



**NOTICE ISSUED PURSUANT TO SECTION 66 OF THE ISLAMIC BANKING ORDER, 2008**

**NOTICE NO. 2/2012 – PERSONAL GUARANTEES**

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1. With effect from 23<sup>rd</sup> August 2012, financing provided by any licensed Islamic bank to its retail customers shall not be secured by personal guarantees from third parties.
2. Islamic banks are required to assess credits based primarily on the repayment capacity of the borrower, rather than on collateral, which should only be a secondary consideration to mitigate risk inherent in individual credits. Collateral should not be a substitute for a comprehensive assessment of the borrower, nor should it compensate for insufficient information on the borrower to facilitate the credit decision.
3. When assessing collateral, Islamic banks also need to be mindful that the value of collateral may well be impaired by the same factors that have led to the diminished recoverability of the credit. The cost of recovery actions will also reduce the final recoverability value.

**MANAGING DIRECTOR  
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 21 Ramadhan 1433 / 10 August 2012