

Autoriti Monetari Brunei Darussalam

Policy Statement

Date: 23 July 2013

Introduction

1. Recent indicators showed that the global economic recoveries are on track albeit at differing speeds. Advanced economies have shown mixed progress where several countries are demonstrating improvement in growth and unemployment numbers. However, a number of countries are still recuperating from the sovereign debt and financial crisis. Emerging economies including Asia, on the other hand, remain resilient, posting solid growth and continuing to make headway in their development agenda.
2. Amid uncertain global economic prospects and challenging environment, Brunei Darussalam continues to record positive growth and maintains moderate domestic inflation. Key to this sustained macroeconomic stability is the currency board arrangement, the cornerstone of the country's monetary policy framework, as well as the prudent fiscal policy adopted in the country.
3. In view of the crucial role of the financial sector in supporting domestic economic growth, AMBD will ensure that the soundness and growth of this sector is maintained through the effective implementation of laws and prudent regulations.

Brunei Darussalam's Economic and Financial Developments

4. The domestic economy grew by 0.9% year-on-year in Q1 2013 compared to the 0.7% growth recorded in Q1 2012¹. This was mainly due to the growth of the non-Oil and Gas Sector by 0.9% year-on-year and the Oil and Gas Sector by 0.8% year-on-year. The official economic forecast suggests that growth in

¹ Department of Economic Planning and Development, Prime Minister's Office, *Quarterly Gross Domestic Product, Q1 2013, Negara Brunei Darussalam*.

2013 will be stronger than in 2012 at 2.3%, with the non-oil and gas sector expected to grow 3.0%.

5. For the first five months of 2013, the average Consumer Price Index (CPI) rose by 0.9% compared to the same period in 2012. The CPI for May 2013 increased by 0.9% year-on-year, due to higher indices of Food and Non-Alcoholic Beverages; Recreation and Culture; and Transport². The Brunei Dollar is forecasted to strengthen further in line with the appreciation of the Singapore Dollar. Global food price inflation remained moderate where the UNFAO Food Price Index increased by 5.1% year-on-year for May 2013, well below the double-digit inflation reported during the 2007/2008 and 2010/2011 food crises³. These two main factors are expected to help contain imported inflation.

6. In March 2013, AMBD issued Notices on the regulation of lending/financing and deposit rates of licensed banks, Perbadanan Tabung Amanah Islam Brunei (TAIB) and licensed finance companies. The maximum rates were set for residential property loans/financing, consumer and corporate loans/financing, and motor vehicle financing (excluding motorcycles), whereas minimum deposit rates were specified for Brunei Dollar deposits. These measures were taken in the background of further enhancements to the financial infrastructure and aimed at inculcating sound financial and debt management among users of credit. The revised deposit rates were intended to ensure that savers in Brunei Darussalam are rewarded with a reasonable return on their savings and to promote savings culture amongst the public. The Authority also wished to ensure that the public resources at the disposal of the banks are available to the general public to service their credit needs at affordable rates for those who qualify, with the objective of spurring the growth of productive credit in the economy, thereby supporting the country's economic diversification goals towards Wawasan 2035.

² Department of Economic Planning and Development, Prime Minister's Office, *Consumer Price Index (CPI), May 2013, Negara Brunei Darussalam*.

³ United Nations Food and Agriculture Organization, *Food Price Index* as at May 2013.

7. AMBD issued a Notice on charge-backed (mortgage) loans/financing in November 2012 to ensure that banks carefully assess the repayment ability of the borrowers, with little or no reliance placed on the mortgaged property. This is a result of AMBD's concern about a growing trend by banks to take a mortgage of residential property of a borrower to refinance, or to consolidate, non-property related loans to settle their existing debts.
8. In order to induce more productive lending to the real economy, AMBD issued a guidance note to all banks in December 2012 to enhance the Single Borrowing Limit (SBL). With this note in effect, banks are now allowed to increase their SBL from 20% to 30% of the bank's capital, subject to meeting prudential criteria.
9. The legal framework for combating terrorist financing was strengthened with the issuance of Anti-Terrorism (Terrorist Financing) Regulations 2013, effective from 8 December 2012. The Regulations require every Brunei Darussalam citizen and other foreign nationals in the country to freeze, without delay, terrorist-related funds and other assets. Under the Regulations, financial institutions and designated non-financial businesses and professions are required to report to AMBD any transactions that are suspected of involving terrorist financing activities.
10. The Financial Intelligence Unit of AMBD with the support of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee has played a major role in coordinating developments and addressing strategic deficiencies in Brunei Darussalam's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. These efforts were recognised by the Financial Action Task Force (FATF) and Brunei Darussalam is no longer monitored under the International Cooperation Review Group (ICRG) process from June 2013⁴.

⁴ On 21 June 2013, the FATF issued a public statement to that effect on its official website (<http://www.fatf-gafi.org/>).

Future Developments

11. High on AMBD's agenda is the enhancement and further strengthening of the financial sector infrastructure. To this end, the establishment of the national payment and settlement system is well under way, with the implementation of the Real-Time Gross Settlement (RTGS) and Automated Clearing House (ACH) proceeding on schedule. The third component of the project is the Central Securities Depository (CSD) which will be implemented at a later stage. These projects are crucial in AMBD's efforts to ensure financial stability, and to further develop the money market, capital market and the financial services sector as a whole. The establishment of the system will also align Brunei Darussalam with ASEAN payments connectivity initiatives.
12. AMBD will be implementing the new Securities Market Order and supporting regulations to govern the activities and conduct of capital market participants. It will be one of the important pillars to support the growth of Brunei Darussalam's capital markets by facilitating capital formation and the development of more investment avenues. At the same time, it will improve investor protection as well as ensure the fairness, efficiency and transparency of the markets.
13. AMBD will implement new guidelines for general insurance/takaful agents to inculcate good governance among insurance/takaful agents. This will also include standardising the commission rates for certain classes of business. In support of nationwide financial literacy efforts, AMBD with the cooperation of the industry will embark on a program to instill public awareness on the benefits of acquiring insurance/takaful services.
14. In September 2012, Credit Bureau of AMBD became fully operational with the aim to help the banks and finance companies significantly improve credit risk management, reduce information gaps and make more informed decisions efficiently. In its effort to further enhance its services, the Credit Bureau is currently working towards introducing a Self-Inquiry and Dispute Resolution service to the public. This service enables the borrower to have

access to their own credit reports, and register any disputes for inaccurate information.