ANNEX 1

PILLAR 3 - SPECIFIC DISCLOSURE REQUIREMENTS

Date: 1 April 2021

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PART A: OVERVIEW

A1: INTRODUCTION

1. The Pillar 3 disclosure requirements enhance market discipline by requiring disclosure of key information relating to a financial institution's regulatory capital, liquidity and risk exposures on a consistent and comparable basis. This will enable users to better understand and compare the business strategy and risks posture of financial institutions.

2. This Pillar 3 Specific Disclosure Requirements document aims to introduce common templates to improve consistency and ease of use of disclosures within and across jurisdictions. The use of common template also helps to mitigate the risk of inconsistent formats which may undermine the objective of enhanced disclosure.

3. The specified disclosure requirements have been designed to reflect existing regulatory framework that are sufficiently granular and detailed to allow meaningful assessments by users, yet not requiring disclosure of sensitive or confidential information. Specifically, these requirements will complement the minimum capital and other quantitative regulatory requirements that are currently imposed by the Authority, and the supervisory review process. In addition, it also complements financial reporting as it provides public access to a subset of regulatory risk-related data with additional qualitative information.

A2: DEFINITION AND GLOSSARY

4. Any expression used in this document shall, except where expressly defined in the Notice or where the context requires, have the same meaning as in the Banking Order, 2006; Islamic Banking Order, 2008; and AMBD Capital Adequacy Framework as the case may be, unless otherwise defined in this policy document.

5. For the purposes of this document–

   "Loans" includes financing for banks and Islamic banks; and

   "Bank(s)" means a bank licensed under the Banking Order, 2006 and an Islamic bank licensed under the Islamic Banking Order, 2008.

PART B: APPLICATION

B1: RELATED REGULATORY FRAMEWORK

6. This document must be read together with other relevant regulatory Notices, Guidelines and frameworks that have been issued by the Authority, in particular–

   6.1. Notices on Maintenance of Capital Adequacy Ratio;

   6.2. AMBD Capital Adequacy Framework (AMBD CAF); and

   6.3. Notices on Supervisory Review and Evaluation Process (SREP).

B2: PRESENTATION OF THE DISCLOSURE REQUIREMENTS – TEMPLATES AND TABLES

7. The format of the standalone Pillar 3 report shall be presented either in the form of templates or tables.

   7.1. Templates shall be completed with quantitative data in accordance with the definitions provided. Tables generally relate to qualitative requirements. The bank shall present narrative commentaries to supplement such required quantitative disclosures in a format at the bank's discretion and to explain any significant changes between reporting periods and any other issues of interest to users.

8. For templates, the format is designated as either fixed or flexible:

   8.1. Where the format of a table is indicated as fixed, a bank shall complete the fields in accordance with the instructions given in the table.

      a) A bank may delete rows or columns from the table but shall not alter the numbering of subsequent rows and columns.

      b) A bank may add additional sub-rows and sub-columns to the table to provide additional details to a disclosure requirement. However, the bank shall not alter the numbering of prescribed rows and columns in the table.

   8.2. Where the format of a table is described as flexible, a bank may present the required information either in the format provided in the table, or in one that is more suitable for the bank.

      a) However, where a customised presentation of the information is used, the bank shall provide information that is comparable (i.e. at a similar level of granularity) with the disclosure requirements set out in the table.

8.3. A bank may disclose items indicated as having a flexible format in a separate document from the standalone Pillar 3 report, provided that:-

8.3.1. the level of assurance on the reliability of data in the separate document is equivalent to, or greater than, the internal assurance level required for the standalone Pillar 3 report, and

8.3.2. it includes in the standalone Pillar 3 report, the following information –

a) the title and the number of the disclosure requirement;
b) the full title of the separate document in which the disclosure requirement has been published;

c) a URL to such disclosure of information on its website, where relevant; and

d) the page and paragraph number of the separate document where the disclosure requirement can be located.

8.4. A bank may disclose additional quantitative and qualitative information to provide users with a broader picture of the bank's risk position and promote market discipline. If a bank discloses additional quantitative and qualitative information, it should ensure that such information provides sufficient meaningful or relevant information to enable users to understand and analyse any figures provided, and is accompanied by a qualitative discussion.

B3: SUMMARY OF SPECIFIC DISCLOSURE REQUIREMENTS

9. Table 1 presents a summary of the disclosure requirements set out in the whole section of *Part C. Specific Disclosure Requirements* of this document.

Table 1: Summary of the disclosure requirements

Heading	Template / Tables	Applicability	Format	Frequency
C1: Overview of key prudential metrics and RWA	KM1: Key Metrics	Mandatory for all banks	Fixed	Quarterly
	OV1: Overview of Risk Weighted Assets (RWA)	Mandatory for all banks	Fixed	Quarterly
C2: Composition of Capital	CC1: Composition of regulatory capital	Mandatory for all banks	Fixed	Semi-Annual
C3: Linkages between financial statements and regulatory exposures	LIA: Explanations of differences between accounting and regulatory exposure amounts	Mandatory for all banks	Flexible	Annual
	LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Mandatory for all banks	Flexible	Annual
	LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Mandatory for all banks	Flexible	Annual
C4: Overview of risk management	OVA: Risk Management Approach	Mandatory for all banks	Flexible	Annual
C5: Liquidity Risk	LIQA – Liquidity risk management	Mandatory for all banks	Flexible	Annual
C6: Credit Risk	CRA: General qualitative information about credit risk	Mandatory for all banks	Flexible	Annual
	CR1: Credit quality of assets	Mandatory for all banks	Fixed	Semi-Annual
	CR2: Changes in Stock of Defaulted Loans and Debt Securities	Mandatory for all banks	Fixed	Semi-Annual

Heading	Template / Tables	Applicability	Format	Frequency
	CRB: Additional disclosure related to the credit quality of assets	Mandatory for all banks	Flexible	Annual
	CRC: Qualitative disclosure requirements related to credit risk mitigation techniques	Mandatory for all banks	Flexible	Annual
	CR3: Overview of credit risk mitigation (CRM) techniques	Mandatory for all banks	Fixed	Semi-Annual
	CRD: Qualitative disclosure on banks' use of external credit ratings under the *standardised approach* for credit risk	Mandatory for all banks	Flexible	Annual
	CR4: *Standardised approach* for Credit risk exposure and credit risk mitigation (CRM) effects	Mandatory for all banks	Fixed	Semi-Annual
	CR5: *Standardised approach* for Exposures by asset classes and risk weights	Mandatory for all banks	Fixed	Semi-Annual
C7: Counterparty Credit Risk (CCR)	CCRA: Qualitative disclosure related to CCR	Mandatory for all banks	Flexible	Annual
C8: Securitisation	SECA: Qualitative disclosure requirements related to securitisation exposures	Mandatory for all banks	Flexible	Annual
C9: Market Risk	MRA: Qualitative disclosure requirements related to market risk	Mandatory for all banks	Flexible	Annual
	MR1: Market risk under *standardised approach*	Mandatory for all banks	Fixed	Semi-Annual
C10: Interest Rate Risk in the Banking Book	IRRBBA: Interest Rate Risk in the Banking Book (IRRBB) risk management objective and policies	Mandatory for all banks	Flexible	Annual
C11: Operational Risk	ORA: Qualitative disclosure requirements related to operational risk	Mandatory for all banks	Flexible	Annual

PART C: SPECIFIC DISCLOSURE REQUIREMENTS

C1: OVERVIEW OF KEY PRUDENTIAL METRICS, RISK MANAGEMENT AND RWA

10. This section covers disclosures on a bank's strategy, the senior management and directors' assessment and management of risk and key prudential metrics.

10.1. **Template KM1: Key Metrics**

Purpose: To provide an overview of a bank's prudential regulatory metrics.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Key prudential metrics related to regulatory capital and other regulatory requirements. Banks are required to disclose each metric's value using the corresponding standard's specifications for the reporting period-end (designated by T in the template below) as well as the four previous quarter-end figures (T-1 to T-4).
Frequency: Quarterly.
Format: Fixed. If banks wish to add rows to provide additional regulatory or financial metrics, they must provide definitions for these metrics and a full explanation of how the metrics are calculated (including the scope of consolidation and the regulatory capital used if relevant). The additional metrics must not replace the metrics in this disclosure requirement.
Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change in each metric's value compared with previous quarters, including the key drivers of such changes.

		(a)	(b)	(c)	(d)	(e)
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)					
1	Tier 1					
2	Total capital					
	Risk-weighted assets (amounts)					
3	Total risk-weighted assets (RWA)					
	Risk-based capital ratios as a percentage of RWA					
4	Tier 1 ratio (%)					
5	Total capital ratio (%)					

Definitions and instructions for Template KM1
T *refers to the current quarter whereas T-1, T-2, T-3 and T-4 refer to the four previous quarter ends.*

Linkages across templates:-

Amount in [KM1: 1/(a)] is equal to [CC1:12/(a)] – Tier 1 capital
Amount in [KM1: 2/(a)] is equal to [CC1: 29/(a)] – Total Regulatory capital
Amount in [KM1: 3/(a)] is equal to [CC1: 30/(a)] – Total RWA
Amount in [KM1: 4/(a)] is equal to [CC1: 32/(a)] – Tier 1 (as a percentage of RWA)
Amount in [KM1: 5/(a)] is equal to [CC1: 33/(a)] – Total capital (as a percentage of RWA)

10.2. Template OV1: Overview of Risk Weighted Assets (RWA)

Purpose: To provide an overview of total RWA and further breakdowns of RWA.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: RWA and capital requirements under Pillar 1 only. Pillar 2 requirements are excluded.
Frequency: Quarterly.
Format: Fixed.
Accompanying narrative: A bank shall identify and explain the drivers behind differences in reporting periods T and T-1 where these differences are significant. When minimum capital requirements in column (c) do not correspond to the minimum capital ratio of RWA (as prescribed for the maintenance of capital ratio) in column (a), banks must explain the adjustments made.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk (Standardised)			
2	Market risk (Standardised)			
3	Operational risk (Basic Indicator Approach)			
4	Total (Row 1 + 2 + 3)			

Definitions and instructions for Template OV1

a) ***RWA:*** risk-weighted assets according to AMBD CAF and as reported in accordance with the subsequent parts of this standard. Where the regulatory framework does not refer to RWA but directly to capital charges (e.g. for market risk and operational risk), banks should indicate the derived RWA number (i.e. by multiplying capital charge by 12.5).

b) ***RWA (T-1):*** risk-weighted assets as reported in the previous Pillar 3 report (i.e. at the end of the previous quarter).

c) ***Minimum capital requirement T:*** Pillar 1 capital requirements at the reporting date. This will be RWA multiplied by 10%.

d) ***T** refers to the current quarter whereas **T-1** refers to the previous quarter end.*

Row

1. ***Credit risk (excluding counterparty credit risk):*** RWA and capital requirements according to the credit risk requirements reported in Section C3 of this document.
2. ***Market risk:*** RWA and capital requirements according to the market risk requirements reported in Section C8 of this document.
3. ***Operational risk:*** This is in accordance with Part H of AMBD's Capital Adequacy Framework.

Linkages across templates: -

Amount in [OV1: 1/(a)] is equal to [CR4: 14/(e)]
Amount in [OV1: 2/(a)] is equal to [MR1: 5/(a)]
Amount in [OV1: 3/(a)] is equal to [MR1: 5/(a)]

C2: COMPOSITION OF CAPITAL

11. The disclosures described in this section cover the composition of regulatory capital and the main features of regulatory capital instruments.

12. To enable users to compare the capital adequacy of banks across jurisdictions, a bank shall disclose the information set out in this section in its published financial statements, or provide a URL in its published financial statements to such disclosure which is made on its website or publicly available regulatory reports. All disclosures shall be in the format set out in this section.

13. To improve consistency and ease of use of disclosures relating to the composition of regulatory capital, and to mitigate the risk of inconsistent formats undermining the objective of enhanced disclosure, a bank shall provide a breakdown of its regulatory capital and regulatory adjustments in the format as set out in Template CC1.

14. To prevent a divergence of templates that could undermine the objectives of consistency and comparability, a Bank shall not add, delete or change the definitions of any rows from the template CC1.

15. Disclosures for this section are as follows:-

15.1. Template CC1: Composition of regulatory capital

Purpose: Provide a breakdown of the constituent elements of a bank's capital
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Breakdown of regulatory capital according to the scope of regulatory consolidation
Frequency: Semi-Annual.
Format: Fixed
Accompanying narrative: Banks are required to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such change.

		(a)
		Amounts
	Tier 1 capital: instruments and reserves	
1	Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	
2	Non-Cumulative , Non-Redeemable Preference Shares	
3	Share Premium	
4	Statutory Reserve Fund	
5	Published Retained Profits/(Accumulated Losses)	
6	General Reserves	
7	Fair Value Reserves	
8	**Tier 1 capital before regulatory adjustments**	
	Tier 1 capital: regulatory adjustments	
9	Reciprocal cross-holdings of ordinary shares (as required by AMBD)	
10	Goodwill	
11	Other intangible assets	
12	Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	
13	Minority Interests held by 3rd parties in Financial Subsidiary	
14	Total Regulatory adjustments to Tier 1 Capital	
15	Tier 1 capital	
	Tier 2 capital: instruments and provisions	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	
17	*Hybrid (debt/equity) Capital Instruments*	
18	Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	
19	**Tier 2 capital before regulatory adjustments**	
	Tier 2 capital: regulatory adjustments	
20	Reciprocal Crossholdings of Tier 2 Capital Instruments	
21	Minority Interests Arising From Holdings of Tier 2 Instruments in Financial Subsidiaries by Third Parties	
22	**Total regulatory adjustments to Tier 2 capital**	
23	**Tier 2 capital (T2)**	
24	**Allowable Supplementary Capital (Tier 2 Capital)**	
25	**Sub-Total of Tier 1 and Tier 2 Capital**	
26	**Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital**	
27	**Significant Investments in Banking, Securities and Other Financial Entities**	
28	**Significant Investments in Insurance Entities & Subsidiary**	
29	**Significant Investments in Commercial Entities**	
30	**Securitisation Exposures (Rated B+ or Below and Unrated)**	
31	**Resecuritisation Exposures (Rated B+ or Below and Unrated)**	
32	**Total regulatory capital (TC = T1 + T2)**	
33	**Total risk-weighted assets**	
	Capital ratios	
34	**Tier 1 (as a percentage of risk-weighted assets)**	
35	**Total capital (as a percentage of risk-weighted assets)**	

Definitions and instructions for Template CC1
a) Shading – - Each dark grey row introduces a new section detailing a certain component of regulatory capital. - Light grey rows with no thick border represent the sum cells in the relevant section. - Light grey rows with a thick border show the main components of regulatory capital and the capital ratios. ***Rows*** b) Please refer to Appendix 3 of the AMBD CAF for explanation of each row of the template above. Regarding the regulatory adjustments, banks are required to report deductions from capital as positive numbers and additions to capital as negative numbers. For example, goodwill (row 10) should be reported as a positive number.

C3: LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

16. This section covers the requirements for banks to disclose reconciliations between elements of the calculation of regulatory capital to audited financial statements.

16.1. Table LIA: Explanations of differences between accounting and regulatory exposure amounts

Purpose: To provide qualitative explanations on the differences observed between accounting carrying value (as defined in LI1) and amounts considered for regulatory purposes (as defined in LI2) under each framework.
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative information.
Frequency: Annual
Format: Flexible. Banks must explain the origins of the differences between accounting amounts, as reported in financial statements amounts and regulatory exposure amounts, as displayed in templates LI1 and LI2.
a) Banks must explain the origins of any significant differences between the amounts in columns (a) and (b) in LI1. b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2. c) In accordance with the implementation of the guidance on prudent valuation[1] banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include: • Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. • Description of the independent price verification process. • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).

[1] See Section G2: Prudent Valuation Guidance of the AMBD Capital Adequacy Framework

16.2. Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Purpose: Columns (a) and (b) enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation; and columns (c)–(g) break down how the amounts reported in banks' financial statements (rows) correspond to regulatory risk categories. (note: the sum of amounts in columns (c)–(g) may not equal the amounts in column (b) as some items may be subject to regulatory capital charges in more than one risk category.)
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Carrying values
Frequency: Annual
Format: Flexible
Accompanying narrative: See Template LIA. Banks are expected to provide qualitative explanation on items that are subject to regulatory capital charges in more than one risk category.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central banks							
Items in the course of collection from other banks							
Trading portfolio assets							
Financial assets designated at fair value							
Derivative financial instruments							
Loans and advances to banks							
Loans and advances to customers							
Reverse repurchase agreements							
and other similar secured lending							
Available for sale financial investments							
….							
Total assets							
Liabilities							
Deposits from banks							
Items in the course of collection due to other banks							
Customer accounts							
Repurchase agreements and other similar secured borrowings							
Trading portfolio liabilities							

Financial liabilities designated at fair value							
Derivative financial instruments							
….							
Total liabilities							

<u>Instructions for Template LI1</u>

Rows

The rows must strictly follow the balance sheet presentation used by the bank in its financial reporting

Columns

If a bank's scope of accounting consolidation and its scope of regulatory consolidation are exactly the same, columns (a) and (b) should be merged.

The breakdown of regulatory categories (c) to (f) corresponds to the breakdown prescribed in the rest of the present document, i.e. –

- column (c) corresponds to the carrying values of items other than off-balance sheet items reported in Section C5;
- column (d) corresponds to the carrying values of items other than off-balance sheet items reported in Section C6,
- column (e) corresponds to carrying values of items in the banking book other than off-balance sheet items reported in Section C7; and
- column (f) corresponds to the carrying values of items other than off-balance sheet items reported in Section C8 below.

Column (g) includes amounts not subject to capital requirements according to the Basel framework or subject to deductions from regulatory capital.

16.3. Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Purpose: Provide information on the main sources of differences (other than due to different scopes of consolidation which are shown in LI1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Carrying values (that correspond to values reported in financial statements but according to the scope of regulatory consolidation (rows 1–3) and amounts considered for regulatory exposure purposes (row 10).
Frequency: Annual
Format: Flexible. Row headings shown below are provided for illustrative purposes only and should be adapted by the bank to describe the most meaningful drivers for differences between its financial statement carrying values and the amounts considered for regulatory purposes.
Accompanying narrative: See Template LIA.

		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**					
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
3	Total net amount under regulatory scope of consolidation (Row 1 – Row 2)					
4	Off-balance sheet amounts					
5	*Differences in valuations*					
6	*Differences due to different netting rules, other than those already included in row 2*					
7	*Differences due to consideration of provisions*					

8	*Differences due to prudential filters*					
9	⋮					
10	**Exposure amounts considered for regulatory purposes**					

Instructions for Template LI2

a) The Amounts in rows 1 and 2, columns (b) to (e) correspond to the amounts in columns (c) to (f) of Template LI1.

b) ***Off-balance sheet amounts*** include off-balance sheet original exposure in column (a) and the amounts subject to regulatory framework, after application of the credit conversion factors (CCFs) where relevant in columns (b) to (e).

c) Column (a) is not necessarily equal to the sum of columns (b)-(e) due to assets being risk-weighted more than once (see Template LI1).

d) The breakdown of columns in regulatory risk categories (b) to (e) corresponds to the breakdown prescribed in the rest of the document:
- column (b) credit risk corresponds to the exposures reported in Section C5,
- column (c) corresponds to the exposures reported in Section C6,
- column (d) corresponds to exposures reported in Section C7, and
- column (e) corresponds to the exposures reported in Section C8.

e) **Exposure amounts considered for regulatory purposes**: The expression designates the aggregate amount considered as a starting point of the RWA calculation for each of the risk categories.

Linkages across templates

Template LI2 is focused on assets in the regulatory scope of consolidation that are subject to the regulatory framework. Therefore, column (g) in Template LI1, which includes the elements of the balance sheet that are not subject to the regulatory framework, is not included in Template LI2. The following linkage holds: column (a) in Template LI2 = column (b) in Template LI1 - column (g) in Template LI1.

C4: OVERVIEW OF RISK MANAGEMENT

17. **Table OVA: Risk Management Approach**

Purpose: To provide a description of the bank's strategy and how senior management and the board of directors assess and manage risks, enabling users to gain a clear understanding of the bank's risk tolerance/appetite in relation to its main activities and all significant risks.
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.
A bank shall describe their risk management objectives and policies, in particular: a) The bank's business model and its' interaction with risks • How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures); and • how the risk profile of the bank interacts with the risk tolerance approved by the board or its oversight function (for a registered bank). b) The bank's risk governance structure:- • The responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc.); • The relationships between the structures involved in risk management processes (e.g. board of directors or its oversight functions (for a registered bank), executive management, separate risk committee, risk management structure, compliance function, internal audit function). c) Channels that communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to deal with violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions). d) Scope and main features of risk measurement systems. e) The process of risk information reporting provided to the Board or oversight function (for a registered bank) and senior management, including the scope and main content of reporting on risk exposure. f) Stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and the use of stress testing in risk management).

g) Risks management and mitigations: -

- Strategies and processes to manage, hedge and mitigate risks that arise from its business model; and
- Processes for monitoring the continuing effectiveness of hedges and mitigants.

C5: LIQUIDITY RISK

18. The disclosure requirements for liquidity risk are set out below.

18.1. Table LIQA – Liquidity risk management

Purpose: Provides information on a bank's liquidity risk management framework which it considers relevant to its business model and liquidity risk profile, organisation and functions involved in liquidity risk management.
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative and quantitative information.
Frequency: Annual.
Format: Flexible.
Depending upon their business models and liquidity risk profiles, organisation and functions involved in liquidity risk management, a bank may choose the relevant information to be provided:- ***<u>Qualitative disclosures</u>*** a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors. b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralized. c) Liquidity risk mitigation techniques. d) An explanation of how stress testing is used. e) An outline of the bank's contingency funding plans. ***<u>Quantitative disclosures</u>*** f) Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank. g) Concentration limits on collateral pools and sources of funding (both products and counterparties). h) Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity. i) Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

C6: CREDIT RISK

19. The scope of the credit risk section includes items subject to risk-weighted assets (RWA) for credit risk as defined in AMBD CAF.

19.1. Table CRA: General qualitative information about credit risk

Purpose: Describe the main characteristics and elements of credit risk management (business model and credit risk profile, organisation and functions involved in credit risk management, risk management reporting).
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.
A bank shall describe their risk management objectives and policies for credit risk, focusing in particular on: a) How the business model translates into the components of the bank's credit risk profile; b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits; c) Structure and organisation of the credit risk management and control function; d) Relationships between the credit risk management, risk control, compliance and internal audit functions; and e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors.

19.2. Template CR1: Credit quality of assets

Purpose: Provide a comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Carrying values (corresponding to the accounting values reported in financial statements but according to the scope of regulatory consolidation).
Frequency: Semi-Annual
Format: Fixed
Accompanying narrative: Banks must include their definition of default in an accompanying narrative.

		(a)	(b)	(c)	(d)	(e)	(f)
		Gross carrying values of		Allowances/ impairments	Of which: ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Of which: Specific Allowances	Of which: General Allowances	
1	Loans						
2	Debt Securities						
3	Off- balance sheet exposures						
4	***Total***						

Definitions and instructions for Template CR1

a) ***Gross carrying values:*** on- and off-balance sheet items that give rise to a credit risk exposure according to the Basel framework. On- balance sheet items include loans and debt securities. Off-balance sheet items must be measured according to the following criteria: (a) guarantees given – the maximum amount that the bank would have to pay if the guarantee were called. The amount must be gross of any credit conversion factor (CCF) or credit risk mitigation (CRM) techniques. (b) Irrevocable loan commitments – total amount that the bank has committed to lend. The amount must be gross of any CCF or CRM techniques. Revocable loan commitments must not be included. The gross value is the accounting value before any allowance/impairments but after considering write-offs. Banks must not take into account any credit risk mitigation technique.

b) ***Write-offs*** for the purpose of this template are related to a direct reduction of the carrying amount when the entity has no reasonable expectations of recovery.

c) ***Defaulted exposures*****:** banks should use the definition of default that they also use for regulatory purposes. Banks must provide this definition of default in the accompanying narrative.

d) ***Non-defaulted exposures*****:** any exposure not meeting the above definition of default.

e) ***Accounting provisions for credit losses*****:** total amount of provisions, made via an allowance against impaired and not impaired exposures (may correspond to general reserves in certain jurisdictions or may be made via allowance account or direct reduction – direct write-down in some jurisdictions) according to the applicable accounting framework. For example, when the accounting framework is IFRS 9, “impaired exposures” are those that are considered “credit-impaired” in the meaning of IFRS 9 Appendix A.

f) ***Net values:*** total gross value less allowances/impairments.

g) ***Debt securities***: Debt securities exclude equity investments subject to the credit risk framework. However, banks may add a row between rows 2 and 3 for "other investment" (if needed) and explain in the accompanying narrative.

Linkages across templates:-

Amount in [CR1:1/f] is equal to the sum [CR3:1/a] + [CR3:1/b].
Amount in [CR1:2/f] is equal to the sum [CR3:2/a] + [CR3:2/b].
Amount in [CR1:4/a] is equal to [CR2:6/a]

19.3. Template CR2: Changes in stock of defaulted loans and debt securities

Purpose: Identify the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Carrying values
Frequency: Semi-Annual
Format: Fixed
Accompanying narrative: Banks are expected to explain the drivers of any significant changes in the amounts of defaulted exposures from the previous reporting period and any significant movement between defaulted and non-defaulted loans.

		(a)
1	**Defaulted loans and debt securities at end of the previous reporting period**	
2	Loans and debt securities that have defaulted since the last reporting period	
3	Returned to non-defaulted status	
4	Amounts written off	
5	Other changes	
6	**Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)**	

Definitions and instructions for Template CR2

a) ***Defaulted exposure:*** such exposures must be reported net of write-offs and gross of (ie ignoring) allowances/impairments.

b) ***Loans and debt securities that have defaulted since the last reporting period:*** refers to any loan or debt securities that became marked as defaulted during the reporting period.

c) ***Return to non-defaulted status:*** refers to loans or debt securities that returned to non-default status during the reporting period.

d) ***Amounts written off:*** both total and partial write-offs.

e) ***Other changes:*** balancing items that are necessary to enable total to reconcile.

19.4. **Table CRB: Additional disclosure related to the credit quality of assets**

Purpose: Supplement the quantitative templates with information on the credit quality of a bank's assets.
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Additional qualitative and quantitative information (carrying values).
Frequency: Annual.
Format: Flexible.
Banks must provide the following disclosures: ***<u>Qualitative disclosures</u>*** a) The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes. b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. c) Description of methods used for determining accounting provisions for credit losses. d) Definition of a restructured exposure. ***<u>Quantitative disclosures</u>*** e) Breakdown of exposures by geographical areas, industry and residual maturity. f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related accounting provisions, broken down by geographical areas and industry g) Ageing analysis of accounting past-due exposures h) Breakdown of restructured exposures between impaired and not impaired exposures.

19.5. **Table CRC: Qualitative disclosure requirements related to credit risk mitigation techniques**

Purpose: Provide qualitative information on the mitigation of credit risk.
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative information
Frequency: Annual.
Format: Flexible.
Banks must provide the following disclosures: a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting. b) Core features of policies and processes for collateral evaluation and management. c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (ie by guarantor type, collateral and credit derivative providers).

19.6. **Template CR3: Overview of credit risk mitigation (CRM) techniques**

Purpose: Disclose the extent of use of CRM techniques.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Carrying values. Banks must include all CRM techniques used to reduce capital requirements and disclose all secured exposures.
Frequency: Semi-Annual
Format: Fixed. Where banks are unable to categorise exposures secured by collateral, financial guarantees or credit derivative into "loans" and "debt securities", they can either (i) merge two corresponding cells, or (ii) divide the amount by the pro-rata weight of gross carrying values; they must explain which method they have used.
Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		(a)	(b)	(c)	(d)	(e)
		Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans					
2	Debt securities					
3	**Total**					
4	Of which defaulted					

<u>Definitions and instructions for Template CR3</u>

a) ***Exposures unsecured:*** The carrying amount of exposures (net of allowances/impairments) that do not benefit from a CRM technique.

b) ***Exposures secured:*** The carrying amount of exposures that is secured by at least one CRM technique. The allocation of the carrying amount of multi-secured exposures to their different CRM techniques is by the order which the CRM technique are to be called first in the event of loss, within the limits of the carrying amount of the secured exposures.

c) ***Exposures secured by collateral:*** The carrying amount of exposures (net of allowances and impairments) partly or totally secured by collateral. Where an exposure is secured by collateral and other CRM techniques, the carrying amount of the exposure secured by collateral is the remaining share of the exposure secured by collateral after consideration of the shares of the exposure already secured by other CRM techniques expected to be called beforehand in the event of a loss, without considering over-collateralisation.

d) ***Exposures secured by financial guarantees:*** This refers to the carrying amount of exposures (net of allowances and impairments) partly or totally secured by financial guarantees. Where an exposure is secured by financial guarantees and other CRM techniques, the carrying amount of the exposure secured by financial guarantees is the remaining share of the exposure secured by financial guarantees after consideration of the shares of the exposure already secured by other CRM techniques expected to be called beforehand in the event of a loss, without considering over-collateralisation.

e) ***Exposures secured by credit derivatives:*** This refers to the carrying amount of exposures (net of allowances and impairments) partly or totally secured by credit derivatives. Where an exposure is secured by credit derivatives and other CRM techniques, the carrying amount of the exposure secured by credit derivatives is the remaining share of the exposure secured by credit derivatives after consideration of the shares of the exposure already secured by other CRM techniques expected to be called beforehand in the event of a loss, without considering over-collateralisation.

19.7. Table CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Purpose: Supplement the information on a bank's use of the standardised approach with qualitative data on the use of external ratings.
Scope of application: The table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam) that: (a) use the credit risk standardised approach (or the simplified standardised approach); and (b) make use of external credit ratings for their RWA calculation.
Content: Qualitative information
Frequency: Annual.
Format: Flexible.
Banks must provide the following disclosures:- a) Names of the external credit assessment institutions (ECAIs) used by the bank, and to state reasons for any changes over the reporting period; b) The asset classes for which each ECAI is used; c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book (see Section E2: External Credit Assessments of the AMBD CAF);

19.8. Template CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Purpose: Illustrate the effect of CRM on standardised approach capital requirements' calculations. The RWA density provides a synthetic metric on riskiness of each portfolio.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam). The bank may omit disclosures pertaining to certain portfolios in this table if the exposures and RWA amounts are negligible. The bank shall state clearly why it considers the omitted information not to be meaningful or relevant to users, including a description of the portfolios concerned and the aggregate total RWA these portfolios represent.
Content: Regulatory exposure amounts.
Frequency: Semi-Annual.
Format: Fixed. The columns cannot be altered. The rows reflect the asset classes as defined under the AMBD CAF.
Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks						
2	Non-central government public sector entities						
3	Multilateral development banks						
4	Banks						
5	Securities firms						
6	Corporates						
7	Regulatory retail portfolios						
8	Secured by residential property						

9	Secured by commercial real estate						
10	Equity						
11	Past-due loans						
12	Higher-risk categories						
13	Other assets						
14	**Total**						

Definitions and Instructions for Template CR4

Rows:

Higher-risk categories: Banks shall include the exposures that are risk-weighted at 150% or higher in row 12 and that are not already included in the other rows. Equity investments in funds shall not be reported in this table but only in Table OV1.

Other assets: refers to other exposures subject to specific risk weight as set out by E3: Types Of Exposures And Risk Weights of AMBD CAF

Columns:

a) ***Exposures before credit conversion factors (CCF) and CRM, On-balance sheet amount:*** banks must disclose the regulatory exposure amount (net of impairment allowances and write-offs) under the regulatory scope of consolidation gross of any CRM.

b) ***Exposures before CCF and CRM**, **Off-balance sheet amount:*** banks must disclose the off-balance sheet exposures, gross of CCF and any CRM under the regulatory scope of consolidation.

c) ***Credit exposure post-CCF and post-CRM:*** This is the amount to which the capital requirements are applied (i.e. before the application of the relevant risk weights). It is a net credit equivalent amount, after having applied CRM and CCF.

d) ***RWA density:*** Total RWA divided by the exposures post-CCF and post-CRM, expressed as a percentage.

Linkages across templates:

The amount in [CR4:14/c+CR4:14/d] is equal to the amount in [CR5:14/j]

19.9. **Template CR5: Standardised Approach – Exposures by asset classes and risk weights**

Purpose: Present the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the level of risks attributed to the exposure).
Scope of application: The template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam) using the standardised approach.
Content: Regulatory exposure amounts.
Frequency: Semi-Annual.
Format: Fixed. The rows reflect the asset classes under E3: Types of Exposures and Risk Weights of AMBD CAF
Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	Risk weight* / Asset classes	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks										
2	Non-central government public sector entities (PSEs)										
3	Multilateral development banks (MDBs)										
4	Banks										
5	Securities firms										
6	Corporates										
7	Regulatory retail portfolios										
8	Secured by residential property										
9	Secured by commercial real estate										
10	Equity										
11	Past-due loans										

12	Higher-risk categories										
13	Other assets										
14	Total										

Definitions and Instructions for Template CR5

a) ***Total credit exposure amount (post-CCF and CRM):*** The amount used for computing capital requirements (both for on- and off-balance sheet amounts), net of impairment allowances and write-offs and after applying CRM and CCF but before the application of the relevant risk weights.

b) ***Past-due loans:*** past-due loans correspond to the unsecured portion of any loan past due for more than 90 days, as defined in paragraph 50 of the AMBD CAF and Regulatory Notice on Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses.

c) ***Higher-risk categories:*** Banks must include the exposures that are risk-weighted at 150% or higher in row 12 and that are not already included in the other rows. Equity investments in funds shall not be reported in this table but only in Table OV1.

d) ***Other assets:*** refers to other exposures subject to specific risk weight as set out by Section E3: Types of Exposures and Risk Weights of AMBD CAF

C7: COUNTERPARTY CREDIT RISK (CCR)

20. This section includes all exposures in the banking book and trading book that are subject to a CCR charge.

20.1. Table CCRA: Qualitative disclosure related to CCR

Purpose: Describe the main characteristics of counterparty credit risk management (eg operating limits, use of guarantees and other CRM techniques, impacts of own credit downgrading).
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.
A bank shall provide description of the following - a) Risk management objectives and policies related to CCR; b) The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for central counterparties (CCPs) exposures; c) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs; d) Policies with respect to wrong-way risk exposures; e) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.

C8: SECURITISATION

21. This section applies only to securitisation exposures that the bank treats under the securitization framework as set out in Part F: Securitisation Framework of the AMBD CAF.

22. All securitisation exposures, including those that do not meet the risk transfer recognition criteria, are reported in templates SEC1 and SEC2. As a result, templates SEC1 and SEC2 may include exposures that are subject to capital requirements according to both the credit risk and market risk frameworks and that are also included in other parts of the Pillar 3 report. The purpose is to provide a comprehensive view of banks' securitisation activities. There is no double-counting of capital requirements as templates SEC3 and SEC4 are limited to exposures subject to the securitisation framework.

22.1. Table SECA: Qualitative disclosure requirements related to securitisation exposures

Purpose: To provide qualitative information on a Bank's strategy and risk management with respect to its securitisation activities.
Scope of application: The table is mandatory for all banks with securitization exposures.
Content: Qualitative information
Frequency: Annual.
Format: Flexible
A bank shall provide a description of – a) its risk management objectives and policies for securitisation activities and main features of these activities based on the rows (c) to (g) of this table. If a bank holds securitisation exposures in both the banking book and the trading book, the bank shall describe each of the points set out in rows (c) to (g) of this table by distinguishing the activities in each of the books. b) The bank's objectives in relation to its securitisation and resecuritisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the ban to other entities, including the type of risks assumed and retained. c) A list of – • Special Purpose Entities (SPEs) where it acts as sponsor[2] (but not as an originator such as an Asset-Backed Commercial Paper (ABCP) conduit), indicating whether the bank consolidates the SPEs into its scope of regulatory consolidation;

[2] A bank would generally be considered "a sponsor" if it, in fact or in substance, manages or advises the programme, places securities into the market, or provides liquidity and/or credit enhancements. The programme may include, for example, the ABCP conduit programme and structured investment vehicles.

- affiliates that the bank manages or advises; and that invest either in the securitisation exposures that the bank has securitised or in SPEs that the bank sponsors; and

- entities to which the bank provides implicit support and the associated capital impact for each of them.

d) Summary of the bank accounting policies for securitisation activities[3]

e) The names of ECAIs used for securitisations and the types of securitization exposure for which each agency is used, if applicable.

[3] Where meaningful or relevant, the bank should differentiate between accounting policies applied for securitisation exposures and resecuritisation exposures.

C9: MARKET RISK

23. The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge.

23.1. Table MRA: Qualitative disclosure requirements related to market risk

Purpose: Provide a description of the risk management objectives and policies for market risk.
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.
A bank shall describe its risk management objectives and policies for market risk, including– a) Strategies and processes of the bank, which must include an explanation and/or a description of:- • an explanation of management's strategic objectives in undertaking trading activities; • processes implemented to identify, measure, monitor and control the bank's market risks; • policies for hedging risk; and • strategies or processes for monitoring the continuing effectiveness of hedges. b) The structure and organisation of the market risk management function, including – • a description of the market risk governance structure established to implement the strategies and processes of the Bank described in row (a) above; and • a description of the relationships and the communication mechanisms between the different parties involved in market risk management. c) The scope and nature of risk reporting and/or measurement systems.

23.2. Template MR1: Market risk under the *Standardised Approach*

Purpose: To provide the components of the capital charge under the *Standardised Approach* for market risk.
Scope of application: This template is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: RWA
Frequency: Semi-Annual.
Format: Fixed. Additional rows can be added for the breakdown of other risks.

		(a)
		RWA
1	Interest / Profit rate risk (general and specific)	
2	Equity risk (general and specific)	
3	Foreign exchange risk	
4	Commodity risk	
5	**Total**	

Definitions and instructions for MR1
RWA: for consistency throughout the document, RWA are disclosed instead of capital requirements, a financial institution must derive the market risk RWA by multiplying the capital requirements by 12.5.

Linkages across templates:-
[MR1: 5/(a)] is equal to [OV1: 2/(a)]

C10: INTEREST RATE RISK IN THE BANKING BOOK

24. This section describes disclosure requirements for interest rate risk in the banking book.

24.1. **Table IRRBBA – Interest Rate Risk in the Banking Book (IRRBB) risk management objective and policies**

Purpose: Provide a description of the risk management objectives and policies concerning IRRBB.
Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative and quantitative information.
Frequency: Annual.
Format: Flexible
A bank shall provide the relevant information:- ***<u>Qualitative disclosures</u>*** a) A description of risk management objectives and policies, including: • the strategies and processes; • the structure and organisation of the risk management function; • the scope and nature of risk reporting and • measurement systems; and • the policies for hedging and mitigating risk, and processes for monitoring the continuing effectiveness of such policies. b) A description of the nature of interest rate risk in the banking book and key assumptions made by the Bank, including assumptions regarding loan prepayments and behaviour of non-maturity deposits (NMDs), and frequency with which interest rate risk in the banking book is measured. ***<u>Quantitative disclosures</u>*** c) The changes in earnings or economic value (or relevant measure used by the Bank) for upward and downward rate shocks according to the internal method of the Bank for measuring interest rate risk in the banking book, broken down by currency, where applicable. d) Average repricing maturity assigned to non-maturity deposits (NMDs). e) Longest repricing maturity assigned to NMDs.

C11: OPERATIONAL RISK

25. The disclosure requirements for operational risk are set out below.

25.1. **Table ORA: Qualitative disclosure requirements related to operational risk**

Scope of application: This table is mandatory for all banks (including registered banks for its operations in Brunei Darussalam).
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.
A bank shall describe its risk management objectives and policies for operational risk, including– a) The process implemented to identify, measure, monitor and control the operational risk; b) The approach adopted for the operational risk capital assessment.

- END -