



NOTICE NO. IBO/2/2014

DEREGULATION OF PROFIT RATES ON RESIDENTIAL PROPERTY FINANCING

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.

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

3. For the purposes of this Notice-

“Annualised Profit Rate” means the profit rate calculated in accordance with Notice No.1/2009 on Financing Facilities issued pursuant to section 66 of the Islamic Banking Order, 2008 dated 8th June 2009;

“Residential Property Financing” means any financing 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 Annualised Profit Rates on Residential Property Financing are by this Notice deregulated and all Islamic banks are free to price their Residential Property Financing products within a reasonable range.

5. All Islamic banks shall ensure the following:-

5.1. The Annualised Profit 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 Financing 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 financing application;



- 5.3. The counterparty risk of the borrower is carefully assessed to ensure that the borrower has the repayment capacity to service the financing so that the repossession risk of the property financed is minimized;
 - 5.4. The existing charges/fees for Residential Property Financing 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 Islamic bank charges/fees in the future; and
 - 5.5. Provide maximum publicity to the Annualised Profit Rates applicable, including on Islamic banks' websites and relevant published materials.
6. All Islamic banks are required to submit to the Regulatory Department, AMBD, on a monthly basis, commencing from October 2014, the Residential Property Financing 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 Financing in the country.
 7. Notice No.2/2013: Regulation of Profit Rates on Residential Property Financing is revoked with immediate effect.

**MANAGING DIRECTOR
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 8 Zulhijjah 1435 / 3 October 2014