



**KEY NOTE SPEECH BY
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At the Brunei Association of Banks Annual Appreciation Dinner

On Wednesday, 2nd March 2016
At Radisson Hotel, Bandar Seri Begawan

Chairman of Brunei Association of Banks (BAB) and members, Senior AMBD officials,

Ladies & gentlemen,

Assalamu'alaikum warah matullahi wabarakatuh and good evening,

Thank you for the generous invite and in allowing me to share some thoughts in an informal setting. In particular, I feel that this is a good opportunity to talk about the global and regional financial environment and its implications on the financial sector in Brunei in the near future.

1. The global economy was weaker overall in 2015. China and other emerging economies continued to experience a slowdown in growth, with advanced economies making modest improvements in growth. Low commodity prices supported growth in consumer spending but at the same time lowered demand and growth prospects for commodity exporters. Many of the headwinds faced last year should persist into this year. China is expected to further its efforts in rebalancing its economy. Depending on what happens in China, the economic performance of emerging market economies may improve or worsen. The economic growth of emerging and developing economies will also rely heavily on the direction of global commodity prices throughout the year. The momentum in developed economies on the other hand seems to have picked up after decelerating at the end of last year. The worry is that businesses will moderate or even cut hiring in the face of sluggish productivity growth and tighter financial conditions.

2. Being a net exporter of oil and gas, Brunei cannot avoid the negative impact of the low hydrocarbon prices in terms of export earnings affecting the government revenues and

spending. With the dominant role of the government in the economy, this has affected Brunei's domestic economy as we face rough times ahead.

3. With regards to monetary policy, the expectation that the US Federal Reserve will raise rates again later rather than sooner has provided space for other central banks to loosen their monetary policies as well. We have already seen some central banks reduce their policy rates, with Japan even pushing its rates below zero. Over the year, we should see more central banks loosening their monetary policies to push up inflation and to stimulate economic growth. However, during the G20 meeting held recently in Shanghai, policy makers voiced their concern on the effectiveness of monetary policy in boosting economic activities and how much more it can be loosened without causing financial turmoil. .
4. For Brunei Darussalam, our currency board arrangement has helped in keeping domestic inflation stable and developments in our financial sector are closely linked to that in Singapore.

Ladies and gentlemen,

Having talked about the global situation, let me turn to domestic matters.

5. This year marks the 5th year of the establishment of AMBD. Allow me to share briefly some of the key achievements in developing the financial sector. Firstly, the operation of the Credit Bureau has provided better risk management capabilities for banking and finance companies. Secondly, the operation of the national payment and settlement system is a major step in the continuing effort to upgrade the payment infrastructure in the country. Thirdly, AMBD has put in place legal infrastructure relating to the Securities Market Order, the Payment and Settlement System and Criminal Asset Recovery Order. Banking and Insurance/Takaful Regulations are continuing to be enhanced in order to ensure that the regulatory framework remains relevant and align with the international best practices. These measures include the implementation of International Financial Reporting Standards (IFRS) by banks and financial institutions for year end 2014 onward. The adoption of such standards serves to enhance the confidence of global stakeholders and provides greater access to international capital investment.
6. In 2015, AMBD has issued several regulations which aim to reduce household debt as a source of vulnerabilities to the economy as a whole. From our analysis, it can be seen that

customers are more inclined to opt for appreciating assets such as properties instead of personal financing such as vehicles and credit cards.

7. Another important enhancement in 2015 is the decision of AMBD to embark on the implementation of Basel II framework. Implementing Basel II is a key component of the adoption of international best practice standards relating to the financial sector.

Ladies and gentlemen,

8. In moving towards Wawasan or Vision 2035 aspirations, the financial sector, in particular the banking industry plays an important role as an impetus to boost the economic growth in this country to the target of 8% of financial sector contribution to GDP. The latest GDP figures recorded an improvement in the financial sector's contribution from 3.3% in 2010 to an average of 5% in 2015. This is supported by a positive growth in credit by 7.6% from B\$5.7 billion in 2014 to B\$6.1 billion in 2015 of which the greater growth was seen in the corporate sector by 10.8% from B\$2.7 billion in 2014 to B\$3.0 billion in 2015. Without the financial institutions' initiatives and commitments, achieving this goal would be impossible. I hope that this positive growth will further motivate banking industry to double its efforts in achieving the Wawasan 2035 targets.
9. We are grateful that our banking industry remains resilient as evident in the Key Financial Soundness Indicators; where the aggregate capital adequacy ratio for the banking sector is more than 20% and the net non-performing financing ratio is less than 2% as at end of December 2015.
10. In spite of this positive development, we must not be complacent. Financial institutions need to play a more active and creative role in exploring new opportunities. They must identify productive areas that could help to materialize this national commitment which will contribute to the goal of economic diversification away from the oil and gas industry.

Ladies and gentlemen,

11. For the past years, AMBD has been working closely with the banks to develop the banking industry. We have been actively and will continue to enhance the engagement process and hope that it will continue to prosper for the good of the industry.

12. As regulator, we will continue to undertake necessary measures to further safeguard the financial stability of the financial sector to maintain public confidence; such measures include strengthening the regulatory and supervisory framework of the financial system in accordance with international best practices.

Ladies and Gentleman,

13. As you may be aware, AMBD is collaborating with the Ministry of Finance to establish Brunei Darussalam's own stock exchange, where such an exchange can act as a significant catalyst to grow our economy. The establishment is expected to contribute significantly to enhance the financial industry activity and increase the financial services contribution to GDP as envisioned in Wawasan 2035. Companies in the country will have alternative funding avenues other than bank loans. It will also provide a platform for Bruneians to invest in shares conveniently.

Ladies and Gentlemen,

14. I am very pleased and thankful to the BAB for their commitment on their statement of intent in developing a sound and strong banking industry. The BAB is actively playing its part in promoting a conducive and balanced business environment in which I hope the BAB will continue this momentum going forward as the key enabler to the economic growth.
15. With all the initiatives taken this far and the ongoing enhancement, we are on the right track to align ourselves towards the ASEAN economic and financial integration which will significantly enhance the efficiency and effectiveness of intermediation and allocation of resources. By allowing the region's financial resources to move more freely across cross borders, financial integration will create more opportunities for businesses and trade, enhancing further financial linkages within the region.
16. ASEAN commercial banks have the opportunity to play a role in this intermediation. The ASEAN Banking Integration framework, endorsed in late 2014 will enable greater presence of ASEAN financial institutions to operate in this region to facilitate greater intra regional trade and investment activities. As with other ASEAN countries, maintaining financial stability will

be of major importance whilst creating opportunities for the industry to compete, innovate and create sustainable growth.

17. Finally, I would like to dedicate my special thanks to the BAB for the generous invite and in allowing me the opportunity to deliver the key note speech tonight.

Thank you.

WABILLAHITAUFIQWALHIDAYAH, WASSALAMU'ALAIKUMWARAHMATULLAHIWABARAKATUH

Autoriti Monetari Brunei Darussalam

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