



NOTICE TO ISLAMIC BANKS

NOTICE NO. BU/N-13/2017/48

CREDIT CARDS

1. **INTRODUCTION**

- 1.1. This Notice is issued pursuant to section 66(1) of the Islamic Banking Order, 2008 and applies to all Islamic banks in Brunei Darussalam.
- 1.2. This Notice shall take immediate effect.

2. **ELIGIBILITY REQUIREMENT**

- 2.1 The minimum age requirement for credit cardholders shall be as follows:
 - 2.1.1 A minimum age of 21 years for the principal cardholder; and
 - 2.1.2 A minimum age of 18 years for supplementary cardholders, and they shall be subject to the limits granted to the principal cardholder, and to any sub-limits within the total limit of the principal cardholder as instructed by the principal cardholder.
- 2.2 The minimum Gross Monthly Income for an individual cardholder shall be at least B\$500.00 per month.

3. **CREDIT CARD LIMIT**

- 3.1 The maximum credit card limit for each individual shall be based on the Gross Monthly Income as follows:-

Minimum Gross Monthly Income (x)	Credit Limit
$\$500 \leq x < \$1,000$	1 month Gross Monthly Income
$\$1,000 \leq x < \$10,000$	2 months' Gross Monthly Income
$x \geq \$10,000$	Based on the bank's recommendation



- 3.2 Islamic banks are not permitted to increase cardholders' credit limits without obtaining the principal cardholders' consent.

4. **CREDIT ASSESSMENT**

- 4.1 In assessing an application for a credit card, Islamic banks shall conform to AMBD's Notice on Total Debt Service Ratio (TDSR).
- 4.2 Upon an application by a customer, credit cards may only be issued subject to the credit card issuing Islamic banks' verification of the customer's Gross Monthly Income. Credit cards may also be issued to customers with fixed deposit account of an equivalent value to the maximum credit card limit with the credit card issuing bank subject to paragraph 4.2.1 below.

For the purposes of this paragraph, a customer means a Brunei citizen, permanent resident or a person who currently holds a valid employment in Brunei Darussalam.

- 4.2.1 Such fixed deposits shall not be facilitated with financing or overdrafts granted for the purpose of meeting the fixed deposit requirement. Any deposit account which has the same characteristics of a fixed deposit shall be used where the sum of the deposit placed with the credit card issuing bank only is equivalent to the credit card limit granted and has been placed under lien in the system and also in documentary form for record purposes and for validation by regulators or auditors where necessary.
- 4.3 In determining the Gross Monthly Income of a customer, the following may be aggregated:-
- 4.3.1 Fixed basic monthly income;
- 4.3.2 Fixed monthly allowances;
- 4.3.3 Monthly pension except for old age pension, and credited to the customer's account;
- 4.3.4 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;
- 4.3.5 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

4.3.6 70% of the average monthly income (for sole proprietors) credited into the customer's account in the preceding 12 months. For this purpose, Islamic banks are required to set their own internal standards and policies to ensure such income is dependable and sustainable.

4.4 Eligibility to merchant co-branded credit cards (supermarkets, clubs, hotels etc.) shall be strictly in line with the requirements of this Notice.

5. **MINIMUM MONTHLY PAYMENT**

5.1 The minimum monthly payment shall not be less than 8% of the outstanding balance on the monthly statement.

5.2 Islamic banks shall not permit credit cardholders to use their credit cards to pay their monthly financing obligations to the credit card issuing bank or of any of its subsidiaries.

6. **ADMINISTRATION FEE ON CREDIT CARDS**

6.1 The administration fee applicable on credit cards shall not exceed 1.5% per month on the total outstanding amount;

7. **DISCLOSURE REQUIREMENTS**

7.1 All related costs and charges on credit cards e.g. penalty charges for late payments, etc. shall be intimated in advance to the public. Transparency and full disclosure of all related charges will enable customers to make informed decisions on credit cards that are most beneficial to them as well as to exercise caution and prudence in the use of credit cards.

7.2 To facilitate comparisons and informed decisions by cardholders, the credit card issuing Islamic banks are required to provide a Product Disclosure Sheet that contains key information on the card's features, fees charged and obligations of the cardholders etc. The implications of meeting only the minimum and partial repayments shall be prominently displayed and alerts communicated to the cardholders;



- 7.3 At the end of each year, customized information on how long it will take to fully pay off the cardholder's outstanding balance and the total administration fees if the cardholder only makes the minimum payment shall be issued to those cardholders who are seen to be accumulating large credit card outstanding as a result of only the minimum payment being made each month;
- 7.4 Credit card issuing Islamic banks are required to be transparent about the basis of administration fee computation for their credit card customers. How administration fee is computed on credit card outstanding shall be stated very clearly in their terms and conditions, and on the reverse of the monthly statement.
- 7.5 Advertisements of credit card facilities shall not be misleading to customers. Furthermore, Islamic banks are expected to observe AMBD's Guidelines on Advertisement of Banking Products and Services to the fullest extent possible.

8. **SOLICITATION**

- 8.1 Islamic banks shall not offer pre-approved credit cards without the approval and consent of the customer.

9. **PROVISIONS REPEALED**

- 9.1 Notice No. 1/2012 – Amendment No. 1 on Credit Cards issued to Islamic banks on 28 October 2015 is repealed, but AMBD reserves the right to enforce any non-compliance of the Notice prior to the date of its repeal.

MANAGING DIRECTOR

AUTORITI MONETARI BRUNEI DARUSSALAM

Issue Date: 21 Zulhijjah 1438 / 13 September 2017