**GUIDELINES TO FINANCE COMPANIES**

**GUIDELINES NO. BU/G-1/2019/19**

# GUIDELINES ON CORPORATE GOVERNANCE FOR FINANCE COMPANIES

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## 1. INTRODUCTION

1.1. These Guidelines on Corporate Governance for finance companies ("The Guidelines") provide guidance on international best practices that finance companies should strive to achieve in relation to their corporate governance practices. This is given the important role of finance companies as financial intermediaries in Brunei Darussalam and the need to safeguard depositors' funds

1.2. These Guidelines as elaborated upon further in **ANNEX 1** are issued pursuant to section 32 of the Autoriti Monetari Brunei Darussalam Order, 2010 and applies to all finance companies in Brunei Darussalam ("Finance companies").

1.3. The Guidelines should be read in conjunction with the following:-

1.3.1. Notice to Finance Companies on Corporate Governance [Notice No. BU/N-4/2019/62],
1.3.2. Code of Corporate Governance,
1.3.3. Companies (Corporate Governance) (Public Companies) Rules 2016 imposed as the case may be under the Companies Act (Cap. 39);
1.3.4. Finance Companies Act, Chapter 89; and
1.3.5. any other notices, directives or guidelines, which the Authority may issue from time to time.

1.4. The broad principles and standards under the Guidelines are aligned with the OECD Principles of Corporate Governance. Given finance companies are deposit-taking institutions, the July 2015 Basel Committee Corporate Governance Principles for Banks and the March 2017 AMBD Guidelines on Corporate Governance for Banks along with other regional best practices on corporate governance have been applied.

1.5. These Guidelines take effect from 1st January 2020.

## 2. OVERARCHING PRINCIPLES OF CORPORATE GOVERNANCE

2.1. Corporate governance is defined as the set of relationships between a company's management, its Board, its shareholders and other stakeholders which provides the structure through which the objectives of the company are set, and the means of attaining those objectives and montioring performance. It helps define the way authority and responsibility are allocated and how corporate decisions are made.

2.2. In an increasingly complex business environment influenced by globalization and other rapid changes in the financial sector, good corporate governance is crucial to ensure that the business of a finance company is managed in a safe and sound manner where risk-taking activities and business prudence are appropriately balanced to maximize shareholders' returns and protect the interest of recognized stakeholders.

2.3. Given the above and in line with the Authority's objectives in ensuring a stable financial system along with fostering and developing a sound and progressive financial services sector, the primary objective of corporate governance framework should be safeguarding stakeholders' interests in conformity with public interest on a sustainable basis.

2.4. Effective corporate governance is critical to the proper functioning of the financial sector and the economy as a whole. Similar to banks, finance companies perform a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth.

2.5. Finance companies' safety and soundness are key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health.

2.6. Sound corporate governance may permit the supervisor to place more reliance on the finance companies' internal processes. In this regard, supervisory experience underscores the importance of having the appropriate levels of authority, responsibility, accountability, and checks and balances within each finance companies, including those of the board of directors but also of senior management and the risk, compliance and internal audit functions.

2.7. The Principles outlined in these Guidelines draw on the Basel Committee Principles and the lessons learnt from the Global Financial Crisis which places emphasis on the following:-

2.7.1. oversight and risk governance responsibilities of the board;
2.7.2. key components of risk governance such as risk culture, risk appetite and their relationship to a finance company's risk capacity;
2.7.3. specific roles of the board, board risk committees, senior management and the control functions, including the Chief Risk Officer and internal audit;
2.7.4. strengthening finance companies' overall checks and balances and the critical role of the board and the board risk committees in strengthening a Bank's risk governance.

2.8. The principles are intended to guide the actions of the board and senior management, including any person who is heading a control function within the finance companies. The implementation of these principles should be commensurate with the size, complexity, structure, economic significance, risk profile and business model of the finance company and the group (if any) to which it belongs. The board and senior management at each finance companies have an obligation to pursue good governance.

2.9. One fundamental corporate governance issue is shareholder rights. The principles recognise the importance of shareholder rights and of responsible shareholder engagement, particularly when certain shareholders have the right to have a representative on the board. In such cases, the suitability of the appointed board member is as critical as their awareness of the responsibility to look after the interests of the Bank as a whole, not just of the shareholders.

**MANAGING DIRECTOR**
**AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 30 Rabiulawal 1441H / 27 November 2019M