



NOTICE TO ISLAMIC BANKS

NOTICE NO. BU/N-2/2017/37

DISCLOSURE OF CORPORATE GOVERNANCE ARRANGEMENTS

1. INTRODUCTION

- 1.1. This Notice is issued pursuant to Section 66 of the Islamic Banking Order, 2008, and applies to all Islamic Banks in Brunei Darussalam.
- 1.2. This Notice shall take effect from 1st January 2018 (“effective date”) where compliance with the Guidelines on Corporate Governance for Islamic Banks (“the Guidelines”), Guidelines No. BU/G-2/2017/6 issued on 2nd March 2017 is expected by 31st December 2018 (“compliance date”).
- 1.3. Autoriti Monetari Brunei Darussalam (“the Authority”) expects Islamic Banks to embrace the spirit of the Guidelines to the fullest extent possible and adhere to the Guidelines on a “comply or explain” basis. Islamic Banks shall commence making disclosures as required by this Notice in their Annual Report (or in an appendix to the financial statements for their operations in Brunei Darussalam, as the case may be) for the year ending 31st December 2018 onwards.

2. DEFINITIONS

For the purposes of this Notice –

“**Annual Report**” means the document which contains the full audited financial statements and accompanying notes as well as any accompanying commentary by the senior officials of the Islamic Bank.

3. DISCLOSURE OF CORPORATE GOVERNANCE ARRANGEMENTS

- 3.1. As part of its objectives, Autoriti Monetari Brunei Darussalam (the “Authority”) is responsible for ensuring the stability of the financial system, in particular by formulating financial regulations and prudential standards.
- 3.2. In exercising its functions, the Authority endeavors to align its supervision with *The Core Principles for Effective Banking Supervision*¹ set by the Basel Committee on Banking Supervision, which includes setting prudent and appropriate standards for corporate governance and internal controls for banks.

¹ *The Core Principles for Effective Banking Supervision are the de facto minimum standard for sound prudential regulation and supervision of banks and banking systems.*



- 3.3. All Islamic Banks incorporated in Brunei Darussalam shall:
- 3.3.1. introduce a new section called the corporate governance section into their Annual Report and specify therein how they have applied the principles in the Guidelines, while in relation to the each individual guideline under each principle, identify whether the Banks comply, and if not, to specify each area of non-compliance; and
 - 3.3.2. in the event a non-compliance with any of the guidelines has been identified, the Bank is further required to provide a detailed explanation setting out the reasons behind their failure to comply and where alternative arrangements are put in place, to provide the particulars of the alternative arrangements.
- 3.4. All Islamic Banks registered in Brunei Darussalam shall in the Annual Report for their operations in Brunei Darussalam (or in an appendix to the financial statements for their operations in Brunei Darussalam):
- 3.4.1. provide a reference to where the text of the home country corporate governance code may be found and also where the parent bank's corporate governance disclosures may be found;
 - 3.4.2. provide a description of their corporate governance practices at the branch level for their operations in Brunei Darussalam in relation to the applicable provisions in the Guidelines, including risk management, internal controls, internal audit and compliance, as well as disclose and explain any deviation or non-compliance therefrom; and
 - 3.4.3. in the event a deviation or non-compliance with any of the provisions under the Guidelines has been identified, provide a detailed explanation setting out the reasons behind their failure to comply and where alternative arrangements are put in place, to provide the particulars of the alternative arrangements.

MANAGING DIRECTOR
AUTORITI MONETARI BRUNEI DARUSSALAM

Date: 3 Jamadilakhir 1438 / 2 March 2017