group adopted all new and revised IFRS Standards, and interpretation of IFRS Standards that are effective from the date and are relevant to its operations. The adoption of these new/revised IFRS Standards does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current period or prior years.

The following accounting standards have been issued by the IASB but are not yet effective for the Group and earlier application is permitted; however, the Group has not early applied the following accounting standards in preparing these consolidated financial statements.

Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	<p>The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.</p> <p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.</p>	The Group does not anticipate that the application of amendments to IAS 1 will have a material impact on its consolidated financial statements.
Amendments to IFRS 3 Reference to the Conceptual Framework	<p>The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.</p> <p>They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.</p> <p>Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.</p>	The Group does not anticipate that the amendments to IFRS 3 will have a material impact on its consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
	<p>The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.</p>	
<p>Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use</p>	<p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.</p> <p>The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.</p> <p>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.</p> <p>The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.</p> <p>The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.</p> <p>The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>The Group does not anticipate that the amendments to IAS 16 will have a material impact on its consolidated financial statements.</p>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
Annual Improvements to IFRS Standards 2018-2020	<p><u>IFRS 9 Financial Instruments</u></p> <p>The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.</p> <p>The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.</p> <p>The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p> <p><u>IFRS 16 Leases</u></p> <p>The amendment removes the illustration of the reimbursement of leasehold improvements.</p> <p>As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.</p>	<p>The Group does not anticipate that the annual improvements to IFRS Standards 2018-2020 will have a material impact on its consolidated financial statements.</p>

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in the below notes to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 3.1. Critical judgements in applying the accounting policies

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the accounting policies and with the most significant effect on the consolidated financial statements.

- a) **Business model assessment:** Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

- b) Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a SICR. In assessing whether the credit risk of an asset has significantly increased the Group applied the 'low credit risk' expedient. Refer to Note 28.2.1 for more details.
- c) Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 28.2.1 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.
- d) Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 28.2.1 for more details on the ECL.
- e) Impairment of property and equipment: Assets that have definite useful lives are subject to depreciation and amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, management considers evidence of obsolescence or physical damage of an asset, assets becoming idle, or the economic performance of the asset is, or will be, worse than expected. If any such evidence exists for any item of property and equipment, changes in those estimates and judgments could result in adjustments to the net carrying amount of property and equipment.

There is no recorded provision for impairment loss pertaining to property and equipment during the reporting period considering the absence of impairment indicators such as evidence of obsolescence or physical damage to any item of property and equipment or significant changes in the Group's industry to which it operates.

### 3.2. Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

- a) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- b) Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- c) Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- d) Useful lives of property and equipment: Management estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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In addition, the estimation of the useful lives of property and equipment is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that the future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these circumstances. A change in the estimated useful lives of property and equipment would impact recorded costs and expenses, and assets.

The carrying amounts of property and equipment are presented in Note 10. Based on management's assessment as at 31 December 2020 and 2019, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

## 4. Cash and cash equivalents

Cash and cash equivalents per statements of cash flows comprise the following:

	The Group and the Authority	
	2020	2019
	<b>BND'000</b>	<b>BND'000</b>
Cash	1,293,169	1,928,662
Short-term deposits	251,648	314,354
Short-term government treasury bills	1,123,625	767,892
<b>Total cash and cash equivalents</b>	<b>2,668,442</b>	<b>3,010,908</b>

Short-term deposits with banks have average maturities of less than or equal to 91 days and carry effective interest rates of 0.22% to 0.45% in 2020 [2019: 1.64% to 1.94%]. Interest earned from cash and deposits with banks and financial institutions is disclosed in Note 19.

## 5. Investment securities

	The Group and the Authority	
	2020	2019
	<b>BND'000</b>	<b>BND'000</b>
Investment securities at FVOCI:		
Government debt securities	524,442	605,922
Corporate debt securities	442,423	419,762
Government treasury bills	129,871	381,112
	<b>1,096,736</b>	<b>1,406,796</b>
Investment securities at FVTPL:		
Corporate debt securities	63,570	36,929
Listed equity instruments	180,621	198,416
	<b>244,191</b>	<b>235,345</b>
<b>Total investment securities</b>	<b>1,340,927</b>	<b>1,642,141</b>

Debt securities classified as FVOCI that are expected to mature within 12 months after reporting date amounts to BND208,957,397 [2019: BND224,545,875]. The remaining balance of FVOCI has a maturity of more than 12 months after reporting date.

The dividend income from listed equity instruments recognised by the Group for the year amounts to BND4,386,744 [2019: BND5,809,780].

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 6. Derivative financial assets and liabilities

Derivatives held by the Authority for non-hedging purposes mainly consist of foreign exchange forwards representing commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate on maturity.

As at 31 December, the Authority had contractual commitments under open forward currency contracts as follows:

	2020	2019
	Contract/Notional Amount in BND'000	Contract/Notional Amount in BND'000
Commitments to purchase currencies under forward contracts	469,661	383,494
Commitments to sell currencies under forward contracts	(464,791)	(379,479)

As at 31 December 2020, the derivative financial assets amount to BND7,477,840 [2019: BND4,417,282], while the derivative financial liabilities amount to BND2,607,717 [2019: BND401,811]. The contract amounts of these instruments reflect the extent of the Authority's involvement in forward currency contracts and do not represent the risk of loss due to counterparty non-performance. The fair values of these derivatives are presented on the Statements of Financial Position.

## 7. Assets held and liabilities with IMF

Brunei Darussalam became a member country of the International Monetary Fund ("IMF") in October 1995. The Ministry of Finance and Economy is the fiscal agent and the Authority was appointed to be a depository for the IMF deposits. These deposits which were paid by the Government of Brunei Darussalam to IMF through the Ministry of Finance and Economy were maintained by the Authority (as a depository) under IMF Account No. 1, IMF Account No. 2 and IMF Securities Account. The deposits represented the Domestic Currency Portion amounting to SDR201,730,037 of Brunei Darussalam's Quota Subscription payment to IMF.

Borrowings from and repayments to the IMF are denominated in Special Drawing Rights ("SDRs"). The SDR balances in IMF accounts are translated into Brunei currency at the prevailing exchange rates and any unrealised gains or losses are accounted for in accordance with accounting policy on foreign currencies.

The IMF account is as detailed below:

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
<b>ASSETS</b>		
Foreign currency investment and claims:		
IMF quota subscription	579,414	562,388
Less:		
IMF No.1 currency account	(85,279)	(83,456)
IMF securities account	(416,590)	(407,685)
Currency valuation adjustment account	(9,858)	(5,549)
Reserve Tranche Position	<b>67,687</b>	<b>65,698</b>
Add:		
SDR holdings	418,422	405,893
Account receivable:		
Accrued remuneration on Brunei's reserve tranche position	9	65
Accrued interest on SDR holdings	72	529
IMF expenses on SDR allocation	14,686	13,905
	<b>500,876</b>	<b>486,090</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
<b>LIABILITIES</b>		
IMF No.2 currency account	383	375
Currency valuation adjustment account No.2	7	4
IMF SDR allocation	391,347	379,847
IMF accrued expenses on SDR allocation	68	495
	<b>391,805</b>	<b>380,721</b>

## 8. Other assets

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
Interest and dividend receivables	7,876	10,447
Advances to suppliers	4,707	3,500
Miscellaneous assets	2,763	2,032
	<b>15,346</b>	<b>15,979</b>

## 9. Gold

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
At 1 January	297,404	254,544
Revaluation	66,866	42,860
At 31 December	<b>364,270</b>	<b>297,404</b>

Gold is measured at fair value at the end of each reporting period. The fair value of gold is calculated using unadjusted quoted prices in active markets for identical assets. The fair value measurement of gold is under Level 1 of the fair value hierarchy.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. Property and equipment, net

The Group and the Authority						
31 December 2020						
	Buildings	Construction-in-progress	Furniture, fixtures & fittings	Motor vehicles	Office equipment, machinery & computers	Total
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Cost						
Balance as at 1 January 2020	41,645	11,521	1,130	325	22,593	77,214
Additions	72	15,338	8	-	132	15,550
Balance as at 31 December 2020	41,717	26,859	1,138	325	22,725	92,764
Accumulated depreciation						
Balance as at 1 January 2020	27,850	-	885	290	15,745	44,770
Depreciation charge for the year	668	-	69	25	2,434	3,196
Balance as at 31 December 2020	28,518	-	954	315	18,179	47,966
Net book value as at 31 December 2020	13,199	26,859	184	10	4,546	44,798

Construction-in-progress is related to the construction of the Group's new building which is expected to be completed in 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. Property and equipment, net (cont'd)

The Group and the Authority 31 December 2019						
	Buildings	Construction-in-progress	Furniture, fixtures & fittings	Motor vehicles	Office equipment, machinery & computers	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
<b>Cost</b>						
Balance as at 1 January 2019	41,429	6,017	1,128	321	18,618	67,513
Additions	216	5,504	2	4	3,975	9,701
Balance as at 31 December 2019	41,645	11,521	1,130	325	22,593	77,214
<b>Accumulated depreciation</b>						
Balance as at 1 January 2019	27,215	-	799	259	13,234	41,507
Depreciation charge for the year	635	-	86	31	2,511	3,263
Balance as at 31 December 2019	27,850	-	885	290	15,745	44,770
Net book value as at 31 December 2019	13,795	11,521	245	35	6,848	32,444

Construction-in-progress is related to the construction of the Group's new building which is expected to be completed in 2021.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 11. Currency in circulation

In accordance with section 13 of the CO, the Authority has the sole authority to issue banknotes and coins for circulation in Brunei Darussalam. A breakdown, by denomination, is presented below.

Denomination	The Authority	
	2020	2019
	BND'000	BND'000
\$1	43,096	41,096
\$5	32,554	30,245
\$10	144,444	130,962
\$20	14,169	13,915
\$25	8,358	8,370
\$50	112,994	106,531
\$100	685,974	609,682
\$500	183,699	162,131
\$1,000	25,923	14,511
\$10,000	58,130	63,470
Other notes and coins	48,460	47,208
	<b>1,357,801</b>	<b>1,228,121</b>

Currency in circulation represents the face value of banknotes and coins in circulation. Notes and coins held by the Authority as cash in vault and cashier/teller at the end of the financial year have been excluded from the liability of banknotes and coins in circulation because they do not represent currency in circulation.

## 12. External assets

Under Section 24 of the CO, the external assets of the Currency Fund shall at all times be not less than 100 per cent of the face value of the currency in circulation.

The assets and liabilities of the Currency Fund as at 31 December are as follows:

	The Authority	
	2020	2019
	BND'000	BND'000
External Assets:		
Cash & cash equivalents - restricted	105,506	54,865
Fixed deposit	101,469	40,921
Investment securities	1,266,182	1,312,927
Other liabilities	(22,026)	(15,398)
	<b>1,451,131</b>	<b>1,393,315</b>
Less:		
Active currency in circulation	1,357,801	1,228,121
	<b>93,330</b>	<b>165,194</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 13. Deposits and balances of local banks and other local financial institutions

	The Group		The Authority	
	2020	2019	2020	2019
	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>
<b>Minimum cash balance:</b>				
Finance companies	101,250	87,726	101,250	87,726
<b>Current account:</b>				
Commercial banks	1,489,025	1,400,476	1,489,039	1,400,476
Insurance company	7,000	7,000	7,000	7,000
AMSB	-	-	160,000	120,000
<b>Deposits:</b>				
Commercial banks	-	700,043	-	700,043
	<b>1,597,275</b>	<b>2,195,245</b>	<b>1,757,289</b>	<b>2,315,245</b>

Deposits from local banks and other local financial institutions include:

- a) The minimum cash balance maintained by banks and finance companies with the Authority as required under Section 45 of the Banking Order, 2006 and the Islamic Banking Order, 2008 and Section 13A of the Finance Companies Act (Chapter 89) respectively. Deposits from companies holding licences under the Securities Order (SO), 2001 represents statutory deposits as required under Section 27 of the SO 2001. With effect from 21 December 2017, the current account maintained by each bank and other institutions with the Authority shall be used to satisfy the minimum cash balance and as a settlement account for each bank and other institutions within the Real-Time Gross Settlement ("RTGS"). This means that the balances on the current account can be maintained, up to the Minimum Cash Balance utilisation rate of 30%, and may be used for intraday settlement within the RTGS.
- b) The current account maintained by the banks and other institutions with the Authority shall be used as a settlement account for each bank within the RTGS. RTGS is a process and computer installations providing continuous (real-time) settlement of fund transfers individually on an order basis (without netting).

## 14. Deposit balance of international financial institutions

	The Group and the Authority	
	2020	2019
	<b>BND'000</b>	<b>BND'000</b>
Deposit from World Bank	19,631	19,631
Other institutions	3,951	4,221
	<b>23,582</b>	<b>23,852</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 15. Other liabilities

	The Group		The Authority	
	2020	2019	2020	2019
	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>
Trade pending settlement	51,955	167,567	51,955	167,567
Accrued expenses	10,004	130,480	10,394	130,889
Fees received in advance	1,637	1,726	1,637	1,726
	<b>63,596</b>	<b>299,773</b>	<b>63,986</b>	<b>300,182</b>

Fees received in advance relates to cash received in advance for licensing and regulatory operations.

## 16. Provisions

	The Group and the Authority	
	2020	2019
	<b>BND'000</b>	<b>BND'000</b>
Provision for incentive scheme	3,707	2,801
Provision for leave expenses	124	99
Provision for distributable earnings to the Government of Brunei Darussalam	5,525	-
	<b>9,356</b>	<b>2,900</b>

The provision for distributable earnings to the Government of Brunei Darussalam is as follows (Note 2.24):

	The Group and the Authority	
	2020	2019
	<b>BND'000</b>	<b>BND'000</b>
As at 1 January	-	16,558
Distributable earnings for the year	5,525	-
Payment made during the year	-	(16,558)
As at 31 December	<b>5,525</b>	<b>-</b>

## 17. Sukuk issuance

	The Group		The Authority	
	2020	2019	2020	2019
	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>	<b>BND'000</b>
Issuance of sukuk	160,000	120,000	-	-
Coupon payable (within 12 months)	411	411	-	-
	<b>160,411</b>	<b>120,411</b>	<b>-</b>	<b>-</b>

On 12 November 2018, AMSB issued its first 10 years sukuk to finance the construction of AMBD Building with an issuance size of BND 120,000,000 via a private placement. The sukuk were issued pursuant to the Syariah-compliant financing principles of Wakalah, Istisna' and Ijara. The transaction, structured using the concept of Ijarah Mausufah Fi Zimmah, has a unique structure not commonly adopted in Islamic finance by creatively using three structures. The first structure is the treasury structure, or wakalah. AMBD acts as wakeel to invest the sukuk

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

issuance proceeds in accordance with a Syariah compliant treasury mandate. The second structure is the construction structure, or *istisna'*. The sukuk issuance proceeds will be used to fund the construction of the underlying asset. The third structure is the lease structure, or *ijara*, and is separated into two stages namely the advance rental and rental stage. The advance rental stage runs together with the construction phase. Upon completion of the building of the underlying asset, the rental stage will begin and the lease of the underlying asset will commence.

The AMBD I-Bills Programme aims to support the effective and efficient liquidity management for the banks in Brunei Darussalam and at the same time, widen the list of available money market instruments for AMBD and the domestic financial sector. The AMBD I-Bills is based on the Syariah concept of *Wakalah bil Ujrah* with a tenor of two weeks and is issued weekly. The maximum issuance size of the AMBD I-Bills is BND 50,000,000 and is one of the eligible collaterals for the AMBD Funding/Lending Facilities in addition to the Brunei Government Sukuk.

## 18. Equity including reserves

The authorised capital of the Authority is BND2,000,000,000 and the paid-up capital is BND1,000,000,000. The entire capital is held by the Government of Brunei Darussalam.

The Authority regards its shareholder's funds as capital to support its normal operations.

### 18.1 Capital management

The Authority's objectives when managing capital are as follows:

- a) To comply with the capital requirements outlined in Sections 6 of the Order;
- b) To safeguard the Authority's ability to continue as a going concern in its provision of Central Banking facilities for the Government of Brunei Darussalam as outlined in Sections 49 to 51 of the Order; and
- c) To maintain a strong capital base to support the development of the Brunei economy.

Capital adequacy is monitored by the Authority's management, and in accordance with the guidelines established by the Order.

### 18.2 Reserve fund and reserve accounts

The reserve fund was established in accordance with the provisions of Section 7 of the Order as follows:

- a) a Reserve Fund which shall not be used except for the purpose of covering losses sustained by the Authority;
- b) a Currency Valuation Reserve Fund which shall be used to account for realised and unrealised gains and losses arising from its positions with foreign currencies;
- c) a Market Valuation Reserve Fund which shall be used to account for unrealised gains and losses arising from its positions with gold, financial instruments and other assets; and
- d) such other funds as the Authority may determine.

Effective from 1 January 2018 market valuation reserve consists of the following:

- a) Market valuation reserve for investment securities measured at FVTPL;
- b) Market valuation reserve for investment securities measured at FVOCI; and
- c) Market valuation reserve for revaluation of gold.

The distribution of earnings is in accordance with Section 8 of the Order is as follows:

- a) The net profits or losses determined by the Authority shall be in conformity with the accounting standards adopted by the Authority.
- b) The earnings available for distribution under section 9 shall be determined:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

- (i) where profits include realised and unrealised foreign currency valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the currency valuation reserve fund;
- (ii) where profits include realised and unrealised foreign currency valuation losses, by adding back such losses to the net profits and deducting the amount from the currency valuation reserve fund to the extent that there are credit funds available in the currency valuation reserve fund to cover such losses;
- (iii) where profits include market unrealised valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the market valuation reserve fund; and
- (iv) where profits include market unrealised valuation losses, by adding back such losses to the net profit and deducting such losses from the market valuation reserve fund to the extent that there are credit funds available in the market valuation reserve fund to cover such losses.

The table below shows the distribution of available earnings for the years ended 31 December:

	The Authority	
	2020	2019
	BND'000	BND'000
Total comprehensive income	109,063	123,720
<b>Earnings available for distribution</b>	<b>109,063</b>	<b>123,720</b>
<i>Transferred as follows:</i>		
Transfer to market valuation reserve fund for investment securities measured at FVOCI	(15,488)	(24,449)
Transfer to market valuation reserve fund for investment securities measured at FVTPL	(18,816)	(30,704)
Transfer to market valuation reserve fund for gold revaluation	(66,866)	(42,860)
Transfer to reserve fund	(2,368)	(25,707)
Transfer to the Government of Brunei Darussalam	(5,525)	-
	-	-

## 19. Interest income

	The Group		The Authority	
	2020	2019	2020	2019
	BND'000	BND'000	BND'000	BND'000
On debt securities	30,624	32,788	30,624	32,788
On deposits with banks and financial institutions	8,937	12,935	8,923	12,935
	<b>39,561</b>	<b>45,723</b>	<b>39,547</b>	<b>45,723</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 20. Net gain on investment securities measured at FVTPL

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
Investment in debt securities		
- Realised loss	(104)	(47)
- Unrealised gain	554	138
Investment in equity securities		
- Realised loss	(6,347)	(1,823)
- Unrealised gain	18,262	30,566
Loss on foreign exchange	(3,110)	(4,135)
	<b>9,255</b>	<b>24,699</b>

## 21. Net gain on investment securities measured at FVOCI

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
Investment securities at FVOCI:		
- Realised gain	9,346	14,474
- Unrealised gain	15,488	24,449
	<b>24,834</b>	<b>38,923</b>

## 22. Operating income

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
Sale of commemorative coins	46	327
Credit Bureau services	265	664
Payment settlements	350	615
Registration and licensing of banks and other financial institutions	1,546	1,834
Collateral registry	114	85
Registry of international business companies	-	2
Other income	765	415
	<b>3,086</b>	<b>3,942</b>

## 23. Staff costs

	The Group and the Authority	
	2020	2019
	BND'000	BND'000
Salaries and wages	10,654	10,212
Allowances	3,114	3,105
Bonuses	2,422	2,313
Other staff costs	780	738
Long-term incentive scheme	950	341
	<b>17,920</b>	<b>16,709</b>

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For the year ended 31 December 2020

## 24. Other operating expenses

	The Group		The Authority	
	2020	2019	2020	2019
	BND'000	BND'000	BND'000	BND'000
Consultancy and developmental expenditure	2,354	3,931	2,354	3,931
General and administrative expenditure	3,605	3,773	3,596	3,771
Depreciation	3,196	3,263	3,196	3,263
Currency operation expenses	4,179	2,931	4,179	2,931
Maintenance of building, office equipment & computer	2,404	2,341	2,404	2,341
	<b>15,738</b>	<b>16,239</b>	<b>15,729</b>	<b>16,237</b>

## 25. Related Parties

In the normal course of its operation, the Authority can enter into transactions with related parties. Related parties include the Government of Brunei Darussalam and the subsidiary company.

The Authority may serve as banker to and act as the financial agent to the Government of Brunei Darussalam. Other than the transfer to the Government of Brunei Darussalam in accordance with Section 9 of the Order, there was no other significant related party transaction during the current financial year.

## 26. Events after the reporting date

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 27. Other matters

The Group and the Authority will continue to pay close attention to the development of the outbreak of the COVID-19 subsequent to the end of the reporting period and its related impact on the Group and the Authority's businesses and financial conditions. Based on current available information, although the outbreak may have direct and indirect implications on the operating results, the management does not consider that the event would have a material impact to the Group and the Authority's continuity and operations. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak, if any, on the consolidated financial statements of the Group and the Authority for the financial year ended 31 December 2020 could have been significantly different from estimates.

The Group and the Authority will closely monitor the situation and development in this regard.

## 28. Financial instruments and financial risks

### 28.1. Fair value of financial instruments

The Group ranks its investment securities based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

The table below presents the hierarchy levels of the Group's assets and liabilities measured at fair value.

	Level 1	Level 2	Level 3	Total
	BND'000	BND'000	BND'000	BND'000
<b>31 December 2020</b>				
<u>Financial assets</u>				
Investment securities	1,340,927	-	-	1,340,927
Derivative financial assets	-	7,478	-	7,478
	<b>1,340,927</b>	<b>7,478</b>	-	<b>1,348,405</b>
<u>Financial Liabilities</u>				
Derivative financial liabilities	-	2,608	-	2,608
	-	<b>2,608</b>	-	<b>2,608</b>

	Level 1	Level 2	Level 3	Total
	BND'000	BND'000	BND'000	BND'000
<b>31 December 2019</b>				
<u>Financial assets</u>				
Investment securities	1,642,141	-	-	1,642,141
Derivative financial assets	-	4,417	-	4,417
	<b>1,642,141</b>	<b>4,417</b>	-	<b>1,646,558</b>
<u>Financial Liabilities</u>				
Derivative financial liabilities	-	402	-	402
	-	<b>402</b>	-	<b>402</b>

## 28.2. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The most important types of financial risks are credit risk, liquidity risk and market risk. Market risk includes currency risk, price risk and interest rate risk.

The Group's investment policy statements are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

### 28.2.1. Credit risk

Credit risk is the risk of financial loss resulting from the failure of counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Credit exposures arise principally in debt securities and other treasury bills in the Group's asset portfolio. The AMBD Risk Committee manages and controls credit risk by monitoring the investment guidelines and directives issued to the fund managers of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

The Directors do not consider that the Group is exposed to any significant credit risk because its financial assets consist primarily of cash and securities issued or guaranteed by Government of sovereign countries (i.e. Singapore, Hong-Kong, and China). The Group does not have any significant credit risk exposure to any single non-investment grade counterparty or any group of counterparties having similar characteristics.

(a) Credit risk management

Debt securities and treasury portfolio

For debt securities and other treasury bills, external ratings such as Standard & Poor's ratings or their equivalents are used by the Group for managing credit risk exposures. Investments in these securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

(b) Expected credit loss measurement

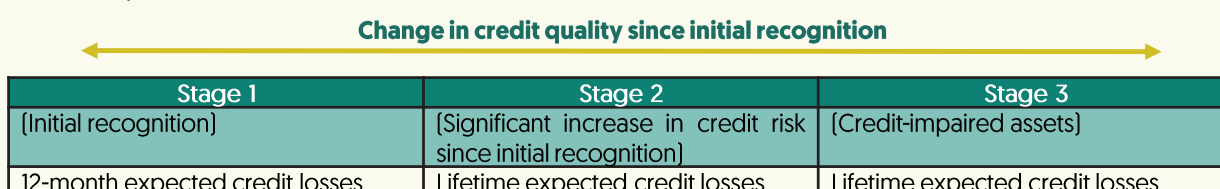
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased originated credit-impaired financial assets):



(c) Significant increase in credit risk ('SICR')

Due to the generally high quality of the securities as stipulated in Investment Policy Statement of respective funds and the overall low credit risk exposures whereby investments are commonly rated "investment grade" by the global credit rating agencies, the Group has opted for the practical expedient of the general approach through applying low credit risk operational simplification.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

*(d) Definition of default and credit-impaired assets*

The Group defines a financial instrument as in default if the issuer of the investment securities is downgraded to below investment grade, which is below Baa2 for Moody's and below BBB for Standard & Poor's and Fitch Ratings. Notwithstanding the above, the Group does not intend to rebut the "90 days overdue" presumed definition of default.

*(e) Measuring ECL - Explanation of inputs, assumptions and estimation techniques*

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These ECL is derived from internally developed statistical models and other historical data and it is adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. Given that there has not been any historical instance of defaults on the portfolio, the Group applied the external credit rating agency's historical observed default rates to derive the portfolio's average default rates for respective historical years. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss severity arising from default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. Given that there has not been any historical instance of defaults on the portfolio, the Group bases its LGD estimates from data published by external rating agency. The LGD parameter will be determined based on average historical LGD on the basis that there is a limited statistical significance between LGD and macroeconomic indicators. The cash flows are not discounted as any discounting effects are not expected to be significant for measuring 12 months ECL on the debt securities portfolio.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the debt security exposure that are permitted by the current contractual terms, such as amortisation profiles and early repayment.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a SICR it can be necessary to perform the assessment on a collective basis as noted below.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.



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For the year ended 31 December 2020

*(f) Forward-looking information incorporated in the ECL model*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified economic variables impacting credit risk and expected credit losses for each portfolio. The macroeconomic indicators should be both sensitive and reflective of Group's portfolio based on the following considerations:

- Intuitiveness for users to interpret and understand the relationship between macroeconomic indicators and the segment of the portfolios' default risk.
- Readily available forecasts to operationalize the model. In the absence of available forecasts, Group would require a separate forecasting process or introduce an element of expert judgement to derive the forecast estimate.
- Accommodates assignment of probability weights.

Based on those considerations and the nature of the investment portfolio and the selected segmentation approach, we further narrowed down the potential economic factors to the following:

(i) Singapore economic factors - Singapore Macroeconomic Variables (MEVs)

The Singapore MEVs will be tested for correlation with credit quality of Singapore issuer counterparties within AMBD's investment portfolio, which are the following:

Singapore MEVs	Description	Category
SIN_STI	Singapore STI Index which is one of the main stock indices for Singapore equities.	Equity Price
SIN_GDP	Singapore GDP (absolute value in SGD million) which measures economic growth for the country	Economic Growth
SIN_CPI_YOY%	Singapore Consumer Price Index	Inflation
SIN_PPI_MANF	Singapore Producer Price Index	Economic Growth
SIN_3M_SIBOR	Singapore 3-month Interbank Offer Rate	Interest Rate
SIN_IMP_PRICE	Singapore Import Price Index	Economic Growth
SIN_EXP_PRICE	Singapore Export Price Index	Economic Growth
SIN_EMPL	Singapore Employment Number	Employment

(i) World economic factors - World MEVs

The World MEVs will be tested for correlation with credit quality of both Singapore and non-Singapore counterparties. They are:

World MEVs	Description	Category
WORLD_GDP	World GDP [%] which measures the economic growth globally	Economic Growth
WORLD_TRADE_VOL	World Trade Volume which measures trade flow globally	Trade
WORLD_WTI_OIL	World WTI crude oil prices measuring global demand for energy	Economic Growth
WORLD_BRENT_OIL	World Brent crude oil prices measuring global demand for energy	Economic Growth

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For the year ended 31 December 2020

(i) World economic factors - World MEVs (Cont.)

World MEVs	Description	Category
WORLD_3M_LIBOR	World 3M LIBOR which measure interbank lending rate globally	Interest Rate
WORLD_US_CPI	US CPI Index which measures inflation in the world's largest economy	Inflation
WORLD_US_IND_PROD	US Industrial Production which measures industrial activities in the US	Economic Growth
WORLD_US_10Y	US 10Y Benchmark Yield	Interest Rate
WORLD_US_UNEMPL	US Unemployment Rate	Employment
S&P 500	S&P 500 which measure equity prices of the largest 500 companies in US	Equity Prices
DJIA	DowJones Industrial Average which measure the largest 30 biggest market cap companies in the US	Equity Prices
NASDAQ	NASDAQ index measures the equity prices of largest tech companies in the US	Equity Prices
US_OIS_3M	USD3M Overnight Index Swap serves as the indicator of overnight benchmark lending rate	Interest Rate
LIBOR_OIS_SPREAD	Spread between LIBOR and OIS tend to measure the market liquidity status	Interest Rate

The macro-economic indicators are shortlisted for further statistical analyses process to determine the highest predictive power for the Group's portfolio. Those shortlisted will be further examined before arriving at the final economic indicators that are both statistically significant, intuitive and reflective of the Group's portfolio.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors.

(g) *Groupings based on shared risks characteristics*

For expected credit loss provisions modelled on a collective basis, a grouping is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

(h) *Credit risk exposure*

*Maximum exposure to credit risk - Financial instruments subject to impairment*

The following tables contain an analysis of the credit risk exposure of each financial instrument. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

The table below presents the ratings of debt securities, treasury bills and other government securities as at 31 December 2020 and 2019 based on international and domestic credit assessment agencies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Credit grade	Financial assets at fair value through OCI *		Deposits with financial institutions *	
	2020 BND'000	2019 BND'000	2020 BND'000	2019 BND'000
AAA	584,860	824,546	19,631	19,631
Aa1 to Aa3	76,288	134,684	2,000	25,000
A1 to A3	195,734	188,987	75,507	60,363
Lower than A1	99,800	106,561	-	-
Unrated	140,054	152,018	20,000	2,000
<b>Gross carrying amount</b>	<b>1,096,736</b>	<b>1,406,796</b>	<b>117,138</b>	<b>106,994</b>
Loss allowance	-	-	-	-
<b>Net carrying amount</b>	<b>1,096,736</b>	<b>1,406,796</b>	<b>117,138</b>	<b>106,994</b>

\* Stage 1: 12-month expected credit losses

As at 31 December 2020 and 2019, the Group's deposits are placed with highly reputable financial institutions.

The entity is also exposed to credit risk in relation to Assets held with IMF that are measured at amortised cost. The maximum exposure at the end of the reporting period is the carrying amount of the asset at BND500,876,266 [2019: BND486,090,569].

*Maximum exposure to credit risk - Financial instruments not subject to impairment*

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment:

Financial assets at fair value through profit or loss	Maximum exposure to credit risk	
	2020 BND'000	2019 BND'000
Debt securities	63,570	36,929
<b>Carrying amount</b>	<b>63,570</b>	<b>36,929</b>

## 28.2.2. Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risk is from its financial investment portfolios.

The market risks arising from the Group's activities are monitored by the Investment Advisory Committee (IAC). Regular reports are submitted to the Management and IAC.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(a) *Currency risk*

Apart from the Group's assets and liabilities with the IMF, which are denominated in SDRs, its exposure to foreign currency risk is limited. The only other significant foreign currency is Singapore Dollar (SGD), on which there is no exposure because the Brunei and the SGD are pegged 1:1. The Group manages any other foreign currency exposure using internal hedging techniques, by matching assets and liabilities, wherever possible.

As at 31 December, the Group's exposure to other foreign currencies follows:

	2020 BND'000	2019 BND'000
<b>Investment securities</b>		
US Dollar	502,022	477,587
Euro	4,635	39,906
Australian dollar	13,098	11,622
Hong Kong dollar	2,744	3,797
Pound Sterling	1,352	847
Renminbi	-	252
Thai Baht	-	1,903

A 10% strengthening of the Brunei dollar against the USD, EUR, AUD, HKD, GBP and Other currencies at 31 December would have decreased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Authority considered to be reasonably possible at the end of reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2020 BND'000	2019 BND'000
<b>Investment securities</b>		
US Dollar	50,202	47,759
Euro	464	3,991
Australian dollar	1,310	1,162
Hong Kong dollar	274	380
Pound Sterling	135	85
Renminbi	-	25
Thai Baht	-	190

A weakening of the Brunei dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

There is no analysis performed on movement against the Singapore dollar as the Brunei dollar is pegged to the Singapore dollar at parity under the Currency Interchangeability Agreement (CIA) signed between the Government of Negara Brunei Darussalam and the Government of Republic of Singapore and is customary tender in Singapore and vice-versa.

SDR, the IMF's unit of account, is essentially a specified basket of five (5) major international currencies (i.e., the U.S. Dollar, Euro, Japanese Yen, Pound Sterling and Chinese Renminbi). The weightage of each currency is as follows:

Currency	Weight [%]
USD	41.73
EUR	30.93
CNY	10.92
JPY	8.33
GBP	8.09
	100.00%

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(b) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may decrease or create losses in the event that unexpected movements arise. The level of mismatch of interest rate repricing that may be undertaken by the Group is monitored frequently by the IAC.

The following table shows the information relating to the Group's investments in fixed income securities that are exposed to fair value interest rate risk presented by maturity profile.

31 December 2020	Range of rates	Up to a year	2-5 years	Over 5 years	Total
			(in BND' 000)		
Financial assets at FVTPL	0% - 4.50%	1,352	9,257	52,961	63,570
Financial assets at FVOCI	0.013% - 5.625%	84,052	459,184	423,629	966,865

31 December 2019	Range of rates	Up to a year	2-5 years	Over 5 years	Total
			(in BND' 000)		
Financial assets at FVTPL	3.50% - 7.25%	-	-	36,929	36,929
Financial assets at FVOCI	0.013% - 5.875%	26,475	580,337	418,872	1,025,684

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, showing the impact on profit for the year ended 31 December 2020:

Change in interest rate:	Impact on profit (in BND'000)	
	Fixed Rate	Floating Rate
+1%	(85)	(18)
-1%	85	18

(c) *Price risk*

Price risk relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices. The Group is exposed to price risk in respect of its investments in listed equities amounting to BND180,620,640 (2019: BND198,416,197).

As at 31 December 2020, based on a 10% fall in equity prices, the impact on profit or loss would be reduction of BND18,062,064.

### 28.2.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the commitments associated with liabilities and other payment obligations. Such risk may result from inadequate market depth or disruption or refinancing problems.

The Group's objective is to ensure that adequate liquidity is maintained at all times. The Group manages such risk by investing mainly in liquid money market instruments for maturities not exceeding 12 months so as to meet its day-to-day liquidity needs. Alongside with this, the Group imposes exposure limits on its approved counterparty list. Diversification of the fund is also achieved by investing in other asset classes such as debt securities and equities.



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	The Group		The Authority	
	2020 BND'000	2019 BND'000	2020 BND'000	2019 BND'000
Financial assets	4,638,022	5,258,612	4,638,022	5,258,612
Financial liabilities	3,710,026	4,354,452	3,710,019	4,354,450

Financial assets consists of cash and cash equivalents, deposits with financial institutions, debt securities, government treasury bills, equity securities, assets held with IMF, and other assets excluding advances from suppliers.

Financial liabilities consists of currency in circulation, deposit and balances of local banks and other local financial institutions, deposit balances of international institutions, payables to Brunei Government, liabilities with IMF, other liabilities, sukuk issuance, and provision for distributable earnings to the Government of Brunei Darussalam.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

The following tables analyse the Group and the Authority's financial assets and liabilities at the end of reporting period into relevant maturity groupings based on the remaining period to the contractual maturity date:

The Group	No specific maturity						Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years		
31 December 2020	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	
<u>Financial assets</u>							
Cash and cash equivalents	1,293,169	307,467	1,067,806	-	-	2,668,442	
Deposits with financial institutions	19,631	-	-	97,507	-	117,138	
Debt securities	-	-	-	85,404	468,440	1,030,435	
Government treasury bills	-	-	-	129,871	-	129,871	
Equity securities	180,621	-	-	-	-	180,621	
Assets held with IMF	500,876	-	-	-	-	500,876	
Other assets	10,639	-	-	-	-	10,639	
	<b>2,004,936</b>	<b>307,467</b>	<b>1,067,806</b>	<b>312,782</b>	<b>468,440</b>	<b>4,638,022</b>	
<u>Financial liabilities</u>							
Currency in circulation	1,357,801	-	-	-	-	1,357,801	
Deposit and balances of local banks and other financial institutions	1,496,025	101,250	-	-	-	1,597,275	
Deposit balance of international institutions	23,582	-	-	-	-	23,582	
Sukuk issuance	-	40,000	-	411	-	160,411	
Payables to Brunei Government	110,031	-	-	-	-	110,031	
Liabilities with IMF	391,805	-	-	-	-	391,805	
Other liabilities	63,596	-	-	-	-	63,596	
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	5,525	-	5,525	
	<b>3,442,840</b>	<b>141,250</b>	<b>-</b>	<b>5,936</b>	<b>-</b>	<b>3,710,026</b>	
<u>Derivative financial instruments</u>							
Foreign exchange contracts	-	403,018	66,643	-	-	469,661	
- Inflow	-	[398,796]	[65,995]	-	-	[464,791]	
- Outflow	-	4,222	648	-	-	4,870	

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	The Group						Total
	No specific maturity	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	
31 December 2019	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Financial assets							
Cash and cash equivalents	1,928,662	-	1,082,246	-	-	-	3,010,908
Deposits with financial institutions	19,631	-	-	87,363	-	-	106,994
Debt securities	-	-	-	26,475	580,337	455,801	1,062,613
Government treasury bills	-	-	-	381,112	-	-	381,112
Equity securities	198,416	-	-	-	-	-	198,416
Assets held with IMF	486,090	-	-	-	-	-	486,090
Other assets	12,479	-	-	-	-	-	12,479
	<b>2,645,278</b>	<b>-</b>	<b>1,082,246</b>	<b>494,950</b>	<b>580,337</b>	<b>455,801</b>	<b>5,258,612</b>
Financial liabilities							
Currency in circulation	1,228,121	-	-	-	-	-	1,228,121
Deposit and balances of local banks and other financial institutions	2,107,519	87,726	-	-	-	-	2,195,245
Deposit balance of International Institutions	23,852	-	-	-	-	-	23,852
Sukuk issuance	-	-	-	411	-	120,000	120,411
Payables to Brunel Government	106,329	-	-	-	-	-	106,329
Liabilities with IMF	380,721	-	-	-	-	-	380,721
Other liabilities	299,773	-	-	-	-	-	299,773
	<b>4,146,315</b>	<b>87,726</b>	<b>-</b>	<b>411</b>	<b>-</b>	<b>120,000</b>	<b>4,354,452</b>
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	124,684	258,810	-	-	-	383,494
- Outflow	-	[122,902]	[256,577]	-	-	-	[379,479]
	<b>-</b>	<b>1,782</b>	<b>2,233</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,015</b>

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For the year ended 31 December 2020

The Authority	No specific maturity						Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years		
31 December 2020	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	
<u>Financial assets</u>							
Cash and cash equivalents	1,293,169	307,467	1,067,806	-	-	2,669,442	
Deposits with financial institutions	19,631	-	-	97,507	-	117,138	
Debt securities	-	-	-	85,404	468,440	1,030,435	
Government treasury bills	-	-	-	129,871	-	129,871	
Equity securities	180,621	-	-	-	-	180,621	
Assets held with IMF	500,876	-	-	-	-	500,876	
Other assets	10,639	-	-	-	-	10,639	
	<b>2,004,936</b>	<b>307,467</b>	<b>1,067,806</b>	<b>312,782</b>	<b>468,440</b>	<b>4,638,022</b>	
<u>Financial liabilities</u>							
Currency in circulation	1,357,801	-	-	-	-	1,357,801	
Deposit and balances of local banks and other local financial institutions	1,656,039	101,250	-	-	-	1,757,289	
Deposit balance of International Institutions	23,582	-	-	-	-	23,582	
Payables to Brunei Government	110,031	-	-	-	-	110,031	
Liabilities with IMF	391,805	-	-	-	-	391,805	
Other liabilities	63,986	-	-	-	-	63,986	
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	5,525	-	5,525	
	<b>3,603,244</b>	<b>101,250</b>	<b>-</b>	<b>5,525</b>	<b>-</b>	<b>3,710,019</b>	
<u>Derivative financial instruments</u>							
Foreign exchange contracts	-	403,018	66,643	-	-	469,661	
- Inflow	-	(398,796)	(65,995)	-	-	(464,791)	
- Outflow	-	4,222	648	-	-	4,870	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The Authority	No specific maturity	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>31 December 2019</b>							
<b>Financial assets</b>							
Cash and cash equivalents	1,928,662	-	1,082,246	-	-	-	3,010,908
Deposits with financial institutions	19,631	-	-	87,363	-	-	106,994
Debt securities	-	-	-	26,475	580,337	455,801	1,062,613
Government treasury bills	-	-	-	381,112	-	-	381,112
Equity securities	198,416	-	-	-	-	-	198,416
Assets held with IMF	486,090	-	-	-	-	-	486,090
Other assets	12,479	-	-	-	-	-	12,479
	<b>2,645,278</b>	<b>-</b>	<b>1,082,246</b>	<b>494,950</b>	<b>580,337</b>	<b>455,801</b>	<b>5,258,612</b>
<b>Financial liabilities</b>							
Currency in circulation	1,228,121	-	-	-	-	-	1,228,121
Deposit and balances of local banks and other local financial institutions	2,227,519	87,726	-	-	-	-	2,315,245
Deposit balance of international institutions	23,852	-	-	-	-	-	23,852
Payables to Brunel Government	106,329	-	-	-	-	-	106,329
Liabilities with IMF	380,721	-	-	-	-	-	380,721
Other liabilities	300,182	-	-	-	-	-	300,182
	<b>4,266,724</b>	<b>87,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,354,450</b>
<b>Derivative financial instruments</b>							
Foreign exchange contracts	-	124,684	258,810	-	-	-	383,494
- Inflow	-	(122,902)	(256,577)	-	-	-	(379,479)
- Outflow	-	1,782	2,233	-	-	-	4,015



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