

AMENDMENT
NOTICE TO ISLAMIC BANKS
EFFECTIVE DATE 9 NOVEMBER 2017

NOTICE NO. BS/N-3/2015/32 – AMENDMENT NO. 2
UNSECURED PERSONAL FINANCING FACILITY

1. INTRODUCTION

- 1.1 This Notice is issued pursuant to section 66 of the Islamic Banking Order, 2008 and shall apply to all Islamic banks in Brunei Darussalam.
- 1.2 This Notice shall take effect on 8th June 2015.
- 1.3 This Notice shall only apply to financing facilities granted to natural persons.

2. DEFINITIONS

- 2.1 For the purposes of this Notice-

“**CBAMBD**” means the Credit Bureau established under section 42A of the Autoriti Monetari Brunei Darussalam Order, 2010;

“**Customer**” means a recipient of financing from an Islamic bank;

“**Revolving Facility(ies)**” means a non-card financing facility(ies) that may be drawn down and repaid at any time and from time to time, in any amount, subject to an approved limit;

“**Unsecured Personal Financing Facility(ies)**” means an unsecured non-card financing facility(ies) extended for personal purposes which is not collateralized by a lien on specific assets of the Customer and which may or may not be salary assigned.

3. ISLAMIC BANK'S LIMIT ON PERSONAL FINANCING PORTFOLIO

3.1 Islamic bank's Personal Financing Portfolio shall not exceed 60% of total financing facilities at any given time.

[Amendment No. 2 dated 9 November 2017]

3.2 For the purpose of this paragraph 3, Personal Financing Portfolio shall be defined as all secured and unsecured financing facilities extended to natural persons, for personal purposes.

4. CRITERIA FOR GRANTING UNSECURED PERSONAL FINANCING FACILITY

4.1 Islamic banks may grant an Unsecured Personal Financing Facility to a Customer with a maximum entitlement not exceeding 18 times of the Customer's Net Monthly Income, in either one of the following facility:-

4.1.1 Fixed Term Facility:

(a) The maximum repayment tenor shall not exceed 6 years;

4.1.2 Revolving Facility:

(a) Minimum monthly repayment shall not be less than 2% of the outstanding balance. Outstanding balance for the purposes of this paragraph shall be defined as the total amount due to the Islamic bank including profit charges and any fees incurred from the facility;

(b) Islamic banks shall establish internal policies which on a minimum includes the following:-

i. Annual review on Customer to ascertain whether a facility may be renewed;

ii. Expiry of the facility to minimise any potential risks, including to ensure reasonable and adequate time to settle debt obligation.

4.2 Islamic banks shall conform to the latest version of AMBD's Notice on Total Debt Service Ratio (TDSR).

[Amendment No. 2 dated 9 November 2017]

4.3 Islamic banks may allow an application from the Customers to top-up or restructure their Unsecured Personal Financing Facility only after 50% of the original financing facility's tenor has lapsed, subject to a maximum of 2 top-ups or restructuring during the tenor of the financing facility. This application is subject to the Customer's repayment history of all active outstanding credit facilities derived from the Customer's credit information report obtained from CBAMBD, as follows:

4.3.1 no monthly missed repayment for any four months, in the preceding 12 months, from the date of application; or

4.3.2 no monthly missed repayment for any two consecutive months, in the preceding 12 months, from the date of application.

[Amendment No.1 dated 28 October 2015]

Notwithstanding paragraph 4.3, Islamic banks may impose a stricter criteria on the Customer's repayment history. Islamic banks are obligated to make extensive and accurate verification on the Customers' repayment history of all active outstanding financing facilities.

4.4 For the purpose of this paragraph 4, the Net Monthly Income of a Customer shall be determined as the Gross Monthly Income less the following:-

4.4.1 The Customer's contribution to any employee provident / pension fund (such as Tabung Amanah Pekerja (TAP) and Supplemental Contributory Pensions (SCP) Scheme); and

4.4.2 Any other obligations that are deducted from the Customer's salary slip, including:-

- (a) Government Loan;
- (b) Government Housing Repayment Scheme;
- (c) Company Loan; and
- (d) Memberships.

4.5 In determining the Gross Monthly Income of a Customer, the following may be aggregated:-

4.5.1 Fixed basic monthly income;

4.5.2 Fixed monthly allowances;

4.5.3 Monthly pension received by a pensioner and credited to the Customer's account;

4.5.4 50% of the average of monthly variable income (such as commission, bonus or allowance from the Customer's employer) credited to the customer's account earned in the preceding 12 months;

[Amendment No.1 dated 28 October 2015]

4.5.5 70% of the average monthly rental income from properties credited into the customer's account in the preceding 12 months and supported by a valid tenancy agreement signed by both the customer (as the landlord) and the party to whom he has leased the property. For this purpose, Islamic banks are required to set their own internal standards and policies to ensure such rental income is dependable and verifiable; and

[Amendment No.1 dated 28 October 2015]

4.5.6 70% of the average monthly income (for sole proprietors) credited into the customer's account in the preceding 12 months. For this purpose, an Islamic bank is required to set its own internal standards and policies to ensure such income is dependable and sustainable.

4.6 The following income shall not be considered in determining the Gross Monthly Income of a Customer:-

4.6.1 Deleted

[Amendment No.1 dated 28 October 2015]

4.6.2 Old age pension.

4.7 Paragraphs 4.1 and 4.3 above may not apply to Unsecured Personal Financing Facility concerning Education loan and Home Improvement/Renovation financing.

5. INSURANCE/TAKAFUL COVERAGE

5.1 Islamic banks shall require Customers to purchase an appropriate insurance policy/takaful certificate for every new and restructured (top-up) Unsecured Personal Financing Facility which provides protection to the Customers in the event of death and/or total permanent disability during the validity of the Unsecured Personal Financing Facility.

6. PROVISIONS REPEALED

- 6.1 The provisions of any notices, directives and other policy documents issued prior to this Notice and which are inconsistent with it are hereby repealed.

**MANAGING DIRECTOR
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: Safar 1439 / November 2017