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Sabda by

**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**

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



Brunei Darussalam's financial sector continues to be resilient amidst the low oil prices. Meanwhile, domestic inflation remained subdued supported by the low inflation environment worldwide and the stability of Brunei's currency through the currency board arrangement with the Republic of Singapore.

AMBD remains committed to safeguarding financial stability, while promoting growth, innovation, and diversification of the sector. Progress on meeting international regulatory standards in Brunei Darussalam is proceeding smoothly.

In 2016, AMBD assumed a major role in the conduct and completion of Brunei Darussalam's inaugural National Risk Assessment on Money Laundering and Terrorism Financing. The findings of the risk assessment will enhance AMBD's supervisory capabilities in combating money laundering, terrorism financing and other financial crimes.

Furthermore, AMBD continues to support the nation's economic diversification by encouraging and facilitating financial sector development. I am pleased to note that AMBD spearheaded regulatory reforms on credit information and strengthening of minority investors' protection.

These reforms have helped our country gain international recognition. The commencement of the Collateral Registry in 2016 represents another milestone in a series of measures to improve access to financing for borrowers, thus further improving our country's business environment.

In accordance with the swift evolution of financial technology, AMBD has taken initiative to establish a FinTech Unit, which I trust will support the growth of the FinTech industry in Brunei Darussalam and attract foreign investment opportunities. In pursuing this development aspect, AMBD is nevertheless wary of risks coming from technological advancement especially cybersecurity threats and therefore will remain vigilant to minimize these risks.

As a step forward in developing and modernising the payment and settlement system in Brunei Darussalam, AMBD has launched the Automated Clearing House (ACH) system on 26 May 2016. These efforts are aimed at developing a safe and efficient payment system in Brunei Darussalam that promotes the use of electronic payments and supports the stability of the broader financial system.

AMBD has also laid out the roadmap for financial sector development with the recent publication of the Brunei Darussalam Financial Sector Blueprint (2016-2025). The Blueprint outlines specific goals and measures related to the financial sector that will support the achievement of the broader goals of social and economic development set in Brunei Darussalam's Vision, the Wawasan 2035. The Blueprint contains five key pillars that must co-exist together in enabling the transformation the financial sector to become more dynamic and diversified. The cooperation of other government agencies, financial institutions and support services are essential to ensure the effective implementation of this Blueprint. In this regard, I look forward to the evolution of a modern, progressive and efficient 21st-century financial system in Brunei Darussalam.

Finally, I would like to express my sincere appreciation for the hard work and commitment by the Board of Directors, management, and all the staff of AMBD in 2016. With that, it is my pleasure to present AMBD Annual Report 2016.

وبالله التوفيق والهداية، والسلام عليكم ورحمة الله وبركاته

Foreword by

Managing Director

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

This Annual Report provides a detailed account of the operations of AMBD in 2016. It will allow readers to gain a better understanding of the activities at our country's central bank in the past twelve months.

The economy of Brunei Darussalam continues to face a slowdown in activity with low oil and gas prices dampening expenditure and investment within the oil and gas sector. The resulting challenging economic environment has had a detrimental impact on cash flows of selected commercial borrowers, reducing their liquidity and ability to service debt, and thus raising credit risks to the financial sector. Nevertheless, the banking system remains highly liquid and well capitalised. Enhancements to the regulatory framework in Brunei Darussalam through the implementation of the Basel II capital adequacy framework in 2017 will align the country with international best practices and standards.

Brunei Darussalam is not excluded from the threats of global crimes, including money laundering, terrorism financing and other financial crimes. AMBD plays a pivotal role in maintaining the integrity and stability of Brunei Darussalam's financial system against such threats. The recently completed National Risk Assessment on Money Laundering and Terrorism Financing highlighted the urgent need for a more effective supervisory regime, and in response to this, AMBD will establish a dedicated anti-money laundering/combating the financing of terrorism (AML/CFT) Supervision Unit in 2017. This move effectively streamlines AMBD's existing responsibilities for AML/CFT regulatory policies, and serves to boost confidence in the integrity of our financial and non-financial sectors.

In light of the importance of financial sector's role in supporting economic growth through the extension of credit to fund business operations, AMBD becomes the key agency of Brunei Darussalam's Ease of Doing Business initiatives for Getting Credit and Protecting Minority Investors. Improvements have been made to the depth of credit information available in the Credit Bureau with the inclusion of utility data starting from February 2016. The Secured Transactions Order, 2016, introduced in March 2016, has laid the legal foundation for the commencement of the Collateral Registry System in December 2016. The Collateral Registry will enable borrowers to use moveable assets as collateral to secure loans and also ease access to financing by reducing risks and related costs for lenders as well as loan origination costs.

In the context of technology, AMBD has established the FinTech Unit, which is responsible in the regulation and development strategies of financial technology in Brunei Darussalam. The first initiative of the FinTech Unit is to establish the Regulatory Sandbox Guidelines in 2017.

AMBD has also formulated the IT Risk Management Guidelines (ITRMG) for Banks, which was effective on the 1 January 2016 to help banks address and manage their technology risks. With the emerging cybersecurity threats globally, AMBD has taken efforts to further strengthen capabilities in mitigating the risks associated with these threats and will continue to collaborate with relevant government agencies and financial institutions to make the domestic financial sector safe and secured.

Work continues in the modernisation of Brunei Darussalam's payment and settlement system. The implementation of the Automated Clearing House (ACH) system replaces the previous manual Cheque Clearing House. The new ACH system provides financial institutions the electronic platform to exchange cheques for clearing in real-time where settlement will take place in the Real-Time Gross Settlement (RTGS) system. This improvement eliminates the need to transfer cheques physically between banks and the Clearing House, thus facilitating faster clearing for cheques and reducing operational risk.

To further boost Brunei Darussalam's commitment to adopt international best practices and standards in the financial sector, AMBD has become a full signatory to the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMoU) on 4 March 2016.

Wawasan 2035 envisages that the financial sector will contribute eight percent to the nation's Gross Domestic Product. AMBD has recently published Brunei Darussalam Financial Sector Blueprint (2016-2025) which lays out how this will be achieved through five key pillars: Monetary and Financial Stability; Competitive and Innovative Financial Institutions and Services; Robust and Modern Infrastructure; Enhanced International Integration; and Human Capital Development. Alternative sources of financing are required to support economic diversification and this includes the establishment of a national stock exchange as an essential infrastructure for capital market development. Brunei Darussalam will also leverage on its potential as a provider of niche Islamic financial services. Through this Blueprint, the financial sector will strengthen its role as an enabler of national economic activity and serve as a growth driver in its own right. Nevertheless, AMBD remains mindful of the need to maintain financial stability whilst facilitating the development of the financial sector.

In closing, I would like to express my heartfelt appreciation to His Royal Highness, the Chairman, as well as to the Board of Directors for their insightful and continuous guidance, thus pushing AMBD towards greater heights of excellence. In addition, I would like to

recognise the contributions made by AMBD staff who work tirelessly to implement policies in order to achieve AMBD's objectives. Without their dedication and commitment, we would not be able to turn our vision into reality.

Awang Yusof bin Haji Abd Rahman

MEMBERS OF THE BOARD OF DIRECTORS



Chairman

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



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 of
AMBD*



Yang Berhormat
Pehin Orang Kaya Laila Setia Dato Seri Setia
Awang Haji Abdul Rahman bin Haji Ibrahim
*Minister at the Prime Minister's Office & Minister
of Finance II*



Yang Berhormat
Pehin Datu Singamanteri Colonel (Rtd.)
Dato Seri Setia (Dr.)
Awang Haji Mohammad Yasmin bin Haji Umar
*Minister of Energy and Industry
at the Prime Minister's Office*



Yang Mulia
Dato Paduka Awang Haji Mohd Roselan
bin Haji Mohd Daud
*Deputy Minister (Corporate, PENGGERAK &
Economy) at the Prime Minister's Office*



Yang Mulia
Dato Paduka Awang Haji Hisham
bin Haji Mohd Hanifah
Deputy Minister (Fiscal), Ministry of Finance



Yang Mulia
Dato Seri Setia Haji Awang Metussin
bin Haji Baki



Yang Mulia
Awang Haji Hamzah bin Haji Sulaiman
*Permanent Secretary (Economy and Finance)
at the Prime Minister's Office*



Yang Mulia
Awang Yusof bin Haji Abd Rahman
Managing Director of AMBD

FINANCIAL AND MONETARY STABILITY ADVISORY COMMITTEE

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 of AMBD

Deputy Chairman

Yang Mulia Dato Paduka Awang Haji Mohd Roselan bin Haji Mohd Daud
Deputy Minister (Corporate, PENGGERAK and Economy) at the Prime Minister's Office

Members

- i) Yang Mulia Dato Paduka Awang Haji Hisham bin Haji Mohd Hanifah
Deputy Minister (Fiscal), Ministry of Finance
- ii) Yang Arif Dato Seri Setia Awang Haji Metussin bin Haji Baki
- iii) Yang Mulia Awang Haji Hamzah bin Haji Sulaiman
Permanent Secretary (Economy and Finance) at the Prime Minister's Office
- iv) Yang Mulia Awang Yusof bin Haji Abd Rahman
Managing Director, AMBD

Secretariat

- i) *Regulatory and Supervision Department, AMBD*
- ii) *Monetary and Investment Department, AMBD*

AUDIT COMMITTEE

Chairman

Yang Mulia Dato Paduka Awang Haji Mohd Roselan bin Haji Mohd Daud
Deputy Minister (Corporate, PENGGERAK and Economy) at the Prime Minister's Office

Members

- i) Yang Mulia Awang Haji Azhar bin Haji Ahmad
Permanent Secretary, Ministry of Communications
- ii) Yang Mulia Awang Haji Zakaria bin Haji Serudin
Permanent Secretary, Ministry of Health
- iii) Yang Mulia Dayang Hajah Norlia binti Haji Kula
Accountant General, Treasury Department, Ministry of Finance

Observer

- i) Yang Mulia Pengiran Maslina binti Pengiran Haji Mahmud
*Acting Executive Director (Currency Management), Monetary Operations Division,
Monetary and Investment Department / Head of Unit (Risk Management Unit)*

Secretariat

Internal Audit Unit, AMBD

INVESTMENT ADVISORY COMMITTEE

Chairman

Yang Mulia Awang Haji Khairuddin bin Haji Abd Hamid
Deputy Permanent Secretary (Investment), Ministry of Finance

Deputy Chairman

Yang Mulia Awang Yusof bin Haji Abd Rahman
Managing Director, AMBD

Members

- i) Yang Mulia Awang Junaidi bin Haji Masri
Acting Managing Director, Brunei Investment Agency

- ii) Yang Mulia Dayang Zakiah binti Haji Nayan
Deputy Director, Brunei Investment Agency

Secretariat

Yang Mulia Assistant Managing Director (Monetary Operations), AMBD

Yang Mulia Executive Director (Treasury and Investment Management Unit), AMBD

RISK MANAGEMENT COMMITTEE

Chairman

Yang Mulia Awang Haji Hamzah bin Haji Sulaiman
Permanent Secretary (Economy and Finance) at the Prime Minister's Office

Members

- i) Yang Mulia Awang Yusof bin Haji Abd Rahman
Managing Director, AMBD
- ii) Yang Mulia Awang Haji Azhar bin Haji Ahmad
Permanent Secretary, Ministry of Communications
- iii) Yang Mulia Awang Haji Zakaria bin Haji Serudin
Permanent Secretary, Ministry of Health
- iv) Yang Mulia Dayang Hajah Norlia binti Haji Kula
Accountant General, Treasury Department, Ministry of Finance

Observer

- i) Yang Mulia Dayang Siti Nur Afiqah binti Dato Paduka Colonel (Rtd.) Haji Joharie
Head (Internal Audit Unit), AMBD

Secretariat

Risk Management Unit, AMBD

Note:

1. Yang Berhormat Pehin Orang Kaya Seri Kerna Dato Seri Setia (Dr.) Haji Awang Abu Bakar bin Haji Apong was appointed as a member of the Board on 1 January 2017.
2. Yang Berhormat Pehin Datu Singamanteri Colonel (Rtd.) Dato Seri Setia (Dr.) Awang Haji Mohammad Yasmin bin Haji Umar was appointed as a member of the Board on 1 January 2017.
3. Yang Berhormat Pehin Orang Kaya Indera Pahlawan Dato Seri Setia Awang Haji Suyoi Bin Haji Osman served as a member of the Board from January 2011 to December 2016.
4. Yang Berhormat Dato Seri Setia Awang Haji Ali bin Haji Apong served as a member of the Board from January 2011 to December 2016.

MANAGEMENT TEAM

1. Yang Mulia Awang Yusof bin Haji Abd Rahman
Managing Director of AMBD
2. Yang Mulia Awang Haji Adi Marhain bin Haji Leman
Acting Deputy Managing Director (Regulatory & Supervision Division) / Assistant Managing Director (Monetary Operations Division), Monetary and Investment Department
3. Yang Mulia Dayang Hajah Rashidah binti Haji Sabtu
Acting Assistant Managing Director (Regulatory and Supervision Division) / Executive Director (Banking Unit), Regulatory and Supervision Department
4. Yang Mulia Dayang Hajah Sufinah binti Haji Sahat
Executive Director (Account and Finance Unit), Corporate Affairs Division
5. Yang Mulia Awang Mardini bin Haji Eddie
Executive Director (Treasury and Investment Management Unit), Monetary Operations Division, Monetary and Investment Department
6. Yang Mulia Dayang Hajah Mahani binti Haji Mohsin
Executive Director (International Unit)
7. Yang Mulia Dayang Hajah Nuralia binti Haji Abd Rahim
Head (Financial Intelligence Unit)
8. Yang Mulia Dayang Hajah Siti Norishan binti Haji Abdul Ghafor
Principal Counsel (Legal Affairs Unit) / AMBD Board of Directors Corporate Secretary
9. Yang Mulia Awang Haji Muhammad Shukri bin Haji Ahmad
Principal Syariah Advisor (Islamic Financial Advisory Unit), Regulatory and Supervision Department
10. Yang Mulia Dayang Suriati binti Haji Mohamad Taib
Executive Director (Centre for Islamic Banking, Finance and Management Section)
11. Yang Mulia Pengiran Maslina binti Pengiran Haji Mahmud
Acting Executive Director (Currency Management Unit), Monetary Operations Division, Monetary and Investment Department / Head (Risk Management Unit)
12. Yang Mulia Dayang Dr. Irene Yap Tsue Ing
Acting Executive Director (Economic and Statistics Unit), Monetary Policy and Management Division, Monetary and Investment Department

13. Yang Mulia Awang Mohammad Soffean bin Haji Junaidi
Assistant Executive Director (Human Capital Development Unit), Corporate Affairs Division
14. Yang Mulia Dayangku Sri Joedianna binti Pengiran Haji Mohammed
Assistant Executive Director (Managing Director's Office)
15. Yang Mulia Dayangku Hajah Faadzilah Hilalul Fatimah binti Pengiran Dato Paduka Haji Abu Bakar
Assistant Executive Director (Capital Market Unit), Regulatory and Supervision Department
16. Yang Mulia Dayang Hajah Nurhuaida Fakhriah binti Haji Damit
Assistant Executive Director (Monetary Management Unit), Monetary Policy and Management Division, Monetary and Investment Department / Head (Corporate Communications Section)
17. Yang Mulia Awang Mohammad Roaizan bin Haji Johari
Head (Credit Bureau Unit), Regulatory and Supervision Department / Head (Collateral Registry)
18. Yang Mulia Awang Haji Mohd Khairul Zaki bin Haji Mohidin
Head (Information Technology Unit), Corporate Affairs Division / Head (FinTech Unit)
19. Yang Mulia Dayang Rina Hayane binti Haji Sumardi
Head (Financial Consumer Issues Unit), Regulatory and Supervision Department
20. Yang Mulia Dayang Hajah Rafezah binti Haji Abd Rahman
Head (Takaful/Insurance Unit), Regulatory and Supervision Department
21. Yang Mulia Awang Lim Shaw Fhen
Head (Payment and Settlement System Unit), Monetary Operations Division, Monetary and Investment Department
22. Yang Mulia Dayang Siti Nur Afiqah binti Dato Paduka Colonel (Rtd.) Haji Joharie
Head (Internal Audit Unit)
23. Yang Mulia Dayang Noor Hafidah binti Awang Damit
Manager (Administration Unit)



Front row (from left to right):

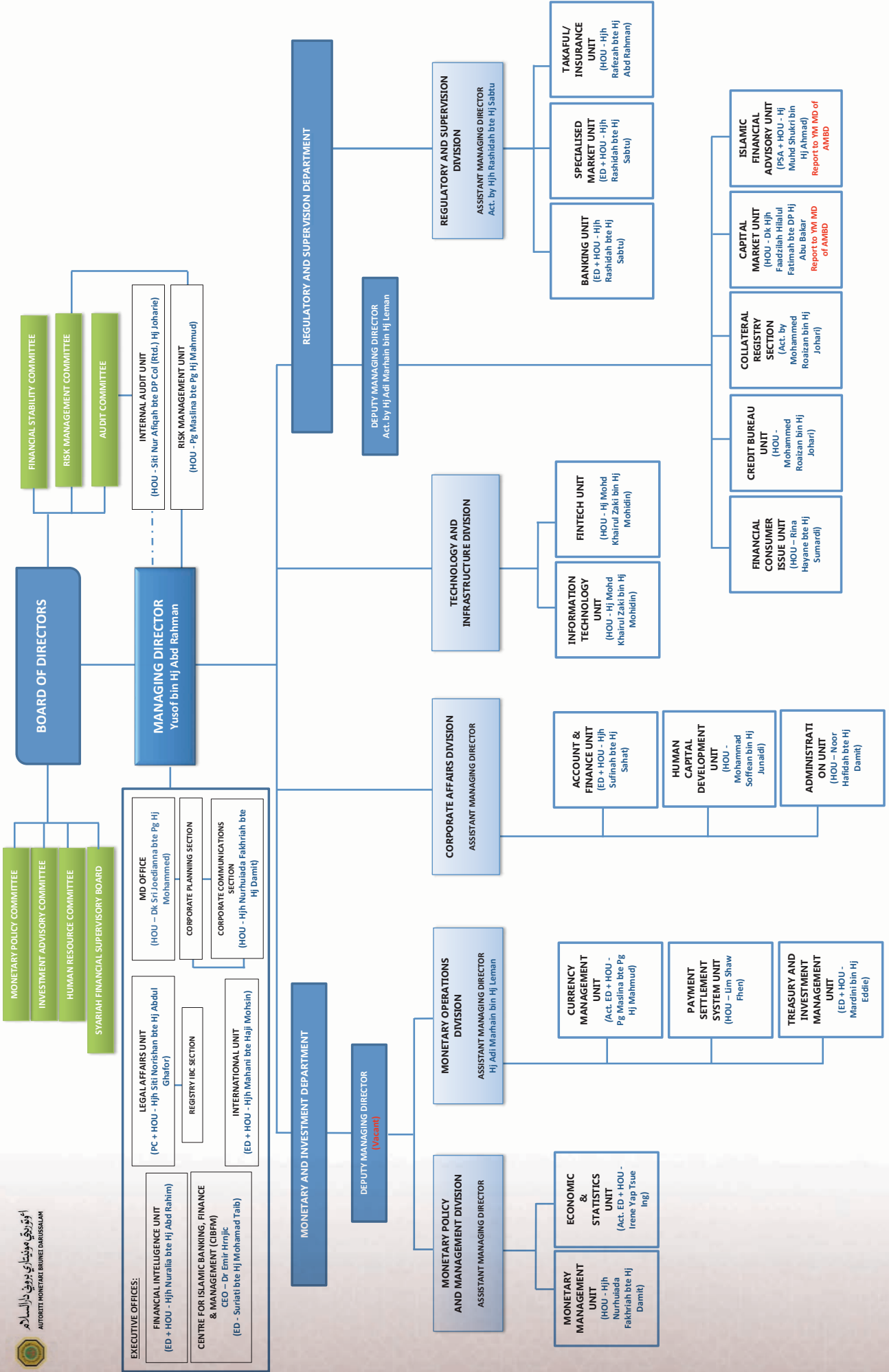
Dayang Suriati binti Haji Mohamad Taib; Dayang Hajah Siti Norishan binti Haji Abdul Ghafor; Dayang Hajah Mahani binti Haji Mohsin; Dayang Hajah Sufinah binti Haji Sahat; Awang Haji Adi Marhain bin Haji Leman; Awang Yusof bin Haji Abd Rahman (Managing Director); Dayang Hajah Rashidah binti Haji Sabtu; Awang Mardini bin Haji Eddie; Dayang Hajah Nurailia binti Haji Abd Rahim; Awang Haji Muhammad Shukri bin Haji Ahmad; Pengiran Maslina binti Pengiran Haji Mahmud

Back row (from left to right):

Dayang Noor Hafidah binti Awang Damit; Awang Lim Shaw Fhen; Dayang Hajah Rafezah binti Haji Abd Rahman; Awang Mohammad Roaizan bin Haji Johari; Dayangku Hejiah Faadzilah Hilalul Fatimah binti Pengiran Dato Paduka Haji Abu Bakar; Awang Mohammad Sofean bin Haji Junaidi; Dayang Dr. Irene Yap Tsue Ing; Dayangku Sri Joedianna binti Pengiran Haji Mohammed; Dayang Hajah Nurhauida Fakhriah binti Haji Damit; Awang Haji Mohd Khairul Zaki bin Haji Mohidin; Dayang Rina Hayane binti Heji Sumardi; Dayang Siti Nur Afiqah binti Dato Paduka Colonel (Rtd.) Haji Joharie.

Note:

1. Yang Mulia Dayang Hajah Nuriati binti Haji Md Idris served as Deputy Managing Director (Regulatory and Supervision) from 5 April 2016 to 1 October 2016.



MAIN OBJECTIVES

The principal objectives of AMBD under the Autoriti Monetari Brunei Darussalam Order, 2010 are:

- i. To achieve and maintain domestic price stability;
- ii. To ensure the stability of the financial system, in particular by formulating financial regulation and prudential standards;
- iii. To assist in the establishment and functioning of efficient payments systems and to oversee them;
and
- iv. To foster and develop a sound and progressive financial services sector.

GLOBAL ECONOMIC AND MARKET REVIEW

GLOBAL ECONOMIC REVIEW

Growth of world output is estimated to have slowed down to 3.1% in 2016, declining slightly from 3.2% in 2015 (IMF). Growth in advanced economies fell to 1.6% in 2016 from 2.1% in the previous year. The decline in growth was mainly due to the subdued outlook of advanced economies from shocks such as Brexit and weaker than expected growth in the United States (US). Sluggish growth in advanced economies for the year have put further downward pressures on interest rates with expectations that monetary policies of advanced economies will remain accommodative, as they have been throughout 2016. Meanwhile, projected growth of emerging markets and developing economies remain unchanged from 2015 at 4.1%. The lack of accelerating growth in emerging markets and developing economies was mainly due to the slowdown seen in China and a fall in global export growth.

The United States grew at a modest pace of 1.6%, a sharp fall from their growth rate of 2.6% in 2015. Annual exports declined due to the strengthening of the US Dollar, making US exports more expensive, and weak external demand. However, consumer spending managed to drive growth in the US on the back of a diminishing slack in the labour market and increases in consumers' purchasing power from falling energy prices. Although the tightening labor market has translated into higher inflation rates, albeit staying below the Federal Reserve's official target of 2% for the core PCE price index throughout 2016, it has not immediately translated into wage growth in the US, suggesting further room for the labour market to tighten. While there was moderate expansion of economic activity due to strengthened consumer confidence from the new administration's promises to cut taxes and increase spending, the Federal Open Market Committee (FOMC) only increased the Federal Funds rate once for the second time in a decade by 25 basis points in December 2016 to 0.50%-0.75%.

Although growing faster than the US, the Eurozone also saw a slowdown, expanding only by 1.7% in 2016, down from 2.0% in the previous year. Average unemployment rate, which was 10.4% at the beginning of the year has dropped steadily to 9.6% by December 2016. This has fed into inflation rates, having risen gradually during the second half of the year, signaling a tentative recovery. However, inflation rates have remained well below the official target of 2% throughout 2016 and the increases seen have been due to commodity prices, which rose towards the end of the year. Underlying inflationary pressures in the Eurozone have remained subdued and the European Central Bank (ECB) has consequently decided to extend their quantitative easing (QE) program until December 2017 but at a reduced rate of EUR 60 billion per month from April 2016 onwards. The United Kingdom (UK) grew at 2.0% in 2016, having slowed down from their annual growth rate of 2.2% in the previous year but remains one of the fastest growing advanced economies in 2016. Strong consumer demand and improved export competitiveness from the weakening pound sterling led the UK to steadily grow throughout the four consecutive quarters, causing the labour market to tighten with upward pressures on wages and inflation rates. However, rising inflation towards the end of the year have been in part due to lagged effects of the weakening sterling pound. The UK held a referendum in June 2016 to leave the European Union (EU) in which a majority has voted in favour for. Consequently, David Cameron resigned and the pound sterling plunged immediately the next day. To prevent a post-Brexit recession, the Bank of England Monetary Policy Committee's (MPC) slashed interest rates by 25 basis points to 0.25% and extended their QE program by purchasing an additional GBP60 billion of government bonds in August 2016. However, the strengthening labour market and

domestic demand in the UK may suggest that economic fears of a post-Brexit recession have not materialized.

China continues to grow at a slower pace at 6.7% in 2016, a modest decline from growth rate from the previous year of 6.9%. The continued monetary and fiscal stimulus packages from 2015 managed to drive their economy to grow at the targeted pace but sustained injections into the Chinese economy by the government is starting to weigh on government debt levels. Despite further depreciation of the Yuan, which makes exports more competitive, trade performance still struggled due to sluggish global demand. Chinese exports may face further challenges in 2017 depending on whether the United States decides to review their trade policies with China. Policymakers are attempting to shift the underlying economic fundamentals in China from an export-driven to a more consumption-led economy. In January 2016, the depreciation of the Yuan unintentionally triggered capital outflows throughout the year, which put further downward pressures on the Yuan, driving down the People's Bank of China's (PBoC) foreign exchange reserves to below USD 3 trillion at the end of 2016.

Japan grew by 1% in 2016, slowing down from previous year's growth rate of 1.2%. Although slower, Japan has managed to post growth rates above zero for two consecutive years, after an economic contraction in 2014. Continued government spending and a soft Yen drove Japan's steady quarterly growth rates throughout the year as the weakening Yen against the US dollar and its sharp decline towards the end of 2016 helped spur exports and business investment. However, domestic consumer spending still failed to gain any strength. Thus, with continued reliance on exports to drive the economy and weak wage growth, Japan's economy is vulnerable to external shocks such as sudden changes in trade policies and external demand. In September 2016, The Bank of Japan (BoJ) introduced the Yield Curve Control to their existing Quantitative and Qualitative Easing (QQE) Program. In the QQE Program with Yield Curve Control, the BoJ applies a policy rate of -0.1% and also continues to purchase Japanese Government Bonds (JGB) to ensure the 10-year JGB yields continue to hover around zero percent.

The ASEAN-5 countries (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) grew at a stable rate of 4.8% in 2016, unchanged from previous year. The Philippines and Thailand grew faster in 2016 compared to previous year mainly due to strong domestic spending. Meanwhile, Indonesia, Malaysia and Vietnam slowed down in 2016 with due to low commodity prices and weak external demand. Singapore was not exempted from the effects of sluggish global growth as it also saw a slower growth rate at 1.8% in 2016, down from a solid 2.0% in the previous year.

GLOBAL MARKET REVIEW

2016 was an eventful year for financial markets. In the first week of trading in 2016, China's stock market crashed, triggering fears among investors and prompting sell-offs in the global stock market. As a result, the Shanghai composite index was down 15.1% in Q3. Despite rebounding in Q3 and Q4, the overall China stock market declined by 12.3% for the year.

The United Kingdom's decision to leave the European Union on 23 June 2016 (Brexit), sent the British Pound Sterling tumbling by 16.0% for the year against US Dollar. The UK stock market benchmarked by FTSE 100 outperformed its European peers, gaining 14.4% in 2016 led by a surge in mining companies buoyed by stronger commodities prices. The weaker Pound Sterling also boosted FTSE 100 multinational companies, as they benefit from higher earnings from their overseas operations.

Then finally, in November, in an unexpected outcome, Donald Trump won the United States presidential election. In response, equity markets, particularly in the U.S. performed well. The S&P500 advanced by 9.5% for the year, while USD rose by 3.6%, marking its fourth consecutive year of gains with hopes that fiscal stimulus under President Trump's administration will spur economic growth. Meanwhile, Eurozone and Japanese equities posted its best quarterly return of 9.6% and 16.2% respectively in Q4, and registered positive return of 0.7% and 0.4% overall for the year. Uncertainties concerning President Trump's administration and the impact to Asian markets led to a decline in Malaysian stock market by 0.7%, while Singapore stocks managed to gain a modest 0.4% in the last quarter of 2016. Overall, the annual performance of Malaysia and Singapore stocks declined by 3.0% and 0.1% respectively.

The strong USD sent other major currencies including the Euro (EUR), Chinese Yuan (CNY), Singapore dollar (SGD) and Malaysian Ringgit (MYR) lower in 2016. EUR lost 3.2%, CNY weakened by 6.5% while SGD and MYR fell by 2.0% and 4.3% respectively against the greenback. However, Japanese Yen (JPY) managed to strengthen by 2.8% in 2016 due to positive performance in the first three quarters.

Growing risk appetite was seen at year-end, contributed by optimism in markets following President Trump's victory and the U.S. Federal Reserve decision to raise the Fed Funds Target Rate (FFTR) by 25bps to between 0.5% and 0.8% in December 2016. In 2016, 10-year U.S. Treasury yield rose 17bps to 2.4%. The same maturity for Singapore government bond, which is positively correlated with the U.S. Treasury climbed 70bps higher in Q4 but fell overall by 12bps to 2.5% due to strong demand for higher yielding stable assets at the start of the year.

10-year German bunds and Japanese Government Bond yields declined by 42bps and 22bps respectively, reflecting changes to their monetary policies. The European Central Bank (ECB) expanded its quantitative easing (QE) program to include corporate bonds, asset-backed securities and covered bonds, while the Bank of Japan implemented their QQE Program with Yield Curve Control.

On the commodity front, Brent oil spot prices rose 52.4% from USD37.28/bbl at the start of the year to USD56.82/bbl at the end of December on the back of solid demand and agreement by OPEC and a number of non-OPEC countries to reduce oil production. Gold had its best quarterly performance in three decades in Q1 2016, rallying 16.1% as expansionary policies remained supportive of gold prices but tumbled the most in Q4 by 12.4% due to sudden resurgence in risk-on sentiment. Overall, gold had a positive performance of 8.6%, rising from USD1,061.42 per troy ounce to USD1,152.27 per troy ounce.

ECONOMY OF
BRUNEI DARUSSALAM

Brunei Darussalam's economy experienced a 2.5% contraction y-o-y in 2016. The Oil and Gas Sector contracted by 2.8% y-o-y, driven by the decrease of the Manufacture of LNG and Methanol by 3.6% and Oil and Gas Mining by 0.3%. The non-Oil and Gas sector has declined by 2.0%, mainly due to decreases in activities in Business Services and Government Services by 12.6% and 2.8% respectively.

The inflation rate in Brunei Darussalam for 2016 was -0.7%. The main contributors to the decrease in the Consumer Price Index were the Housing, Water, Electricity, Gas and Other Fuels (-4.1%), Transport (-1.5%) and Food and Non-Alcoholic Beverages (-0.9%) indices.

During the 12th Legislative Council Meeting held in March 2016, a reduced Government budget of BND5.6 billion for the financial year 2016/2017 was announced. The allocation of budget has not changed from previous years where half of the development budget was allocated to the provision of public facilities such as sewage treatment, drainage improvement, clean water and electricity supply; and also on implementation of projects on education, health, national housing and human resources. Approximately 30% of the development budget has been allocated to the transportation and communications sector – for projects on roads, telecommunication and civil aviation; and improving the industry and trade sector.

Exports for Brunei Darussalam in 2016 stood at BND7,215.8 million. The value of oil exports increased by 7.2% and LNG exports declined by 30.4%. Imports also decreased by 17.1% in 2016 to BND3,688.9 million, due to decreases in imports of Machinery & Transport Equipment and Manufactured Goods.

The Brunei Dollar depreciated by 2.3% against the US Dollar, ending at BND1.45 to USD1.00 in 2016. Comparing the Brunei Dollar's performance against the currencies of major trading partners, the Brunei Dollar depreciated by 4.9% against the Japanese Yen, 2.7% against the Thai Baht and 2.1% against the Chinese Yuan. However, it appreciated by 2.3% against the Malaysian Ringgit and 0.7% against the Korean Won.

Table 1: Economy of Brunei Darussalam¹

Items	2015		2016		Percentage change
	Amount (BND Million)	Share (Percent)	Amount (BND Million)	Share (Percent)	
Real Gross Domestic Product	18,595.0		18,136.5		-2.5
Oil & Gas Sector	10,972.9	59.0	10,661.5	58.8	-2.8
Non - Oil & Gas Sector	7,973.5	41.0	7,817.8	41.2	-2.0
Exports	8,716.9		6,735.6		-22.7
Crude Oil	3,255.2	37.3	2,593.7	38.5	-20.3
LNG	4,854.6	55.7	3,325.0	49.4	-31.5
Others	607.1	7.0	816.9	12.1	34.6
Imports	4,447.4		3,688.9		-17.1
Food and Live Animals	610.4	13.7	599.3	16.2	-1.8
Beverages and Tobacco	68.8	1.5	68.9	1.9	-0.1
Crude Material Inedible Except Fuel	55.4	1.2	47	1.3	-14.5
Mineral Fuels, Lubricants and Related Materials	269.9	6.1	314.4	8.5	16.4
Vegetable Oils and Animal Fats	17.3	0.4	16.4	0.4	-3.5
Chemicals	323.2	7.3	335.7	9.1	3.9
Manufactured Goods by Materials	953.7	21.4	736.4	20.0	-22.8
Machinery and Transport Equipment	1,752.4	39.4	1214.8	32.9	-30.7
Miscellaneous Manufactured Articles	381.6	8.6	343.3	9.3	-10.1
Miscellaneous Transactions and Commodities Not Elsewhere Classified	15.0	0.3	13.1	0.4	-12.7
Total Trade	13,162.3		10,904.7		-17.2
Consumer Price Index	100.0		99.3		-0.7
Exchange Rate	2015		2016		Percentage Change²
BND/unit of US Dollar	1.4179		1.4499		2.3%
BND/100 units of Japanese Yen	1.1794		1.2373		4.9%
BND/100 units of Korean Won	0.12072		0.11988		-0.7%
BND/100 units of Malaysian Ringgit	33.0330		32.2760		-2.3%
BND/100 units of Thai Baht	3.9370		4.0416		2.7%

Source: Economics and Statistics Unit, AMBD

¹ GDP figures, as released by the Department of Economic Planning and Development (JPKE) have been revised using 2010 as the base year to replace the 2000-based series.

² Negative sign denotes appreciation of the Brunei Dollar and positive sign means depreciation of the Brunei Dollar against the foreign currencies.

MONETARY SECTOR DEVELOPMENTS

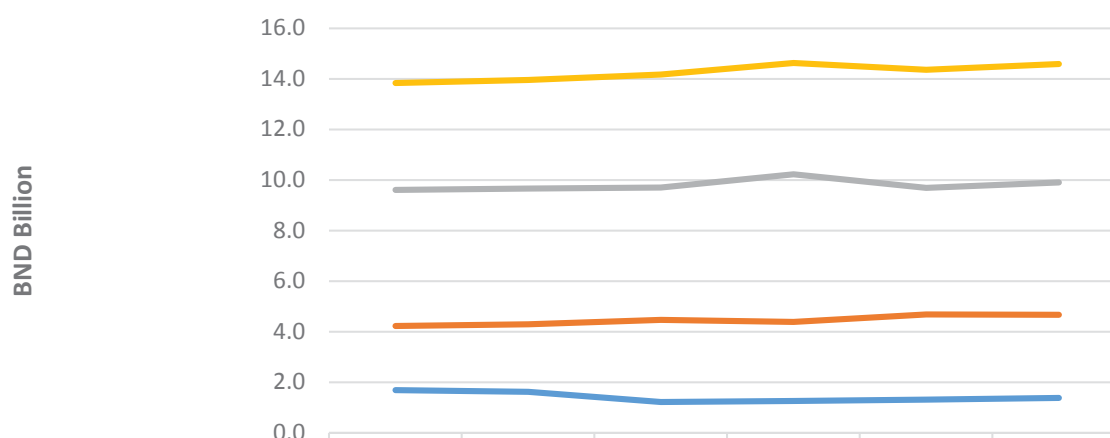
3.1 MONEY SUPPLY

In 2016, Broad Money³ (M2) increased 1.5% y-o-y to BND14.6 billion. Quasi Money⁴ stood at BND9.9 billion, reflecting an increase of 2.2% due to an increase in other deposits in Public Nonfinancial Corporations. Narrow Money⁵ (M1) fell 0.1% to BND4.7 billion due to a decrease in transferable deposits for Public Non-Financial Corporations and Other Nonfinancial Corporations.

Brunei Darussalam's net foreign assets of the depository corporations⁶ increased 19.5% y-o-y to BND13.4 billion in 2016 mainly due to an increase in claims on nonresidents. Meanwhile, domestic assets⁷ fell 21.8% y-o-y to BND5.9 billion largely due to a decrease in claims on private sector.

Chart 2: Money Supply

Liabilities



	2011	2012	2013	2014	2015	2016
— Currency in Circulation	1.690	1.627	1.220	1.272	1.322	1.381
— Narrow Money	4.233	4.293	4.465	4.396	4.680	4.675
— Quasi Money	9.604	9.668	9.702	10.227	9.686	9.907
— Broad Money	13.837	13.962	14.166	14.623	14.365	14.582

³ Broad money refers to Narrow Money plus Quasi Money.

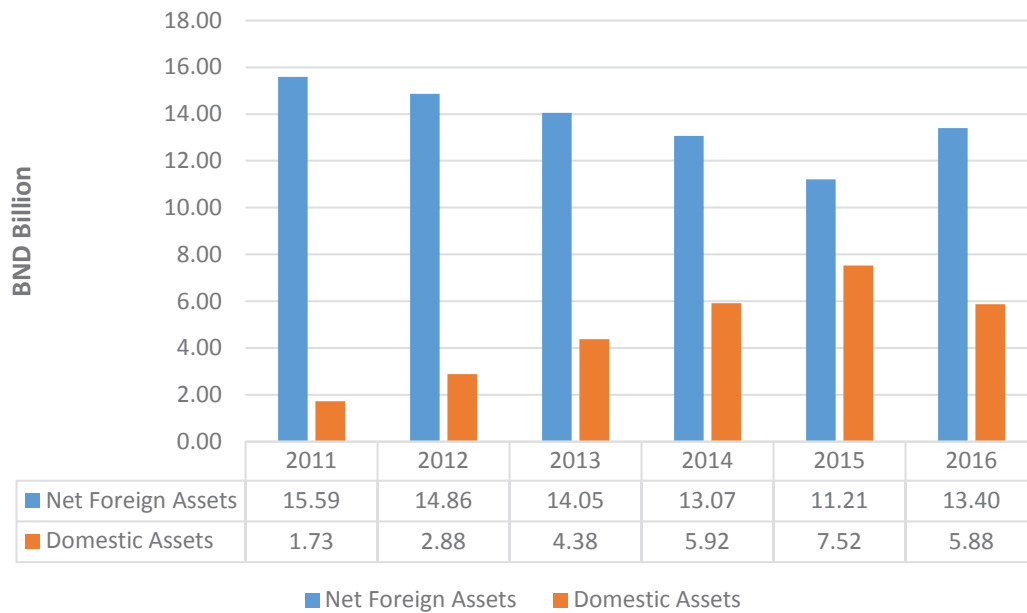
⁴ Quasi money refers to Fixed Deposits plus Savings & Other Deposits.

⁵ Narrow money refers to Currency outside Banks plus Demand Deposits of Private Sector.

⁶ Depository Corporations consist of Central Bank and Other Depository Corporations

⁷ Claims on Other Sectors consist of Claims on Private Sector, Public Nonfinancial Corporations, and Other Nonfinancial Corporations

Assets



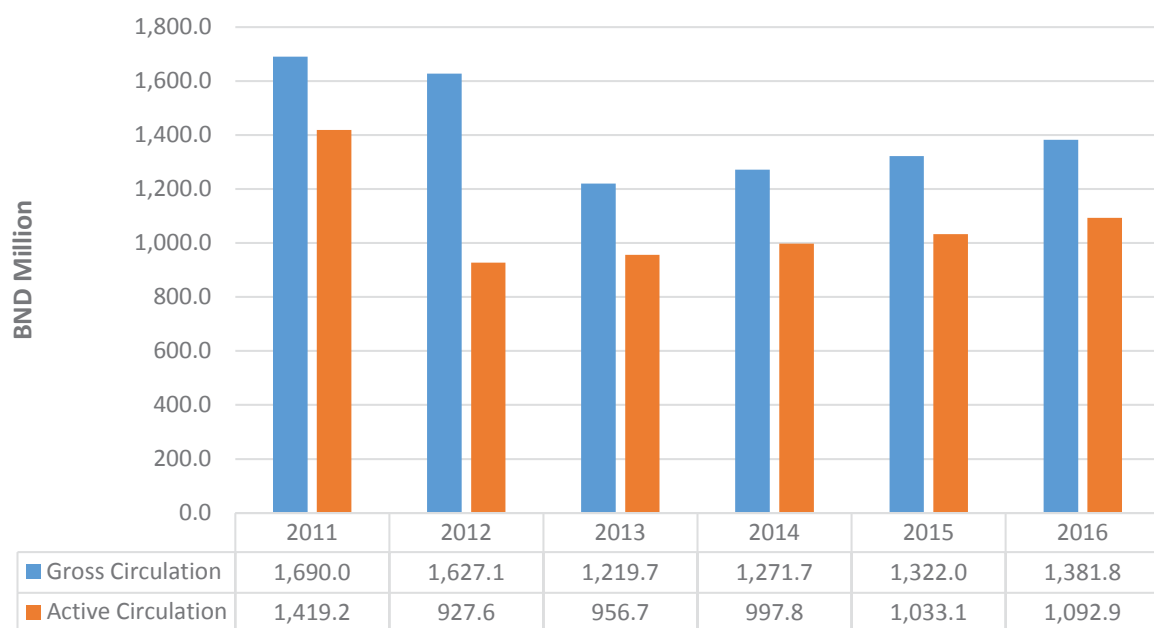
Source: Economics and Statistics Unit, AMBD

Currency in Circulation

Gross Currency in Circulation at the end of 2016 was recorded at BND1.38 billion, a 4.5% increase from the previous year. The active currency in circulation⁸ also increased by 5.8% over the same period to BND1.09 billion. Meanwhile the external assets for the currency back-up stood at BND2.38 billion as at end 2016, providing 126.7% coverage to the currency in circulation.

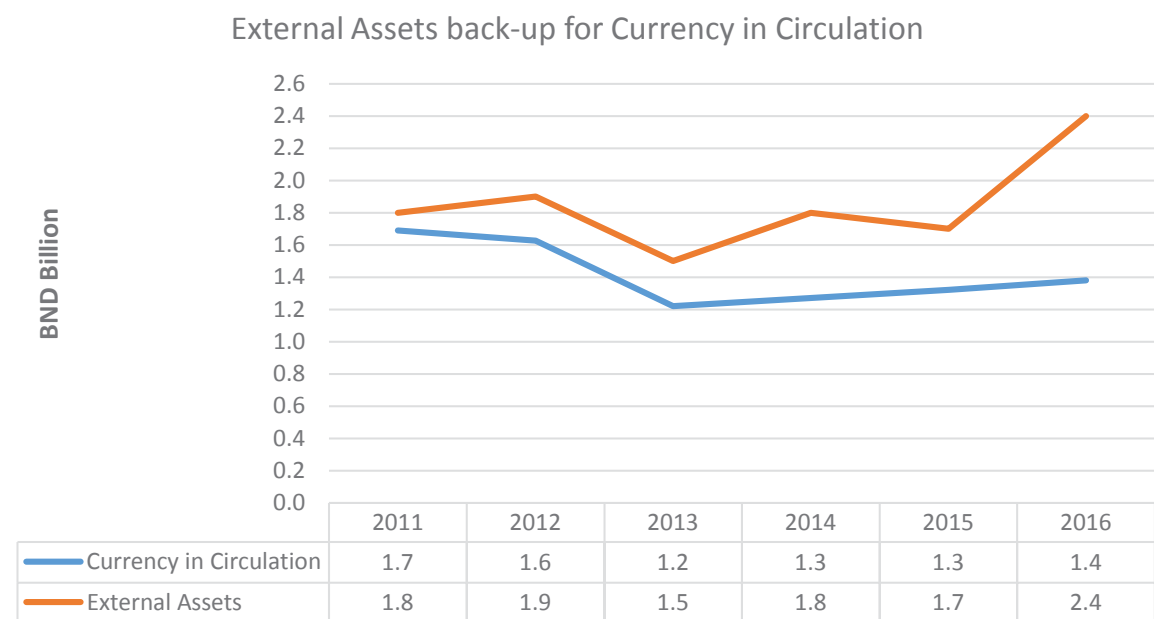
⁸ Active circulation does not include commemorative coins, cash holdings of commercial banks in Brunei Darussalam and Brunei currency held by MAS pending repatriation.

Chart 3: Currency in Circulation



Source: Currency Management Unit, AMBD

Chart 4: External Assets back-up for the Currency in Circulation



Source: Currency Management Unit, AMBD and Treasury and Investment Management Unit, AMBD

3.2 BRUNEI GOVERNMENT SUKUK AL-IJARAH

In 2016, AMBD, as the agent to the Brunei Government on matters pertaining to the issuance and administration of the Brunei Government Sukuk Al-Ijarah, has issued a total of 15 Brunei Government Sukuk Al-Ijarah. Among the 15 series issued, two series had a tenor of 364 days, two series had a tenor of 273 days, three series had a tenor of 182 days with the remainder having a tenor of 91 days. This brings the total amount of the Brunei Government Sukuk Al-Ijarah issued to BND10,428.2 billion with an outstanding amount of BND473.2 million as at end of 2016.

Table 2: Brunei Government Sukuk Al-Ijarah Issuances									
Year	No. of issuances				Total value of issuances (BND Million)	Average rental yield (Percent)			
	91 days	182 days	273 days	364 days		91 days	182 days	273 days	364 days
2006	4	-	-	-	570	3.375	-	-	-
2007	6	-	-	1	450	2.506	-	-	2.300
2008	10	-	-	2	374	0.831	-	-	1.325
2009	16	-	-	2	617	0.339	-	-	0.475
2010	14	-	-	1	649	0.300	-	-	0.340
2011	11	-	-	1	991	0.181	-	-	0.350
2012	14	-	-	1	1,500	0.180	-	-	0.280
2013	12	1	2	1	1,579	0.171	0.180	0.195	0.200
2014	7	4	3	1	1,500	0.170	0.215	0.313	0.250
2015	4	3	2	2	1,025	0.698	0.873	0.695	0.915
2016	8	3	2	2	1,173.2	0.750	0.854	0.875	1.078
Total	106	11	9	14	10,428.2				

Source: Monetary Management Unit, AMBD

Automation of the Brunei Government Sukuk Auction

In 2016, AMBD has also achieved another milestone with the automation of the Sukuk auction. The Brunei Government Sukuk Al-Ijarah are now auctioned to the Primary Dealers through the Bloomberg platform.

Box 1: Commemorative Coins in 2016

SALE OF COMMEMORATIVE COINS IN CONJUNCTION WITH THE 70th BIRTHDAY OF HIS MAJESTY THE SULTAN AND YANG DI-PERTUAN OF BRUNEI DARUSSALAM

In conjunction with the celebration 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 Brunei Darussalam's 70th Birthday, AMBD issued commemorative coins in three (3) metal compositions which are gold, silver and cupronickel.

The details are as follows:

Type	Gold	Silver	Cupronickel	Set 3 in 1
Face Value	BND70	BND7	70 cents	BND70, BND7 and 70 cents
Composition	Gold 999.9	Silver 999	Cupronickel (75/25)	Gold, Silver and Cupronickel
Weight (gm)	31.10 gm	31.10 gm	28.00 gm	31.10 gm, 31.10 gm and 28.00 gm
Diameter (mm)	32.12 mm	40.70 mm	40.70 mm	32.12 mm, 40.70 mm and 40.70 mm

The design of all the three coins featured the portrait 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 Brunei Darussalam on the obverse side. While the reverse of the coin reveals the number 70 in jawi script (v.) in the shape of a flower. The coins were issued and sold to the public on 28 July 2016.





Source: Currency Management Unit, AMBD

FINANCIAL SECTOR DEVELOPMENTS

Brunei Darussalam's financial system consists of a dual financial system, comprising of Islamic and conventional financial institutions. Total assets of the key financial institutions as at end 2016 were BND21.6 billion; of which 83.1% was attributed to the banking sector.

Table 3: Total Assets of the Major Classes of Financial Institutions in Brunei Darussalam (Unaudited figures)

Financial Institutions Regulated by AMBD	2016		
	No of Financial Institutions	Amount (BND Billion)	Share of Total Assets (Percent)
Deposit Taking Institutions	13	20.04	92.9
Banks including Perbadanan TAIB	9	17.92	83.1
Conventional	7	7.01	32.5
Islamic	2	10.91	50.6
Finance Companies	3	2.10	9.7
Offshore Banks	1	0.02	0.1
Other Licensed Financial Institutions	15	1.54	7.1
Insurance Companies & Takaful	13	1.48	6.9
Conventional	9	1.02	4.7
Takaful	4	0.46	2.1
Offshore Insurance Companies	2	0.05	0.2
Total Assets	28	21.58	100.0

Source: Banking Unit, AMBD & Takaful/Insurance Unit, AMBD

Banking Sector Developments

- (i) On 1 April 2016, AMBD granted approval for Bank of China (Hong Kong) Limited (BOCHK) to establish a branch in Brunei Darussalam. A full banking licence was subsequently issued with effect from 1 September 2016. BOCHK is incorporated in Hong Kong and is owned by the Bank of China Group ("BOC"). BOC Group has been listed as the fourth largest bank worldwide in terms of Tier 1 Capital and the seventh largest bank in terms of assets, according to the Top 1000 World Banks Ranking results in 2015 by The Banker⁹.

BOCHK officially launched the opening of its branch at Kampong Kiarong on 20 December 2016. BOCHK will offer a variety of financial services including corporate banking, syndicated loans, renminbi services, cash management, trade finance, non-banking, public sector and personal banking services.

AMBD views the establishment of a banking presence by BOCHK in Brunei Darussalam as a positive boost for the local economy, in line with AMBD's strategic plan to welcome reputable financial institutions to operate in Brunei Darussalam. This will also help to spur vibrant and healthy competition among the market players in the country's banking industry.

⁹ The Banker is an independent banking industry publication which provides economic and financial intelligence for the world's financial sector and has built a reputation for objective and incisive reporting

- (ii) On 5 April 2016, The Hongkong and Shanghai Banking Corporation Limited, Brunei Darussalam Branch (HSBC Brunei) made an announcement concerning its future strategic business plans to wind down its operations in the country. HSBC Brunei's decision was part of its global strategy to focus on its core business in fewer markets. AMBD is working with HSBC Brunei to ensure that its customers and staff of the bank will be kept up to date with developments and informed on how the bank's plans will affect them; while ensuring that there is minimal disruption to customers, staff, the financial sector and the economy of Brunei Darussalam.

Regulatory Developments

Banking

Table 4: Banking: Consultation Papers issued in 2016	
22 April 2016	Basel II (Pillar 2) framework on the Supervisory Review Process and banks' Internal Capital Adequacy Assessment Processes
5 September 2016	Draft Code of Corporate Governance for Banks
5 October 2016	Draft Notice of Appointment of Key Responsible Persons for Banks and Finance Companies
16 December 2016	Revised Capital Adequacy Framework & New Reporting Template

Source: Banking Unit, AMBD

AMBD has committed itself to implement the Basel Core Principles for Effective Banking Supervision and the full Basel II framework by 2020, where effective implementation for the Basel II capital adequacy framework Pillar 1 will be from Q1 2017. This implementation is aimed towards strengthening the resilience of the banking sector as well as in meeting AMBD's objective to ensure financial stability by adopting and adhering to international best practices and standards.

As part of the implementation process, AMBD has issued several Consultation Papers to the Brunei Association of Banks (BAB) in 2016 as listed in Table 4 above.

Table 5: Banking: Regulations issued in 2016	
Notice No./Directive No.	Notice/Directive Title
Directive No. BS/N-1/2016/3	Arrangements for the Use of Minimum Cash Balances (MCB) for Intraday Liquidity Maintenance in the Real-Time Gross Settlement (RTGS) System
Directive No. BS/N-2/2016/4	Extension on the Arrangement for the Use of Minimum Cash Balances (MCB) for Intraday Liquidity Maintenance in the RTGS System
Notice No. AMBD/R/32/2013/2 Amendment No. 1	Appointment of External Auditors
Notice No. 4/2012	Revocation of Notice on Charge-backed (Mortgage) Loans/Financing for Consolidation Purposes

Source: Banking Unit, AMBD

The regulatory developments in the banking sector in 2016 were as follows:

- (i) AMBD issued a Directive to all banks on the *Arrangements for the Use of Minimum Cash Balances (MCB) for Intraday Liquidity Maintenance in the Real-Time Gross Settlement (RTGS) System* on 11 March 2016. This Directive allows banks to utilize and transfer a portion of their individual MCB on an intraday basis into the RTGS system. With this arrangement, banks have increased intraday liquidity to meet payment obligations to other banks and at the same time, the arrangement improves intraday settlement flow within the RTGS system by reducing banks' needs for external funding.

This directive was made effective from 4 April 2016 for an initial trial period of 6 months. Given the positive feedback and support from the banks, the arrangement was extended indefinitely with effect from 4 October 2016;

- (ii) AMBD issued an amendment to the *Notice on Appointment of External Auditors (Notice No. AMBD/R/32/2013/2 – Amendment No. 1)* which became effective from 4 July 2016. This Notice provides guidance to banks and finance companies when conducting due diligence during the appointment and engagement of an external auditor. The amendment serves to provide flexibility to banks and finance companies. In particular: -

- (a) The engagement of the same audit firms for more than five years is allowed provided that a new engagement partner is appointed; and

- (b) The submission deadline to AMBD for the application for appointment of external auditors is extended to six months before end of the financial year; and

- (iii) On 8 December 2016, AMBD revoked the Notice on Charge-backed (mortgage) loans for consolidation purposes which was issued to all banks on 20 November 2012. The Notice allowed banks to take a charge (mortgage) of a residential property being the only/last property owned by the borrower for the purpose of consolidation of customer loans subject to meeting certain conditions. Following the revocation of this Notice, banks are expected to make a prudent credit assessment of the repayment capability of borrowers when assessing their credit applications where there is little or no collateral available.

Insurance and Takaful

Issuance of Notices

On 24 December 2016, AMBD issued four notices pursuant to the country's mandate to adopt International Financial Reporting Standards (IFRS) and to prescribe the requirement for margin of solvency for takaful operators.

Table 6: Insurance and Takaful: Notices issued in 2016

Regulatory Notice No.	Title
No. TIU/N-1/2016/1	Exemption for Valuation of Assets applicable to insurance companies
No. TIU/N-2/2016/2	Accounting Standards for the Preparation of Annual Accounts by Insurance and Brokers under Insurance Order, 2006 applicable to insurance companies and broker
No. TIU/N-3/2016/3	Accounting Standards for the Preparation of Annual Accounts by Takaful Operators and Brokers under Takaful Order, 2008 applicable to takaful operators and broker
No. TIU/N-4/2016/4	Margins of Solvency of Takaful Operators

Risk Based Supervision Framework

In 2016, AMBD took steps to enhance the existing insurance supervisory framework and transform the offsite surveillance into a risk-based monitoring method by developing:

- (i) Offsite monitoring and analysis report, which serves as the main offsite supervisory tool that keeps track of companies' performance, compliance level, assessment of significant activities and risk matrix; and
- (ii) Early warning test, which helps supervisors to monitor the financials of insurance companies and to identify problems before they get out of hand.

The enhancement has led to entering Phase 1 of Risk-based supervision framework, where AMBD has developed:

- (i) Offsite risk matrix, for identification of significant activities within an insurance company; and
- (ii) Takaful/Insurance Unit has started to perform risk-based thematic onsite examination based on the significant activities identified in the above offsite exercise. Onsite methodology has also been enhanced to address the risks of the insurance company.

Regulatory Returns

With the adoption of IFRS by insurance companies and takaful operators, effective 1 January 2014, AMBD in consultation with the industry has issued new Takaful and Insurance Financial Returns (TIFR) that are consistent with IFRS and issued accompanying instructions. This initiative is to enhance harmonization between regulatory returns and audited financial statements and to expand AMBD's off-site monitoring.

International and Domestic Cooperation

In November 2016, AMBD attended the 19th ASEAN Insurance Regulators' Meeting (AIRM) and the 1st Inaugural ASEAN Insurance Forum (AIFo) held in Yogyakarta, Indonesia. As a member of ASEAN, AMBD will continue to actively participate in enhancing mutual communications in exchanging information and experience on matters of common concern. Apart from that, AMBD also attended the 2nd ASEAN Insurance Summit (AIS) held at the same time.

Capital Market

Securities Markets Order, 2013 and the Securities Markets Regulations, 2015

The Securities Markets Order, 2013, and the Securities Markets Regulations, 2015, have fully come into force on 1 February 2016. The enactment of these laws and regulations signifies a key milestone for the development of the legal and regulatory framework for the capital market industry in Brunei Darussalam. It also puts an end to the transitional period whereby all regulated persons including relevant license holders must now comply with the legislations and regulations.

Notice on Notification on Private Offerings and Exempt Securities and Transactions

AMBD had issued a notice regarding Notification on Private offerings and Exempt Securities and Transactions under the Securities Markets Order, 2013 on 30 December 2016. This Notice aims to ensure that all persons to which this Notice applies who are issuers, distributors or persons acting as dealers, notify the Authority on any private offerings or any other offerings of securities which are exempted pursuant to section 117 of the SMO. This is for the purpose of collecting information regarding such products in the market. The Notice took effect on 1 January 2017.

Forms on Capital Markets Services License and Capital Market Services Representative's License and Monthly Reporting Forms on Securities

As an effort to improve and further strengthen the supervision and oversight of licencees and securities offering, AMBD had issued new reporting forms which require the licencees to submit report on a monthly basis. This is also in line with the recommendations given by the Statistics Department, International Monetary Fund.

The new reporting forms on Capital Markets Services License and Capital Market Services Representative's License and reporting forms on securities became effective on 28 September 2016 and 1 January 2017 respectively.

Signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information

AMBD had successfully become a full signatory to the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) on 4 March 2016 after it had completed its reapplication to become a full signatory to the IOSCO MMoU, which was approved in November 2015. Becoming a full signatory to the MMoU will enable enhanced cooperation and information sharing between securities authorities whom are signatories to the MMoU.

The Establishment of the Stock Exchange Project

The Establishment of the Stock Exchange Project has shown steady and positive progress. AMBD, as a member of the Steering Committee, the Secretariat and Working Group for the Establishment of the Stock Exchange, is putting its efforts and gathering pace with the continuation of necessary work. This includes the Memorandum and Articles of Association for the Stock Exchange and drafting and reviewing the relevant rules, which will be socialized to the relevant stakeholders in the second half of 2017.

Brunei Fund Management Sector Study Report

AMBD, with the assistance of KPMG, had finalized the study of the fund management sector in Brunei Darussalam. The final study outlined a review of Brunei Darussalam's current state, the global overview of the fund management industry in selected jurisdictions, the options analysis and recommendations going forward. In assessing Brunei Darussalam's current fund management sector, the final study had identified five key levers; regulatory and compliance, product offering, fiscal and government incentives, infrastructure evolution and human capital management that form critical components of a sustainable fund management ecosystem. The final study had also identified six key international jurisdictions that have developed a strong reputation in the fund management space; three conventional fund management hubs, which are Singapore, Luxembourg and Ireland, and three Islamic fund management centers, which are Malaysia, United Arab of Emirates and Saudi Arabia. Based on the current state review and benchmarking exercise, the final study had identified three options that Brunei's fund management sector could pursue; Islamic Fund Hub, Socially Responsible Investing Fund Hub and Fund Management Services – Back Offices. These options are not mutually exclusive of each other. The final study had also provided key recommendations to AMBD in order to grow the Fund Management sector in line with the objectives of Wawasan 2035.

Financial Planning Association of Brunei Darussalam

In an attempt to enhance financial literacy among Bruneians through better understanding on the importance of financial planning, the Financial Planning Association of Brunei Darussalam (FPAB) was officially launched by Yang Berhormat Pehin Orang Kaya Laila Setia Dato Seri Setia Awang Haji Abdul Rahman bin Haji Ibrahim, the Minister at the Prime Minister's Office and the Second Minister of Finance on 28 May 2016 at the Ministry of Finance Building, in conjunction with National Savings Day. The pro-tem President of FPAB is Dayang Hajah Siti Suhaila binti Dato Paduka Haji Kani and the pro-tem Vice-President is Awang Ang Kian Guan. Other pro-tem committee members include Dayang Hajah Raeidyah binti Haji Bujang as Secretary and Dayang Ida Nazrena binti Haji Bujang as Treasurer. FPAB will play a big role to help the government in arranging programs that can support financial literacy efforts and contribute to national development through regional and international cooperation. One of the highlights of the event was the 'Financial Planning Showcase', which aimed to raise awareness on financial planning and the products and services that are currently offered by the financial institutions in Brunei Darussalam.

Brunei Darussalam Capital Market Association

AMBD had initiated the establishment of the Brunei Darussalam Capital Market Association (BCMA) by forming a Task Force which comprises representatives from AMBD and the Capital Markets Services Licence holders. It is expected that BCMA will be officially launched in May 2017 whereby BCMA can serve as a common platform for the capital market industry players in the country that is able to assist the regulator in developing the capital market industry in Brunei Darussalam, enhancing the standards or market practice in Brunei Darussalam to be in accordance with international best practices and improving the investment literacy among the public. A number of working groups had been set up under the Task Force, one of which is on the Strategic Action Plan for the development of the capital market in the next 5 years.

Investment Literacy Survey 2016

AMBD, in collaboration with BCMA Task Force, had formed a Working Group to carry out AMBD Investment Literacy Survey 2016. The survey is a follow-up of the National Financial Literacy, which was conducted in January 2015. AMBD Investment Literacy Survey 2016 aims to gauge and assess the level of understanding and knowledge on investment among the public including investor's appetite and preferences. The survey was conducted via an online portal from 27 October 2016 until 6 March 2017. The outcome of the survey will be published in conjunction with the official launch of BCMA in May 2017.

Publication of Alert List

AMBD had published an Alert List which serves as a guide for members of the public on the companies and websites that they should be aware of; which are neither authorized nor approved under the relevant laws and regulations administered by AMBD or whose activities raise suspicion of illegal activity.

Minah Cermat Smart Investment Series

AMBD has been publishing Minah Cermat Investment Series regularly throughout this year in local newspapers and on AMBD's website as part of the continuing efforts to improve investors' education.

1-Year Attachment Program with Monetary Authority of Singapore (MAS)

With the Memorandum of Understanding between AMBD and MAS already formalized, AMBD had sent one of its Managers to undergo a 1-year attachment program with MAS as part of AMBD's capacity building initiatives. The program aimed to improve understanding of and provide on-the-job experience on the functions, approaches and practices of regulation and supervision of the capital market intermediaries, market operators, capital market policies, consumer issuers and corporate finance investments in Singapore. Through this arrangement, it is hoped that the valuable lessons learnt can contribute to the initiatives towards the capital market development in Brunei Darussalam as well as strengthen the longstanding bilateral relationship between regulatory authorities.

Specialised Market

In 2016, the opening of two new licensed money changers in the Belait District has met expectations in providing adequate market coverage. This development enables the public who generally frequent neighbouring Malaysia to transact currency exchanges, to be able to do so domestically.

In the third quarter of 2016, AMBD introduced new reporting formats to improve data quality. The licencees are required to submit these regulatory returns electronically via email. This move has significantly improved efficiency and timeliness in data compilation.

AMBD has seen gradual industry improvements in recent years specifically in terms of overall industry compliance towards licensing conditions and requirements imposed under the Criminal Assets Recovery Order, 2012. AMBD will continue to monitor the development of the industry.

As of 2016, there are 19 licensed money remittance operators and 22 licensed money changers of which 3 are hotels holding conditional money changing licences.

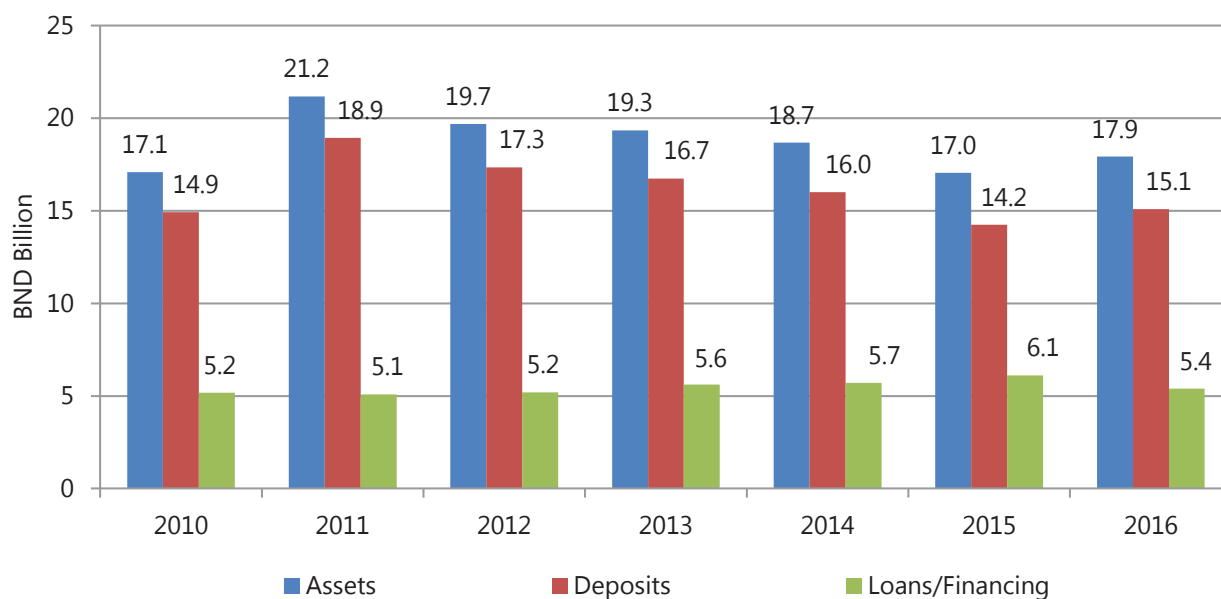
4.1 BANKING

The banking sector continued to be resilient in the challenging environment of the aftermath of the global financial crisis and declining oil prices, showing total asset base of BND17.9 billion at the end of 2016. This resilience is achieved through the continuous effort of strengthening regulations and supervision, which is critical for ensuring financial stability and public confidence in the domestic financial system. Overall, the key financial soundness indicators were maintained at healthy levels, showing strong capital and high liquidity levels. The asset quality of the banks however, has deteriorated with a net non-performing loans/financing ratio (NPLF) of 2.8% in 2016 from 2.2% in 2015. There has been a marginal reduction in profitability partly as a result of prudent provisioning and partly due to rising interest costs and increased operating expenses, in relation to the decreased income.

Table 7: Banking: Selected Financial Soundness Indicators for Banks (Unaudited figures for 2016)		
Financial Soundness Indicator, Percent	2015	2016
Capital Adequacy		
Regulatory Capital to Risk Weighted Assets	21.7	21.9
Tier 1 Capital to Risk weighted Assets	22.9	23.4
Non Performing Loans/Financing (Net of Specific Provisions) to Capital Funds	6.1	6.7
Assets Quality		
Non Performing Loans to Gross Loans (Exclude Interest in Suspense)	4.9	5.7
Net Non Performing Loans/Financing (Net of provisions) to Gross Loans/Financing	2.2	2.8
Provision Coverage (Specific Provisions to Total NPLFs)	55.2	50.6
Profitability		
Return on Assets (Before Tax)	1.3	1.1
Return on Equity (After Tax)	8.7	7.6
Efficiency Ratio	52.4	52.8
Liquidity		
Liquid Assets to Total Assets	45.5	50.5
Liquid Assets to Total Deposits	54.5	60.0
Liquid Assets to Demand and Savings Deposits (Non bank customers)	93.0	115.0
Loans/Financing to Deposits Ratio	46.4	40.7

Source: Banking Unit, AMBD

Overall, the assets and deposits of the banking system have increased by 5.1% from BND17.0 billion in 2015 to BND17.9 billion in 2016 and by 6.0% from BND14.2 billion in 2015 to BND15.1 billion in 2016 respectively. The increase in assets is mainly due to the increase in placements with banks and financial institutions abroad by 80.6%. On the other hand, the increase in deposits is mainly due to an increase in institutional deposits by 71.4% during 2016. Loans/financing recorded a reduction of 11.8% from BND6.1 billion in 2015 to BND5.4 billion in 2016.

Chart 5: Banking: Assets, Deposits and Loans/Financing (Unaudited figures)

Source: Banking Unit, AMBD

Lending to households continued to be the predominant sector at 56.5% of total loans/financing with personal loans/financing still representing the largest sector at 30.6%.

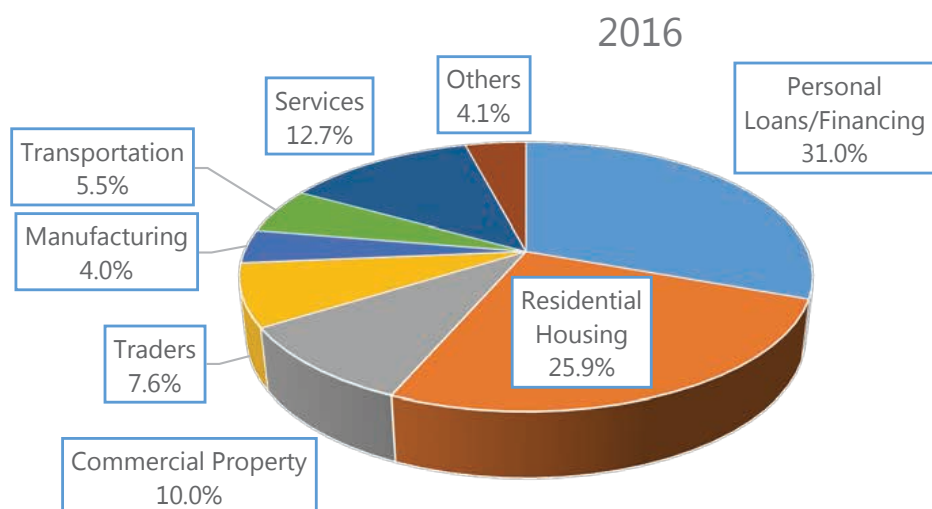
Lending to the corporate sector fell by 22.2%, which is primarily due to contraction in the manufacturing and services sectors.

Table 8: Banking: Distribution of Loans/Financing (Unaudited figures)

Sector	2015		2016		Percentage (%) Change
	Amount (BND Million)	% of Total Loans/Financing	Amount (BND Million)	% of Total Loans/Financing	
Household Sector	3,096	50.6	3,045	56.5	-1.5
Personal Loans/Financing (Inc credit cards)	1,654	27.0	1,649	30.6	-0.3
Residential Housing	1,442	23.6	1,396	25.9	-3.2
Corporate Sector	3,019	49.4	2,348	43.5	-22.2
Property Financing (Commercial) and Other Constructions	591	9.7	518	9.6	-12.4
Traders	471	7.7	408	7.6	-13.5
Manufacturing	535	8.8	217	4.0	-59.4
Transportation	330	5.4	298	5.5	-9.7
Services	796	13.0	687	12.7	-13.8
Others	295	4.8	221	4.1	-25.1
Total Loans and Advances/Financing	6,115	100.0	5,393	100.0	-11.8

Source: Banking Unit, AMBD

Chart 6: Banking: Distribution of Loans/Financing as of 2016 (Unaudited figures)



Household sector (56.5%):

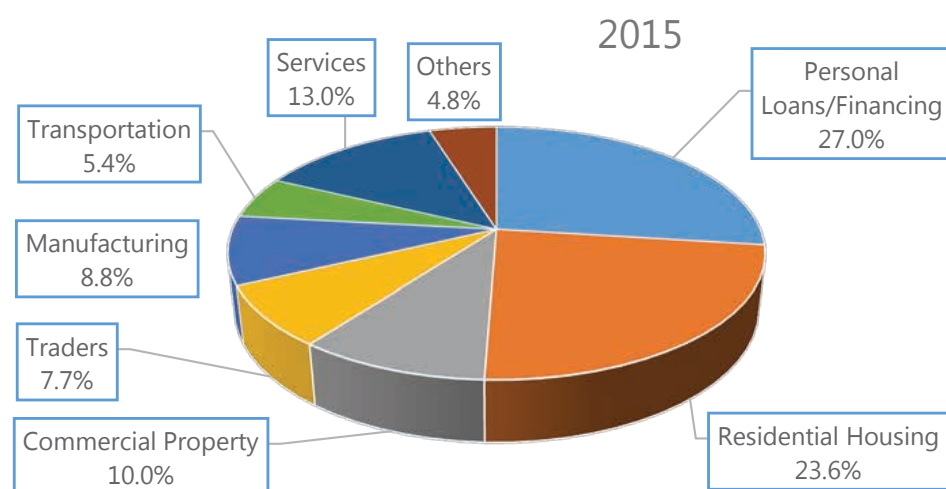
- Personal Loans/Financing
- Residential Housing

Corporate Sector (43.5%):

- Commercial Property
- Traders
- Manufacturing
- Transportation
- Services
- Others

Source: Banking Unit, AMBD

Chart 7: Banking: Distribution of Loans/Financing as of 2015



Household sector (50.6%):

- Personal Loans/Financing
- Residential Housing

Corporate Sector (49.4%):

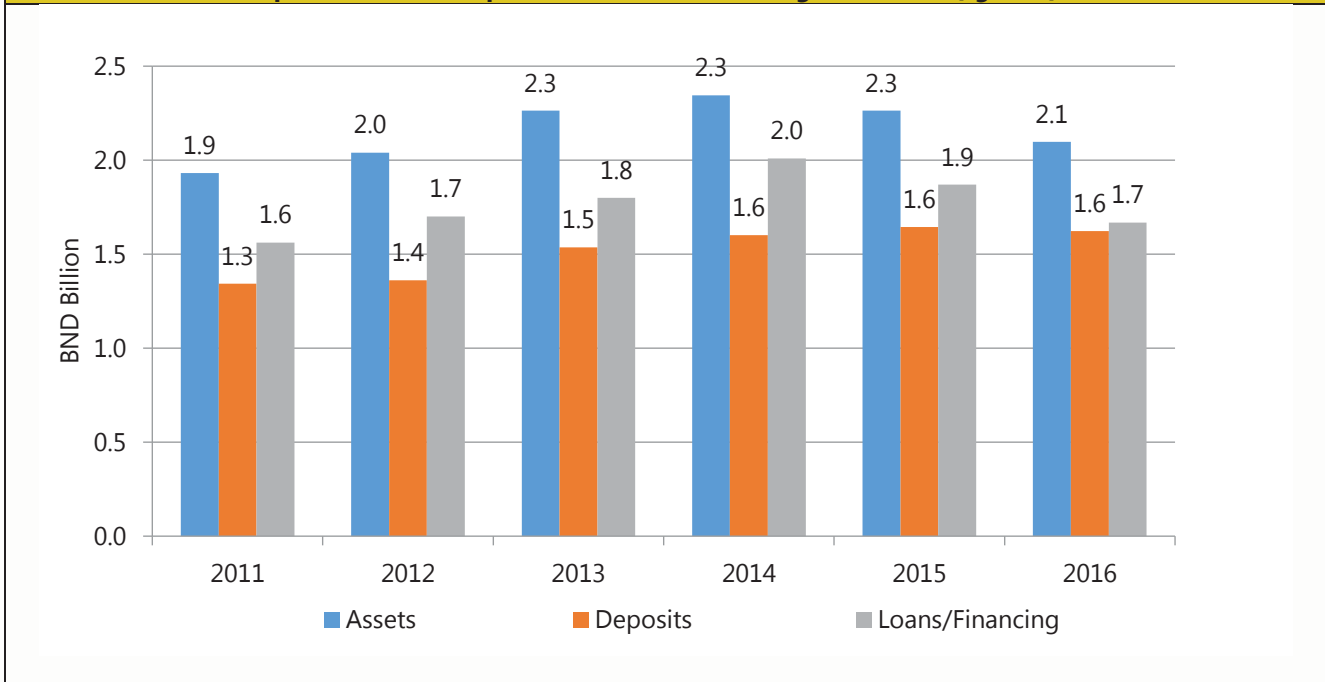
- Commercial Property
- Traders
- Manufacturing
- Transportation
- Services
- Others

Source: Banking Unit, AMBD

4.2 FINANCE COMPANIES

Total deposits of the finance companies have decreased marginally by 1.4% from BND1.64 billion in 2015 to BND1.62 billion in 2016. Finance companies, whose main activities are hire purchase transactions, faced a significant fall in total assets and total loans/financing by 7.3% and 10.8% respectively in 2016.

Chart 8: Finance Companies: Assets, Deposits and Loans/Financing (Unaudited figures for 2016)



Source: Banking Unit, AMBD

4.3 ACCESS TO FINANCE

Based on Table 6, the geographical segmentation of branches and Automated Teller Machines (ATMs) is heavily based in Brunei-Muara district which can be justified by the fact that this district is the most populated and is the main centre of all economic and financial activities. Nevertheless, other districts also have good access to finance. As at 2016, the number of banking branches and ATMs operated by the banks were 54 and 244 respectively.

Table 9: Banking: Distribution of Branches and ATMs by District		
District	No of Branches	No of ATMs
Brunei/ Muara	38	184
Kuala Belait	10	45
Tutong	4	12
Temburong	2	3
Total	54	244

Source: Banking Unit, AMBD

4.4 INSURANCE AND TAKAFUL

Market Overview

Insurance Companies / Takaful Operators

At the end of 2016 there was a total of 13 licensed companies in the insurance and takaful industry: 9 conventional insurers and 4 takaful operators. Of these, eight are general insurance/takaful operators and the remaining five are life/family takaful companies. While the number of companies remained unchanged in 2016, one conventional insurer (a foreign branch) voluntarily ceased writing new business since 2015 and is currently in runoff.

Table 10: Insurance and Takaful: Number of Insurance Companies/Takaful Operators	
	2016
General conventional insurers	6
General Takaful	2
Life conventional insurers	3
Family Takaful	2
Total	13

Source: Takaful/Insurance Unit, AMBD

Insurance Intermediaries

As of 31 December 2016, AMBD has registered a total of 219 general insurance/takaful agents and of these, 202 are individual agents and 17 are corporate agents.

Table 11: Insurance and Takaful: Number of Intermediaries	
	2016
Insurance Broker	1
Loss Adjuster	1
General Insurance / Takaful Agents:	219
Individual	202
Corporate	17

Source: Takaful/Insurance Unit, AMBD

Market Updates

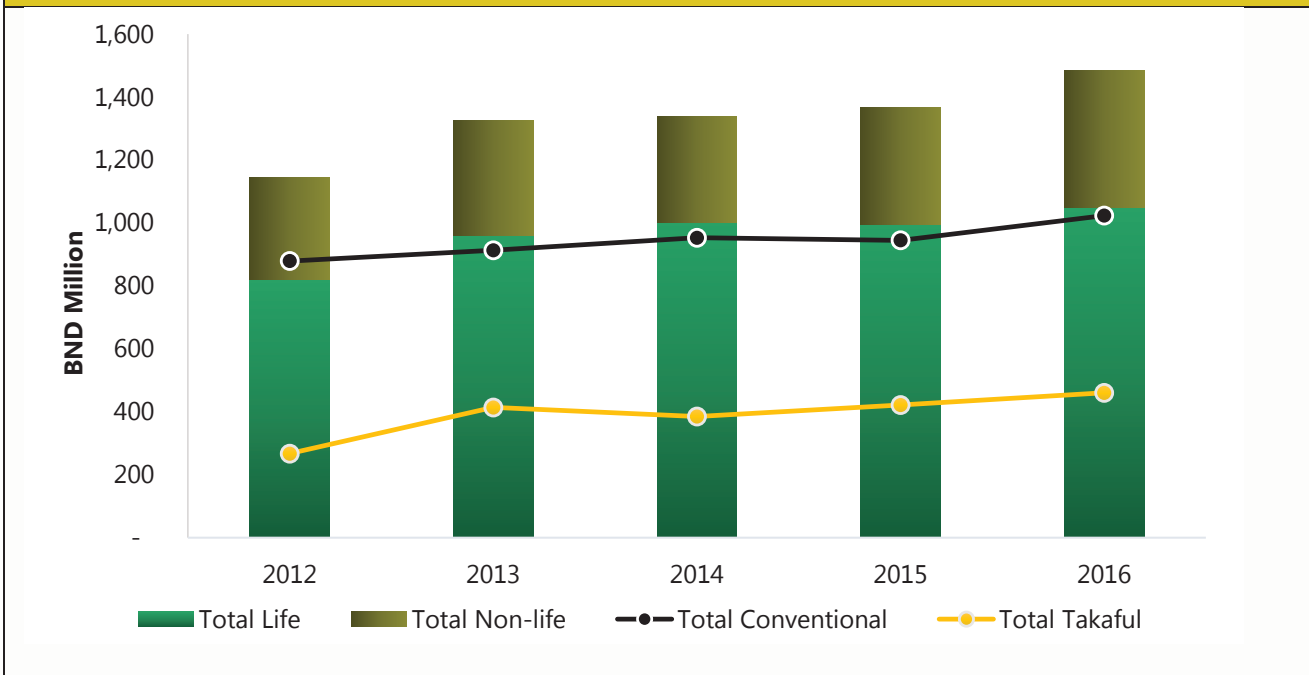
Total assets of the insurance and takaful industry have increased by 8.6% in 2016 to BND1.48 billion (Chart 9). This increase was contributed by both general and life sectors by 5.4% and 17.0% respectively. This was partly due to the increase in investments in 2016.

Table 12: Insurance and Takaful Highlights (Unaudited figures)

(In BND Million)	2012	2013	2014	2015	2016
Assets	1,146.0	1,326.6	1,337.7	1,366.3	1,483.5
Gross Premiums	282.7	306.9	307.5	318.1	301.2
Gross Claims/Benefits	114.1	131.5	136.9	142.7	174.2

Source: Takaful/Insurance Unit, AMBD

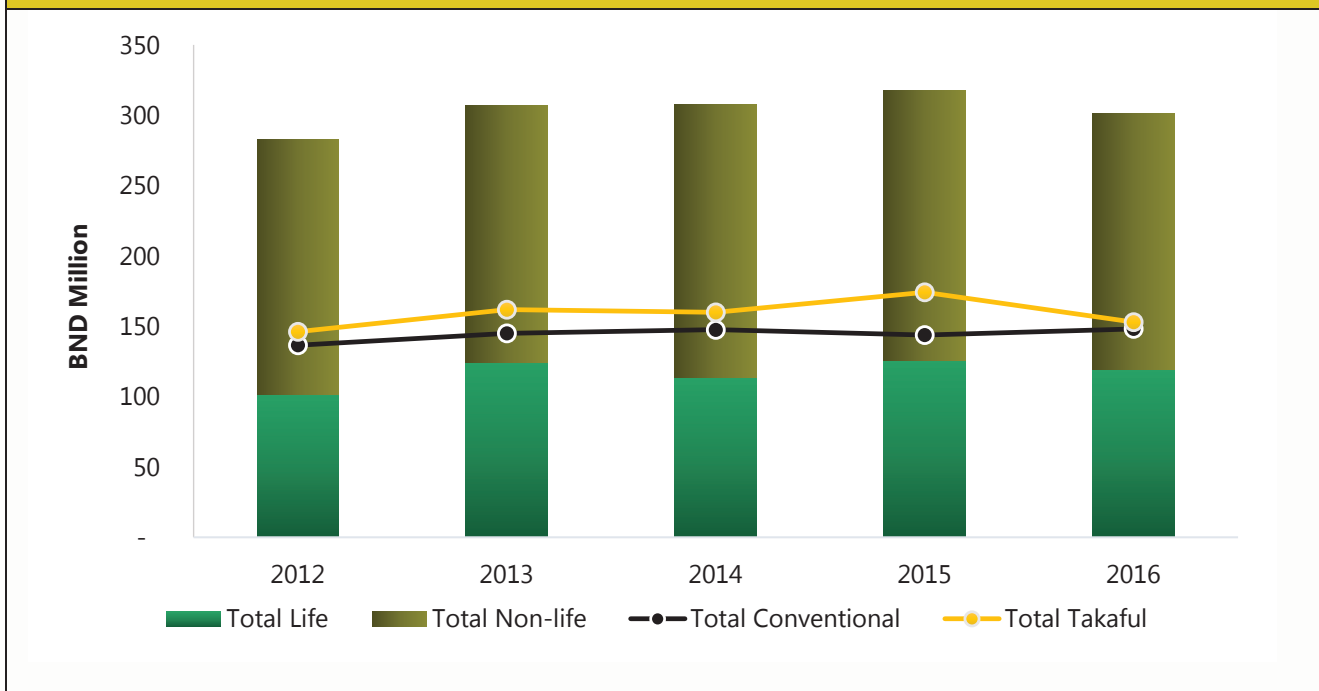
Chart 9: Insurance and Takaful: Total Assets (Unaudited figures)



Source: Takaful/Insurance Unit, AMBD

Gross Premiums: The overall insurance and takaful gross premiums declined by 5.2% in 2016 from BND318.1 million in 2015 to BND301.2 million in 2016. While both general and life conventional sectors gross premiums increased by 3.7% and 2.3% respectively, total general and family takaful contributions have decreased by 12.2% from a total of BND174.2 million in 2015 to BND153.0 million in 2016. However, total takaful contributions still represent more than half of the total gross premiums/contributions in Brunei Darussalam.

Chart 10: Insurance and Takaful: Total Gross Premiums/Contributions (Unaudited figures)



Source: Takaful/Insurance Unit, AMBD

General Insurance/Takaful Business

General insurance/takaful sector recorded a decrease in 2016, with total gross premiums/contributions (comprising direct business and reinsurance inward) of BND182.2 million compared to BND192.1 million in 2015. This was mainly due to the decline in general takaful contributions by 9.0% to BND114.8 million. Overall underwriting profit, thus, has also decreased by 3.0% to BND43.5 million.

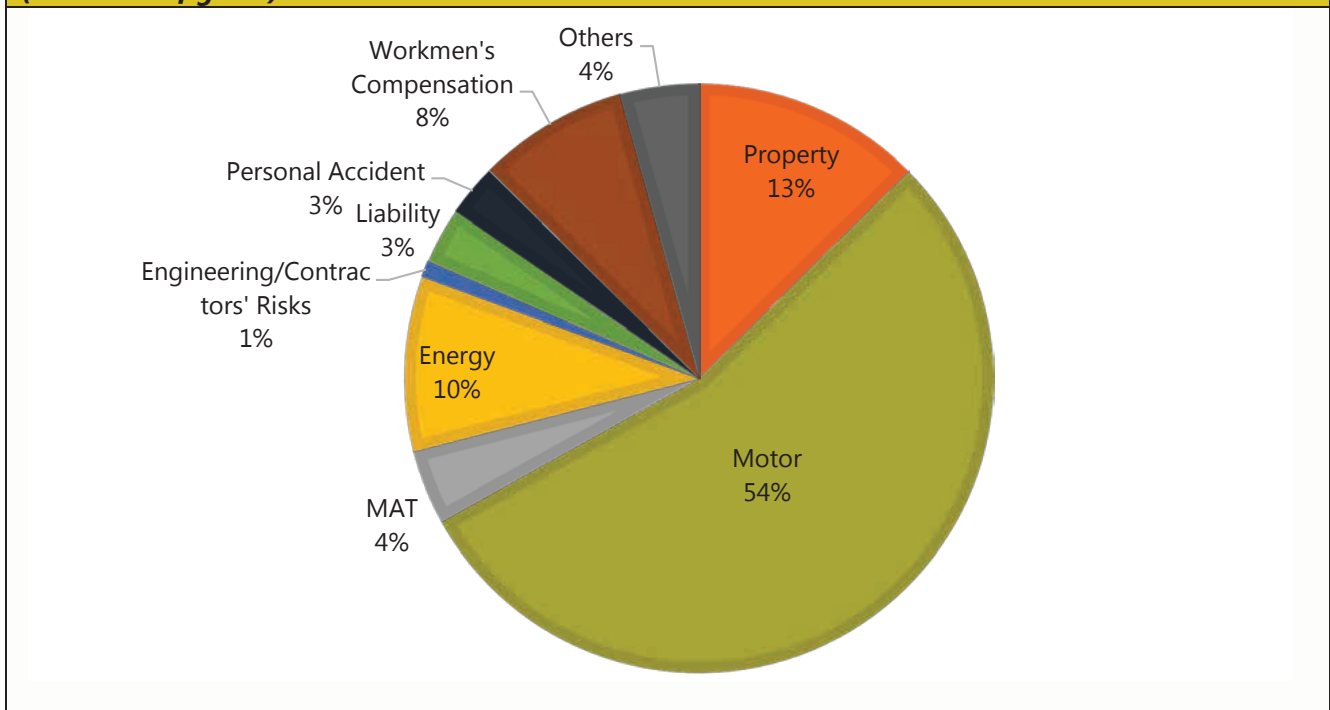
Motor insurance remains the largest contributor for general insurance/takaful business in Brunei Darussalam at 54.3% of total premiums or BND98.9 million in 2016; an increase of 1.2% in gross premiums. Marine, Aviation and Transit (MAT) and Workmen’s Compensation have decreased by 41.4% and 11.8% respectively while property business recorded an increase of 57.9% to BND22.9 million.

Table 13: Insurance and Takaful: Gross Premiums / Contributions for Non-Life Business in BND Million (Unaudited figures)

Classes of Non-Life Business	2015	2016	Percentage Change (Percent)
Motor	97.8	99.0	1.2
Fire	14.5	22.9	57.9
Marine, Aviation, and Transit	12.8	7.5	-41.4
Others	46.4	32.1	-30.8
Workmen's Compensation	17.0	15.0	-11.8
Public Liability	3.6	5.7	58.3
Total	192.1	182.2	-5.2

Source: Takaful/Insurance Unit, AMBD

Chart 11: Insurance and Takaful: Non-life Premiums/Contributions by Type of Business (Unaudited figures)



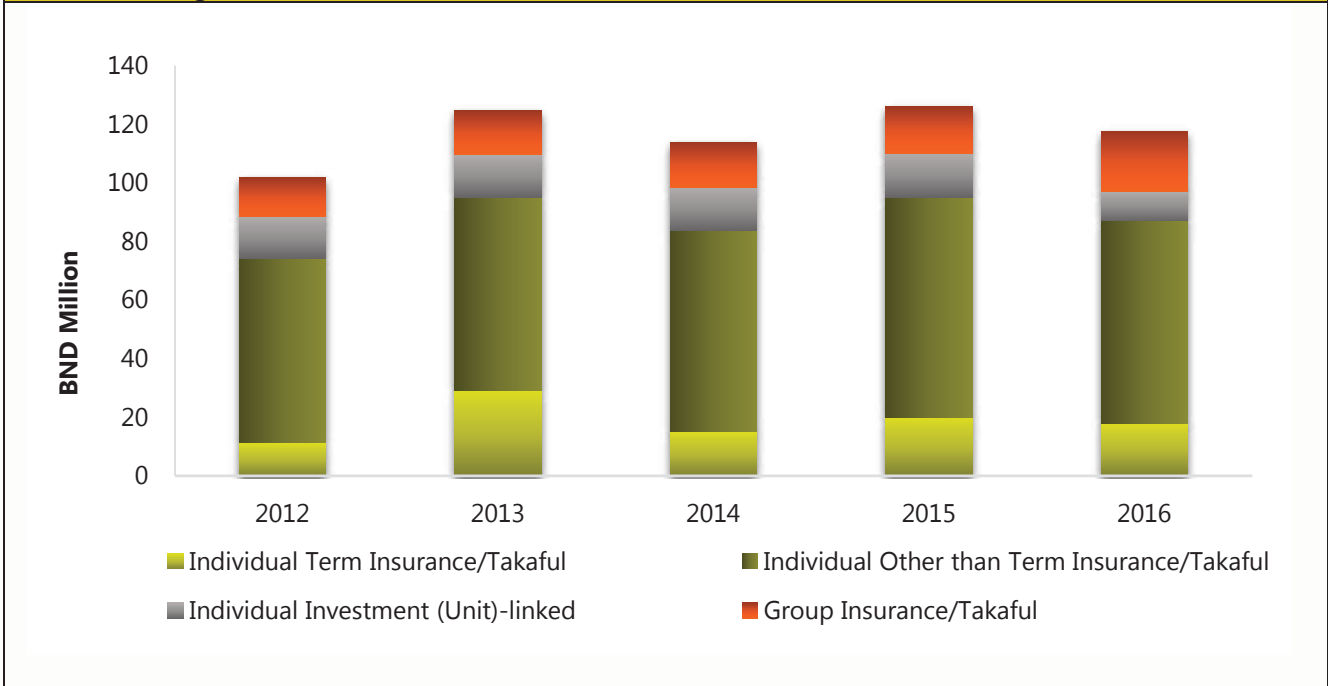
Source: Takaful/Insurance Unit, AMBD

Life Insurance/Family Takaful Business

Total in-force premiums/contributions of life insurance/family takaful business amounted to BND119.0 million in 2016, a decrease of 5.5% when compared to with BND126.0 million in 2015. The driving force was Individual Life/Family business. However, Group Life/Family Takaful business, in-force premiums/contributions recorded a growth of 28.1% to BND20.5 million in 2016.

However, Individual Other Than Term Insurance/Takaful remained the largest portion, amounting to 59% of the total gross life premiums/family contributions in Brunei Darussalam.

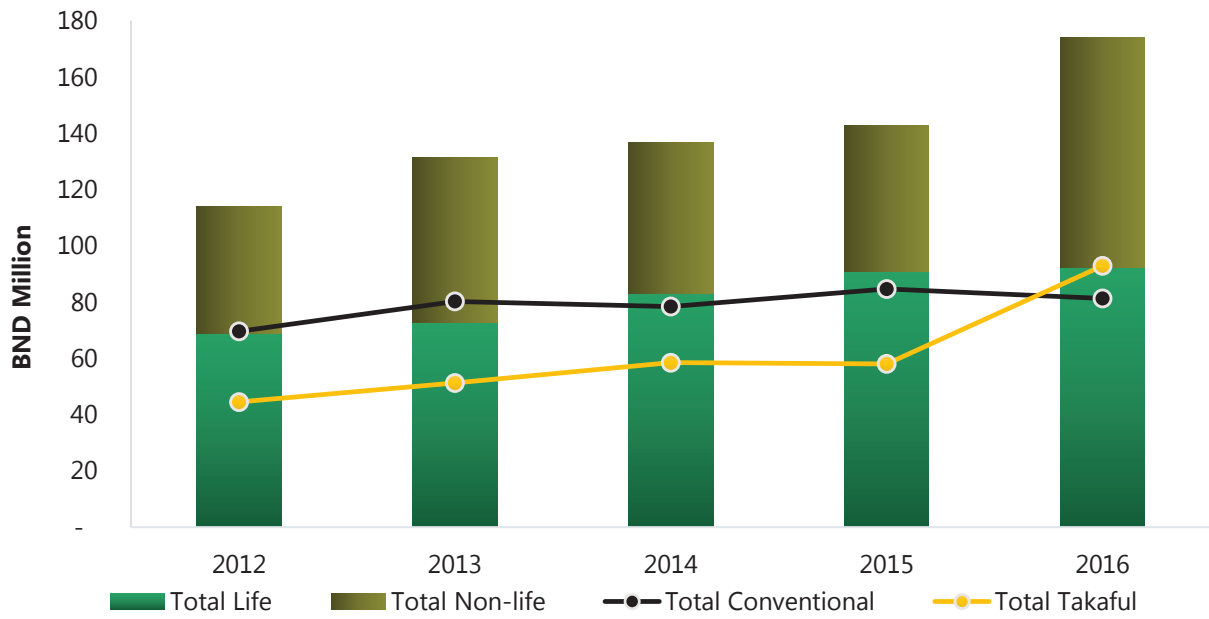
Chart 12: Insurance and Takaful: Life Premiums/Family Contributions by Type of Business (Unaudited figures)



Source: Takaful/Insurance Unit, AMBD

Gross Claims: The total industry gross claims and benefits increased by 22.1% from BND142.7 million in 2015 to BND174.2 million in 2016, largely due to an increase in general Takaful claims from BND31.9 million in 2015 to BND66.9 million in 2016. The major rise in claims for 2016 was contributed by the increase in marine, aviation and transit, and energy lines, amounting to 13% and 15% respectively of the total claims.

Chart 13: Insurance and Takaful: Total Gross Claims (Unaudited figures)



Source: Takaful/Insurance Unit, AMBD

4.5 CAPITAL MARKET

Licensing and Supervision

The total number of regulated persons under the Securities Markets Order, 2013, increased significantly in 2016, especially those holding the Capital Markets Services Representative's Licence (CMSRL). The number of the Collective Investment Schemes (CIS) decreased while the number of Capital Markets Services Licence (CMSL) and the recognized trading facility remained the same. The surge in CMSRL holders is due to increasing number of those giving or offering investment advice as financial planners. Table 14 shows the total number of regulated persons under the Securities Markets Order, 2013, in 2015 – 2016.

	2015	2016
Recognised Trading Facility	1	1
Capital Markets Services (CMS)	10	10
Capital Markets Services Representative (CMSR)	8	124
Collective Investment Scheme (CIS)	14	13
Total	33	148

Source: Capital Market Unit, AMBD

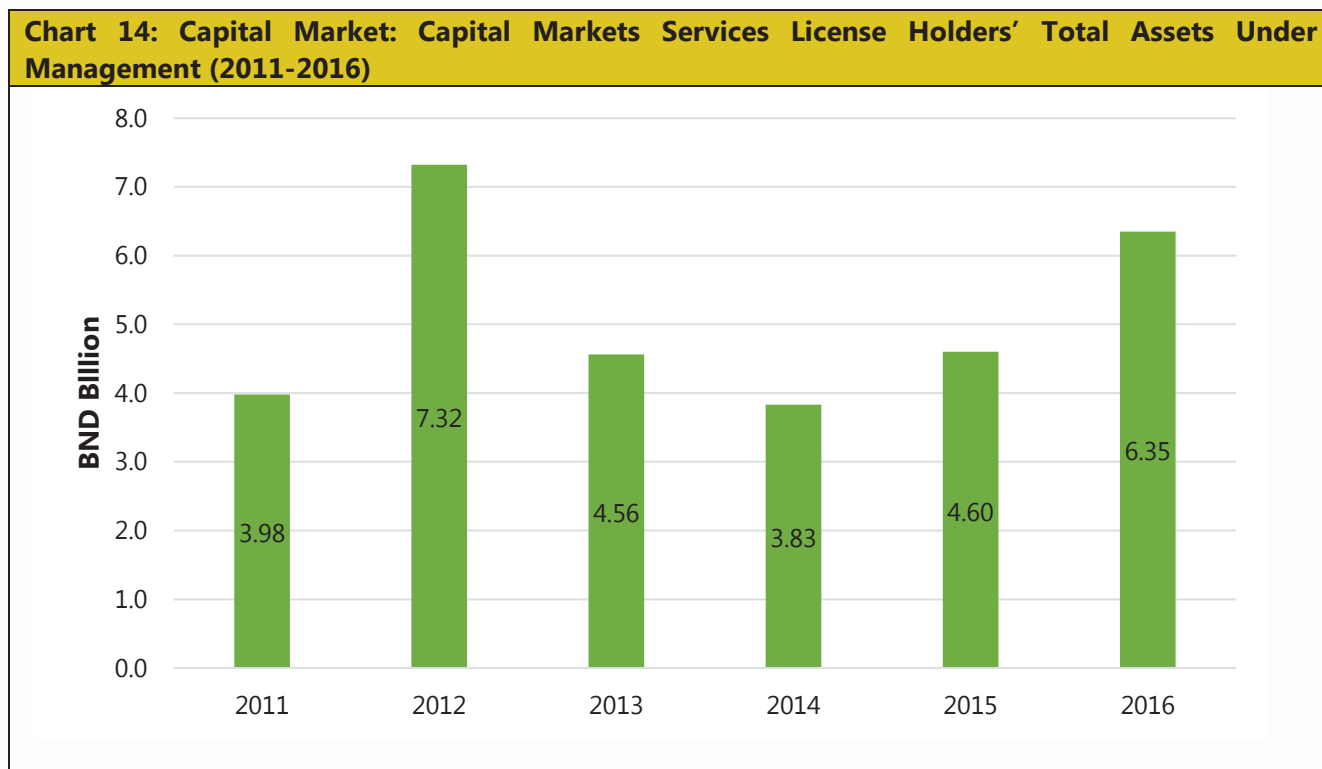
As of 31 December 2016, there were 138 licence holders; 10 CMSL, 117 CMSRL, 1 trading facility and 10 CIS. There were a total of 10 new licence applications received and approved, consisting of 7 CMSRL and 3 CIS. For 2016 there were 2 applications for cessations of CMSL and CMSRL.

On 2 June 2016, AMBD had granted the CMSL to Standard Chartered Securities (B) Sdn Bhd to conduct the regulated activities of dealing and arranging deals in investments; and giving or offering investment advice in the capacity as an investment adviser and a financial planner. The establishment of this company is seen as a positive step towards developing the capital market industry in Brunei Darussalam and providing investment avenues for the public.

Onsite inspection was conducted on one of the CMSL holders this year to assess the financial performance and general condition of the company, which includes ensuring the general compliance with the requirements under the Securities Markets Order, 2013, and the Securities Markets Regulations, 2015, the Anti-Money Laundering and Counter Financing Terrorism policies and requirements, and that the internal controls and procedures of the company are fully met and put in place.

Assets Under Management

Chart 14 shows the total assets under management (AUM) managed by CMSL holders from 2011 to 2016. The chart shows a significant increase in total AUM by 38% from 2015 to 2016.



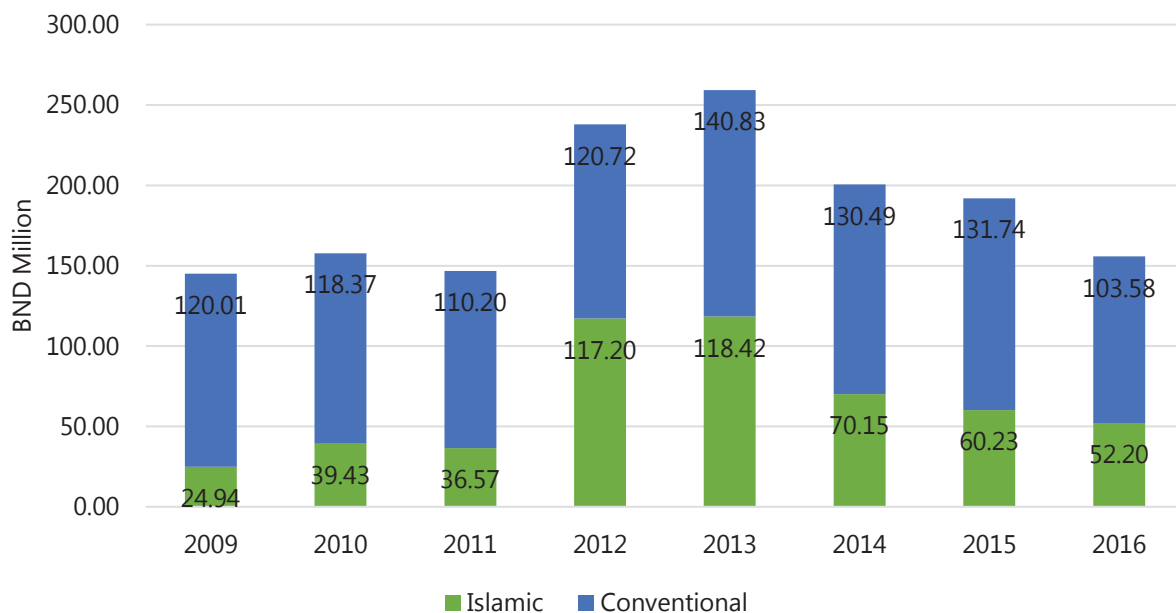
Source: Capital Market Unit, AMBD

Collective Investment Scheme

In 2016, 13 CIS were registered in Brunei Darussalam, compared to 14 CIS in 2015, of which 3 were newly registered in 2016. The public CIS comprise of 6 Islamic and 5 conventional CIS and there are 2 private locally domiciled Islamic CIS. Currently, there is only one licensed fund manager in Brunei Darussalam.

Chart 15 illustrates the total size of both Islamic CIS and conventional CIS from 2009 to 2016. Overall, the total size of CIS declined significantly by 18.8% from BND192 million in 2015 to BND156 million in 2016 due to substantial redemptions of both Islamic and conventional CIS.

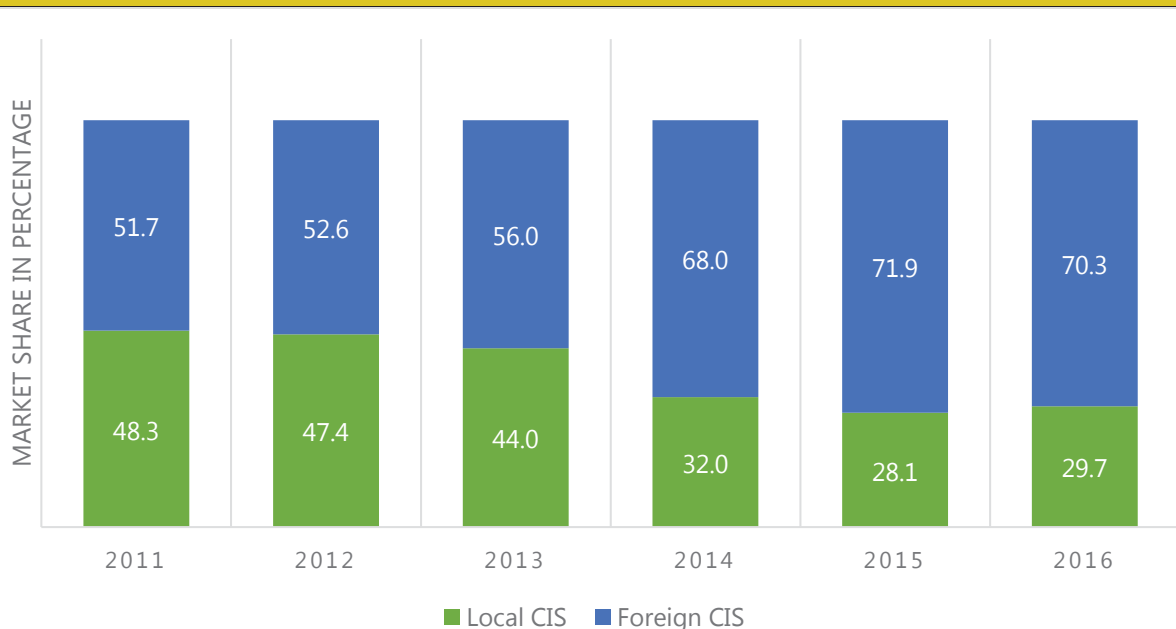
Chart 15: Capital Market: Collective Investment Scheme Sizes (2009-2016)



Source: Capital Market Unit, AMBD

Chart 16 illustrates the total market share of locally domiciled CIS against foreign domiciled CIS. Overall, the market share of locally domiciled CIS showed a slight increase from 28.1% in 2015 to 29.7% in 2016.

Chart 16: Capital Market: Collective Investment Scheme Market Share



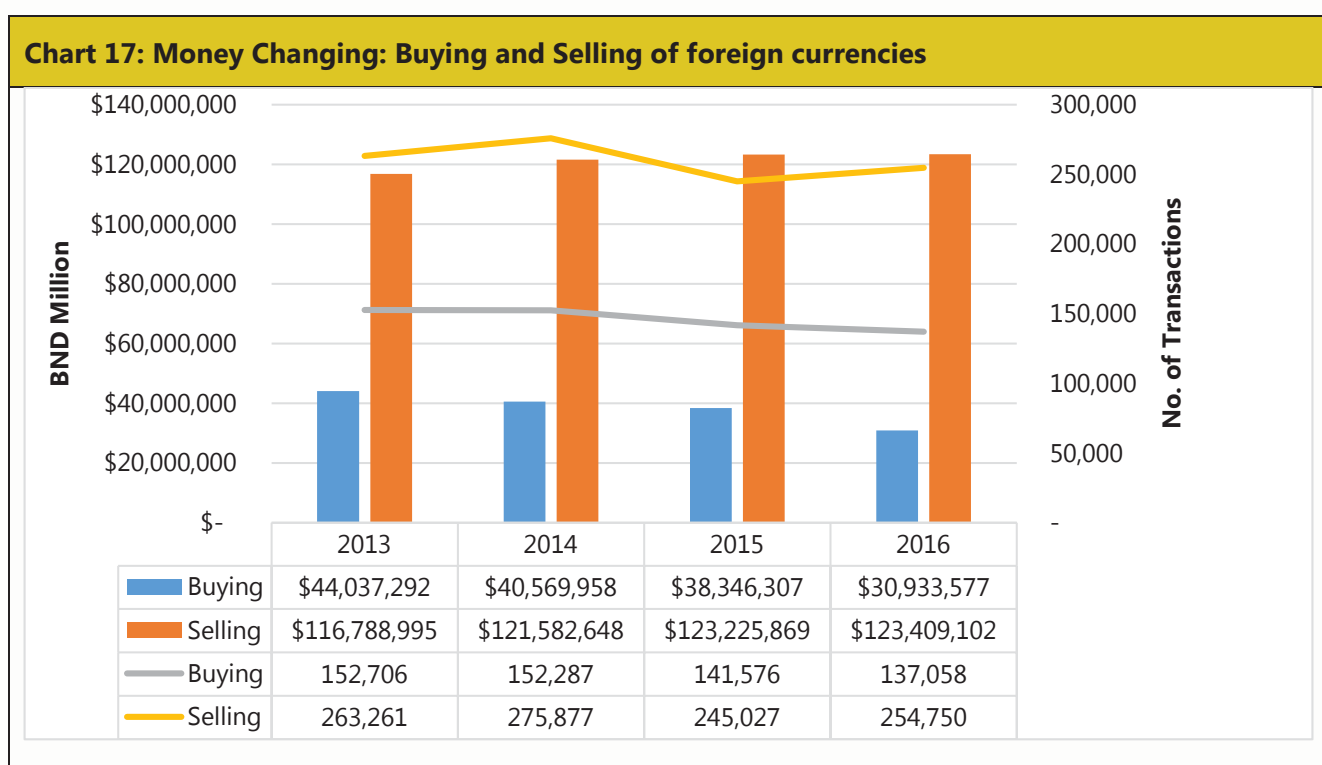
Source: Capital Market Unit, AMBD

4.6 SPECIALISED MARKETS

Money Changing

For 2016, there was decrease of 19% in the value of the currencies bought (buying) and a fall in number of transactions by 3%, compared to the previous year. Chart 17 below represents the buying of foreign currencies from 2013 to 2016.

In terms of selling, 2016 saw a slight increase of 0.15% in value and 4% in the number of transactions.



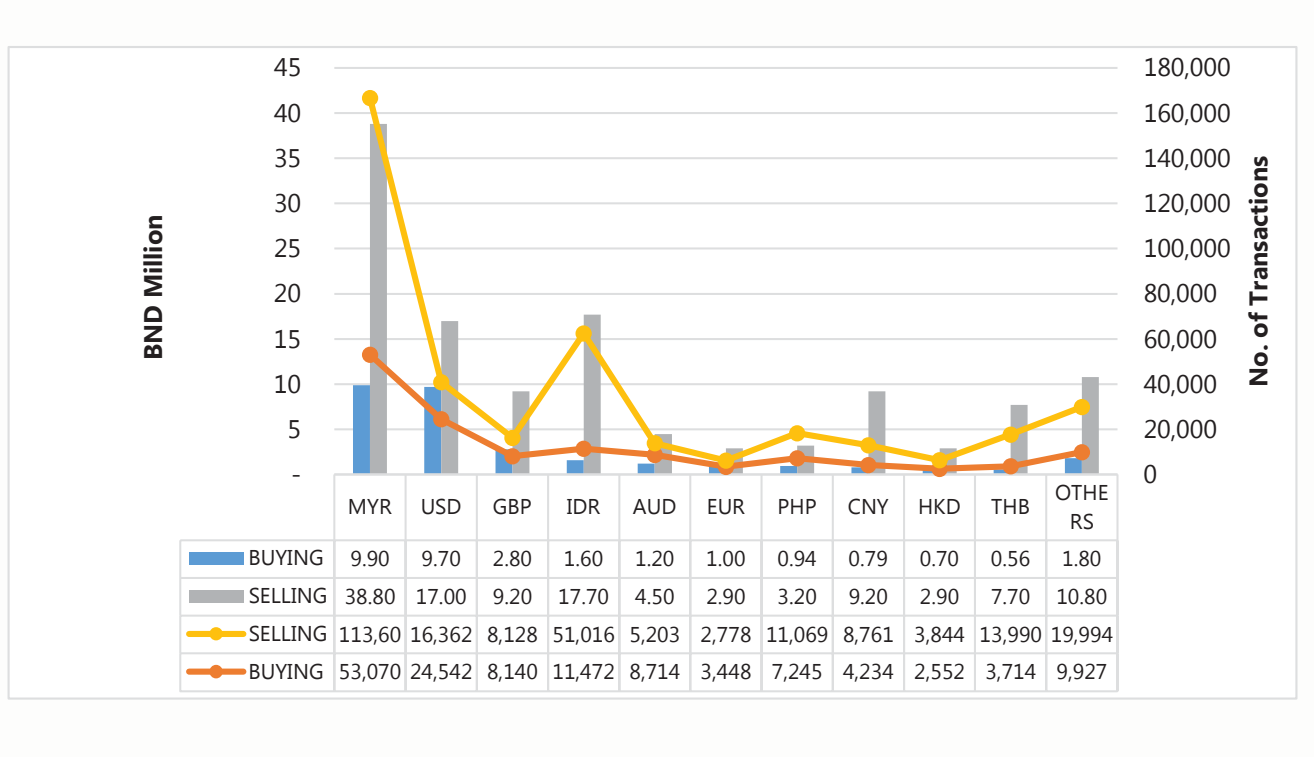
Source: Specialised Market Unit, AMBD

The sustained demand for foreign currency compared to the local currency is demonstrated by the significant disparity between buying and selling as indicated in Chart 17.

Chart 18 illustrates the total value and amount of foreign currencies transacted in 2016. Malaysian Ringgit contributed the highest value of foreign currency purchased (buying) measured at BND9.9 million. This was followed by US Dollars with BND9.7 million and British Pound with BND2.8 million.

In terms of selling, the Malaysian Ringgit recorded the highest value at BND39 million. This is followed by Indonesian Rupiah with BND18 million and US Dollars with BND17 million.

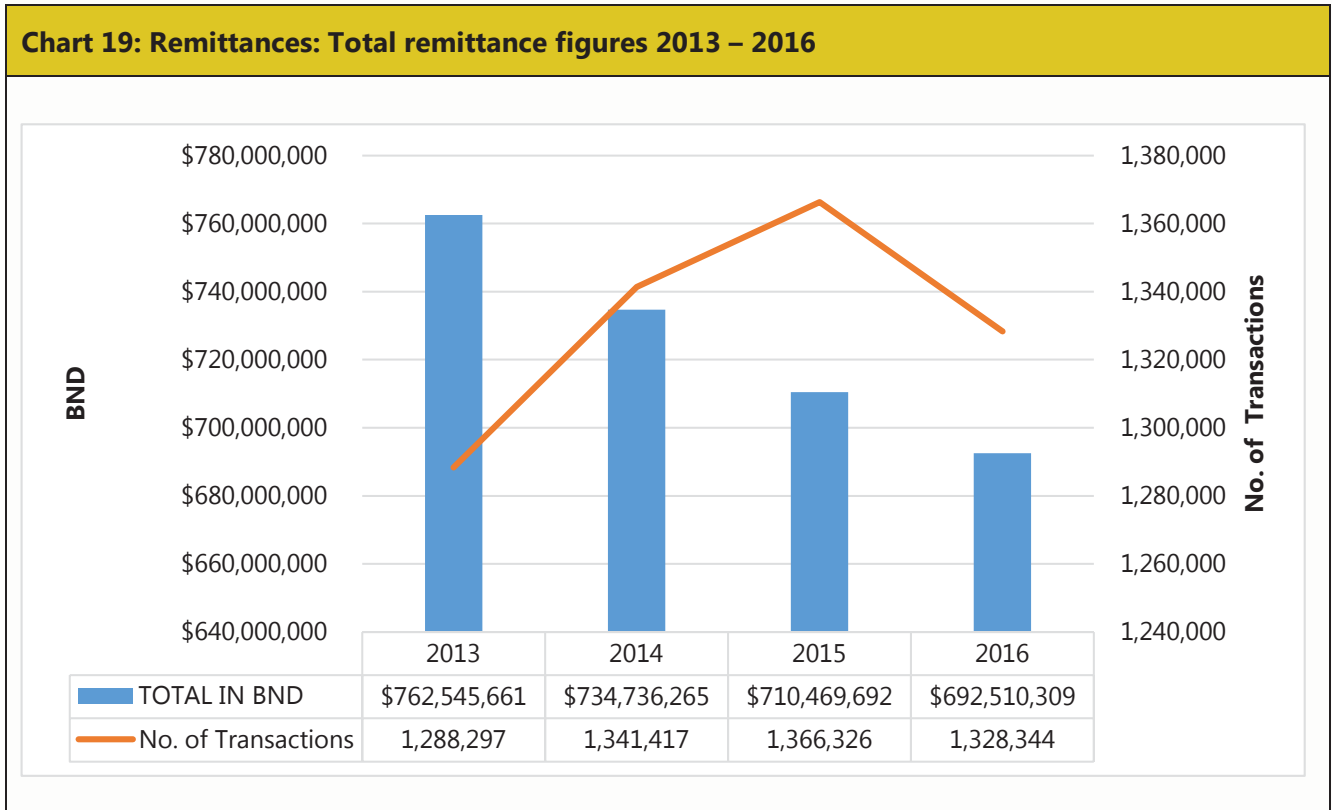
Chart 18: Money Changing: Foreign currencies traded in 2016



Source: Specialised Market Unit, AMBD

Remittances

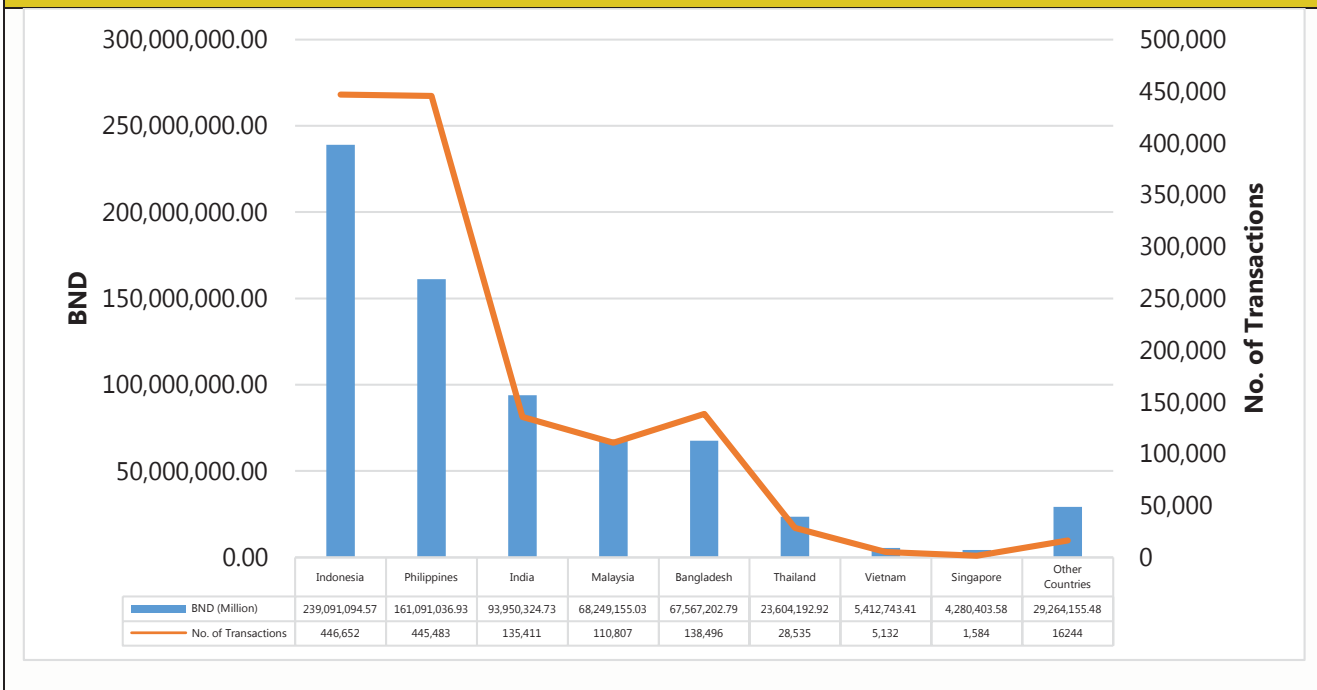
Chart 19 shows the overall value and total number of remittance transactions from the year 2013 and 2016. The total value of foreign remittances and the corresponding number of transactions have decreased by 3% in 2016 compared to 2015.



Source: Specialised Market Unit, AMBD

Chart 20 represents the value and number of transactions for outward remittances destinations originating from Brunei. As indicated in the chart, remittances to Indonesia recorded the highest value with BND239 million. This is followed by remittances to the Philippines and India with BND161 million and BND94 million respectively.

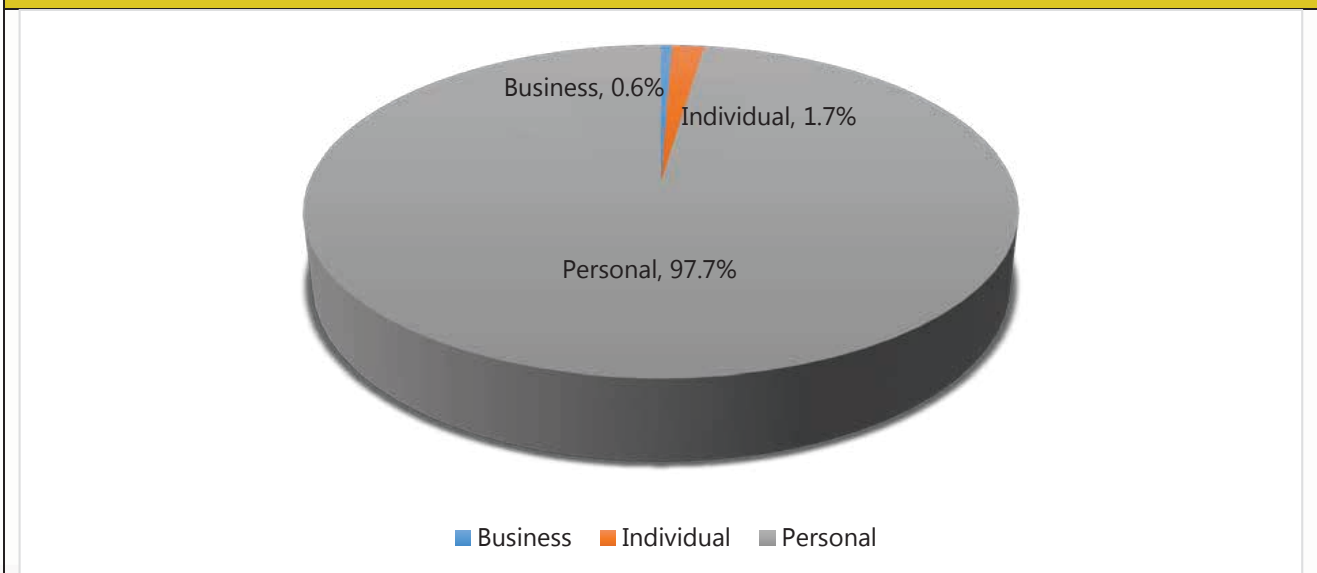
Chart 20: Remittances: Remittance destinations for the year 2016



Source: Specialised Market Unit, AMBD

In terms of remittance purposes, Personal motives represent the most significant share at 97.8%. This is followed by Individual and Business purposes at 1.6% and 0.6% respectively.

Chart 21: Remittances: Purpose of remittance



*Personal refers to remittances from a person to person;

*Individual refers to remittances from a person to a business or vice versa;

*Business refers to remittances from a business to another business.

Source: Specialised Market Unit, AMBD

4.7 ISLAMIC FINANCIAL ADVISORY

1. Muzakarah Islamic Financial Institutions (IFI)

Since the establishment of Muzakarah IFI in 2014, the Syariah departments of local Islamic Financial Institutions (IFIs) and AMBD have been actively sharing and discussing on Syariah-related issues and challenges faced by the local and international Islamic finance industry.

In 2016, the Muzakarah was successfully held five times, during which several issues were deliberated, most significantly were:

- (i) Sharing of the latest development from AMBD and each IFI;
- (ii) Collection of data and information involving the products and services offered by the local IFIs;
- (iii) Discussion on the strategy to increase the credibility of local Syariah Advisory Body (SAB);
- (iv) Discussion on the Syariah Department strategic plan of each IFI in developing the local Islamic finance industry for the period of 3 to 5 years;
- (v) The endorsement of the Muzakarah IFI Terms of Reference (TOR);
- (vi) Sharing knowledge by Muzakarah members based on attending Islamic finance events and courses; and
- (vii) Discussion on the challenges faced by the local Islamic financial industry.

2. Syariah Audit

Implementation of the Syariah audit on the Islamic financial products and services approved by the Syariah Financial Supervisory Board (SFSB) will continue to be conducted to ensure that they continuously comply with Hukum Syara'.

The Islamic Financial Advisory Unit (IFAU) completed two Syariah audits in 2016, one on an Islamic banking financing product and the other on a takaful product. In addition, a Syariah Review was also conducted on one local statutory body.

3. Work Visit to Bank Negara Malaysia (BNM)

IFAU conducted a work visit to Islamic Banking and Takaful Department (IBTD), BNM at Kuala Lumpur, Malaysia on 30 September 2016. The main objectives of the work visit are as follows:

- (i) to learn the role and function of IBTD and its division/unit including Syariah division;
- (ii) to learn and understand the implementation of the Syariah audit framework from BNM's perspective; and
- (iii) to know the latest development on Islamic finance amongst others on the strategic growth perspective, Syariah parameters, and Islamic finance experts.

4.8 ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM

1. BRUNEI DARUSSALAM'S NATIONAL RISK ASSESSMENT ON MONEY LAUNDERING AND TERRORISM FINANCING

On 12 January 2016, an opening ceremony to launch Brunei Darussalam's inaugural Money Laundering and Terrorism Financing National Risk Assessment (NRA) project was held at Rizqun International Hotel, officiated by the Deputy Minister at the Prime Minister's Office. The aim of the NRA is to identify the money laundering (ML) and terrorism financing (TF) risks that Brunei Darussalam faces, allowing for the proper allocation of resources to mitigate the identified risks towards the enhancement of the country's anti-money laundering and combating the financing of terrorism (AML/CFT) regime.



Opening ceremony to launch the NRA project

A Working Group comprising of almost sixty representatives from relevant AML/CFT stakeholders from both the public and private sectors was established to carry out the risk assessment. This approach enabled extensive consultations and exchanges of views between a broad range of relevant departments, agencies and other organizations that have AML/CFT responsibilities, knowledge, or both. The Financial Intelligence Unit (FIU) was appointed as the NRA Coordinator to ensure that work was completed within the targeted timeframe.

The FIU organized three workshops in 2016:

First NRA workshop: 12 – 14 January 2016

- During the first workshop, the World Bank team presented information on ML/TF risk assessment concepts, the World Bank's approach to NRA and the World Bank's NRA Tool. Most of the sessions involved interactive group work to allow the participants to better comprehend the NRA tool and process. The Working Group also conducted preliminary assessments during this workshop, and shared their initial findings at the end of the workshop.

Second NRA workshop: 18 – 19 May 2016

- During the second workshop, the NRA Working Group shared eight sub-group draft reports and received preliminary comments and recommendations. The second workshop also facilitated exchange of views among the members of the NRA Working Group on the sub-group draft reports.

Final NRA workshop: 28 – 29 November 2016

- On the first day of the final workshop, the NRA Working Group sought guidance and feedback from the World Bank in finalizing the consolidated report and preparing an action plan. The NRA findings aims to provide policymakers and relevant stakeholders with an understanding of where Brunei Darussalam's ML/TF risks lie. The action plan formulated based on these key findings, outlined detailed action points in order to mitigate these risks.
- On the second day, the FIU as the NRA coordinator presented the NRA findings and action plan to members of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC).



Finalisation of consolidated report and preparation of action plan



Presentation of NRA findings and action plan to NAMLC members

2. AML/CFT SUPERVISORY PROGRAM

Onsite inspection on a local bank

In 2016, the FIU, in collaboration with officers from the Banking Unit, completed an onsite inspection on a local bank to assess the bank's compliance towards Brunei Darussalam's AML/CFT legal requirements under the Criminal Asset Recovery Order, 2012, Anti-Terrorism Order, 2010, and Anti-Terrorism (Terrorist Financing) Regulations, 2013. The examination findings were presented to the bank's management during the onsite examination exit meeting on 8 November 2016.

STR guidance paper

On 29 December 2016, the FIU distributed a draft guidance on Suspicious Transaction Reports (STRs) to the compliance officers of Financial Institutions for comments. The purpose of this guidance is to assist in improving the identification and understanding of suspicious transactions and to provide clarification on the requirement to report STRs. This guidance is expected to be finalized in early 2017.

FIU-Compliance Officer (CO) meeting

On 22 September 2016, the FIU organized the first meeting of 2016 with compliance officers of the banks in Brunei Darussalam. The main issue that was discussed during this meeting involved the identification and reporting of suspicious transactions.

3. PREPARATION TOWARDS MUTUAL EVALUATION

Brunei Darussalam, as a member of the Asia Pacific Group on Money Laundering (APG), is subject to periodic assessments or mutual evaluation on compliance with the Financial Action Task Force (FATF) Recommendations. Brunei Darussalam underwent the mutual evaluation process twice (in 2005 and 2010), and the third mutual evaluation is scheduled to be in 2020. The NAMLC spearheads Brunei Darussalam's preparation for the mutual evaluation process. The FIU, in its capacity as NAMLC Secretariat, reviewed Brunei Darussalam's compliance towards the following FATF Recommendations in 2016:-

Recommendation 6

FATF Recommendation 6 requires countries to implement targeted financial sanctions regimes to comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.

In May 2016, a meeting was held between the FIU, Attorney General's Chambers, Ministry of Foreign Affairs and Trade, and Internal Security Department to discuss the first draft of Guidance to help implement this recommendation in Brunei Darussalam, which was prepared by the FIU. In addition, the FIU conducted a briefing on this recommendation for members of the Counter-Terrorism Intelligence Working Group (CTIWG).

Recommendation 7

Countries should implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.

On 9 –11 March 2016, two members of the FIU attended a workshop organized by the APG on this recommendation in Lanai Kijang, Kuala Lumpur. This workshop was facilitated by eight panelists, which included representatives from APG Secretariat, Bangladesh FIU, Monetary Authority of Singapore, the United Nations and the United States Department of the Treasury.

The primary focus of the workshop was to support APG members to effectively implement legal and institutional frameworks and mechanisms, including targeted financial sanctions, policy and operational coordination and the use of intelligence and investigation, to combat the financing of the proliferation of weapons of mass destruction. On the final day of the workshop, participants worked in their respective country teams and were asked to develop an action plan on implementing the requirements of Recommendation 7.

Recommendation 8

Countries should review the adequacy of laws and regulations that relate to entities, specifically non-profit organizations (NPOs), that can be abused for the financing of terrorism.

As part of our self-assessment towards this recommendation, the FIU disseminated a survey on NPOs to the Registrar of Societies, Royal Brunei Police Force, and Registrar of Companies and Business Names, Ministry of Finance.

4. DOMESTIC COOPERATION

18th NAMLC Meeting

On 16 June 2016, FIU as the NAMLC Secretariat organized the 18th NAMLC meeting at the Ministry of Finance Building. The meeting was co-chaired by the Permanent Secretary (Law and Welfare) at the Prime Minister's Office, and the Permanent Secretary (Management and International) at the Ministry of Finance, and was attended by the Committee's members consisting of senior government officials. The meeting discussed national issues relating to money laundering and terrorism financing.

NAMLC Working Group Meetings

40 recommendations WG meetings no. 1 (24 August 2016) and no. 2 (5 October 2016) - This is one of the working groups formed under the NAMLC in preparation for the Mutual Evaluation process that Brunei Darussalam will undergo in 2020. Attendees of this meeting agreed to prepare action plans to improve Brunei Darussalam's compliance towards the international standards as set by the FATF, to be submitted to the FIU as Secretariat for consolidation.

FIU-LEA Meeting

The FIU organizes yearly meetings with relevant law enforcement agencies to enhance cooperation. On 20 September 2016, the FIU organized a meeting with the Narcotics Control Bureau (NCB). This meeting served as a refresher session for NCB on their obligations towards the requirements under the Criminal Asset Recovery Order 2012, and FIU's role to assist them.

Joint Press Release by RBPF and AMBD

On 10 November 2016, the Royal Brunei Police Force (RBPF) and AMBD issued a joint press release on the arrest of four individuals for the offence of receiving deposits without a license, whilst promoting a gold trading platform known as Dinar Dirham. The FIU collaborated with the RBPF and Attorney General's Chambers on the preliminary investigation to provide useful intelligence via information sharing.

4.9 FINANCIAL CONSUMER ISSUES

With effect from 17 June 2016, Financial Consumer Protection Unit changed its name to Financial Consumer Issues Unit (FCIU). The change of name is taking into account, amongst others, the Unit's functions, which not only focuses on financial consumers' protection through its complaints handling function, but also concentrates on financial consumers' issues such as raising the level of financial literacy in Brunei Darussalam with tools like financial awareness programs.

To further facilitate and enhance the unit's engagement with the public, the services for Financial Consumer Issues were re-located to the Credit Bureau Customer Service Office at the Ground Floor of Dar Takaful IBB Utama Building, Bandar Seri Begawan, commencing 31 October 2016.

4.9.1 PROMOTION OF FINANCIAL LITERACY

FCIU has been active in its initiatives to raise financial literacy by organizing several events and activities throughout the year. Many of the activities were in collaboration with other relevant agencies including government ministries, financial institutions and non-government organizations. The target varies from students from different years, government officials and staff, as well as the public. Among the topics included were tips on how to manage finances wisely, and getting to know the characteristics of financial fraud.

FCIU also assisted the Ministry of Education in organizing activities for Global Money Week, which included visits to banks and insurance companies, a life-sized board game on financial planning for different life events, as well as talks on money management and entrepreneurship.

Activities were conducted in May 2016 in conjunction with the second National Savings Day. These activities included roadshows to primary schools, and a 'Financial Fun Fair' that was open to the public, whereby the objective for both events were to teach financial planning concepts through fun and interactive games and activities. National Savings Day was conducted in collaboration with the Ministry of Education, and Employees' Trust Fund (TAP).

FCIU also launched educational advertorials with the theme "Be Financially Smart" to be published on newspapers. These advertorials focus on providing easy financial tips for consumers, such as saving and spending, using credit cards wisely, and tips on purchasing insurance. To raise public awareness on financial fraud and get-rich-quick schemes, the FCIU also collaborated with the FIU and Corporate Communications Unit to issue press releases for newspapers, radio and television.

FCIU also successfully conducted its first customized program for the Youth Development Centre, which ran for 1 ½ days, focusing on smart financial management, especially for aspiring entrepreneurs.

4.9.2 COMPLAINTS HANDLING

FCIU has received 270 complaints from the public against financial institution, an increase of about 50% compared to 2015. For 2016, 86% of the reported cases have been closed. FCIU is working closely with the financial institutions in solving the complaints received from the public. The complaints received include issues relating to loans, credit report and insurance claims.

4.9.3 INTRODUCTION OF ALERT LIST

An alert list has been uploaded to AMBD website under the Financial Consumer Alert and Updates section. This is to inform the members of the public of a list of companies and websites which are neither authorized nor approved under the relevant laws and regulations administered by AMBD and whose activities raise suspicions of illegal activity. The public has been reminded from time to time to deal with licensed institutions or persons that are regulated by AMBD. Members of the public who choose to deal with unlicensed and unregulated persons offering financial services or products may not have the protection afforded under the regulatory framework administered by AMBD.

4.10 FINANCIAL INFRASTRUCTURE ENHANCEMENTS

4.10.1 CREDIT BUREAU

2016 represents another year of significant progress for the Credit Bureau, following the recognition of the inclusion of utility data in the credit report by the World Bank in the Doing Business Report 2017, with a score of 7 out of 8 under the Depth of Credit Information under the Getting Credit Index. With this, Brunei has improved its ranking in the Getting Credit Indicator from 78th to the 62nd position in the latest Doing Business rankings.

Credit Bureau recognized the importance of the continuous participation of the Members in ensuring the continuity and the development of the Credit Bureau. The open-dialogue session allowed both parties to provide each other feedback on the areas of improvement for future development. Credit Bureau also conducted on-site audits to ensure compliance to the Notice on the information security, usage of credit report and its handling.

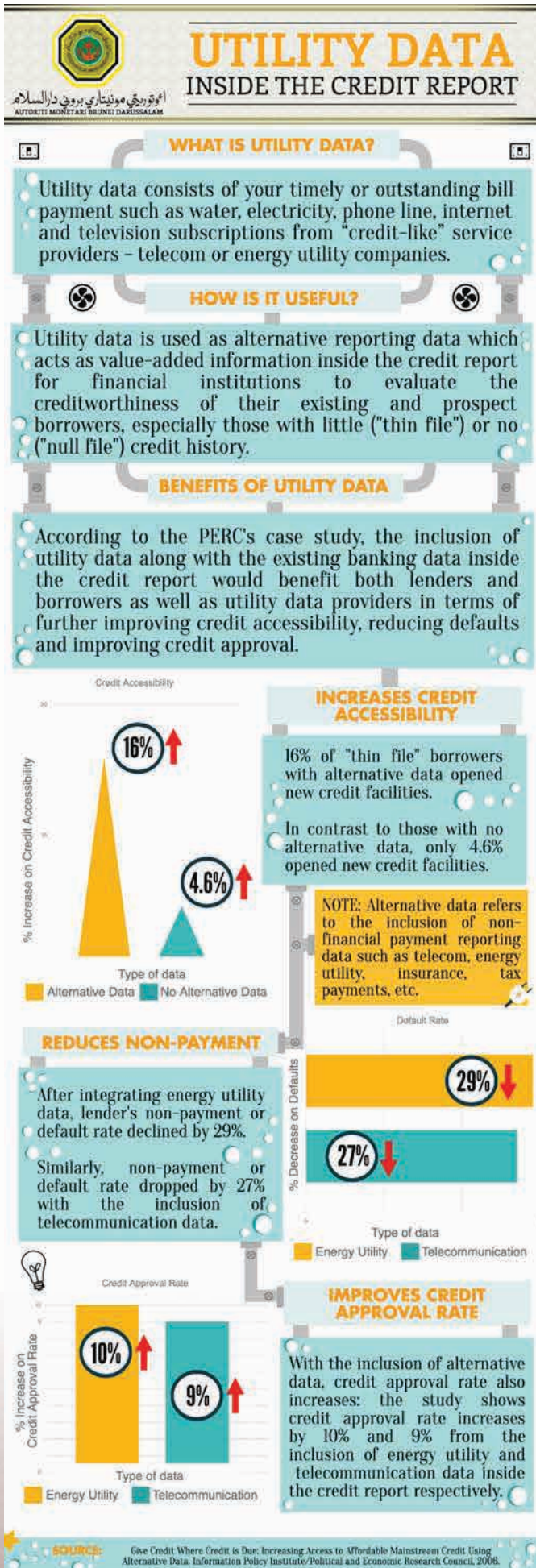
The Credit Bureau actively participated in events collaboratively with other relevant units within AMBD to promote awareness on Credit Bureau's roles and functions to the public in the series of events. Such events included the Ministerial Roadshows, National Savings Day 2016 and the business community at Enterprise Open Day 2016 organized by Darussalam Enterprise (DARe).

Introduction of Utility Data inside the Credit Report

Following the positive progress on the submission of utility data, the information was officially incorporated inside the credit report effective from February 2016. Previously, financial institutions face the challenge of assessing both thin-file (little credit history) and null-file borrowers (no credit history) as they have not built a relationship with the financial institutions. With the inclusion of utility data inside the credit report, it can now close the information gap and further enhance financial institutions' credit risk assessment on their borrowers by providing another dimension in assessing their existing and potential customers' credit exposure and credit worthiness.

In an effort to elucidate the use and benefits of utility data inside the credit report, the Credit Bureau Unit published an infographic article on the "Role of Utility Data inside the Credit Report" in Q3 2016 in Brunei Times, Borneo Bulletin and Media Permata. The article also underscores the benefits that utility data reap, particularly on minimizing chances of an individual's debt from becoming unmanageable and defaulting, increasing credit accessibility, improving credit approval rate and detecting identity theft. The public will also have a greater incentive to manage their overall financial obligations by promptly servicing their loan repayments as well as bill payments.

Telekom Brunei Berhad followed suit in signing a similar Memorandum of Understanding (MoU) with AMBD – agreeing to work collaboratively in the submission of their customers' credit information to Credit Bureau. The signing ceremony was held on 12 April 2016 at the Ministry of Finance Building.



DARe as a Strategic Partner

In support of the government's firm commitment towards growing collaboration between relevant agencies to promote a pro-business environment for Brunei Darussalam through a whole-of-government approach, Credit Bureau, alongside other relevant government agencies, set-up its customer service counter to provide Self-Inquiry and Dispute Resolution (SIDR) at the Business Support Centre (BSC) at the Design and Technology Building. BSC, which launched its operation on 15 April 2016, serves a one-stop location for the business community to access and submit business-related application as well as obtain business advice and information on business-related processes.

As a collaborative partner and a BSC resident, Credit Bureau participated in DARe's Enterprise Open Day 2016 which was organized in all four districts. The district roadshow was a multi-agency showcase geared to update the public on any improvements being made to the business ecosystem, to further follow up on new business-related issues and to create awareness on the services provided by the government agencies and private sector for local enterprises.

During the roadshow, Credit Bureau Unit along with other relevant AMBD units were provided a temporary counter to explain its functions and services; and to address any enquiries from the public. Correspondingly, the Credit Bureau Unit also set up a temporary Self-Inquiry counter for the public to obtain their free credit report and understanding its significance as part of their financial health.

Credit Bureau Members Engagement

The success of the Credit Bureau is essentially dependent on the strong commitment as well as a clear buy-in of all of the financial institutions. In view of that, it is important for the Credit Bureau to ensure that its role and services stays relevant to its stakeholders. Throughout 2016, Credit Bureau has conducted several open dialogue sessions at the Members' sites to socialize the Credit Bureau, its operations and services among the key users of the credit report who were not directly involved with its implementation.

The engagement is a platform for both the stakeholders and the Credit Bureau to discuss and to clarify technical routine matters that are specific to the Members such as the status of the data submission, dispute resolution and the credit report. The sessions allow the team to gather and compile feedbacks from the users for operational enhancement and future strategic developments. Representatives from Customer Service, Sales, Product Development, Credit, Compliance and IT participated in the dialogues.

Members Onsite Audit Exercise

Pursuant to section 8.1 of the Notice issued by AMBD on "Submission and usage of the customer credit information to and from CBAMBD", the Credit Bureau Unit will from time to time conduct an audit on the Members.

The Credit Bureau continued to conduct several audit exercises to several Members in 2016. The objective of the on-site audit is to ensure compliance to the Notice and appropriate corrective measures are taken in the event that there are deviations to the provisions of the Notice. The scope of the exercise includes adherence to the Information Security Guidance, operational compliance to the Notice issued by AMBD on Credit Bureau services usage in relation to data submission and its integrity, usage of credit report and its operational handling.

Credit Bureau Socialization Activities

Ministerial Roadshows

In 2016, the Credit Bureau had actively engaged in outreach initiatives to raise financial awareness, in particular to the Government Ministries and Agencies. This is a collaborative effort with other Units within the AMBD. During the roadshow, the Credit Bureau Unit delivered a presentation on 'Credit Bureau – Our Role in Your Financial Future', explaining the Bureau's roles, functions and services and highlighted on the information inside the Credit Report. The Credit Bureau also set up a temporary counter for Self-Inquiry, offering Self-Inquiry Reports (SIR) for the officers who attended the presentation session.

National Savings Day and FPAB's Financial Planning Showcase

The Credit Bureau actively participated in three main series of events that were organized in conjunction with the National Savings Day throughout the month of May. During the Money Day Roadshow and AMBD Financial Fun Fair, the Credit Bureau designed numerous interactive financial-theme games which focused on the common terminologies associated with the Credit Bureau (I-SPY and Wordsearch), the

culture of savings (Colouring competition and Connect Four) and the concept of wealth creation via investment (Life-sized Jenga).

Credit Bureau also participated in the Financial Planning Showcase that was organized alongside the launching of Financial Planning Association of Brunei (FPAB). This showcase underlined the importance of financial planning in Brunei particularly in managing and maintaining a stable credit lifestyle. In line with this, the Credit Bureau published an article on 'Cultivating a Healthy Credit Lifestyle' in the local newspapers.

Article on Data Providers of Credit Bureau

In Q4 2016, the Credit Bureau Unit wrote an article on 'Data Providers of Credit Bureau' (*Pembekal Data Biro Kredit*) which was published in Borneo Bulletin, Media Permata and Pelita Brunei. The article highlighted the different business functions of the data providers of Credit Bureau. The data providers of Credit Bureau comprise of both financial (all licensed banks, finance companies and Islamic Trust Fund) and non-financial institutions (utility and telecommunication companies) who are authorized by law to submit their customers' credit information to the Credit Bureau in a regular and consistent manner.

Key Statistics on the Credit Bureau's Repository

Table 15 below shows the key statistics on the Credit Bureau's Repository as of 31 December 2016.

Table 15: Credit Bureau: Key statistics on the Credit Bureau's Repository			
	2015	2016	Growth
Total Members ¹⁰	11	12	-
Total Number of reporting Non-Financial Institutions	0	2	-
Historical Records Duration (Months)	72	84	-
Total Accounts	999,919	1,094,029	9.4%
Total Subjects	192,551	199,181	3.4%
Individuals			
Total Individuals	182,480	188,119	3.1%
Total Individual Accounts	883,589	963,943	9.1%
Active Individual Accounts	358,845	342,935	-4.4%
Commercial Entities			
Total Commercial Entities	10,071	11,062	9.8%
Total Commercial Entities Accounts	116,330	130,086	11.8%
Active Commercial Credit Facilities	18,110	21,834	20.6%

Source: Credit Bureau Unit, AMBD

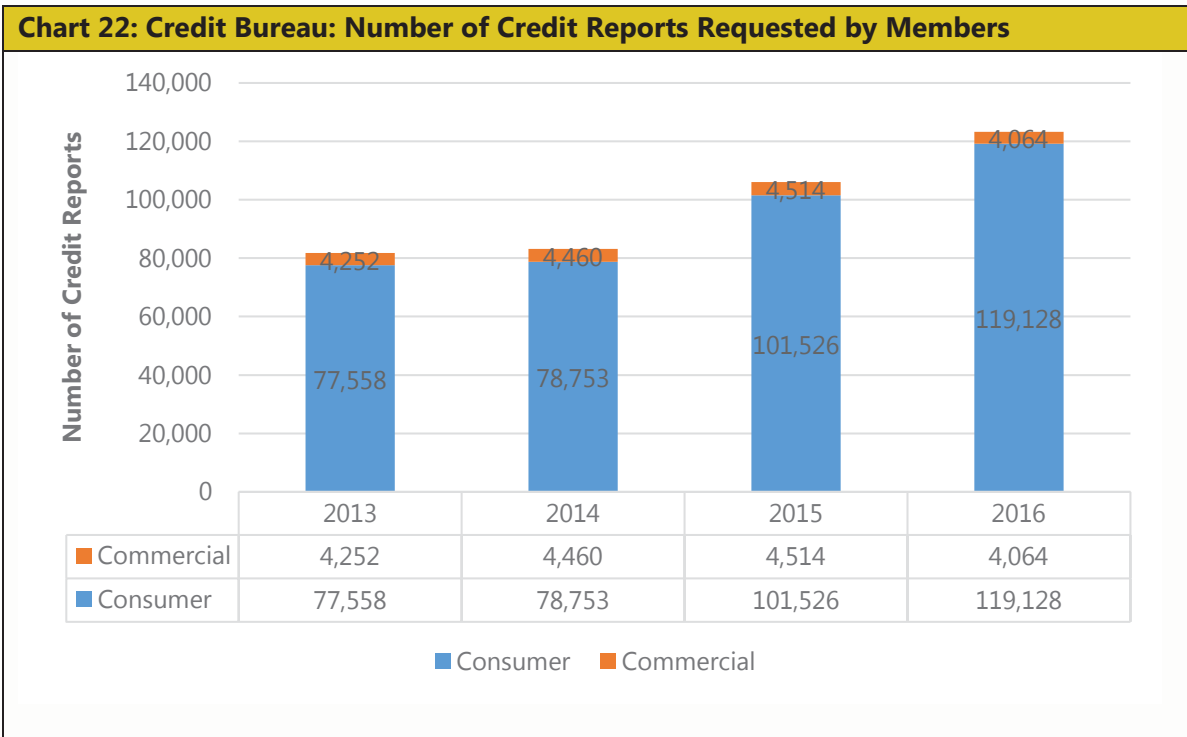
¹⁰ Citibank ceased its operation effective 1 April 2014

Disclaimer: The information is based on the data gathered from the Credit Verdict System used by Credit Bureau and the data provided may differ between the reporting periods as a result of ongoing data quality activities.

Although there is an increase in the number of individuals in the Credit Bureau repository, the number of active individual accounts decreased by 4.4% in 2016. This was due to the significant net decrease of active individuals accounts across all credit facilities types except for personal loans and overdraft accounts that only experienced a growth of less than 1.5%. While a total of 68,503 consumer accounts were opened in year 2016, this figure was surpassed by the 110,116 consumer accounts closed in the same period.

As of 31 December 2016, a total of 394,237 credit reports had been requested by the Members. There was an increase of 16.16% y-o-y in the number of reports requested from 106,040 credit reports in 2015 to 123,174 credit reports in 2016. About 96.7% of the total credit reports (or 119,128 credit reports) requested in 2016 were made for consumers and only 3.3% were made for commercial entities with a total of 4,046 credit reports.

Chart 22 below shows the statistics of the credit reports usage by the Members.



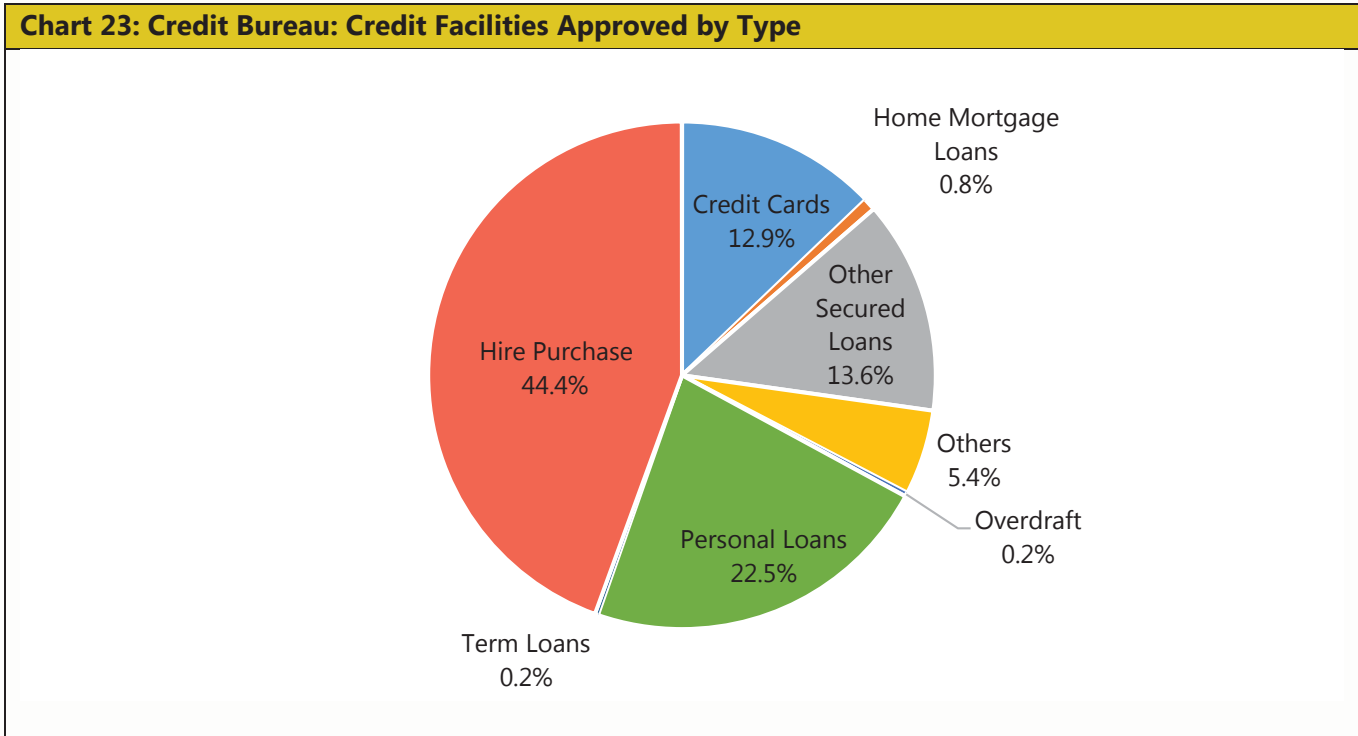
Source: Credit Bureau Unit, AMBD

Of the total number of reports requested, 75.8% were made for the purpose of new credit applications, of which 44.4% of the consumer approved credit facilities was for Hire Purchase, 22.5% for Personal Loans and 13.6% for Other Secured Loans. Table 16 below shows the statistics of the credit reports usage by purpose of the request being made:

Table 16: Credit Reports Usage by Purpose			
Purpose of Request	2014	2015	2016
New Credit Application	76,143	94,499	93,354
New Guarantor	241	258	301
Review of Existing Customer	6,829	11,283	29,519
Total	83,213	106,040	123,174

Source: Credit Bureau Unit, AMBD

Chart 23 below shows the application of Credit Facilities by product type.



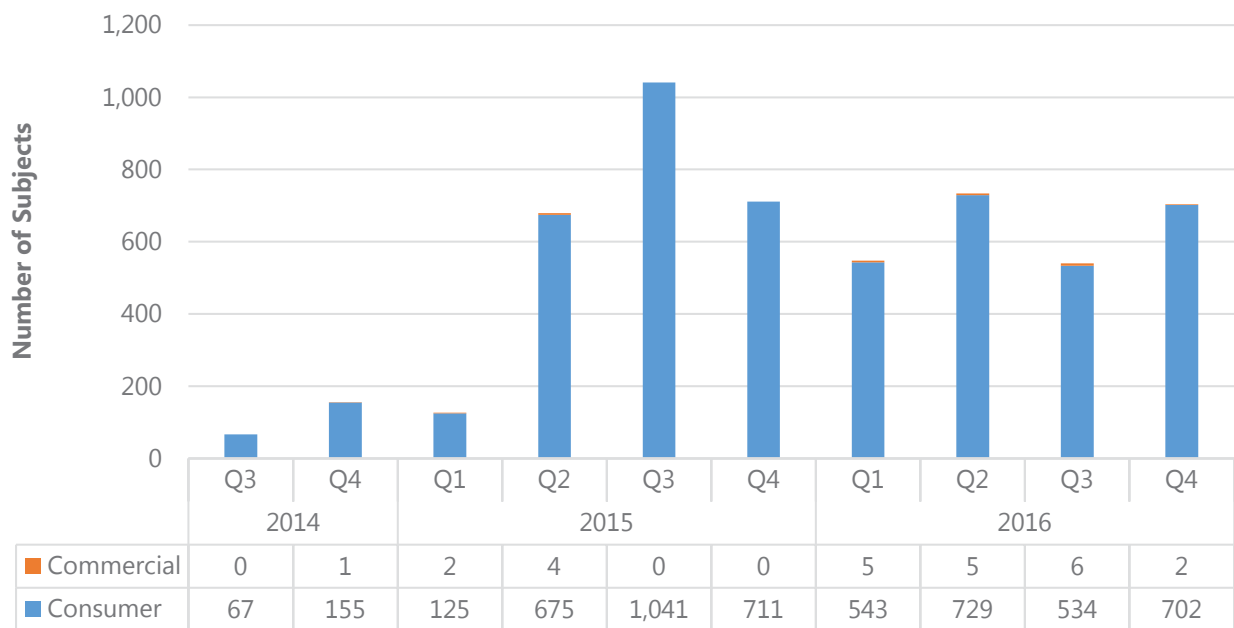
Source: Credit Bureau Unit, AMBD

As per previous years, Hire Purchase was still the largest credit facilities type approved in 2016. However, the percentage had shrunk from 47% in 2015 to 44% in 2016 whereas the approval for personal loans increased from 10% to 23% and credit cards increased from 5% to 13%.

Number of Self-Inquiry Report Application and Registered Disputes

Chart 24 shows the statistics on the number of applications for Self-Inquiry Report. A total of 8,664 Self-Inquiry Reports were applied by 5,282 individuals and 25 commercial entities as of 31 December 2016.

Chart 24: Credit Bureau: Number of Subjects Requested for Self-Inquiry Report

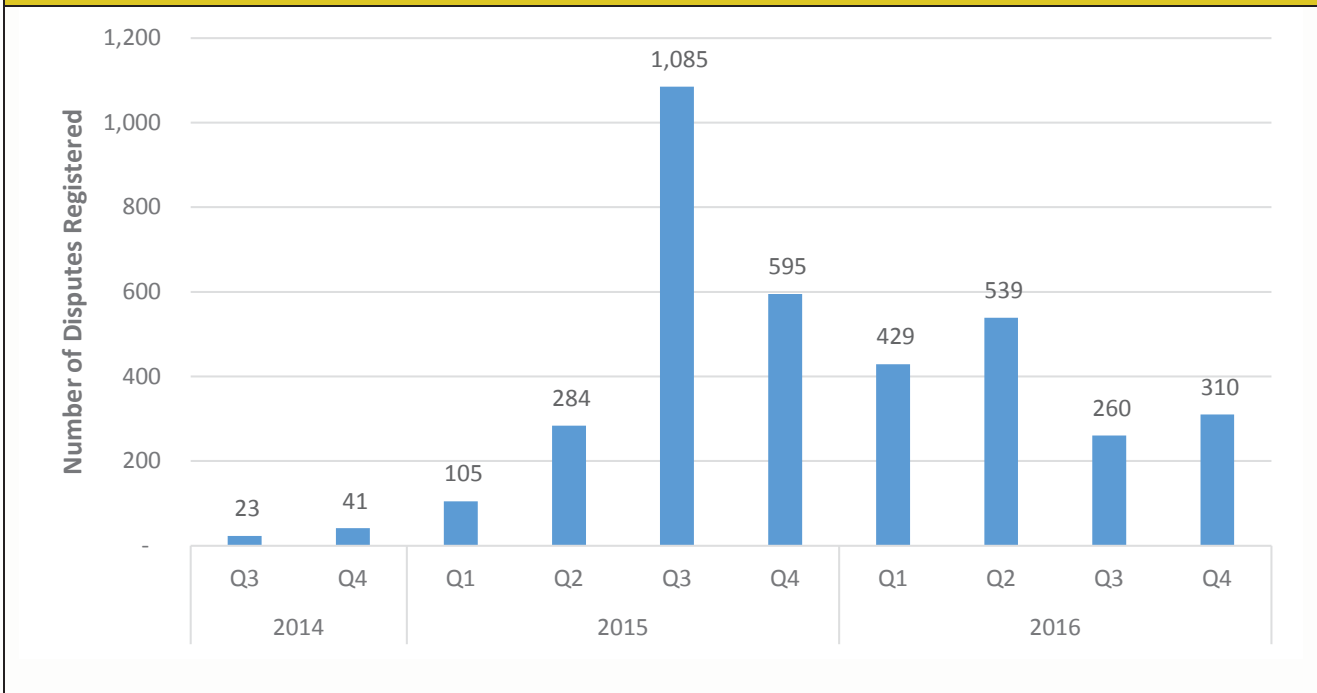


Source: Credit Bureau Unit, AMBD

Chart 25 shows a total of 6,463 disputes were raised by 2,234 individuals and 8 commercial entities since the commencement of the service to the public in September 2014.

The total number of disputes registered decreased from 2,069 disputes in 2015 to 1,538 disputes in 2016. This improvement reflected the close coordination between the Credit Bureau and its Members in proactively correcting data and continuously monitoring the quality of data. The dispute resolution rate had also improved from 72% in 2015 to 82% in 2016.

Chart 25: Credit Bureau: Number of Registered Disputes



Source: Credit Bureau Unit, AMBD

4.10.2 PAYMENT AND SETTLEMENT SYSTEMS

AMBD has made significant progress in modernizing the national payment and settlement systems in Brunei Darussalam with the launch of the new Automated Clearing House (ACH) system on 26 May 2016. The new system introduced a new and automated cheque clearing process that enables banks to submit cheques electronically for clearing instead of paper copies. This new cheque clearing process will be transparent to most cheque customers in the country. Cheques are now processed electronically within a day and funds are available two days after the submission (T+2). Special clearing window for immediate clearing will still be available for high value or urgent cheques (Online Cheques) and will be settled in real time in the Real Time Gross Settlement (RTGS) system.

The next phase of the implementation will see the ACH system adopting Direct Credit transfers that allow a customer to perform low value fund transfers electronically between banks in real-time. The ACH system, together with the RTGS system introduced in 2014, are part of AMBD's effort to promote the use of electronic payments in Brunei Darussalam. Customers are encouraged to choose the more reliable, efficient and secure electronic payment methods, which will subsequently reduce reliance on cash and cheques in the country.

The third phase of the PSS project involves the implementation of Central Securities Depository (CSD) system. The new CSD system will have functionalities that will support depository, registration, auction, trading, collateral as well as funds settlement for securities. AMBD has completed its internal testing on the system functionalities and provided training to the banks. The new CSD system is scheduled to be completed by the second quarter of 2017.

4.10.3 COLLATERAL REGISTRY

The enactment of the Secured Transactions Order, 2016 ("STO"), which also established the Collateral Registry, marked another milestone in the development of Brunei Darussalam's financial infrastructure. It introduced a secured transaction regime, which provides for the creation, perfection, priority and enforcement of security interests on personal properties (movable assets). This legal framework aims to improve standards of disclosure of information by borrowers and lenders. It also provides the credit enforcement framework, whereby the lender is not obliged to initiate proceedings in court to enforce the right of possession of property that is subject to a security interest in the event of a default.

The creation of the Collateral Registry in Brunei Darussalam provides a modernized and effective means of searching for prior security interests. Thus, the Collateral Registry system, which serves as a credit risk management tool, aims to assist the lenders to reduce the risk in giving credit, and subsequently, reduce the cost of obtaining credit. In addition to this, the Collateral Registry System and the Secured Transactions Order will enable businesses to leverage their assets as an alternative source of funding for their working capital.

The main reforms brought about by the STO include the widening of the concept of security interests in moveable property to include functional equivalents and the establishment of an online electronic register of security interests called the register of personal property security. There are two approaches in classifying security: the formal and functional approach. The formal approach classifies only the transactions coming within the recognized forms of security, i.e., mortgage, pledge, lien and charge as being a security interest, while the functional approach considers that functional equivalents are also security interests, e.g., hire purchase.

In a nutshell, the Collateral Registry System is a national online noticeboard – listing out security interests over personal properties (movable assets), it flags that a secured party is claiming a security interest against the personal property of a debtor. The Collateral Registry will be mainly used by the lenders, including banks and finance companies to identify any potential competing security interests.

Brunei Darussalam is among the first few ASEAN countries to implement the secured transactions regime, which aims to improve the ease of getting credit in the country. This initiative is part of a series of the Government's reform commitment in building a more conducive business environment, which will also improve Brunei Darussalam's position in the World Bank Ease of Doing Business Ranking, supported by the PENGGERAK unit of the Prime Minister's Office, and the Ease of Doing Business (EODB) Steering Committee.

Key functions of the Collateral Registry




to notify parties about the existence of a security interest in personal property



to establish priority between secured creditors

Brief Structure and Content of the Secured Transactions Order, 2016



- Part I – Preliminary
- Part II – Administration
- Part III – Security Agreements
- Part IV – Perfection of Security Interests
- Part V – Security Interests in Personal Property
- Part VI – Priority between Security Interests
- Part VII – Special Priority Rules
- Part VIII – Registration
- Part VIII – Enforcement of Security Interests
- Part IX – General
- Part X – Repeals and Transitional Provisions

Socialization Activities

Throughout 2016 and leading to the operationalization of the Collateral Registry System, the Collateral Registry Unit had organized and participated in a series of workshops and socialization activities in creating awareness on the Collateral Registry and STO to the key stakeholders, including the local Micro, Small and Medium Enterprises (MSMEs) as well as the general public.

List of Events conducted throughout 2016:

Table 17: Collateral Registry: Events Held in 2016		
Date	Event Name	Organizer
17 Mar 2016	Introduction to the Secured Transactions Law	AMBD
17 Mar 2016	Sharing Sessions on Secured Transactions: Industry Perspective	AMBD
23 Sep 2016	Collateral Registry Roadshow	AMBD in collaboration with DARE and EIDPMO
26 Sep 2016	Enterprise Open Day in Belait District	Darussalam Enterprise (DARE)
13 Oct 2016	Sharing Sessions on Secured Transaction Reforms based on New Zealand's Experience	AMBD
19 Oct 2016	Enterprise Open Day in Temburong District	Darussalam Enterprise (DARE)

Source: Collateral Registry Unit, AMBD

Sharing Sessions on Secured Transactions: Industry Perspective

In March 2016, the Collateral Registry Unit invited an international guest speaker, Mr. Christopher Wohlert, the Business Leader for the Commercial Distribution Finance platform in Asia for GE Capital, to share his expertise on the topic of the 'Benefits and Elements of Secured Transactions' and 'Case Study: Industry Perspectives and Product Example'.

The objective of the sharing sessions were to brief the key stakeholders on the real benefits of secured transactions reforms from a practical perspective and enable them to understand the intention behind the STO.

The common challenges faced by MSMEs include inadequate secured lending infrastructure, such as impaired access to finance, as well as a costly and cumbersome process to leverage moveable collaterals, which has hindered MSMEs from achieving their potential growth. The potential benefits of secured transactions reform, in which through development of a functioning law and collateral registry governing secured transactions, include providing greater access to and lower cost of credit for Small and Medium Enterprises (SMEs); and the diversification of financial services sector as non-banks financial institutions expand into secured lending to SMEs.

Maximizing access to credit for SMEs depends upon the confidence of secured creditors in the value of the collateral and the ability to perfect and enforce quickly and efficiently. Three key issues must be addressed prior to the development of a secured transactions framework: transparency, efficiency and

enforceability. Consequently, for an efficient secured transactions framework to materialize, it will require; effective laws, collateral routines, collateral registry and an efficient judicial system for recovery.

Working Visit to New Zealand's PPSR Office

In July 2016, the Collateral Registry Unit made a working visit to New Zealand's Companies Office to learn the business operations of New Zealand's Collateral Registry System, which is also known as the Personal Property Security Register (PPSR). New Zealand has been the top ranked economy for a number of years in the World Bank's Doing Business Report. The visit was proven to be useful and informative as New Zealand's secured transactions reforms have become the benchmark of international best practices on how Brunei Darussalam should implement the Collateral Registry successfully. The team had gained valuable insight from New Zealand running the PPSR based on their vast experience over the benefits, challenges and opportunities.

Sharing Sessions on Secured Transaction Reforms based on New Zealand's Experience

Following the working visit, the Collateral Registry unit invited the secured transactions expert, Ms. Sheeree McDonald, the senior solicitor for New Zealand's Companies Office of the Ministry of Business, Innovation & Employment to share her experience in managing the PPSR in New Zealand. New Zealand's PPSR system has similar roles and functionality as the Collateral Registry System of Brunei Darussalam. Since the launching of the PPSR in 2002, more than 25 million searches have already been made on the register's search engine, including 15 million searches on whether money is owed on a vehicle. It had proven to be a vital tool for businesses in New Zealand by allowing creditors to register their security interests in leased goods or collateral, and protect these goods in case their customers go bankrupt.

4.10.4 LEGAL AND REGULATORY FRAMEWORK

AMBD oversees a wide range of legislations encompassing both domestic and international financial activities. A table listing the legislations under AMBD's purview is shown below:

Table 18: Legislations Administered by AMBD	
Anti-Terrorism Order, 2011	International Trusts Order, 2000
Banking Order, 2006	Islamic Banking Order, 2008
Coin (Import and Exports) Act (Cap. 33)	Money-Changing and Remittance Businesses Act (Cap. 174)
Criminal Asset Recovery Order, 2012	Moneylenders Act (Cap. 62)
Currency Order, 2004	Motor Vehicles Insurance (Third Party Risks) Act (Cap. 90)
Finance Companies Act (Cap. 89)	Pawnbrokers Order, 2002
Hire-Purchase Order, 2006	Payment and Settlement Systems (Finality and Netting) Order, 2015
Insurance Order, 2006	Payment and Settlement Systems (Oversight) Order, 2015
International Banking Order, 2000	Registered Agents and Trustees Licensing Order, 2000
International Business Companies Order, 2000	Secured Transactions Order, 2016
International Insurance and Takaful Order, 2002	Securities Markets Order, 2013
International Limited Partnerships Order, 2000	Takaful Order, 2008

The above legislations are supplemented by the issuance of relevant regulations, notices and guidelines to ensure sustained financial soundness and stability.

4.11 FINANCIAL TECHNOLOGY (FINTECH)

The FinTech Unit was established on 3 October 2016 in accordance with Pillar III of the Financial Sector Blueprint (2016-2025), in order to take advantage of Financial Technology (FinTech). This unit is responsible for the regulation and development strategies to facilitate the use of FinTech to improve risk management, enhance efficiency and strengthen competitiveness in the financial sector.

4.11.1 ESTABLISHMENT OF FINTECH REGULATORY SANDBOX GUIDELINE TASKFORCE

In November 2016, The FinTech Sandbox Regulatory Guidelines (FTSG) Task Force was established, consisting of officers from various units in AMBD. This Task Force was responsible for the formulation of the draft FTSG which will be issued in 2017. The aim of the FTSG is to enable potential financial services providers (such as entrepreneurs FinTech) to experiment and test systems and technology for the services safely before taking them to the market in general.

4.11.2 ENGAGEMENT WITH FINTECH STAKEHOLDERS

The FinTech Unit has been actively having discussions with FinTech stakeholders in order to promote and facilitate the development of FinTech in Brunei Darussalam. The domestic stakeholders include DARE, the Department of Energy and Industry of the Prime Minister (EIDPMO) and some local entrepreneurs. In addition, the FinTech Unit has also been fostering relationships with other financial regulators around the region such as the Monetary Authority of Singapore, Indonesia Financial Services Authority, Australian Securities & Investments Commission and financial regulators from Cambodia, Laos, Myanmar & Vietnam.

4.11.3 ESTABLISHMENT OF AMBD CYBERSECURITY FRAMEWORK

The FinTech Unit is also responsible for the management of cybersecurity and technology risk in AMBD. With the ever-increasing cybersecurity threats especially on the financial sector, AMBD has taken initiatives to enhance management of cybersecurity by establishing the AMBD Cybersecurity Framework in December 2016. The framework is based on an international framework that aims to reduce cyber risks in critical infrastructure.

INTERNATIONAL COOPERATION

5.1 WORK VISITS

In continuing to pursue international collaboration for the development of local talents and enhancing the operations of AMBD, a number of work visits were conducted by AMBD officers to regional central banks and financial services authorities including Monetary Authority of Singapore, Bank Negara Malaysia and New Zealand Companies Office.

Furthermore, the work visits also provided an avenue for the officers to gain better insights of the central banking activities related to the development of FinTech, collateral registry as well as Islamic Finance.

5.2 ASEAN ECONOMIC COMMUNITY (AEC)

The ASEAN Economic Community vision 2016-2025 provides a platform for AMBD under the Finance Ministers and Central Bank Governors track to progressively elevate our financial market to be at par with renowned financial centres in the region.

AMBD actively participates in the ASEAN Finance Integration Initiatives and highly endeavors to contribute towards the successful implementation of the AEC 2016-2025.

ORGANISATIONAL DEVELOPMENT

PERFORMANCE EVALUATION

Individual Performance Scorecard (IPS) / Key Performance Indicators (KPIs) / Key Result Areas (KRAs) were introduced during HR re-engineering process, which was carried out in the previous year.

In order to ensure smooth transition of adopting the KPIs/KRAs into practice, AMBD, with the cooperation of the appointed consulting firm from Singapore, held a workshop titled "SMART KPI / KRAs" over the period of two weeks in March 2016 for all AMBD officers and staff. This interactive classroom-based workshop has provided AMBD employees with a better explanation of the concept and the objectives of the KPIs/KRAs in the evaluation of their performance for the year 2016. Additionally, AMBD employees get a hands-on experience on how to do their smart KPIs/KRAs, as guided by the consultants.

MANPOWER AUDIT

Manpower Audit was successfully been implemented in November 2016 with the cooperation between AMBD and an international consultancy firm.

Manpower Audit is aimed at providing an analysis report on the current workforce population, by making comparisons with other central banks. Other than that, the Manpower Audit forecasts the optimal number of workforce for the next five years.

The completion of the Manpower Audit findings and report will act as a reference and guidance for AMBD concerning the optimal number of employees and workers' placement in order to avoid underutilisation or duplication of tasks and responsibilities.

RECRUITMENT

AMBD has worked together with an appointed consultant in reviewing the current AMBD recruitment and selection framework. The purpose of this review is to improve the quality of recruitment and selection existing in AMBD, as well as to ensure that the framework is internationally recognized and is in line with the current best practice. With this initiative, AMBD hopes to bring in the right talent that will move AMBD forward.

AMBD has advertised a number of job vacancies in 2016.

SUCCESSION PLANNING

In order to ensure that AMBD is well-prepared for any sudden attrition, AMBD has taken the first step in developing its succession planning, by sending out the Talent Identification Form to the Heads of Units. This form helps the Heads of Units identify their future potential successors and record any strengths and weaknesses to improve. This will assist the Heads of Units to come up with their own strategies or plans in making sure that the potential officers are well-prepared and qualified to take on bigger roles and responsibilities.

CAREER PLANNING & CAREER PROGRESSION

AMBD successfully conducted the E-Career Plan workshop in November 2016, which was intended to provide a clear career plan for all employees of AMBD. This interactive workshop gave employees the chance to explore various opportunities and options within AMBD that can be considered for their career development.

Several officers have been promoted in 2016 as part of AMBD's initiatives on employees' career development. These promotions were based on the performance and contributions of the employees who have been recognized in achieving AMBD, whether directly or indirectly. Such initiatives are expected to be able to give encouragement, motivation and incentives for the officers and staff in undertaking the tasks assigned in a proactive and productive manner.

TRAINING PROGRAMS

Courses on Leadership Program were successfully implemented for officers who have been identified to have the potential to become the future leaders. The program is divided into two, namely Senior Executive Advanced Leadership Program (SEAL) which was attended by Executive Directors and Senior Managers; and the Advanced Leadership Program (ALP) which was attended by Managers. The course program is expected to help officers in preparing themselves to become respected and high caliber future leaders.

AMBD has hosted SEACEN Intermediate Course for Bank Examiners that was held on 8 – 13 May 2016 at the Rizqun International Hotel, Gadong. The course was attended by participants from other monetary authorities such as Bangko Sentral ng Pilipinas (BSP), Bank Negara Malaysia (BNM), Central Bank of India (CBI), Bank Sentral Republik Indonesia, Nepal Rastra Bank (NRB), Bangladesh Bank, Bank of Thailand (BoT), Bank of Lao PDR, Central Bank of Myanmar and Central Bank of Sri Lanka.

Apart from that, AMBD has also hosted SEACEN Liquidity Risk Course which was held from 26 – 29 September 2016 at the Centrepont Hotel, Gadong. The course was attended by participants from various entities such as the ASEAN Central Banks, i.e., Bank of Cambodia, Bank of Lao PDR, Central Bank of Myanmar, and Bank of Vietnam.

MANPOWER STATUS

Table 19 shows that AMBD has recorded an increase of 5.6% in the workforce in 2016 compared to the previous year. Chart 26 shows a more distinct graphical view of the workforce comparison between 2015 and 2016.

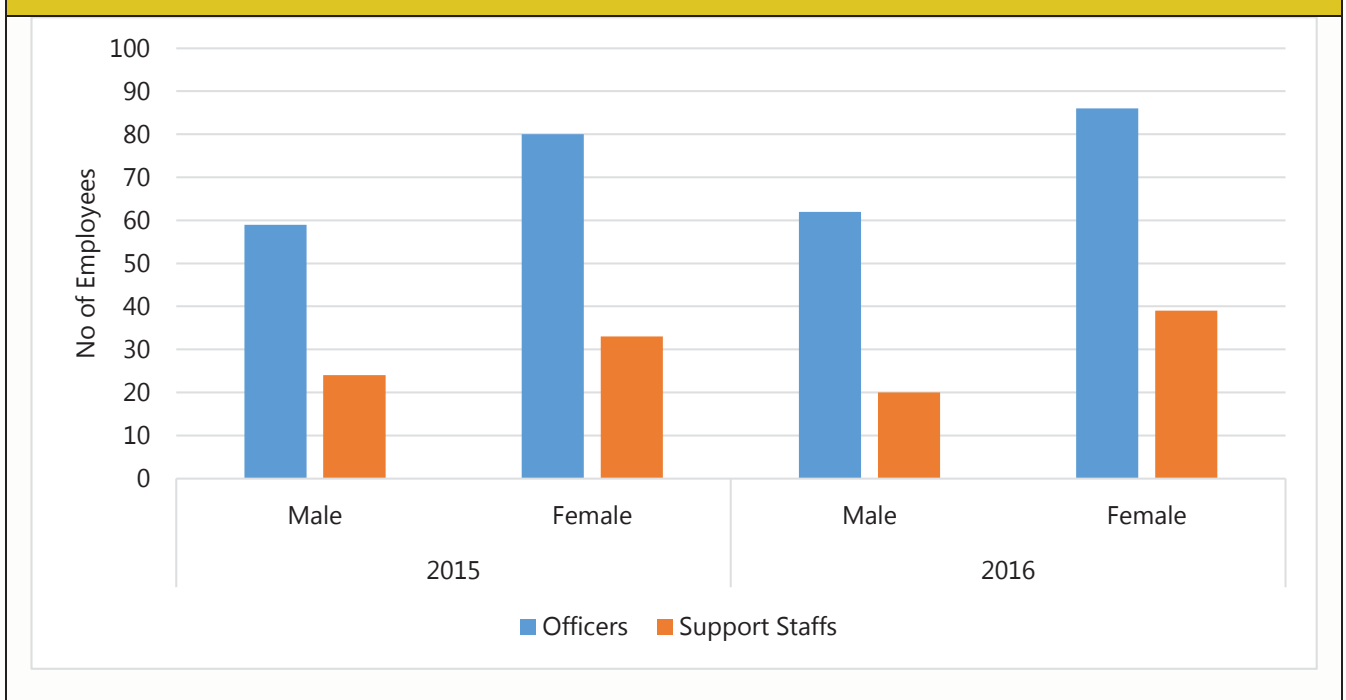
Table 20, on the other hand, shows the composition on the number of officers and staff in 2016 according to the job levels. Junior Management has the largest population with 83 people and the Support Staff comes in second, with 57 people altogether. Supervisory and Middle Management have 29 people and 20 people respectively, while the remaining levels have less than 10 employees each. These numbers are expected to increase within the next 1 to 2 years.

Table 19: Workforce Development in 2015 and 2016

	2015		2016	
	MALE	FEMALE	MALE	FEMALE
OFFICERS	59	80	62	86
SUPPORT STAFF	24	33	20	39
TOTAL	83	113	82	125
	196		207	

Source: Human Capital Development Unit, AMBD

Chart 26: Workforce Development between 2015 and 2016



Source: Human Capital Development Unit, AMBD

Table 20: Composition on the number of Officers and Staff in 2016

POSITION	MALE	FEMALE	NO OF STAFFS
Executive Management	2	0	2
Senior Management	2	6	8
Middle Management	8	12	20
Junior Management	28	55	83
Confidential Secretary	0	2	2
Contract	5	1	6
Supervisory (Assistant Officer)	17	12	29
Support Staff	20	37	57
TOTAL	82	125	207

Source: Human Capital Development Unit, AMBD

AUDITED FINANCIAL STATEMENTS

REPORT AND FINANCIAL STATEMENTS

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REPORT OF THR BOARD

The Members of the Board hereby submit their report and the audited financial statements of Autoriti Monetari Brunei Darussalam for the year ended 31 December 2016.

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.

An amendment was also made to the Order in 2015 which took effect from 9 February 2015 whereby Section 9 of the principal Order is amended, in subsection (1)(a), by deleting "10 per cent" from the third line and by substituting "100 per cent" therefor.

In line with the introduction of the Order His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam also consented to the amendment of the Currency and Monetary Order, 2004, now cited as Currency Order, 2004 (“the CO”), which came into effect on 1 January 2011.

The CO, amongst other things, provides for the transfer of the powers of the Brunei Currency and Monetary Board (“BCMB”) to the Authority, including its assets and liabilities. Therefore, assets and liabilities previously held under BCMB which were valued using Generally Accepted Accounting Practice in Brunei (“GAAP”) have now been transferred to the Authority valued in accordance with International Financial Reporting Standards (“IFRS”). The CO also provides for the establishment of the Currency Fund for the purpose of currency management. Following this amendment, the Authority is the sole authority for the issuance of Brunei currency notes and coins.

Financial Statements

Total comprehensive income	B\$'000 59,475
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Members of the Board

The members of the board at the date of this report are as follows:-

His Royal Highness Prince Haji Al-Muhtadee Billah Ibni His Majesty 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 (Effective from 1 st January 2017)	As Deputy Chairman
Yang Berhormat Pehin Orang Kaya Indera Pahlawan Dato Seri Setia Awang Haji Suyoi bin Haji Osman Minister of Education (Replaced effective as of 1 st January 2017)	As Deputy Chairman
Yang Berhormat Pehin Orang Kaya Laila Setia Dato Seri Setia Awang Haji Abd Rahman bin Haji Ibrahim Minister at the Prime Minister's Office and Minister Of Finance II	
Yang Berhormat Pehin Datu Singamanteri Colonel (Rtd) Dato Seri Setia (Dr) Awang Haji Mohammad Yasmin bin Haji Umar Minister of Energy and Industry at the Prime Minister's Office (Effective from 1 st January 2017)	
Yang Mulia Dato Paduka Awang Haji Ali bin Apong Minister of Primary Resources and Tourism (Replaced effective as of 1 st January 2017)	
Yang Mulia Dato Paduka Awang Haji Mohd Roselan bin Haji Mohd Daud Deputy Minister (Corporate, PENGGERAK and Economy) at the Prime Minister's Office	

Yang Mulia Dato Paduka Awang Haji Hisham bin Haji Mohd Hanifah
Deputy Minister (Fiscal), Ministry of Finance

Yang Mulia Dato Seri Setia Haji Awang Metussin bin Haji Baki

Yang Mulia Awang Haji Hamzah bin Haji Sulaiman
Permanent Secretary (Economy and Finance) at the Prime Minister's Office

Yang Mulia Awang Yusof bin Haji Abd Rahman
Managing Director, Autoriti Monetari Brunei Darussalam

Audit Committee

The members of the Audit Committee are as follows:

Yang Mulia Dato Paduka Awang Haji Mohd Roselan bin Haji Mohd Daud As Chairman
Deputy Minister (Corporate, PENGGERAK and Economy)
at the Prime Minister's Office

Yang Mulia Awang Haji Azhar bin Haji Ahmad
Permanent Secretary, Ministry of Communications

Yang Mulia Awang Haji Zakaria bin Haji Serudin
Permanent Secretary, Ministry of Health

Yang Mulia Dayang Norliah binti Haji Kula
Accountant General, Treasury Department, Ministry of Finance
(Effective from 4th February 2016)

Yang Mulia Awang Ahmaddin bin Haji Abdul Rahman
Permanent Secretary (Policy), Ministry of Finance
(Replaced effective as of 4th February 2016)

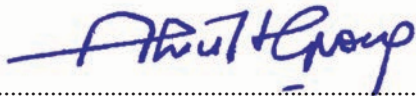
Yang Mulia Pengiran Maslina binti Pengiran Haji Mahmud As Observer
Head of Risk Management Unit, AMBD

The Audit Committee has held several meetings in 2016. In performing its functions, the Audit Committee met with the Authority's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Authority's internal accounting control system.


Auditors

The auditors, Messrs Deloitte & Touche, have indicated their willingness to accept re-appointment.

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 Awang Yusof bin Haji
Abd Rahman
Managing Director

INDEPENDENT AUDITOR'S REPORT

AUTORITI MONETARI BRUNEI DARUSSALAM

(Established in Brunei Darussalam)

Opinion

We have audited the financial statements of Autoriti Monetari Brunei Darussalam (the "Authority"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of distribution, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 90 to 133.

In our opinion, the accompanying financial statements of the Authority are properly drawn up in accordance with the Autoriti Monetari Brunei Darussalam Order, 2010 ("the Order"), Currency Order, 2004 ("the CO") and International Financial Reporting Standards (IFRSs), so as give a true and fair view of the financial position of the Authority as at 31 December 2016, and of its financial performance, changes in equity and cash flows of 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 Authority in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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 Financial Statements and Auditor's Report Thereon

The Board is responsible for the other information. The other information comprises the Report of the Board, as set out on pages 1 to 5.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the 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 the Board for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with the provision of the Order, the CO and IFRSs, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Authority'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 Board either intend to liquidate the Authority or to cease operation, or have no realistic alternative but to do so.

The Boards' responsibilities include overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

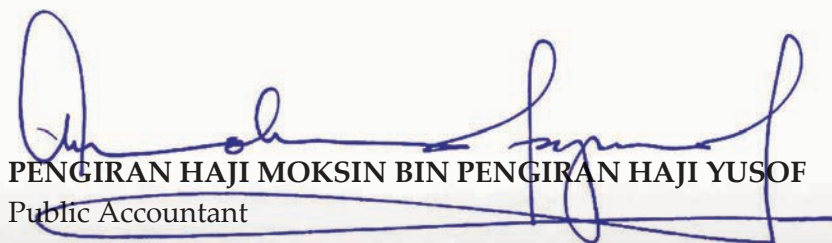
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's 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 Authority'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 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 Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Authority's audit. We remain solely responsible for our audit opinion.

We communicate with the Board 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.



DELOITTE & TOUCHE
Certified Public Accountants



PENGIRAN HAJI MOKSIN BIN PENGIRAN HAJI YUSOF
Public Accountant

Brunei Darussalam
Date:

Statement of Financial Position
As at 31 December 2016

	Note	2016 B\$'000	2015 B\$'000
ASSETS			
<u>Non-current assets</u>			
Gold, property, plant & equipment	3	262,659	239,020
Total non-current assets		262,659	239,020
<u>Current assets</u>			
Securities	4	1,977,202	1,807,750
Inventories		11,532	11,272
Assets held with IMF	5	494,009	455,124
Other assets	6	37,526	36,979
Fixed deposits		-	308,332
Cash and cash equivalents with banks and other financial institutions	7	2,299,496	1,885,334
Total current assets		4,819,765	4,504,791
TOTAL ASSETS		5,082,424	4,743,811
EQUITY & LIABILITIES			
<u>Equity</u>			
Capital	8	1,000,000	1,000,000
Reserve funds	9 (a)	91,150	80,450
Currency valuation reserve	9 (b)	1,362	994
Market valuation reserve	9 (c)	23,441	-
Total equity		1,115,953	1,081,444

The notes set out on pages 97 to 133 form part of these financial statements.

	Note	2016 B\$'000	2015 B\$'000
<u>Non-current liabilities</u>			
Provisions	10	26,850	13,099
Total non-current liabilities		26,850	13,099
<u>Current liabilities</u>			
Currency in circulation	11	1,380,808	1,321,956
Payables to the Government of Brunei Darussalam	12	98,953	57,260
Liabilities with IMF	5	396,209	399,152
Other liabilities	13	84,516	31,549
Deposits and balances of banks and other financial institutions	14	1,979,135	1,839,351
Total current liabilities		3,939,621	3,649,268
TOTAL EQUITY & LIABILITIES		5,082,424	4,743,811

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 Awang Yusof bin Haji
Abd Rahman
Managing Director

The notes set out on pages 97 to 133 form part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

	Note	2016 B\$'000	Restated 2015 B\$'000
Interest income	15	11,025	6,841
		<u>11,025</u>	<u>6,841</u>
Net gains on financial assets	16	47,125	31,323
Net gains / (losses) on gold revaluation	17	22,152	(13,769)
Operating income	18	6,277	6,253
		<u>75,554</u>	<u>23,807</u>
Profit before operating expenses		86,579	30,648
Fee and commission expense		(2,279)	(2,577)
Staff costs	19	(14,443)	(14,006)
Other operating expenses	20	(10,382)	(11,080)
Profit for the year		59,475	2,985
Other comprehensive income		-	-
Total comprehensive income		59,475	2,985

The notes set out on pages 97 to 133 form part of these financial statements.

Statement of Distribution
For the year ended 31 December 2016

	Note	2016 B\$'000	2015 B\$'000
Total comprehensive income		59,475	2,985
Transfer from market valuation reserve fund	2.19 (d)	-	10,954
Earnings available for distribution		59,475	13,939
<i>Distributed as follows:</i>			
Transfer to reserve fund	2.20 (b)	(10,700)	(4,021)
Transfer to currency valuation reserve fund	2.19 (a)	(368)	(534)
Transfer to market valuation reserve fund	2.19 (c)	(23,441)	-
Transfer to the Government of Brunei Darussalam		(24,966)	(9,384)
		-	-

The notes set out on pages 97 to 133 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2016

	Share capital B\$'000	Distributable earnings B\$'000	Reserve fund B\$'000	Currency valuation reserve B\$'000	Market valuation reserve B\$'000	Total B\$'000
Balance as at 1 January 2015	1,000,000	-	76,429	460	10,954	1,087,843
Total comprehensive income for the year	-	2,985	-	-	-	2,985
<i>Transfer during the year:</i>	-	-	-	-	-	-
Transfer as distribution of profits	-	6,399	4,021	534	(10,954)	-
Transfer to the Government of Brunei Darussalam*	-	(9,384)	-	-	-	(9,384)
Balance as at 31 December 2015	1,000,000	-	80,450	994	-	1,081,444
Balance as at 1 January 2016	1,000,000	-	80,450	994	-	1,081,444
Total comprehensive income for the year	-	59,475	-	-	-	59,475
<i>Transfer during the year:</i>	-	-	-	-	-	-
Transfer as distribution of profits	-	(34,509)	10,700	368	23,441	-
Transfer to the Government of Brunei Darussalam*	-	(24,966)	-	-	-	(24,966)
Balance as at 31 December 2016	1,000,000	-	91,150	1,362	23,441	1,115,953

Note:-

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

The notes set out on pages 97 to 133 form part of these financial statements.

Statement of Cash flows
For the year ended 31 December 2016

	2016	2015
	B\$'000	B\$'000
Cash flows from operating activities		
Total comprehensive income	59,475	2,985
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	2,036	2,545
Net (gains) / losses on gold revaluation	(22,152)	13,769
Unrealised (gains) / losses on currency and market	(1,225)	2,674
	38,134	21,973
Changes in operating assets and liabilities		
(Increase) / Decrease in operating assets:		
Securities	(168,227)	(253,756)
Inventories	(260)	1,850
Other assets	(547)	(3,862)
Fixed deposits	308,332	(293,293)
Increase / (Decrease) in operating liabilities:		
Provisions	(11,214)	(18,074)
Payables to the Government of Brunei Darussalam	(136)	(291)
Other liabilities	52,967	(235,410)
Deposits and balances of banks and other financial institutions	139,784	106,493
Net cash from / (used in) operating activities	320,699	(696,343)
Cash flows from investing activities		
Purchase of property, plant & equipment	(3,523)	(1,149)
Net cash used in investing activities	(3,523)	(1,149)

The notes set out on pages 97 to 133 form part of these financial statements.

	2016	2015
	B\$'000	B\$'000
Cash flows from financing activities:		
Increase in currency in circulation	58,852	50,246
Net cash from financing activities	58,852	50,246
Net increase / (decrease) in cash & cash equivalents	414,162	(625,273)
Cash and cash equivalents at beginning of the year	1,885,334	2,510,607
Cash & cash equivalents at the end of the year	2,299,496	1,885,334

The Authority's cash and cash equivalents include restricted cash balances (Note 7)

The notes set out on pages 97 to 133 form part of these financial statements.

Notes to the financial statements

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

The financial statements were authorised for issue by the Board of Directors on 1 May 2017.

1. Domicile and activities

Autoriti Monetari Brunei Darussalam (“the Authority”) acts as a central bank of Brunei Darussalam, domiciled in Brunei Darussalam and was established on 1 January 2011 pursuant to Section 3(1) of the Autoriti Monetari Brunei Darussalam Order, 2010.

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

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

2. Summary of significant accounting policies

2.1. Basis of preparation

2.1.1. *Statement of compliance*

The financial statements are prepared in accordance with the International Financial Reporting Standards (“IFRS”), Autoriti Monetari Brunei Darussalam Order, 2010 (“the Order”) and Currency Order 2004 (“the CO”).

2.1.2. *Functional currency*

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

2.1.3. *Basis of measurement*

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

2.1.4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Authority's accounting policies, which are described in the below notes to the 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.

The Authority is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

2.2. Financial instruments

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the 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 (other than financial assets and financial liabilities at fair value through profit or loss) 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 at fair value through profit or loss are recognised immediately in profit or loss.

2.3. Financial assets

Financial assets comprise investments in equity and debt securities, other receivables, cash balances with banks and other financial institutions and assets held with the IMF. Cash and cash equivalents comprise cash on hand, balances and placements with banks which are repayable on demand, money at call and on short notice.

Financial assets are classified in the following categories: financial assets at fair value through profit or loss (“FVTPL”), and loan and receivables financial assets. Note 23 sets out the amount of each class of financial asset and their corresponding categories.

Regular way purchases and sales of financial assets at fair value through profit or loss are recognised on trade date – the date on which the Authority commits to purchase or sell the asset. Loans and receivables are recognised on the date they are originated.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3.1. *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial instruments held for trading, and those designated as fair value through profit or loss at inception (“fair value option”).

A financial asset is classified as held for trading if:

- a) it has been acquired principally for the purpose of selling it in the near term;
- or

- b) on initial recognition it is part of a portfolio of identified financial instruments that the Authority manages together and has a recent actual pattern of short-term profit-taking; or
- c) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading include all debt securities and treasury bills and other dealing securities which are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

2.3.2. *Loans and receivables*

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including other receivables, and deposits held in banks unless otherwise stated) are initially recognised at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest method less impairment losses.

2.3.3. *Derecognition of financial assets*

The Authority 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 Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.3.4. *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected, and that loss can be estimated reliably.

For all other financial assets, objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) breach of contract, such as a default or delinquency in interest or principal payments; or
- c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- d) the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss is recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.4. Financial liabilities

Financial liabilities comprise currency in circulation, other payables, deposits and balances of banks and other financial institutions, and liabilities with the IMF.

Financial liabilities are classified as either financial liabilities at FVTPL or measured at amortised cost.

Classification as debt or equity

Financial liabilities and equity instruments issued by the Authority are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Authority after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other payables

Other payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method, except for short-term payables when the recognition of interest would be immaterial with interest expense recognised on an effective yield basis.

2.4.1. *Financial liabilities at fair value through profit or loss*

To date, the Authority does not have financial liabilities that are classified under FVTPL. All financial liabilities are measured at amortised cost.

2.4.2 *Financial liabilities measured at amortised cost*

Other financial liabilities (including currency in circulation, other payables, deposits and balances of banks and other financial institutions, and liabilities with the IMF) are subsequently measured at amortised cost using the effective interest method. Currency in circulation are also held at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.4.3. *Derecognition of financial liabilities*

The Authority derecognises financial liabilities only when the Authority's obligations are discharged, cancelled or they expire. 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

The Authority enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

Derivative financial instruments are accounted for on a trade date basis. Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Any arising attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

Fair values of the derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models and pricing models, as appropriate.

Assets, including gains, resulting from derivative financial instruments which are measured at fair value are presented on the face of the statement of financial position as “Derivatives” under current assets; liabilities, including losses, resulting from such contracts, are included on the face of the statement of financial position as “Derivatives” under current liabilities. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value is based on observable market prices or parameters where available, or derived from such prices or parameters.

The fair values of quoted investments in active markets are based on bid prices for equity and debt securities. If the market for a financial asset is not active (and for unquoted securities), the Authority establishes fair value by using valuation techniques.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Authority, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Authority calibrates market transactions in the same instrument or based on other available observable market data.

Any gains or losses arising from the valuation of financial instruments do not include interest and dividend income. As for cash and cash equivalents, other assets, currency in circulation and deposits liabilities are carried in the statement of financial position at face value which is equivalent to their amortised cost.

Fair values of derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models and pricing models, as appropriate.

2.7. Property, plant and equipment

2.7.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2.7.2 Subsequent costs

Subsequent expenditure is capitalized only when it is probably that the future economic benefits of expenditure will flow to the Authority. Ongoing repairs and maintenance are expensed as incurred.

2.7.3 Depreciation

Property, plant 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 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 statement of profit or loss and other comprehensive income.

2.8. Gold

Gold is recognised in the statement of financial position at cost and subsequently measured at its revalued amount, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of gold is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such asset is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Gold held by the Authority is not actively traded.

2.9. Impairment on non-financial assets

The carrying amounts of the Authority'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. Revenue recognition

Revenue is recognised when the amount of revenue and associated costs can be reliably measured, it is probable that economic benefits associated with the transaction will be realised, and the stage of completion of the transaction can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable.

2.10.1. *Interest income*

Interest from all interest-bearing assets and liabilities is recognised as net interest income using the effective interest method. The effective interest rate is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows.

The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs, and all other premiums or discounts but not future credit losses.

2.10.2. *Dividend income*

Dividends are recognised as revenue when the right to receive payment is established.

2.10.3. *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 effective interest rate.

2.11. 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.

2.12. Foreign currency transactions and translation

In preparing the financial statements, transactions in currencies other than the Authority's functional currency are recognised at the rate of exchange prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into the functional currency, Brunei dollars, at rates of exchange prevailing at the end of the reporting period. Transactions in foreign currencies are translated into Brunei Dollar at exchange rates prevailing on the transaction date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year. Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, any foreign currency valuation losses are deducted 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.

2.13. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Authority 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.

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions.

2.14. Cash and cash equivalents

Cash and cash equivalents comprise of balances and short-term investments with less than or equal to three months maturity from the date of acquisition and currencies that are held for distribution. Breakdown of the maturity period of cash deposits and short-term investments are disclosed in Note 23 under sub-heading Liquidity Risk.

2.15. Inventory

Inventories consist of the currencies that are held for distribution and are measured at costs. 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.

2.16. Currency in circulation

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.

Currencies that are held for distribution are measured at cost. The cost 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.

The assets and liabilities of the Currency Fund as at 31 December 2016 are as follow:

	2016	2015
	B\$'000	B\$'000
External Assets:		
Gold	241,725	219,573
Securities	955,871	903,779
Cash & cash equivalents	570,416	353,341
Other assets	54,999	6,282
	<u>1,823,011</u>	<u>1,482,975</u>
Less:		
Active currency in circulation	1,380,808	1,321,956
	<u>442,203</u>	<u>161,019</u>

2.17. Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority 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.

2.18. Employee benefits

2.18.1. Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Authority 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.

Under Section 26 of the Order, the laws of Brunei Darussalam which relate to retirement benefits schemes shall apply to employees of the Authority. For the current financial year, the Authority participates in Employees Trust Fund ("TAP") and Supplemental Contributory Pension ("SCP").

2.18.2. Employee Benefits

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.

2.19. Distributable earnings

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

- 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;
- 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.

2.20. Allocation of distributable earnings

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

- a) Within 3 months after the end of every financial year, the Authority shall allocate the distributable earnings as follows:
 - where the total balance of the paid-up capital and 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 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 Authority except as permitted by subsection (a) above.
- c) If in any financial year the Authority incurs negative distributable earnings, these earnings shall first be charged to the Reserve Fund and subsequently be covered by capital.

2.21. Application of new and revised IFRS

All new and amended applicable IFRS effective for this financial year have been applied consistently throughout these financial statements. There is no material impact of this application.

The Authority has not applied the following new and revised IFRS that has been issued but not yet effective, and which is relevant to it:

- a) *Amendment to IFRS 9 Financial Instruments*

IFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 issued on 24th July 2014 clarifies requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets replacing IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVTOCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

The version of IFRS 9 (2014) supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted.

3. Gold, property, plant and equipment

	Gold B\$'000	Buildings B\$'000	Furniture, fixtures & fittings B\$'000	Motor vehicles B\$'000	Office equipment, machinery & computers B\$'000	Total B\$'000
Cost						
Balance as at 1 January 2016	219,573	40,046	1,002	577	11,800	272,998
Additions	-	1,142	54	-	2,327	3,523
Revaluation	22,152	-	-	-	-	22,152
Balance as at 31 December 2016	241,725	41,188	1,056	577	14,127	298,673
Accumulated depreciation						
Balance as at 1 January 2016	-	25,459	508	264	7,747	33,978
Depreciation charge for the year	-	526	90	68	1,352	2,036
Balance as at 31 December 2016	-	25,985	598	332	9,099	36,014
Net book value as at 31 December 2016	241,725	15,203	458	245	5,028	262,659

	Gold	Buildings	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 2015	233,342	39,952	962	577	10,785	285,618
Additions	-	94	40	-	1,015	1,149
Revaluation	(13,769)	-	-	-	-	(13,769)
Balance as at 31 December 2015	<u>219,573</u>	<u>40,046</u>	<u>1,002</u>	<u>577</u>	<u>11,800</u>	<u>272,998</u>
Accumulated depreciation						
Balance as at 1 January 2015	-	24,976	431	196	5,830	31,433
Depreciation charge for the year	-	483	77	68	1,917	2,545
Balance as at 31 December 2015	-	<u>25,459</u>	<u>508</u>	<u>264</u>	<u>7,747</u>	<u>33,978</u>
Net book value as at 31 December 2015	<u>219,573</u>	<u>14,587</u>	<u>494</u>	<u>313</u>	<u>4,053</u>	<u>239,020</u>

The Authority's asset held as gold is measured at fair value at the end of each reporting period. The fair value of asset held as gold is calculated using unadjusted quoted prices in active markets for identical assets. The fair value measurement of asset held as gold is under Level 1 (Note 2.3).

4. Securities

	2016	2015
	B\$'000	B\$'000
Government debt securities	1,063,583	1,075,927
Corporate debt securities	125,880	206,929
Government treasury bills	739,608	478,266
Equity	48,131	46,628
	1,977,202	1,807,750

Debt securities with carrying amount B\$1,189,463,880 (2015: B\$1,282,856,209) have stated interest rates ranging from 0.50% to 4.60% (2015: from 0.50% to 4.60%) and have maturity of up to 30 years (2015: up to 30 years).

The performance of financial assets designated at fair value through profit or loss is actively monitored and they are managed on a fair value basis. The Authority's exposure to credit and market risks and fair value information related to securities are disclosed in Note 23.

Securities include B\$955,871,214 (2015: B\$903,779,224) which is used as a backed up to the currency in circulation as at 31 December 2016, in compliance with the requirements of Section 24 of the CO (Note 2.16).

5. 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 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 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:

	2016 B\$'000	2015 B\$'000
<u>ASSETS</u>		
Foreign currency investment and claims:		
IMF quota subscription	585,821	421,638
<i>Less:</i>		
IMF No.1 currency account	(84,193)	(84,193)
IMF securities account	(411,286)	(291,132)
Currency valuation adjustment account	(21,906)	(19,524)
Reserve Tranche Position	68,436	26,789
<i>Add:</i>		
SDR holdings	420,986	424,207
Account receivable:		
Accrued remuneration on Brunei's reserve tranche position	18	1
Accrued interest on SDR holdings	150	35
IMF expenses on SDR allocation	4,419	4,092
	494,009	455,124
<u>LIABILITIES</u>		
IMF No.2 currency account	378	378
Currency valuation adjustment account No.2	17	20
IMF SDR allocation	395,673	398,722
IMF accrued expenses on SDR allocation	141	32
	396,209	399,152

6. Other assets

	2016 B\$'000	2015 B\$'000
Interest and dividend receivables	10,034	10,650
World Bank subscription	19,631	19,631
Prepayments	7,581	4,998
Trade pending settlement	-	536
Sundry assets	280	1,164
	37,526	36,979

7. Cash and cash equivalents with banks and other financial institutions

	2016	2015
	B\$'000	B\$'000
Cash	1,033,072	299,544
Short-term deposits	684,983	1,010,546
Short-term Government treasury bills	581,441	575,185
Short-term Government debt securities	-	59
	2,299,496	1,885,334

Cash and cash equivalents include B\$570,416,477 (2015: B\$353,340,880) which is restricted and are not available for use in the Authority's day to day operations. It is used as a backed up to the currency in circulation as at 31 December 2016, in compliance with the requirements of Section 24 of the CO (Note 2.16).

8. Capital

The authorised capital of the Authority is B\$2,000,000,000 and the paid-up capital is B\$1,000,000,000. 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.

9. Reserve funds

The reserve funds were established in accordance with the provisions of Section 7 of the the Order, 2010 as follow:

- (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 realized 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 instrument and other assets; and
- (d) such other funds as the Authority may determine.

10. Provisions

		2016	2015
		B\$'000	B\$'000
Provision for seconded staff costs	(a)	-	2,276
Provision for incentive scheme	(b)	1,809	1,377
Provision for leave expenses	(c)	75	62
Provision for distributable earnings to the Government of Brunei Darussalam	(d)	24,966	9,384
		26,850	13,099

- a) The provision for seconded staff costs comprises of the staff costs for the Government officers and staff who were seconded to the Authority for the year 2011-2012. The Authority has received full claim from Ministry of Finance and E-Government National Centre for this expenses where the Authority made full payment in 2016.
- b) The provision for incentive scheme relates to a post-employment benefit plan under which the Authority contributes 5 or 10 percent of employee's monthly salary depending on the employee's annual performance. This will be invested through third party or any institution approved by the Board. This incentive scheme is recognised as an employee benefits expense under "Other operating expenses" in the statement of profit or loss and other comprehensive income.
- c) The provision of leave expenses is to account for the amount of accumulated leave which has a vesting interest on the Authority by calculating the days of leave accumulated against the salary as at 31 December 2016.
- d) The provision for distributable earnings to the Government of Brunei Darussalam is as follows (Note 2.20):

	2016	2015
	B\$'000	B\$'000
As at 1 January	9,384	15,461
Distributable earnings for the year	24,966	9,384
Payment made during the year	(9,384)	(15,461)
As at 31 December	24,966	9,384

11. Currency in circulation

Denomination	2016	2015
	B\$'000	B\$'000
\$1	37,861	37,039
\$5	26,158	25,367
\$10	133,616	133,194
\$20	12,897	12,318
\$25	8,400	8,439
\$50	44,785	42,025
\$100	620,401	615,201
\$500	241,490	197,274
\$1,000	119,212	106,758
\$10,000	93,800	103,050
Other notes and coins	42,188	41,291
	1,380,808	1,321,956

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. Payables to the Government of Brunei Darussalam

	2016	2015
	B\$'000	B\$'000
Payables to the Government of Brunei Darussalam on IMF holdings	97,800	55,971
Payables to the Government of Brunei Darussalam	1,153	1,289
	98,953	57,260

13. Other liabilities

	2016	2015
	B\$'000	B\$'000
Trade pending settlement	53,719	-
Accrued expenses	6,693	6,723
Deposits by international institutions	21,158	19,651
Other liabilities	2,946	5,175
	84,516	31,549

14. Deposits and balances of banks and other financial institutions

	2016	2015
	B\$'000	B\$'000
Minimum cash balance:		
Commercial banks	725,684	779,028
Finance companies	94,407	97,832
Reserve account:		
Commercial banks	285,000	817,000
Current account:		
Commercial banks	874,044	145,491
	1,979,135	1,839,351

Deposits from banks and other financial institutions include:

- 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 licenses under the Securities Order (SO), 2001 represents statutory deposits as required under Section 27 of the SO 2001.
- The reserve accounts shall be used for the maintenance of the bank's cash balances with the Authority. For the Asset Maintenance Requirement, the cash balances in the reserve account may be recognised as an eligible asset as defined in regulation 2 of the Deposit Protection Regulations, 2010 (S111/10) for the purpose of computing the asset maintenance ratio. This account was introduced in 2012.
- The current account maintained by the banks with the Authority shall be used as a settlement account for each bank within the Real-Time Gross Settlement ("RTGS"). RTGS is a process and computer installations providing continuous (real-time) settlement of fund transfers individually on an order basis (without netting).

15. Interest income

Interest income is inclusive of interest that is earned from placement of fixed deposits, cash and cash equivalents. For the year ended 31 December 2016, the Authority earned B\$11,024,561 (2015: B\$6,841,044).

16. Net gains on financial assets

	2016 B\$'000	2015 B\$'000
Debt securities		
- Market gains	14,245	3,280
- Bonds interest	31,726	29,109
Equity		
- Market losses	(1,719)	(3,156)
- Dividend	2,505	2,021
Foreign exchange gains	368	69
	47,125	31,323

17. Net gains / (losses) on gold revaluation

	2016 B\$'000	2015 B\$'000
Net gains / (losses) attributable to:		
- Changes in market price	15,837	(36,447)
- Changes in foreign exchange	6,315	22,678
	22,152	(13,769)

18. Operating income

	2016	2015
	B\$'000	B\$'000
Registry of international business companies	2,908	2,890
Registration and licensing of banks and other financial institutions	1,625	1,988
Credit Bureau services	736	665
Sale of commemorative coins	413	145
Payment settlements	582	458
Other income	13	107
	6,277	6,253

19. Staff costs

	2016	Restated 2015
	B\$'000	B\$'000
Salaries and wages	7,575	7,933
Bonuses	1,647	1,584
Long-term incentive scheme	441	350
Allowances	2,638	2,006
Other staff costs	2,142	2,133
	14,443	14,006

20. Other operating expenses

	2016	Restated 2015
	B\$'000	B\$'000
Depreciation	2,036	2,545
Consultancy and development expenditure	2,126	1,944
Maintenance of building, office equipment & computer	1,295	1,366
Currency operation expenses	1,979	2,344
Other expenses	2,946	2,881
	10,382	11,080

21. Capital management

The Authority manages its capital to ensure that it will be able to continue as going concerns while ensuring there is sufficient capital to carry out effectively its statutory responsibilities. The Authority's overall strategy remains unchanged from 2011.

The capital structure of the Authority's consists of the equity of the Authority's comprising paid-up capital and reserve, detailed in Notes 8 and 9.

The Authority is not subject to any externally imposed capital requirements.

22. Related party

In the normal course of its operation, the Authority can enter into transactions with related party. Related party includes the Government of Brunei Darussalam.

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 to Section 9 of the Order, there were no other significant related party transaction during the current financial year.

23. Financial instruments

Categories of financial instruments

	Carrying amount	At fair value through profit or loss	Loans and receivables	Financial liabilities held at amortised cost
B\$'000B\$'000B\$'000B\$'000				
31 December 2016				
<u>Financial assets</u>				
Securities	1,977,202	1,977,202	-	-
Assets held with IMF	494,009	-	494,009	-
Other assets	29,945	-	29,945	-
Cash and cash equivalents with banks and other financial institutions	2,299,496	-	2,299,496	-
	4,800,652	1,977,202	2,823,450	-
<u>Financial liabilities</u>				
Currency in circulation	1,380,808	-	-	1,380,808
Payables to the Government of Brunei Darussalam	98,953	-	-	98,953
Liabilities with IMF	396,209	-	-	396,209
Other liabilities	84,516	-	-	84,516
Deposits and balances of banks and other financial institutions	1,979,135	-	-	1,979,135
	3,939,621	-	-	3,939,621

	Carrying amount B\$'000	At fair value through profit or loss B\$'000	Loans and receivables B\$'000	Financial liabilities held at amortised cost B\$'000
31 December 2015				
<u>Financial assets</u>				
Securities	1,807,750	1,807,750	-	-
Assets held with IMF	455,124	-	455,124	-
Other assets	31,981	-	31,981	-
Fixed deposits	308,332	-	308,332	-
Cash and cash equivalents with banks and other financial institutions	1,885,334	-	1,885,334	-
	4,488,521	1,807,750	2,680,771	-
<u>Financial Liabilities</u>				
Currency in circulation	1,321,956	-	-	1,321,956
Payables to the Government of Brunei Darussalam	57,260	-	-	57,260
Liabilities with IMF	399,152	-	-	399,152
Other liabilities	31,549	-	-	31,549
Deposits and balances of banks and other financial institutions	1,839,351	-	-	1,839,351
	3,649,268	-	-	3,649,268

Financial risk management

Exposure to credit, market, liquidity and operational risks arise in the normal course of the Authority's business. The Authority has risk management policies and has established processes to monitor and control the risks inherent in their business and activities.

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 Authority, as and when they fall due.

Under Section 68 of the Order, there is a guarantee from the Government which states that the Government shall be responsible for the payment of all moneys due by the Authority.

Credit risk on securities held by the Authority is managed by providing investment guidelines and requirements to the funds. These guidelines are agreed upon by the Board of Directors.

The Authority's invest in securities consist primarily of securities that are investment grade and quoted in the market. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Authority does not have any significant credit risk exposure to any single non-investment grade counterparty or any group of counterparties having similar characteristics. The Authority defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016	2015
	B\$'000	B\$'000
Securities	1,977,202	1,807,750
Other assets	29,945	31,981
Fixed deposits	-	308,332
Cash and cash equivalents with banks and other financial institutions	2,299,496	1,885,334
	4,306,643	4,033,397

The Authority acts as the depository agent for the Government for IMF Membership. The Authority is not exposed to credit risk for these deposits.

Liquidity risk

Liquidity risk is the risk that the Authority 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 Authority's objective is to ensure that adequate liquidity is maintained at all times. The Authority 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 need. Alongside this, the Authority 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, equities and precious metals.

The following tables analyse 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:

	No specific maturity	Up to 1 mth	1 - 3 mths	3 - 12 mths	1 - 5 yrs	> 5 yrs	Total
31 December 2016	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<u>Financial assets</u>							
Debt Securities	-	-	-	11,230	306,159	872,074	1,189,463
Government							
treasury bills	-	-	-	739,608	-	-	739,608
Equity	48,131	-	-	-	-	-	48,131
Assets held with							
IMF	494,009	-	-	-	-	-	494,009
Other assets	19,911	10,034					29,945
Fixed deposits	-	-	-	-	-	-	-
Cash and cash							
equivalents with							
banks and other							
financial							
institutions	1,107,027	1,192,469	-	-	-	-	2,299,496
	1,676,659	1,202,503	-	750,838	306,159	872,074	4,800,652
<u>Financial liabilities</u>							
Currency in							
Circulation	1,380,808	-	-	-	-	-	1,380,808
Payables to the							
Government of							
Brunei							
Darussalam	98,953	-	-	-	-	-	98,953
Liabilities with							
IMF	396,209	-	-	-	-	-	396,209
Other liabilities	84,516	-	-	-	-	-	84,516
Deposits and							
balances of							
banks and other							
financial							
institutions	1,105,091	874,044	-	-	-	-	1,979,135
	3,065,577	874,044	-	-	-	-	3,939,621
<u>Derivative instruments</u>							
Foreign Exchange							
Contracts							
- Inflow	-	13,555	22,067	-	-	-	35,622
- Outflow	-	(14,094)	(22,301)	-	-	-	(36,395)
	-	(539)	(234)	-	-	-	(773)

	No specific maturity	Up to 1 mth	1 - 3 mth	3 - 12 mths	1 - 5 yrs	> 5 yrs	Total
31 December 2015	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<u>Financial assets</u>							
Debt Securities	-	-	-	25,593	410,175	847,088	1,282,856
Government							
treasury bills	-	-	-	448,328	29,938	-	478,266
Equity	46,628	-	-	-	-	-	46,628
Assets held with							
IMF	455,124	-	-	-	-	-	455,124
Other assets	20,795	11,186	-	-	-	-	31,981
Fixed deposits	-	-	-	308,332	-	-	308,332
Cash and cash							
equivalents with							
banks and other							
financial							
institutions	-	389,185	1,496,149	-	-	-	1,885,334
	522,547	400,371	1,496,149	782,253	440,113	847,088	4,488,521
<u>Financial liabilities</u>							
Currency in							
Circulation	1,321,956	-	-	-	-	-	1,321,956
Payables to the							
Government of							
Brunei							
Darussalam	57,260	-	-	-	-	-	57,260
Liabilities with							
IMF	399,152	-	-	-	-	-	399,152
Other liabilities	31,549	-	-	-	-	-	31,549
Deposits and							
balances of							
banks and other							
financial							
institutions	1,693,860	145,491	-	-	-	-	1,839,351
	3,503,777	145,491	-	-	-	-	3,649,268
<u>Derivative instruments</u>							
Foreign Exchange							
Contracts							
- Inflow	-	2,242	13,483	7,052	-	-	22,777
- Outflow	-	(2,287)	(13,593)	(7,092)	-	-	(22,972)
	-	(45)	(110)	(40)	-	-	(195)

Market risk

Market risk is defined as the risk of loss as a result of changes in market risk factors, including prices of securities, interest rates, foreign exchange rates, and credit spreads.

The Authority is exposed to market risk, as a consequence of its operations to deliver its policy objectives in the course of managing the Authority's Statement of Financial Position, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Limited exposure may also be incurred to changes in exchange rates (see below) and to shifts in general market conditions, such as the liquidity of asset markets.

Market risk is managed through regular monitoring of the market risk exposure of the Authority's investments, the diversification of the Authority's investments across different markets and currencies, and the establishment of investment risk tolerance and controls at both the aggregate and individual portfolio levels.

Interest rate risk

Interest rate risk is the risk associated with holding fixed-rate and floating-rate instruments in a changing interest-rate environment. The Authority's Statement of Financial Position and profit is exposed to interest rate risk because most of its assets are financial assets, such as foreign securities and fixed deposits, which have interest income streams. The price of fixed-interest instruments like debt securities will decline when market rates rise, while the price will increase when market rates fall. Interest rate risk will also increase with maturity of a security because the associated income stream is fixed for a longer period.

The Authority has holdings of interest-bearing financial instruments in the form of deposits ranging from 0.45% to 1.09% (2015: 0.86% to 1.45%) and fixed-income bonds ranging from 0.00% to 4.60% (2015: 0.00% to 4.60%).

The maximum duration of the Authority's holding of fixed-income instruments in its investment portfolio as at 31 December 2016 is 30 years (2015: 30 years).

Sensitivity to interest rate risk

At the reporting date the interest rate profile of the Authority's interest-bearing financial instruments were as follows:

	Carrying amount 2016 B\$'000	Carrying amount 2015 B\$'000
<u>Financial assets:</u>		
Securities	1,929,071	1,761,122
Fixed deposits	-	308,332
Cash & cash equivalents	1,266,424	575,244
	3,195,495	2,644,698
<u>Financial Liabilities</u>		
	-	-
	-	-

The figures below show the effect on the Authority's fixed and floating rate instruments' interest income of a movement of 10 basis points in interest rates as at 31 December 2016. A change of 10 basis points in interest rates for fixed rate instruments, would result in an increase or decrease of B\$1,187,251 in the Authority's equity and profit or loss. A change of 10 basis points in interest rate for floating rate instruments would increase or decrease the Authority's equity and profit or loss by B\$2,015. These figures are generally reflective of the Authority's exposure over the financial year.

Asset	+ 10 b.p. movement B\$'000	-10 b.p. movement B\$'000
Fixed-rate	1,187	-1,187
Floating-rate	2	-2

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of the instrument will vary due to changes in currency exchange rates. The Authority holds forward contracts amounting to principal amount of B\$35,478,208 for year ended 2016 (2015: B\$22,770,623.71) to hedge its exposure to foreign exchange risk.

Any gains or losses of the outstanding forward contracts are recognised in profit or loss.

As at 31 December 2016, the Authority's net exposure to major currencies, in Brunei Dollar terms, is:

	2016	2015
	B\$'000	B\$'000
<u>Securities:</u>		
US dollar (USD)	24,620	22,267
Singapore dollar (SGD)	1,952,582	1,785,483
	1,977,202	1,807,750

Other financial assets and liabilities are denominated in the functional currency.

A 10% strengthening of the Brunei dollar against the USD at 31 December 2016 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.

	2016	2015
	B\$'000	B\$'000
<u>Securities:</u>		
US dollar (USD)	2,462	2,227
	2,462	2,227

A weakening of the Brunei dollar against the above currencies at 31 December 2016 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.

24. Fair Value Measurement

The Authority considers that the carrying amounts of financial assets and financial liabilities which are classified under loans and receivables and held at amortised cost approximate their fair values due to their relatively short term maturity.

Securities carried at fair value through profit and loss are valued using quoted bid prices in an active market (Level 1).

25. Reclassification and Comparative Information

The Authority reclassified B\$155,184 of B\$14,161,389 from staff costs to other operating expenses in the Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2015 to be consistent with the current year's presentation.

	2015 B\$'000	2015 B\$'000
	Previously reported	After reclassification
Staff costs	14,161	14,006
Other operating expenses	10,925	11,080

KEY EVENTS AND ACTIVITIES

Majlis Ramah Mesra Aidilfitri with His Royal Highness Chairman of AMBD



Mahrajan Hafl Al-Takharruj Ke-6 Universiti Islam Sultan Sharif Ali



Thanksgiving Prayers for the Birthday of His Royal Highness Chairman of AMBD



Goodwill Visit From Members of the National Parliament of Timor - Leste to AMBD



Financial Sector Blueprint (2016-2025) Town Hall





Launch of Collateral Registry System

Signing Ceremony of the Memorandum of Understanding between AMBD and Telekom Brunei (TelBru) Bhd

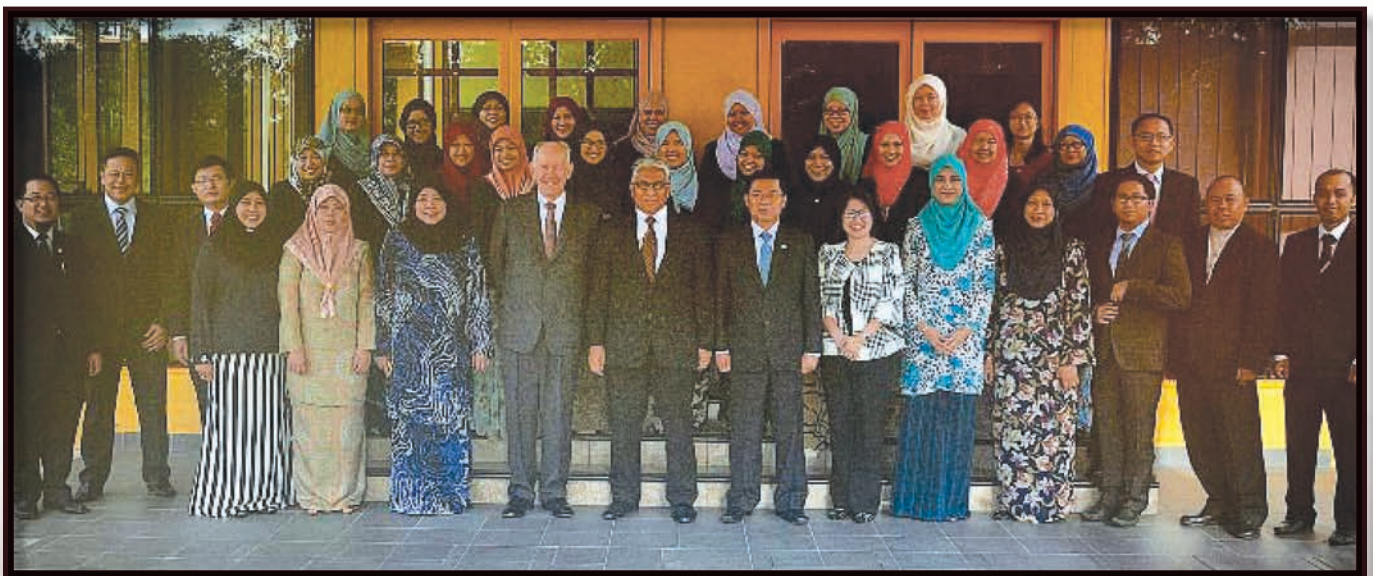


Release of Commemorative Coins in conjunction with His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's 70th Birthday



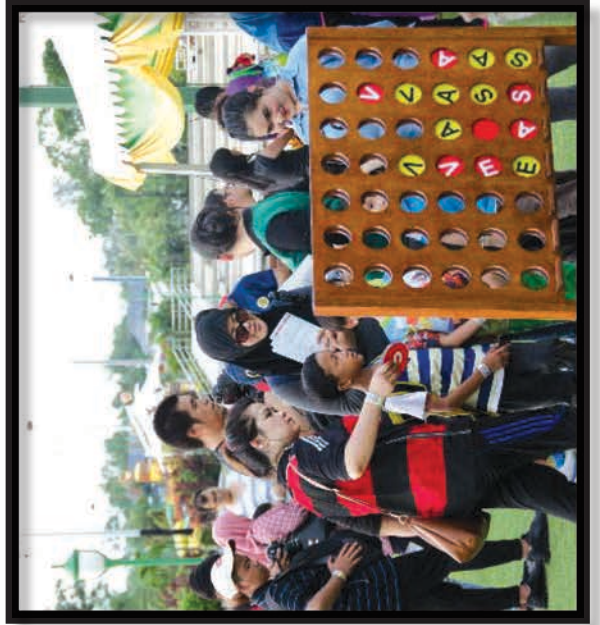
Tree plating to commemorate 5th Anniversary of the Establishment of AMBD

National Day



AMBD Accelerated Leadership Programme

National Savings Day 2016



Global Money Week 2016



Junior Financial Awareness Programme at Menunggol Primary School



Ministry Roadshows



Darussalam Enterprise (DARe) Enterprise Open Day



School Visits to Currency Gallery



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Annex 1: Circulation of Brunei Notes

Denomination	Held by Banks in Brunei	Held by Monetary Authority of Singapore Pending Repatriation	Held Otherwise (Active Circulation)	Gross Circulation
\$1	715,786.65	33,572.00	37,196,032.35	37,945,391.00
\$5	995,450.00	31,805.00	25,564,703.00	26,591,958.00
\$10	10,861,340.00	2,755,190.00	119,759,273.00	133,375,803.00
\$20	263,800.00	6,220.00	13,668,330.00	13,938,350.00
\$25	94,400.00	650.00	8,335,320.00	8,430,370.00
\$50	4,313,750.00	1,204,200.00	45,888,989.00	51,406,939.00
\$100	101,920,000.00	72,450,300.00	455,947,206.00	630,317,506.00
\$500	17,002,500.00	17,994,500.00	188,495,000.00	223,492,000.00
\$1,000	29,963,000.00	9,046,000.00	80,489,500.00	119,498,500.00
\$10,000	14,600,000.00	4,630,000.00	75,410,000.00	94,640,000.00
TOTAL (B\$)	180,730,026.65	108,152,437.00	1,050,754,353.35	1,339,636,817.00

*As of 31 December 2016

Source: Monetary Operations Division, AMBD

Annex 2: Circulation of Brunei Coins

Denomination	Held by Banks in Brunei	Held Otherwise (Active Circulation)	Gross Circulation
1¢	838.53	730,391.60	731,230.13
5¢	2,646.10	2,813,664.80	2,816,510.90
10¢	5,930.20	7,628,765.60	7,635,195.80
20¢	7,392.20	10,371,987.60	10,380,379.80
25¢	0.00	85.75	85.75
50¢	11,162.00	10,512,781.00	10,524,943.00
70¢	0.00	84.70	84.70
\$1	0.00	82,370.00	82,370.00
\$2	0.00	8,674.00	8,674.00
\$2.50	0.00	767.50	767.50
\$3	0.00	23,177.00	23,177.00
\$5	0.00	347,475.00	347,475.00
\$7	0.00	952.00	952.00
\$10	0.00	360,115.00	360,115.00
\$20	0.00	394,390.00	394,390.00
\$25 (Jubilee)	0.00	200,950.00	200,950.00
\$30	0.00	114,591.00	114,591.00
\$50 (Jubilee)	0.00	506,100.00	506,100.00
\$70	0.00	4,340.00	4,340.00
\$100	0.00	994,500.00	994,500.00
\$200	0.00	324,000.00	324,000.00
\$250	0.00	249,000.00	249,000.00
\$300	0.00	43,500.00	43,500.00
\$500	0.00	994,500.00	994,500.00
\$750	0.00	747,750.00	747,750.00
\$1,000	0.00	4,711,000.00	4,711,000.00
TOTAL (B\$)	27,969.03	42,165,912.55	42,196,581.58

*As of 31 December 2016

Source: Monetary Operations Division, AMBD

Annex 3: Brunei Government Sukuk Al-Ijarah Issuance						
YEAR	SERIES	ISSUANCE DATE	TENOR	MATURITY DATE	TOTAL (BND)	RENTAL YIELD (Percent)
2006	SERIES 1	6-Apr-06	91	06-Jul-06	150,000,000.00	3.400
	SERIES 2	29-Jun-06	91	28-Sep-06	150,000,000.00	3.375
	SERIES 3	13-Jul-06	91	12-Oct-06	150,000,000.00	3.350
	SERIES 4	2-Nov-06	91	01-Feb-07	120,000,000.00	3.375
2007	SERIES 5	15-Feb-07	91	17-May-07	90,000,000.00	3.150
	SERIES 6	12-Apr-07	91	12-Jul-07	70,000,000.00	2.700
	SERIES 7	21-Jun-07	91	20-Sep-07	70,000,000.00	2.275
	SERIES 8	12-Jul-07	364	10-Jul-08	45,000,000.00	2.300
	SERIES 9	16-Aug-07	91	15-Nov-07	80,000,000.00	2.450
	SERIES 10	25-Oct-07	91	24-Jan-08	50,000,000.00	2.275
	SERIES 11	6-Dec-07	91	06-Mar-08	45,000,000.00	2.188
2008	SERIES 12	24-Jan-08	364	22-Jan-09	30,000,000.00	1.500
	SERIES 13	5-Jun-08	91	04-Sep-08	40,000,000.00	0.925
	SERIES 14	19-Jun-08	91	18-Sep-08	28,000,000.00	0.880
	SERIES 15	17-Jul-08	91	16-Oct-08	15,000,000.00	0.600
	SERIES 16	7-Aug-08	91	06-Nov-08	9,000,000.00	0.550
	SERIES 17	21-Aug-08	91	20-Nov-08	24,000,000.00	0.750
	SERIES 18	11-Sep-08	91	11-Dec-08	45,000,000.00	1.000
	SERIES 19	9-Oct-08	91	08-Jan-09	35,000,000.00	1.430
	SERIES 20	23-Oct-08	364	22-Oct-09	35,000,000.00	1.150
	SERIES 21	6-Nov-08	91	05-Feb-09	18,000,000.00	0.920
	SERIES 22	20-Nov-08	91	19-Feb-09	35,000,000.00	0.600
	SERIES 23	18-Dec-08	91	19-Mar-09	60,000,000.00	0.650
2009	SERIES 24	5-Feb-09	91	07-May-09	31,000,000.00	0.400
	SERIES 25	19-Feb-09	91	21-May-09	60,000,000.00	0.390
	SERIES 26	5-Mar-09	364	04-Mar-10	11,000,000.00	0.500
	SERIES 27	19-Mar-09	91	18-Jun-09	63,000,000.00	0.340
	SERIES 28	9-Apr-09	91	09-Jul-09	25,000,000.00	0.300
	SERIES 29	23-Apr-09	91	23-Jul-09	30,000,000.00	0.300
	SERIES 30	7-May-09	91	06-Aug-09	21,000,000.00	0.300
	SERIES 31	21-May-09	91	20-Aug-09	35,000,000.00	0.300
	SERIES 32	11-Jun-09	91	10-Sep-09	20,000,000.00	0.300
	SERIES 33	9-Jul-09	91	08-Oct-09	45,000,000.00	0.300
	SERIES 34	30-Jul-09	364	29-Jul-10	50,000,000.00	0.450
	SERIES 35	13-Aug-09	91	12-Nov-09	25,000,000.00	0.330
	SERIES 36	27-Aug-09	91	26-Nov-09	32,000,000.00	0.300

YEAR	SERIES	ISSUANCE DATE	TENOR	MATURITY DATE	TOTAL (BND)	RENTAL YIELD (Percent)
2009	SERIES 37	17-Sep-09	91	17-Dec-09	38,000,000.00	0.350
	SERIES 38	8-Oct-09	91	07-Jan-10	33,000,000.00	0.360
	SERIES 39	22-Oct-09	91	21-Jan-10	30,000,000.00	0.380
	SERIES 40	19-Nov-09	91	18-Feb-10	25,000,000.00	0.390
	SERIES 41	3-Dec-09	91	04-Mar-10	43,000,000.00	0.390
2010	SERIES 42	25-Mar-10	91	24-Jun-10	70,000,000.00	0.380
	SERIES 43	1-Apr-10	91	01-Jul-10	30,000,000.00	0.350
	SERIES 44	29-Apr-10	91	29-Jul-10	25,000,000.00	0.300
	SERIES 45	20-May-10	91	19-Aug-10	33,000,000.00	0.300
	SERIES 46	17-Jun-10	91	16-Sep-10	70,000,000.00	0.320
	SERIES 47	1-Jul-10	91	30-Sep-10	65,000,000.00	0.300
	SERIES 48	22-Jul-10	91	21-Oct-10	35,000,000.00	0.300
	SERIES 49	5-Aug-10	364	04-Aug-11	65,000,000.00	0.340
	SERIES 50	19-Aug-10	91	18-Nov-10	40,000,000.00	0.280
	SERIES 51	2-Sep-10	91	02-Dec-10	25,000,000.00	0.280
	SERIES 52	30-Sep-10	91	30-Dec-10	48,000,000.00	0.280
	SERIES 53	14-Oct-10	91	13-Jan-11	25,000,000.00	0.280
	SERIES 54	28-Oct-10	91	27-Jan-11	48,000,000.00	0.280
SERIES 55	25-Nov-10	91	24-Feb-11	35,000,000.00	0.280	
SERIES 56	9-Dec-10	91	10-Mar-11	35,000,000.00	0.270	
2011	SERIES 57	21-Apr-11	91	21-Jul-11	72,000,000.00	0.280
	SERIES 58	12-May-11	91	11-Aug-11	85,000,000.00	0.250
	SERIES 59	9-Jun-11	91	08-Sep-11	31,000,000.00	0.200
	SERIES 60	23-Jun-11	91	22-Sep-11	51,000,000.00	0.190
	SERIES 61	7-Jul-11	91	06-Oct-11	71,000,000.00	0.200
	SERIES 62	11-Aug-11	364	09-Aug-12	96,000,000.00	0.350
	SERIES 63	25-Aug-11	91	24-Nov-11	85,000,000.00	0.100
	SERIES 64	22-Sep-11	91	22-Dec-11	100,000,000.00	0.150
	SERIES 65	13-Oct-11	91	12-Jan-12	100,000,000.00	0.100
	SERIES 66	3-Nov-11	91	02-Feb-12	100,000,000.00	0.175
	SERIES 67	17-Nov-11	91	16-Feb-12	100,000,000.00	0.180
	SERIES 68	8-Dec-11	91	08-Mar-12	100,000,000.00	0.170
2012	SERIES 69	8-Mar-12	91	07-Jun-12	100,000,000.00	0.200
	SERIES 70	22-Mar-12	91	21-Jun-12	100,000,000.00	0.200
	SERIES 71	12-Apr-12	91	12-Jul-12	100,000,000.00	0.200
	SERIES 72	26-Apr-12	91	26-Jul-12	100,000,000.00	0.180
	SERIES 73	17-May-12	91	16-Aug-12	100,000,000.00	0.180
	SERIES 74	7-Jun-12	91	06-Sep-12	100,000,000.00	0.180

YEAR	SERIES	ISSUANCE DATE	TENOR	MATURITY DATE	TOTAL (BND)	RENTAL YIELD (Percent)
2012	SERIES 75	28-Jun-12	91	27-Sep-12	100,000,000.00	0.200
	SERIES 76	12-Jul-12	91	11-Oct-12	100,000,000.00	0.180
	SERIES 77	2-Aug-12	91	01-Nov-12	100,000,000.00	0.180
	SERIES 78	16-Aug-12	364	15-Aug-13	100,000,000.00	0.280
	SERIES 79	20-Sep-12	91	20-Dec-12	100,000,000.00	0.180
	SERIES 80	11-Oct-12	91	10-Jan-13	100,000,000.00	0.160
	SERIES 81	1-Nov-12	91	31-Jan-13	100,000,000.00	0.160
	SERIES 82	22-Nov-12	91	21-Feb-13	100,000,000.00	0.160
	SERIES 83	6-Dec-12	91	07-Mar-13	100,000,000.00	0.160
2013	SERIES 84	21-Feb-13	91	23-May-13	100,000,000.00	0.180
	SERIES 85	14-Mar-13	91	13-Jun-13	100,000,000.00	0.160
	SERIES 86	28-Mar-13	91	27-Jun-13	100,000,000.00	0.160
	SERIES 87	18-Apr-13	91	18-Jul-13	96,000,000.00	0.150
	SERIES 88	2-May-13	91	01-Aug-13	83,000,000.00	0.210
	SERIES 89	16-May-13	91	15-Aug-13	100,000,000.00	0.210
	SERIES 90	7-Jun-13	91	06-Sep-13	100,000,000.00	0.220
	SERIES 91	27-Jun-13	91	26-Sep-13	100,000,000.00	0.160
	SERIES 92	18-Jul-13	364	17-Jul-14	100,000,000.00	0.200
	SERIES 93	1-Aug-13	91	31-Oct-13	100,000,000.00	0.160
	SERIES 94	22-Aug-13	91	21-Nov-13	100,000,000.00	0.160
	SERIES 95	12-Sep-13	91	12-Dec-13	100,000,000.00	0.140
	SERIES 96	10-Oct-13	273	10-Jul-14	100,000,000.00	0.200
	SERIES 97	14-Nov-13	91	13-Feb-14	100,000,000.00	0.150
	SERIES 98	21-Nov-13	273	21-Aug-14	100,000,000.00	0.190
SERIES 99	19-Dec-13	182	19-Jun-14	100,000,000.00	0.180	
2014	SERIES 100	9-Jan-14	91	10-Apr-14	100,000,000.00	0.150
	SERIES 101	13-Feb-14	182	14-Aug-14	100,000,000.00	0.190
	SERIES 102	6-Mar-14	91	05-Jun-14	100,000,000.00	0.150
	SERIES 103	20-Mar-14	273	18-Dec-14	100,000,000.00	0.200
	SERIES 104	17-Apr-14	91	17-Jul-14	100,000,000.00	0.160
	SERIES 105	22-May-14	182	20-Nov-14	100,000,000.00	0.210
	SERIES 106	19-Jun-14	91	18-Sep-14	100,000,000.00	0.160
	SERIES 107	24-Jul-14	273	23-Apr-15	100,000,000.00	0.230
	SERIES 108	21-Aug-14	364	20-Aug-15	100,000,000.00	0.250
	SERIES 109	4-Sep-14	91	04-Dec-14	100,000,000.00	0.170
	SERIES 110	18-Sep-14	182	19-Mar-15	100,000,000.00	0.220
SERIES 111	16-Oct-14	91	15-Jan-15	100,000,000.00	0.190	

YEAR	SERIES	ISSUANCE DATE	TENOR	MATURITY DATE	TOTAL (BND)	RENTAL YIELD (Percent)
2014	SERIES 112	6-Nov-14	91	05-Feb-15	100,000,000.00	0.210
	SERIES 113	20-Nov-14	182	21-May-15	100,000,000.00	0.240
	SERIES 114	18-Dec-14	273	17-Sep-15	100,000,000.00	0.510
2015	SERIES 115	12-Feb-15	273	12-Nov-15	100,000,000.00	0.560
	SERIES 116	26-Mar-15	91	25-Jun-15	100,000,000.00	0.410
	SERIES 117	16-Apr-15	364	14-Apr-16	100,000,000.00	0.800
	SERIES 118	14-May-15	182	12-Nov-15	100,000,000.00	0.690
	SERIES 119	11-Jun-15	91	10-Sep-15	100,000,000.00	0.630
	SERIES 120	30-Jul-15	182	28-Jan-16	100,000,000.00	0.780
	SERIES 121	20-Aug-15	273	19-May-16	100,000,000.00	0.830
	SERIES 122	10-Sep-15	91	10-Dec-15	100,000,000.00	0.800
	SERIES 123	8-Oct-15	364	6-Oct-16	25,000,000.00	1.030
	SERIES 124	19-Nov-15	182	19-May-16	100,000,000.00	1.150
	SERIES 125	10-Dec-15	91	10-Mar-16	100,000,000.00	0.950
2016	SERIES 126	28-Jan-16	91	28-Apr-16	100,000,000.00	0.980
	SERIES 127	18-Feb-16	91	19-May-16	100,000,000.00	0.990
	SERIES 128	24-Mar-16	182	22-Sep-16	100,000,000.00	1.000
	SERIES 129	14-Apr-16	364	13-Apr-17	50,000,000.00	1.030
	SERIES 130	28-Apr-16	91	28-Jul-16	100,000,000.00	0.780
	SERIES 131	19-May-16	273	16-Feb-17	20,000,000.00	0.9375
	SERIES 132	2-Jun-16	91	1-Sep-16	100,000,000.00	0.8125
	SERIES 133	28-Jul-16	91	27-Oct-16	100,000,000.00	0.6250
	SERIES 134	4-Aug-16	182	2-Feb-17	60,000,000.00	0.8125
	SERIES 135	18-Aug-16	91	17-Nov-16	100,000,000.00	0.6875
	SERIES 136	22-Sep-16	182	23-Mar-17	100,000,000.00	0.7500
	SERIES 137	13-Oct-16	364	12-Oct-17	38,200,000.00	1.1250
	SERIES 138	3-Nov-16	91	2-Feb-17	100,000,000.00	0.5625
	SERIES 139	17-Nov-16	273	17-Aug-17	5,000,000.00	0.8125
SERIES 140	1-Dec-16	91	2-Mar-17	100,000,000.00	0.5625	
TOTAL					10,428,200,000.00	

Source: Monetary Policy and Management Division, AMBD

Annex 4: Central Bank Survey

<i>Millions of Brunei Dollars</i>	2013	2014	2015	2016
Net Foreign Assets	3,875.448	3,956.838	4,141.268	4,354.300
Claims On Nonresidents	4,292.440	4,606.559	4,560.625	4,823.788
Liabilities To Nonresidents	-416.992	-649.721	-419.357	-469.487
Claims on Other Depository Corporations	193.748	180.030	142.163	150.154
Net Claims On Central Government	-56.957	-56.268	-55.674	-94.934
Claims On Central Government	1.093	1.280	1.324	1.032
Liabilities To Central Government	-58.050	-57.549	-56.998	-95.966
Claims On Other Sectors	0.000	0.000	0.000	0.007
Claims On Other Financial Corporations	0.000	0.000	0.000	0.000
Claims On State and Local Government	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	0.000	0.000	0.000	0.000
Claims on Private Sector	0.000	0.000	0.000	0.007
Monetary Base	2,970.924	3,005.175	3,161.799	3,296.982
Currency In Circulation	1,219.735	1,271.706	1,321.954	1,380.807
Liabilities To Other Depository Corporations	1,751.190	1,733.468	1,839.845	1,916.175
Liabilities To Other Sectors	0.000	0.000	0.000	0.000
Other Liabilities To Other Depository Corporations	1.317	1.067	3.215	0.228
Deposits and Securities Other Than Shares Excluded From Monetary Base	0.000	0.000	0.000	0.000
Deposits Included In Broad Money	0.000	0.000	0.000	0.000
Securities Other Than Shares Included In Broad	0.000	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000	0.000
Loans	0.000	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000	0.000
Shares and Other Equity	1,070.276	1,103.304	1,091.166	1,140.948
Other Items (Net)	-30.278	-28.947	-28.424	-28.631

Source: Monetary Policy and Management Division, AMBD

Note: Central Bank refers to Autoriti Monetari Brunei Darussalam

Annex 5: Other Depository Corporations Survey

<i>Millions of Brunei Dollars</i>	2013	2014	2015	2016
Net Foreign Assets	10,172.082	9,113.790	7,070.660	9,050.529
Claims On Nonresidents	10,319.388	9,286.295	7,340.072	9,203.494
Liabilities To Nonresidents	-147.306	-172.505	-269.412	-152.966
Claims on Central Bank	1,991.752	1,847.660	2,034.860	2,143.525
Currency	242.212	250.665	249.081	245.561
Reserve Deposits And Securities Other than Shares	1,749.540	1,596.995	1,785.779	1,897.964
Other Claims On Central Bank	0.000	0.000	0.000	0.000
Net Claims On Central Government	-3,101.457	-1,811.914	-629.751	-1,451.210
Claims On Central Government	499.621	699.040	523.677	472.342
Liabilities To Central Government	-3,601.078	-2,510.954	-1,153.427	-1,923.552
Claims On Other Sectors	7,540.656	7,783.319	8,203.018	7,426.373
Claims On Other Financial Corporations	220.439	385.623	440.798	371.379
Claims On State and Local Government	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	320.174	268.624	457.006	194.264
Claims On Private Sector	7,000.043	7,129.071	7,302.215	6,860.730
Liabilities To Central Bank	425.808	467.942	601.096	512.795
Transferable Deposits Included In Broad Money	3,487.057	3,375.079	3,606.678	3,539.618
Other Deposits Included in Broad Money	9,701.727	10,226.501	9,685.805	9,907.304
Securities Other Than Shares Included in Broad Money	0.000	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000	0.000
Loans	0.000	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000	0.000
Insurance Technical Reserves	0.000	0.000	0.000	0.000
Shares and Other Equity	2,348.960	2,420.747	2,546.321	2,699.327
Other Items (Net)	639.480	442.585	238.888	510.173

Source: Monetary Policy and Management Division, AMBD

Note: Other Depository Corporations consist of deposit-taking institutions including commercial banks, finance companies, and an Islamic trust fund

Annex 6: Depository Corporations Survey

<i>Millions of Brunei Dollars</i>	2013	2014	2015	2016
Net Foreign Assets	14,047.530	13,070.628	11,211.928	13,404.829
Claims On Nonresidents	14,611.828	13,892.854	11,900.697	14,027.282
Liabilities To Nonresidents	-564.298	-822.226	-688.769	-622.453
Domestic Claims	4,382.242	5,915.136	7,517.593	5,880.236
Net Claims On Central Government	-3,158.414	-1,868.182	-685.425	-1,546.145
Claims On Central Government	500.714	700.320	525.001	473.374
Liabilities To Central Government	-3,659.129	-2,568.503	-1,210.426	-2,019.519
Claims On Other Sectors	7,540.656	7,783.319	8,203.018	7,426.380
Claims On Other Financial Corporations	220.439	385.623	440.798	371.379
Claims On State And Local Government	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	320.174	268.624	457.006	194.264
Claims On Private Sector	7,000.043	7,129.071	7,305.215	6,860.737
Broad Money Liabilities	14,166.307	14,622.621	14,365.356	14,582.168
Currency Outside Depository Corporations	977.522	1,021.042	1,072.873	1,135.246
Transferable Deposits	3,487.057	3,375.079	3,606.678	3,539.618
Other Deposits	9,701.727	10,226.501	9,685.805	9,907.304
Securities Other Than Shares	0.000	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000	0.000
Loans	0.000	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000	0.000
Insurance Technical Reserves	0.000	0.000	0.000	0.000
Shares and Other Equity	3,419.236	3,524.051	3,637.487	3,840.275
Other Items (Net)	844.229	839.091	726.679	862.622

Source: Monetary Policy and Management Division, AMBD

Note: Depository Corporations consist of Central Bank and Other Depository Corporations.

Annex 7: Other Financial Corporations Survey

<i>Millions of Brunei Dollars</i>	2013	2014	2015	2016
Net Foreign Assets	9,949.328	5,489.772	6,214.784	9,795.122
Claims On Nonresidents	10,178.322	5,770.944	6,424.107	9,929.224
Liabilities To Nonresidents	-228.994	-281.172	-209.323	-134.102
Claims On Other Depository Corporations	1,117.656	1,186.926	1,043.183	1,486.925
Net Claims On Central Government	-65.996	-68.530	-41.249	-37.828
Claims On Central Government	17.477	5.915	5.644	-0.034
Liabilities To Central Government	-83.473	-74.446	-46.893	-37.794
Claims On Other Sectors	62.919	67.063	58.323	115.845
Claims On State and Local Government	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	1.379	2.093	5.693	0.000
Claims on Private Sector	61.540	64.970	52.630	115.845
Deposits	0.000	0.000	0.000	2.056
Securities Other Than Shares	0.000	0.000	0.000	0.000
Loans	81.183	1.080	1.991	38.464
Financial Derivatives	0.000	0.000	0.119	0.000
Insurance Technical Reserves	3221.083	3,689.039	4,025.932	4,217.319
Shares and Other Equity	7742.084	2,902.418	3,218.170	6,984.801
Other Items (Net)	19.558	82.694	28.829	117.422

Source: Monetary Policy and Management Division, AMBD

Note: Other Financial Corporations consist of insurance companies, pension funds, assets management companies and offshore financial institutions.

Annex 8: Financial Corporations Survey

<i>Millions of Brunei Dollars</i>	2013	2014	2015	2016
Net Foreign Assets	23,996.858	18,560.400	17,426.712	23,199.951
Claims On Nonresidents	24,790.150	19,663.798	18,324.804	23,956.506
Liabilities To Nonresidents	-793.292	-1,103.398	-898.092	-756.555
Domestic Claims	4,158.726	5,528.046	7,093.870	5,586.873
Net Claims On Central Government	-3,224.411	-1,936.713	-726.674	-1,583.973
Claims On Central Government	518.191	706.236	530.645	473.340
Liabilities To Central Government	-3,742.602	-2,642.948	-1,257.319	-2,057.313
Claims On Other Sectors	7,383.136	7,464.758	7,820.544	7,170.846
Claims On State and Local Government	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	321.553	270.717	462.699	194.264
Claims On Private Sector	7,061.583	7,194.041	7,357.844	6,976.582
Currency Outside Financial Corporations	797.432	906.700	1,025.524	1,079.581
Deposits	12,965.746	13,324.108	12,908.993	13,058.821
Securities Other Than Shares	0.000	0.000	0.000	0.000
Loans	81.183	0.025	0.047	0.068
Financial Derivatives	0.000	0.000	0.000	0.000
Insurance Technical Reserves	3,220.843	3,688.714	4,025.313	4,216.408
Shares and Other Equity	11,161.319	6,426.470	6,855.657	10,825.076
Other Items (Net)	-70.940	-257.571	-294.887	-393.131

Source: Monetary Policy and Management Division, AMBD

Note: Financial Corporations consist of Depository Corporations and Other Financial Corporations

Annex 9: Monetary Aggregates and Broad Money Components				
<i>Millions of Brunei Dollars</i>	2013	2014	2015	2016
Monetary Aggregates				
M0	1,219.74	1,271.71	1,321.95	1,380.81
Money	4,464.58	4,396.12	4,679.55	4,674.86
Quasi Money	9,701.73	10,226.50	9,685.81	9,907.30
Broad Money	14,166.31	14,622.62	14,365.36	14,582.17
Broad Money Components				
Currency outside banks	977.52	1,021.04	1,072.87	1,135.25
Demand deposits	3,487.06	3,375.08	3,606.68	3,539.62
Money	4,464.58	4,396.12	4,679.55	4,674.86
Fixed deposits, savings & other deposits	9,701.73	10,226.50	9,685.81	9,907.30

Source: Monetary Policy and Management Division, AMBD