



NOTICE TO ISLAMIC BANKS

NOTICE NO. BU/N-2/2021/69

PILLAR 3 - PUBLIC DISCLOSURE REQUIREMENTS

1. INTRODUCTION

- 1.1. This Notice sets out the Authority's expectations in promoting market discipline through regulatory disclosure requirements.
- 1.2. Public disclosure is an effective means of informing the market about an Islamic bank's risk profile, its exposure to risk associated with its business model and enhancing comparability between Islamic banks. The provision of meaningful information about common key risk metrics to market participants is a fundamental tenet of a sound Islamic banking system.
- 1.3. This Notice on Pillar 3 Public Disclosure Requirements complements the minimum risk-based capital requirements and other quantitative requirements (Pillar 1) as per the Notice No. BU/N-4/2017/39 - Maintenance of Capital Adequacy Ratio and the Supervisory Review and Evaluation Process (Pillar 2) as per Notice No. BU/N-10/2018/60 - Amendment No.1 - Supervisory Review and Evaluation Process (SREP). It aims to facilitate and promote market discipline by requiring disclosures of meaningful regulatory information on a consistent and comparable basis.
- 1.4. In achieving a level of transparency and quality of risk disclosures that will enable users to better understand and compare an Islamic bank's business and its risks, the following guiding principles are applicable: -
 - 1.4.1. **Disclosures should be clear.** It should be presented in a form that is understandable and communicated through an accessible medium. Important messages should be highlighted and easy to find. Complex issues should be explained in simple language with important terms defined. Related risk information should also be presented together.
 - 1.4.2. **Disclosures should be comprehensive.** It should describe an Islamic bank's main activities and all significant risks, supported by relevant underlying data and information. Significant changes in risk exposures between reporting periods should be described, together with the appropriate response by management. Disclosures should provide sufficient information in both qualitative and quantitative terms on an Islamic bank's processes and procedures for identifying, measuring and managing those risks. The level of detail of such disclosure should be proportionate to an Islamic bank's complexity. Disclosures should reflect how the board and senior management internally assess and manage risks and strategy, helping users to better understand an Islamic bank's risk tolerance/appetite.



- 1.4.3. **Disclosures should provide meaningful or relevant information to users.** Disclosures should highlight an Islamic bank's most significant current and emerging risks and how those risks are managed, including information that is likely to receive market attention.
- 1.4.4. **Disclosures should be consistent over time.** This is to enable users to identify trends in an Islamic bank's risk profile across all significant aspects of its business. Additions, deletions and other important changes in disclosures from previous reports, including those arising from an Islamic bank's specific, regulatory or market developments, should be highlighted and explained.
- 1.5. This Notice is issued pursuant to section 66 of the Islamic Banking Order, 2008 (IBO) and applies to all Islamic banks in Brunei Darussalam.
- 1.6. This Notice supersedes Notice No. BU/N-4/2018/54: Pillar 3 – Public Disclosure Requirements from 1st July 2021.
- 1.7. Unless expressly stated herein below, this Notice shall take effect from 1st July 2021.

2. **DEFINITIONS**

- 2.1. For this Notice -

“**annual report**” means the document which contains the complete set of audited financial statements and accompanying notes, as well as other information presented in the same document, including any accompanying commentary by senior officials of an Islamic bank.

“**Authority**” means Autoriti Monetari Brunei Darussalam as defined by the Autoriti Monetari Brunei Darussalam Order, 2010;

“**board**” means the board of directors of the Islamic bank;

“**group**” includes the Islamic bank’s head office or parent company, subsidiaries¹, affiliates² and any entity (including their subsidiaries, affiliates and special purpose entities) that the Islamic bank exerts control over or that exerts control over the Islamic bank.

“**special purpose entity**” means a subsidiary company either having asset/liability structure and legal status that makes its obligations secure from the parent, and is created to fulfil specific or temporary objectives mainly to isolate from financial risk.

- 2.2. Any expression used in this Notice shall, except where expressly defined in this Notice or where the context requires, have the same meaning as in the IBO.

¹ As defined in the Notice on Islamic banks’ Recovery Plan (Notice No. BU/N-4/2019/64)

² As above



3. DISCLOSURE REQUIREMENTS (SCOPE, FREQUENCY AND TIMING)

- 3.1. An Islamic bank shall make public disclosure according to the frequency of disclosure for each specific disclosure requirement, as set out in **ANNEX 1**.
 - 3.1.1. For an Islamic bank incorporated in Brunei Darussalam, the disclosure requirement shall apply at the top consolidated level of the banking group.
 - 3.1.2. For an Islamic bank registered in Brunei Darussalam, the disclosure requirement shall apply for its operations in Brunei Darussalam.
- 3.2. An Islamic bank shall publish all disclosure requirements no later than 3 months after the end of each specific reporting period (i.e. of each quarter, of each half financial year or of each financial year).
 - 3.2.1. For specific disclosures which are required to be made annually, an Islamic bank which issues an annual report shall make such disclosure concurrently with the publication of its annual report or financial statements, and in any case no later than 3 months after the end of the reporting period.
 - 3.2.2. An Islamic bank which does not issue an annual report shall make such disclosure no later than 3 months after the end of the reporting period
- 3.3. Notwithstanding paragraph 3.1, the Authority may impose stringent disclosure requirements for any disclosure requirement to Islamic banks individually or collectively.
- 3.4. AMBD undertakes to provide at minimum one-month notice prior to any amendments to the Pillar 3 - specific disclosure requirements (set out in **ANNEX 1**) coming into effect.

4. LOCATION OF DISCLOSURES

- 4.1. An Islamic bank shall disclose the information required under this Notice, in a standalone document ("Pillar 3 report") that is readily accessible.
 - 4.1.1. The Pillar 3 report may be appended, or form a discrete section of its annual report or periodic financial statements. In such case, the Islamic bank shall ensure that the Pillar 3 report is easily identifiable to users.
- 4.2. Without prejudice to paragraph 4.1, an Islamic bank shall make available all disclosure requirements on its website. Notwithstanding, an Islamic bank may consider to make available such disclosures in an alternative website, as the Authority sees fit.
 - 4.2.1. Effective from 1st January 2024, an Islamic bank shall maintain an archive of a minimum of three years on the website, of information disclosed in prior reporting periods. For the avoidance of doubt compliance under the Criminal Asset Recovery Order, 2012 and other relevant legislation pertaining to minimum period for which records are to be kept remains.



5. FORMAT OF DISCLOSURES

- 5.1. The format of the Pillar 3 report shall be presented either in the form of fixed or flexible templates or tables, as set out in **ANNEX 1**.

6. DISCLOSURE POLICY

- 6.1. An Islamic bank shall ensure that the information it discloses in accordance with the requirements of this Notice is subject, at a minimum, to the same level of internal review and internal control processes as the information provided by the Islamic bank for its financial reporting. Where applicable, the level of assurance shall be the same as for information provided within the management discussion and analysis part of its annual report.
- 6.2. An Islamic bank shall have in place a written disclosure policy which sets out the approach of the Islamic bank for determining which disclosures it will make and the internal controls over the disclosure process, and the Islamic bank shall ensure that this policy is approved by the board of the Islamic bank.
- 6.2.1. For an Islamic bank registered in Brunei Darussalam, its group/regional or its equivalent oversight function for the operations in Brunei Darussalam and its senior management in Brunei Darussalam are ultimately responsible in ensuring that the Islamic bank maintains an appropriate level of written disclosure policy that is adequate for the requirements of this Notice.
- 6.2.2. An Islamic bank shall describe the key elements of the disclosure policy in the year-end Pillar 3 report or wherever it is made readily available to the public (e.g. the Islamic bank's website or publicly available regulatory reports).
- 6.3. An Islamic bank shall ensure that the board and senior management are responsible for establishing and maintaining effective internal control processes over the disclosure of financial information, including the disclosures required for the purpose of this Notice, and the appropriate review of the disclosures.
- 6.3.1. The Islamic bank shall ensure that one or more senior officers, ideally a board member or equivalent, attest in writing that the disclosures required for the purpose of this Notice have been prepared in accordance with the internal control processes approved by the board.

MANAGING DIRECTOR

AUTORITI MONETARI BRUNEI DARUSSALAM

Date: 19 Syaaban 1442 / 2 April 2021