



Effective date: 1 January 2024

NOTICE TO BANKS AND FINANCIAL INSTITUTIONS
NOTICE NO. IFAU/N/1/2018 – AMENDMENT NO. 1

NOTICE ON SYARIAH GOVERNANCE FRAMEWORK



1. INTRODUCTION

- 1.1. This Notice is issued pursuant to section 54 of the Brunei Darussalam Central Bank Order, 2010 and shall apply to all Banks and Financial Institutions carrying on any business or activity in accordance with Hukum Syara’.

[Amendment No. 1 dated 28 June 2023]

- 1.2. This Notice sets out the requirement for all Banks and Financial Institutions to establish a **Syariah Governance Framework (“SGF”)**.

[Amendment No. 1 dated 28 June 2023]

- 1.3. This Notice are to be read together with the:

1.3.1. Notice on Syariah Non-Compliance (Notice No. SYAFI/N/02/2023);

1.3.2. Notice to Financial Institutions and Banks Offering Islamic Financial Products and Services in Brunei Darussalam on Internal Syariah Audit Framework (Notice No. IFAU/N/2/2018);

1.3.3. Guidelines on Internal Syariah Audit Framework for Financial Institutions and Banks Offering Islamic Financial Products and Services in Brunei Darussalam (Guidelines No. IFAU/G/3/2018); and

1.3.4. Notice to Finance Companies Corporate Governance (Notice No. BU/N-2/2021/69);

1.3.5. Guidelines on Corporate Companies for Finance Companies (Guidelines No. BU/G-1/2019/19);

1.3.6. Guidelines on Corporate Governance for Islamic Banks (Guidelines No. BU/G-2/2017/16);

1.3.7. Notice on Corporate Governance for Insurance Companies and Takaful Operators (Notice No. TIU/N-3/2017/7);

1.3.8. Guideline on Conducting Islamic Investment Business – Dealing and Arranging Deals in Investment (Guideline No. CMU/G-5/2017/5); and

1.3.9. Any other notices, directives or guidelines which the Authority may issue from time to time.

[Amendment No. 1 dated 28 June 2023]

- 1.4. This Notice shall take effect from 1 January 2024.

[Amendment No. 1 dated 28 June 2023]



2. DEFINITIONS

2.1 For the purpose of this Notice:

2.1.1 **“Authority”** means the Brunei Darussalam Central Bank established under section 3(1) of the Brunei Darussalam Central Bank Order, 2010;

2.1.2 **“Bank(s)”** has the meaning assigned to it under section 2 of the Brunei Darussalam Central Bank Order, 2010;

[Amendment No. 1 dated 28 June 2023]

2.1.3 **“Board”** means the Board of Directors of a Bank and Financial Institution;

[Amendment No. 1 dated 28 June 2023]

2.1.4 **“Financial Institution(s)”** has the meaning assigned to it under section 2 of the Brunei Darussalam Central Bank Order, 2010. For the avoidance of doubt, this also includes Perbadanan Tabung Amanah Islam Brunei established under the Perbadanan Tabung Amanah Islam Brunei Act (Chapter 163);

[Amendment No. 1 dated 28 June 2023]

2.1.5 **“Hukum Syara”** has the meaning assigned to it under section 2 of the Syariah Financial Supervisory Board Order, 2006;

2.1.6 **“Syariah Advisory Body”** or **“SAB”** means –

(a) A body established pursuant to section 8(2)(g) of the Islamic Banking Order, 2008;

(b) A body established pursuant to section 10(1)(e) of the Takaful Order, 2008;

(c) A body appointed pursuant to section 23(2) of the Securities Markets Order, 2013;

(d) A body established under section 14 of the Perbadanan Tabung Amanah Islam Brunei Act (Chapter 163); and

(e) A body appointed pursuant to section 6(2)(g) of the Finance Companies Act (Chapter 89).

[Amendment No. 1 dated 28 June 2023]



- 2.1.7 “Syariah Control Function” refers to a function that is independent from business lines and is responsible to provide objective assessment, reporting and assurance on the effectiveness of a Bank and Financial Institution’s policies and operations, and its compliance with legal and regulatory obligations. This includes the Syariah risk management function, Syariah review function and the Syariah audit function;
[Amendment No. 1 dated 28 June 2023]
- 2.1.8 “Syariah non-compliance” or “SNC” means any event of Syariah non-compliance that has been confirmed by an SAB.
[Amendment No. 1 dated 28 June 2023]
- 2.1.9 “Syariah Financial Supervisory Board” or “SFSB” means the Syariah Financial Supervisory Board established pursuant to section 3 of the Syariah Financial Supervisory Board Order, 2006.

3. SYARIAH GOVERNANCE FRAMEWORK

General requirement

- 3.1 Banks and Financial Institutions shall establish an SGF commensurate with its nature, size and complexity.
[Amendment No. 1 dated 28 June 2023]
- 3.2 In establishing its SGF, Banks and Financial Institutions are to adopt the principles set out in the Appendix A based on a comply or explain approach.
[Amendment No. 1 dated 28 June 2023]
- 3.3 Banks and Financial Institutions shall establish a SAB which is responsible in ensuring its operations are in accordance with Hukum **Syara’**.
[Amendment No. 1 dated 28 June 2023]
- 3.4 Banks and Financial Institutions shall establish Syariah Research and Syariah control functions according to its nature, size and complexity. The Syariah control functions shall include:
- 3.4.1 Syariah Review;
- 3.4.2 Syariah Audit; and
- 3.4.3 Syariah Risk Management.
[Amendment No. 1 dated 28 June 2023]



- 3.5 In the event that any part of the Syariah control functions are outsourced, the oversight, accountability and responsibility over these functions shall remain with the Bank and Financial Institution. The Bank and Financial Institution shall ensure that the independence, competency, control, management reporting structures and activities of these functions meet the requirements of its SGF.

[Amendment No. 1 dated 28 June 2023]

Responsibilities of the Board

- 3.6 The Board is responsible in establishing and institutionalising a robust SGF. The Board is responsible for the oversight accountability over Syariah governance and compliance to ensure that it reflects the integration of Syariah governance considerations within the business and risk strategies.

- 3.7 The Board, in consultation with its SAB, is responsible in establishing policies relating to governance structure and reporting requirements arrangements, Syariah policies, Syariah risk management and other areas that are material to the effective management of Syariah governance.

- 3.8 In the event that the Board delegates any of its responsibilities to its SAB, it shall be responsible in:

3.8.1 Ensuring that the mandate, areas of delegated authority and operating procedures **are set out clearly in the Board and SAB's terms of reference;**

3.8.2 Establishing reporting arrangements **to be kept informed of the SAB's work, key deliberations and decisions on delegated matters;** and

3.8.3 Remaining fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.

[Amendment No. 1 dated 28 June 2023]

Responsibilities of the SAB

- 3.9 The SAB shall have a terms of reference that sets out its mandate, responsibilities and procedures including matters reserved for its decision or advice.

- 3.10 The SAB shall provide objective and sound advice to the Bank and Financial Institution that its aims and operations, business, affairs and activities that are in accordance with *Hukum Syara'*.

- 3.11 The SAB shall advise the Board concerning policies relating to governance structure, reporting requirements arrangements, Syariah policies, Syariah risk management and other areas that are material to the effective management of Syariah governance.

- 3.12 In the event that the SAB delegates any of its responsibilities to any functions:



- 3.12.1 The SAB shall ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the SAB's terms of reference and the Bank's and Financial Institution's internal policies;
- 3.12.2 The SAB shall establish reporting arrangements to keep the SAB informed of the work, key deliberations and decisions on the delegated matters; and
- 3.12.3 The SAB shall remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.

[Amendment No. 1 dated 28 June 2023]

Disclosure and transparency

3.13 Banks and Financial Institutions shall disclose its Syariah governance policies and practices in its annual report. Such disclosure shall include:

3.13.1 Disclosure by the Board on its oversight accountability for Syariah governance implementation and the Bank's and Financial Institution's overall compliance with Hukum *Syara'*;

3.13.2 Disclosure by the SAB on its:

- (a) Responsibilities relating to Syariah governance; and
- (b) An opinion on the state of the Bank's and Financial Institution's compliance with Hukum *Syara'*.

3.14 The Board shall disclose in its annual report any identified gap areas in implementing Syariah governance and the measures taken or to be taken to address the gaps. The Board must ensure sufficient details are provided concerning the gap areas and the measures taken or to be taken to address the gaps.

3.15 The Board and the SAB shall not disclose any information in the Bank's and Financial Institution's annual report which is false, misleading, inaccurate or incomplete.

[Amendment No. 1 dated 28 June 2023]

4. DELETED

[Amendment No. 1 dated 28 June 2023]

5. REPORT SUBMISSION

5.1 All Banks and Financial Institutions shall submit a Syariah report to the Authority on an annual basis and in any event no later than 31st March of each calendar year.



- 5.2 The Syariah report shall consist of the following:
- 5.2.1 The minutes to all meetings of its SAB for the previous year;
 - 5.2.2 Performance of the SAB for the year which shall include the attendance and any training attended by the SAB during the previous year; and
 - 5.2.3 Approved Syariah Review Report by the SAB.

[Amendment No. 1 dated 28 June 2023]

ACTING MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK

Issue Date: 9 Zulhijjah 1444 / 28 June 2023