Effective date: 1 March 2027

NOTICE TO BANKS AND FINANCIAL INSTITUTIONS

NOTICE NO. CE/N-1/2026/1

NOTICE ON FAIR TREATMENT OF FINANCIAL CONSUMERS

1. INTRODUCTION

1.1 This Notice is issued pursuant to Section 54 of the Brunei Darussalam Central Bank Order, 2010 and applies to all banks and financial institutions in Brunei Darussalam.

1.2 A resilient and progressive financial system is characterised by banks and financial institutions that are responsive to financial consumers' needs and conduct business in a trustworthy and ethical manner. Banks and financial institutions with a corporate culture focused on the fair treatment of financial consumers are more likely to achieve sustainable long-term performance through consumers satisfaction and retention.

1.3 Conduct risk shall be incorporated as part of the banks and financial institutions' overall risk management framework and subjected to the same rigour as other risks, including risk assessment, risk management, risk monitoring, risk mitigation and reporting. For Islamic banks and financial institutions, Syariah non-compliance shall be included as part of their overall risk management framework.

1.4 Banks and financial institutions shall be fair, responsible and professional when dealing with financial consumers, and where relevant, shall instill ethical values such as fairness, transparency and compassion especially when dealing with vulnerable consumers. It is important to recognize that financial consumers may become vulnerable at different stages of life or due to unforeseen circumstances. Vulnerabilities, where disclosed by consumers, may arise from health conditions, employment status, life events or other factors that increase financial distress. Poor treatment of financial consumers not only creates reputational and conduct risks, but may also result in costs from remediation, compensation or penalties.

1.5 Vulnerable consumers are more likely to have additional needs. If not addressed, these can lead to unfair outcomes, financial hardship or exclusion from essential financial services. Banks and financial institutions shall ensure they take reasonable steps to avoid causing harm and recognize that such consumers may be less capable of making informed decisions.

1.6 By understanding and responding effectively to the needs of vulnerable consumers, banks and financial institutions may benefit from improved trust, loyalty and reputation. Conversely, failure to address these needs may reduce competitiveness and trust in banks and financial institutions.

1.7 This Notice shall be read in conjunction with the following:

1.7.1 Notice to Banks and Financial Institutions on Syariah Governance Framework [Notice No. IFAU/N1/2018 – Amendment No. 1];

1.7.2 Notice and Guidelines to Islamic Banks, banks, finance companies, takaful operators and insurance companies on Corporate Governance and Disclosure of Corporate Governance Arrangements [Notice No. BU/N-2/2019/62, Guidelines No. BU/G-1/2019/19, Notice No. BU/N-1/2017/36, Notice No. BU/N-2/2017/37, Guidelines No. BU/G-1/2017/5, Guidelines No. BU/G-2/2017/6, Notice No. TIU/N-3/2017/7]

1.7.3 Guidelines to Islamic banks, banks, finance companies, takaful operators, insurance companies on Product Transparency and Disclosure [Guidelines No. FCI/G1/2019/1, Guidelines No. FCI/G2/2019/1, Guidelines No. FCI/G3/2019/1, Guidelines No. FCI/G4/2019/1, Guidelines No. FCI/G5/2019/1, respectively];

1.7.4 Guidelines on Fit and Proper Criteria for Financial Institutions' Frontline Staff Guidelines [No. FCI/G1/2018/1];

1.7.5 Notice for the Establishment of A Complaints Handling Function within Financial Institutions (No. FCI/N1/2021/1);

1.7.6 Notice on Regulation of Interest / Profit Rates for Banks (Notice No. 1/2013 – Amendment No.1);

1.7.7 Notice on Regulation of Profit Rates for Islamic Banks (Notice No. 1/2013 – Amendment No. 1);

1.7.8 Notice on Takaful Operational Framework (Notice No. TIU/N-2/2022/19);

1.7.9 Notice on Service Fees / Charges (Notice No. BS/N-6/2015/35);

1.7.10 Notice on Unsecured Personal Financing Facility (Notice No. BS/N-3/2015/32 - Amendment No. 2);

1.7.11 Notice on Market Conduct (Notice No. FCI/N2/2021/1 – Amendment No. 3); and

1.7.12 Guidelines on Responsible Lending for Banks (Guidelines No. FCI/G1/2022/1); and

1.7.13 any other notices, directives, circulars and other guidelines, which Brunei Darussalam Central Bank ("the Authority") may issue from time to time.

1.8 This Notice shall have effect from 1 March 2027.

2. DEFINITIONS

2.1 "bank(s)" refer to any person or entity licensed, registered, approved or regulated under any of the following:

(a) Banking Act Cap.95; or

(b) Islamic Banking Act Cap.168.

2.2 "Board" means the Board of Directors of a bank or financial institution;

2.3 "conduct risk" refer to risk arising from poor business practices, behaviours or decisions that lead to –

a) unfair outcomes for financial consumers;

b) undermine market integrity; and/or

c) otherwise results in reputational and/or financial impact to the bank or financial institution.

2.4 "disproportionate charges" refer to fees or charges that are excessive in relation to the value of the product or service, or where there is an unreasonable imbalance between the amount charged and its underlying justification;

2.5 "financial consumer(s)" means any person who uses, has used, or may be intending to use any financial product or service offered by a bank or financial institution, and includes prospective and existing consumers / borrowers, depositors, insurance policyholders, takaful participants, and clients of a holder of a capital market services licence. This includes any person specified by the Authority who uses, has used, or may be intending to use any financial product or service in connection with a business or company, or who is insured or covered under a group insurance policy or takaful certificate where the premiums or contributions are paid by that person.

2.6 "financial institution(s)" has the same meaning as Section 2 of the Brunei Darussalam Central Bank Order, 2010:

For the avoidance of doubt and for the purposes of this Notice, "financial institution(s)" shall also include the following:

2.6.1 Operators of payment systems that have been approved to operate in Brunei Darussalam under the Notice on Requirements for Payment Systems (Notice No. PSO/N-1/2020/1);

2.6.2 Perbadanan Tabung Amanah Islam Brunei established under the Perbadanan Tabung Amanah Islam Brunei Act (Chapter 163);

2.6.3 Any other person specified by BDCB, provided that they are licensed, approved or regulated by BDCB under any BDCB written law and any directions issued thereunder.

2.7 "personal data" means data, whether true or not, about an individual who can be identified -

(a) from that data; or

(b) from that data and other information to which the organisation has or is likely to have access;

2.8 "punitive charges" may include fees or charges that deter a consumer from switching from one product to another, notwithstanding the consumer's right to do so without undue barriers;

2.9 "Senior Management" refers to upper management or executive management of the banks and financial institutions, which is the highest level of management that are responsible to:

a) effectively direct the bank and financial institution, and includes the Board of Directors where there is a Board arrangement; or

b) where there is no Board arrangement, the upper management who leads and effectively directs the organisation.

2.10 "Syariah Advisory Body" or "SAB" means a body established pursuant to the Notice on Syariah Governance Framework Notice No. IFAU/N/1/2018 – Amendment No. 1.

2.11 "Syariah non-compliance" means any event of Syariah non-compliance that has been confirmed by an SAB.

2.12 "vulnerable consumer(s)" refers to financial consumers who, due to specific circumstances, may be at a disadvantage in accessing or understanding financial products or services if banks or financial institutions do not provide appropriate levels of care and support throughout the full duration of the relationship with the consumer. Where applicable to the bank or financial institution, this includes, but are not limited to, consumers that:

a) may face challenges in accessing financial services or may require assistance to engage in financial services, for example, financial consumers with physical or mental disabilities or a senior citizen with limited financial means and/or knowledge;

b) have a low financial resilience (ability to withstand financial shocks);

c) are affected by inevitable adverse life events resulting in temporary or long-term financial hardship, for example, due to situations such as natural disasters, retrenchment, registered zakat recipients (classified as *fakir* or *miskin*), registered welfare recipients, temporary loss of income, or the death/total permanent disability of the main breadwinner; or

d) who have an inadequate level of financial literacy or experience in using financial services or products, or poor language skills, for example, an individual who is illiterate, or is not digitally savvy.

3. CULTURE AND CONDUCT RISK

3.1 Banks and financial institutions shall ensure that conduct risk is effectively managed as part of their overall governance and risk management arrangements, with due regard to the fair treatment of financial consumers.

3.2 Banks and financial institutions shall establish and maintain a framework for identifying, assessing, monitoring and managing conduct risk, which may be integrated within existing risk management frameworks, where appropriate.

3.3 In fulfilling this requirement, banks and financial institutions shall ensure that:

a) the Board and/or Senior Management set clear expectations on conduct, including the fair treatment of financial consumers;

b) appropriate governance and oversight arrangements are in place to manage conduct risk;

c) material conduct risk issues, including those affecting vulnerable consumers, are identified, escalated and addressed in a timely manner; and

d) staff, representatives and agents act in a manner consistent with the fair treatment of financial consumers.

3.4 Banks and financial institutions shall take appropriate actions to address identified deficiencies in controls or provision for existing and upcoming financial products or services. Remedial actions shall include, but are not limited to the following:

a) moderating, withdrawing, and/or refunding prohibited fees and charges;

b) rectifying and resolving potential violations, and compensating financial consumers for any direct losses, due to unethical and/or fraudulent practices and failure of banks and financial institutions' control and governance;

c) rectifying or withdrawing misleading advertisements; and

d) investigating and addressing staff behaviour that causes financial consumers detriment, with actions taken to prevent future recurrence.

4. FAIR TREATMENT TO FINANCIAL CONSUMERS

Fair treatment

4.1 Banks and financial institutions shall ensure that financial consumers are treated fairly, honestly and professionally, and shall clearly publish their commitment to fair treatment, through physical display (e.g. posters or signs at premises) and/or virtually (on website, mobile application, or social media platforms).

4.2 The Board and/or Senior Management shall set clear expectations on fair treatment and ensure that these values are embedded into the banks and financial institutions' culture, strategy and daily operations. The Syariah Advisory Body, where applicable, shall be responsible for providing Syariah advice to the Board and/or Senior Management in ensuring fair treatment to financial consumers.

4.3 Banks and financial institutions shall ensure that they have necessary resources, internal controls and procedures in place for safeguarding the best interest of their financial consumers. These include general rules, such as those addressing conflict of interest, unethical staff conduct, as well as predatory practices. Banks and financial institutions shall monitor the enforcement of such policies.

4.4 Banks and financial institutions shall implement internal escalation mechanisms to ensure that any suspected harm, such as misleading sales tactics or the imposition of unfair fees, including those affecting vulnerable consumers, is promptly identified, escalated and addressed, with appropriate care exercised in the assessment and handling of such matters.

4.5 Banks and financial institutions shall ensure that their staff, representatives and agents, are properly trained to treat all financial consumers fairly. Such training shall ensure that financial consumers receive products and services that meet their needs, are suitable for them, and are sold with clear information, allowing financial consumers to have confidence that they are dealing with banks and financial institutions that uphold the fair treatment of financial consumers central to their culture.

4.6 Banks and financial institutions shall ensure that personal data obtained from financial consumers for suitability assessments is kept confidential, accurate, up to date, complete, and used solely for the intended advisory purposes, subject to applicable laws relating to personal data protection. Appropriate care shall be exercised when dealing with vulnerable consumers, including the need to distinguish between factual information and opinion, and, in the case of temporary vulnerabilities, ensuring that such information remains current through appropriate follow-up.

Fair Terms

4.7 Banks and financial institutions, where applicable, shall ensure that standard contracts terms are fair. A term may be regarded by the Authority as unfair for supervisory assessment purposes where it creates a significant imbalance of rights and obligations in favour of the bank or financial institution. Fairness, based on the type of bank or financial institution, its business activities, products and services, and the type of financial consumer, shall be assessed in the context of the entire contract, the purpose of the contract, and the nature of the product involved.

4.8 Banks and financial institutions, where applicable, shall not include terms that act as barriers for financial consumers to switch to other products, or to other banks or financial institutions, especially those that impose disproportionate or punitive charges that have the effect of deterring financial consumers from switching.

4.9 Banks and financial institutions, where applicable, shall review its contract terms periodically and be satisfied that the terms comply with the requirements in this Notice at all times.

4.10 Banks and financial institutions, where applicable, shall not enforce or rely on unfair contract terms, even in contracts entered into prior to this Notice.

Suitability of advice and recommendation

4.11 Banks and financial institutions shall take reasonable steps to ensure that the advice and recommendations provided are appropriate and serve the best interests of the financial consumers.

4.12 Banks and financial institutions shall ensure where relevant or applicable, that prior to providing any advice or recommendation, its staff, representatives and agents obtain sufficient information on the financial consumer, including but not limited to the following –

a) financial objectives, needs and priorities;

b) personal circumstances (e.g. age, number of dependents);

c) financial situation (e.g. sources and amount of income, other investments, financial commitments, assets and liabilities);

d) risk appetite and tolerance;

e) investment horizon and objectives; and/or

f) level of knowledge and experience in relation to the financial service or product.

4.13 In assessing the suitability of a financial product or service, where applicable, banks and financial institutions shall ensure that their staff, representatives and agents, assess whether –

a) the financial service or product aligns with the financial consumer's profile such as financial objectives, needs, personal circumstances, financial situation, risk appetite and investment horizon;

b) the financial consumer understands the key risks and features;

c) the financial consumer is likely to be able to meet the financial commitments associated with the financial service or product;

d) the product's risks and rewards trade-offs match the financial consumer's risk tolerance; and/or

e) for Islamic financial products or services, banks and financial institutions shall ensure that their staff, representatives and agents assess whether the financial consumer has the necessary knowledge to understand the Syariah concepts of the Islamic financial service or product.

Provision of information

4.14 Banks and financial institutions shall provide clear, balanced, relevant and timely information to financial consumers about their financial products and services.

4.15 Banks and financial institutions shall deal in good faith and shall not make statements that are untrue, or omit material information that may cause a statement to be false or misleading. Banks and financial institutions shall also present a balanced view when offering a financial product or service.

Vulnerable consumers

4.16 Banks and financial institutions shall implement measures to ensure vulnerable consumers are treated fairly and equitably. Where applicable, this shall include the following –

a) assess the needs of vulnerable consumers in its existing financial consumer base and target market, as well as implement appropriate policies and procedures to meet these needs;

b) consider any prevailing or possible vulnerabilities in its existing financial consumer base as well as the needs of vulnerable consumers in its target market during the product design stage. This is to ensure that the features of the new financial services or products and the financial consumer requisition process adequately address risks of potential harm to or exclusion of vulnerable consumers;

c) consider the likelihood of any inherent product features that may pose material risks to vulnerable consumers when developing financial services and products. Banks and financial institutions shall provide adequate safeguards to prevent or minimise such risks when offering financial services and products to vulnerable consumers, including the level of pricing and fees to be imposed on new financial services and products which are offered to financial consumers with low financial resilience;

d) exercise caution when using artificial intelligence in credit assessments or risk underwriting, as the case may be, to avoid unfair discrimination, excessive pricing or exclusion of vulnerable consumers from accessing essential financial services and products; and/or

e) provide training for staff, representatives and agents, who interact with vulnerable consumers to ensure they can recognise, assess and respond appropriately to their needs.

4.17 Banks and financial institutions shall not engage in predatory practices or any conduct that exploits vulnerable consumers.

4.18 Banks and financial institutions shall periodically review outcomes for vulnerable consumers and evaluate the effectiveness of their protection measures.

MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK

Issue Date: 18 Rabiulawal 1448H / 31 August 2026