



AMENDMENT
NOTICE TO BANKS

NOTICE NO. BU/N-1/2020/65 – AMENDMENT NO. 3

TEMPORARY REGULATORY MEASURES

1. INTRODUCTION

- 1.1. This Notice sets out certain temporary measures and regulatory reliefs to banks in a collective effort to assist and reduce the financial burden of all customers [businesses and individuals] following the COVID-19 pandemic.
- 1.2. This Notice is issued pursuant to section 66 of the Banking Order, 2006 [BO] and applies to all banks in Brunei Darussalam licensed under the aforesaid Order.
- 1.3. This Notice shall be read with the requirements of Notice No. BU/N-7/2018/57 – Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses.

[Amendment No. 3 dated 11 January 2022]

2. DEFINITIONS

- 2.1. For this Notice–

“**affected customers**” means borrowers with existing credit facilities that are experiencing financial difficulties due to the COVID-19 pandemic;

“**Authority**” means the Brunei Darussalam Central Bank;

[Amendment No. 2 dated 14 August 2021]

“**business sector**” includes entities incorporated or registered under the Companies Act [Cap. 39] and the Business Names Act [Cap. 62] including Micro, Small and Medium Enterprises;

“**credit facility(ies)**” means secured and unsecured credit facility(ies) provided to a customer by a bank in the form of loan(s), advance(s), or any other form or manner of credit;

“**fees and charges**” means any direct fees and bank charges relating to any specified credit facility in this Notice. Such fees and charges excludes those that are incurred by the banks payable to third parties (example legal and valuation fees if applicable) and incurred by customer prior to the application for assistance;



“**forborne exposures**” means when a bank grants a concession that it would not otherwise consider because of the customer experiencing financial difficulty in meeting its financial commitments;

[Amendment No. 3 dated 11 January 2022]

“**past due**” means any amount due under the contract (interest, principal, fee or other amount) which has not been paid in full at the date when it was due; and

[Amendment No. 3 dated 11 January 2022]

“**repackaged exposures**” means when terms are modified for reasons other than financial difficulty and the customer is expected to fully pay its obligations, then the exposure is just considered as “repackaged” and it will not be reported as a forborne exposure, but only as repackaged exposure.

[Amendment No. 3 dated 11 January 2022]

- 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 BO.

3. ASSISTANCE TO AFFECTED CUSTOMERS

- 3.1. For a limited period, a bank may offer assistance to affected customers in the business sector with temporary deferment to existing monthly repayment in the manner as outlined in paragraph 4 of this Notice or restructuring of existing credit facilities as outlined in paragraph 5 of this Notice and may include but not limited to the following: -

- 3.1.1. waiver of selected fees and charges;
- 3.1.2. revision in interest rates.

[Amendment No. 3 dated 11 January 2022]

- 3.2. For a limited period, a bank may offer a combination of assistance to affected individual **customer** for the specified products as per table below:-



Types of Assistance	Type of credit products		
	Unsecured Personal Credit Facility	Financing for Home Ownership / Property Investment	Credit Cards
Temporary deferment to existing monthly repayment*	○	○	
Restructuring of existing credit facilities**	○		
Conversion to Fixed Term Loan***			○
Waiver of selected fees and charges	○	○	○
Revision in interest rates	○	○	○

* in the manner as outlined in paragraph 4 of this Notice

** in the manner as outlined in paragraph 5 of this Notice

*** in the manner as outlined in paragraph 6 of this Notice

3.2.1. For each Unsecured Personal Credit Facility, banks shall only offer one arrangement of either temporary deferment to existing monthly repayment or restructuring of existing credit facilities.

3.3. In reference to paragraphs 3.1 and 3.2 above, such available options of assistance are at the discretion of the banks. In addition, any application with regards to the options avail are subjected to individual bank's due diligence and prudent credit risk assessment.

3.4. Notwithstanding the generality of the assistance above, any applications received by a bank should be assessed objectively, fairly and in a transparent manner. In achieving this, a bank shall –

3.4.1. Update or redefine existing policies and procedures for the purpose of the assistance including assessment of affected customers and sectors. This includes alignment and strengthening internal governance and controls as well as improving the overall monitoring mechanism;

3.4.2. Ensure that the updated policies and procedures (including clear criteria or parameters for granting the assistance) are communicated to all business lines and staff that will implement the assistance accordingly; and

3.4.3. Ensure that any information pertaining to the assistance is disclosed and explained thoroughly and clearly to affected customers so that they are able to make an independent judgment and decision to their finances in



the short- and long- term. These information may be complemented with appropriate illustrated examples to allow better understanding.

4. DEFERMENT ON REPAYMENT OF CREDIT FACILITIES

- 4.1. For the purpose of this Notice, deferment means a suspension of credit repayment obligation of principal and / or interest for a limited period of time.
- 4.2. Banks may provide deferment arrangement in any one of the following manner: -
 - 4.2.1. Deferment without extension of existing remaining tenor period of the credit facility;
 - 4.2.2. Deferment with an extension of existing remaining tenor period of the credit facility for which such extension shall be equivalent and not exceeding the approved deferment period;
 - 4.2.3. Any bank that provides deferment with an extension of existing remaining tenor period that exceeds the approved deferment period, shall be considered as a **restructured arrangement**.
- 4.3. Effective from 1st April 2020 and upon application, a bank may grant a temporary deferment on existing loan repayments to affected customers with the following conditions: -
 - 4.3.1. Application period for the deferment shall end by 30th December 2020 or such other period as the Authority may determine. In the event of the latter, the Authority undertakes to inform the banks prior to the date coming into effect.
 - 4.3.2. The deferment period shall start from the approval date of the deferment granted by the banks and shall conclude not later than 31st March 2021, or such other period as the Authority may determine. In the event of the latter, the Authority undertakes to inform the banks prior to the date coming into effect.
 - 4.3.3. The credit facility shall not exceed 90 days past due on the application date of such request.
 - [Amendment No. 3 dated 11 January 2022]
 - 4.3.4. The bank shall establish internal policies assessment of affected customers and sectors, which shall be incorporated into existing credit policies.
 - 4.3.5. No related fees and charges shall be imposed to the affected customer.



4.4. Notwithstanding paragraph 4.3.1 above, effective from 1st April 2021 and upon application by affected customers, a bank may continue to grant temporary deferment on existing loan repayments subject to the following conditions: -

4.4.1. The deferment period shall start from the approval granted by the banks and end no later than 30th June 2022; and

4.4.2. Paragraphs 4.3.3 to 4.3.5 above.

[Amendment No. 1 dated 27 February 2021]

[Amendment No. 2 dated 14 August 2021]

[Amendment No. 3 dated 11 January 2022]

4.5. Where a bank is offering such temporary deferment to its' customers, the bank shall provide the terms of the deferment to each customer in writing including but not limited to the following:-

4.5.1. stating the effect of the deferment on accrued interest during the deferment period and number of instalments or increased instalment amount or tenor of credit facility;

4.5.2. stating the different options for the customer to resume repayments after the deferment period.

5. RESTRUCTURING PROGRAM

A. RESTRUCTURING OF UNSECURED PERSONAL CREDIT FACILITY

5.1. From 1st April 2020 until 30th December 2020, a bank may offer affected individual customers the option to restructure an existing Unsecured Personal Credit Facility with the following conditions: -

5.1.1. The credit facility shall not exceed 90 days past on the application date of such request.

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5.1.2. The maximum tenor of such facility shall not exceed ten years.

5.1.3. The interest rate charged shall not be higher than the rate charged on the existing facility.

5.1.4. No related fees and charges shall be imposed to the affected customer.



- 5.1.5. Banks shall endeavour to conform to the Notice No. BU/N-9/2017/44 – Amendment No. 1 on Total Debt Service Ratio [TDSR]. For exceptional cases, banks may judiciously set internal TDSR policies for the purpose of assisting such affected customer that provides sufficient “take home pay” and without adding financial strains to the customer in the future.
- 5.1.6. Banks shall conform to Notice No. BS/N-2/2015/31 – Amendment No. 2 on Unsecured Personal Credit Facility, with the exception of Paragraph 4.1.1(a) and Paragraph 4.3 of such Notice.
- 5.2. Notwithstanding paragraph 5.1 above, from 1st April 2021 until 30th June 2022, a bank may continue to offer affected individual customers the option to restructure an existing Unsecured Personal Credit Facility subject to the conditions stated in paragraphs 5.1.1 to 5.1.6 above.

[Amendment No. 1 dated 27 February 2021]

[Amendment No. 2 dated 14 August 2021]

[Amendment No. 3 dated 11 January 2022]

B. RESTRUCTURING OF EXISTING CREDIT FACILITY FOR AFFECTED CUSTOMERS FROM THE BUSINESS SECTOR

- 5.3. Effective from the date of Notice No. BU/N-1/2020/65 – Amendment No. 3 until 30th June 2022, a bank may offer affected customers from the business sector the option to restructure an existing credit facility with the following conditions: -

5.3.1. The credit facility shall not exceed 90 days past due on the application date of such request.

5.3.2. The interest rate charged shall not be higher than the rate charged on the existing facility.

5.3.3. No related fees and charges shall be imposed to the affected customer.

[Amendment No. 3 dated 11 January 2022]

6. CONVERSION OF CREDIT CARD OUTSTANDING BALANCE TO TERM LOAN

- 6.1. From 1st April 2020 until 30th December 2020, a bank may offer affected individual customers the option to convert their credit card outstanding balance to a fixed term loan with the following conditions: -

6.1.1. The credit facility shall not exceed 90 days past due on the application date of such request.

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- 6.1.2. The maximum tenor of such loan shall not exceed three years;
 - 6.1.3. This facility shall be restricted to affected customers that are employed in the business sector including self-employed individuals;
 - 6.1.4. The interest rate charged shall not be higher than the rate charged on the existing facility. As a guidance, the interest rate applicable to unsecured personal term credit facility should apply;
 - 6.1.5. No related fees and charges shall be imposed to the affected customer; and
 - 6.1.6. Banks shall endeavour to conform with the Notice No. BU/N-9/2017/44 – Amendment No. 1 on Total Debt Service Ratio. For exceptional cases, banks may judiciously set internal TDSR policies for the purpose of assisting such affected customer that provides sufficient “take home pay” and without adding financial strains to the customer in the future.
- 6.2. Notwithstanding paragraph 6.1 above, from 1st April 2021 until 30th June 2022, a bank may continue to offer affected individual customers the option to convert their credit card outstanding balance to a fixed term loan subject to the conditions stated in paragraph 6.1.1 to 6.1.6 above.

[Amendment No. 1 dated 27 February 2021]

[Amendment No. 2 dated 14 August 2021]

[Amendment No. 3 dated 11 January 2022]

- 6.3. Upon the conversion of credit card outstanding balance to a fixed term loan, the customer may maintain the existing credit card facility with a reduced credit limit.
- 6.4. Before the granting of such facility to an individual, the bank shall provide the terms of the loan to each customer in writing by stating but not limited to the interest rates offered, number of instalments and loan repayment schedule.

7. REGULATORY TREATMENT FOR DEFERMENT, RESTRUCTURING AND CONVERSION OF CREDIT CARD OUTSTANDING BALANCE TO TERM LOAN

- 7.1. The purpose of this Section is to inform all banks of the regulatory treatment in implementing the specific financing arrangements as well as in fostering consistency in supervisory reporting and monitoring of asset quality of banks.
- 7.2. Notwithstanding the requirements as set out in Notice No. BU/N-7/2018/57 – Prudential Treatment of Problem Assets and Accounting for Expected Credit



Losses, the following treatment for the specific interim financing arrangements shall apply:-

7.2.1. Deferment arrangements under paragraph 4.2.1 and paragraph 4.2.2 of this Notice

- (a) Credit facilities under this arrangement can be considered as **repackaged exposure** upon approval of the deferment and not reported as *forborne exposure*.
- (b) Without prejudice to the classification set in paragraph 7.2.1(a) above, the requirements set forth in Notice No. BU/N-7/2018/57 – Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses remains in effect. In addition, the following treatment applies –
 - i. Where an exposure is *past due* prior to the deferment period, a bank may suspend the number of *days past due* of the arrears [“suspended *days past due*”] upon approval of the deferment. In the event the arrears have not been fully paid during or after the deferment period, the exposure shall remain as *past due*;
 - ii. An exposure shall be considered as *past due* if there are any arrears on the terms of deferment during the deferment period. In the event those arrears have yet to be fully paid during or after the deferment period, the number of *days past due* shall be aggregated with any previously suspended *days past due* as referred in paragraph 7.2.1(b)(i).

Guidance on regulatory classifications is provided in **Appendix 1**.

7.2.2. Deferment arrangements under paragraph 4.2.3 of this Notice

Such restructured arrangement shall be treated as **Forborne Exposures** and shall conform to the Notice No. BU/N-7/2018/57 – Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses.

7.2.3. Restructuring [under paragraph 5 of this Notice] and Conversion of Credit Card Outstanding Balance to Term Loan [under paragraph 6 of this Notice]

- (a) Such arrangement can be considered as **repackaged exposure** upon approval of the application and not reported as *forborne exposure*. The classification of repackaged exposure may remain as long as there is no accrual of past due throughout the new arrangement.



- (b) Without prejudice to the classification set in paragraph 7.2.3(a) above, the requirements set forth in Notice No. BU/N-7/2018/57 – Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses remains in effect.

8. SUPERVISORY REVIEW

- 8.1. The Authority may impose additional criteria and impose reporting requirements including the frequency of such reporting to banks individually or collectively which shall be complied by all banks.

**MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK**

Date: 8 Jamadilakhir 1443 / 11 January 2022



Appendix 1: Guidance illustration for Interim Measures

This appendix provides guidance on how banks and finance companies should classify credit exposures before, during and after the deferment period, and its effect on provisioning. The details of the scenarios are as follows:

Date of Application:	1 April 2020
Date of Approval:	8 April 2020

Under all scenarios below (except scenario F), the days past dues of exposures could be suspended and the corresponding Expected Credit Loss (ECL) computation should apply during/after the deferment period.

Scenario	Past due status prior to deferment period	Performance during deferment period						Past due status during/after deferment period	Regulatory Classification
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6		
A	0 days past due	Green	Green	Green	Green	Green	Green	0 days past due	Pass
B	0 days past due	Green	Green	Red	Red	Green	Green	60 days past due	Special Mention
C	0 days past due	Green	Green	Green	Red	Red	Red	90 days past due	Substandard NP
D	60 days past due	Green	Green	Green	Green	Green	Green	60 days past due	Special Mention
E	60 days past due	Red	Green	Green	Green	Green	Green	90 days past due	Substandard NP
F	90 days past due	Not Eligible							

 Repayment
 Missed repayment

Scenario A

Where a borrower has no financial difficulty in servicing the repayment obligation throughout the deferment period.

This exposure can be classified as **Pass** during and after the deferment period.

Scenario B

Where a borrower does not have any payments in arrears prior to the deferment period (i.e. at the application date) but failed to pay in Months 3 and 4 during the deferment period.

This exposure shall be classified as **Special Mention** during / after the deferment period.

The exposure can be classified as **Pass** only if the borrower manages to fully pay all the arrears during / after the deferment period.



Scenario C

Similar to Scenario B. However, the borrower missed three monthly repayments during the deferment period.

This exposure shall be classified as **Substandard Non-Performing** if past due for 90 days or more after the deferment period.

The exposure can only be reclassified as **Pass** only if repayment of the exposure has been made continuously for a period of at least 6 months, regardless if the borrower manages to fully pay the arrears during / after the deferment period.

Scenario D

Where a borrower is 60 days past due prior to the deferment period and borrower has no financial difficulty in servicing the obligation during the deferment period.

Banks can suspend the number of days past due during the deferment period. The exposure will remain as **Special Mention** during / after the deferment period.

The exposure can be classified as **Pass** only if the borrower manages to fully pay all the arrears during / after the deferment period.

Scenario E

Similar to Scenario D above. However, the borrower missed 1 monthly repayment during the deferment period.

The exposure should be classified as **Substandard Non-Performing** during / after the deferment period.

The exposure can only be reclassified as **Pass** only if repayment of the exposure has been made continuously for a period of at least 6 months, regardless if the borrower manages to fully pay the arrears during / after the deferment period.