



NOTICE NO. BO/2/2014

DEREGULATION OF INTEREST RATES ON RESIDENTIAL PROPERTY LOANS

1. This Notice is issued pursuant to section 66 of the Banking Order, 2006 and shall apply to all banks in Brunei Darussalam.

2. This Notice shall take effect on 3rd October 2014 (effective date).

3. For the purposes of this Notice-

“Effective Interest Rate” means the interest rate calculated in accordance with Notice No.3/2009 on Credit (Financing) Facilities issued pursuant to section 66 of the Banking Order, 2006 dated 8th June 2009; and

“Residential Property Loans” means any loans and advances extended for the purposes of purchasing, improving, constructing or altering of immovable property in Brunei Darussalam, where such property is solely used for personal purposes and not business purposes and shall be secured by a charge of the property.

4. The Effective Interest Rates on Residential Property Loans are by this Notice deregulated and all banks are free to price their Residential Property Loan products within a reasonable range.

5. All banks shall ensure the following:-

5.1. The Effective Interest Rate charged to customers are not excessive and reflect a reasonable risk premium over their cost of funds;

5.2. The value of the Residential Property Loan reflects a prudent valuation of the residential property charged and is supported by a professional valuation report prepared not more than three (3) years from the date of loan application;



- 5.3. The counterparty risk of the borrower is carefully assessed to ensure that the borrower has the repayment capacity to service the loan so that the repossession risk of the property financed is minimized;
 - 5.4. The existing charges/fees for Residential Property Loans are reasonable and shall not be increased. No new or additional charges/fees, in whatever form, shall be imposed on the borrower. This paragraph is without prejudice to the Authority's right to regulate bank charges/fees in the future; and
 - 5.5. Provide maximum publicity to the Effective Interest Rates applicable, including on banks' websites and relevant published materials.
6. All banks are required to submit to the Regulatory Department, AMBD, on a monthly basis, commencing from October 2014, the Residential Property Loan rates charged to customers. The Authority will closely monitor lending to this sector and reserves the right to intervene from time to time to ensure a healthy competitive market for Residential Property Loans in the country.
 7. Notice No.2/2013: Regulation of Interest Rates on Residential Property Loans is revoked with immediate effect.

**MANAGING DIRECTOR
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 8 Zulhijjah 1435 / 3 October 2014