



## **NOTICE TO ISLAMIC BANKS**

**NOTICE NO: BU/N-21/2017/56**

### **BANCATAKAFUL ARRANGEMENT**

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#### **1. INTRODUCTION**

- 1.1. This Notice is issued pursuant to section 66 of the Islamic Banking Order, 2008. This Notice applies to all bancatakaful activities of Islamic banks.
- 1.2. This Notice is intended to provide the minimum requirement for the efficient delivery and distribution of takaful products to banking customers through an Islamic bank.
- 1.3. This Notice should be read in conjunction with the laws of Brunei Darussalam including, but not limited to, Takaful Order, 2008 (TO) along with their subsidiary legislation as well as other regulatory instruments that Autoriti Monetari Brunei Darussalam (“the Authority”) may issue from time to time.
- 1.4. This Notice shall take immediate effect.

#### **2. DEFINITION**

- 2.1. For the purpose of this Notice –
  - 2.1.1. “bancatakaful” includes any distribution or marketing arrangement with an Islamic bank that involves:-
    - (a) the sale of takaful products by the staff of the Islamic bank;
    - (b) the sale of takaful products using the Islamic banking institution’s distribution channels, which includes its call centres, internet, branches and marketing booths, as well as third parties providing such sales support services to the Islamic bank;
    - (c) the sale of takaful products using the Islamic bank’s customer database;
    - (d) the joint marketing of takaful products with the Islamic bank; or
    - (e) referral of customers to any insurance company/takaful operators.
  - 2.1.2. “Islamic bank” means any bank licensed under the Islamic Banking Order, 2008;
  - 2.1.3. “takaful operator” means any takaful operator registered under the Takaful Order, 2008; and
  - 2.1.4. “tied-selling” means selling a product or service to customers from a particular person, including the Islamic bank and any of its affiliates, as a condition for obtaining another product or service from the Islamic bank.



### 3. **BANCATAKAFUL**

- 3.1. Takaful products that are marketed by Islamic banks must be a product that is issued by a takaful operator registered by the Authority.
- 3.2. In order to preserve the right of consumer choice, Islamic banks that intend to undertake bancatakaful involving any credit-related products must appoint a panel of takaful operators according to the following: -
  - 3.2.1. An Islamic bank must appoint a minimum of two takaful operators registered by the Authority on their panel.

### 4. **PRODUCTS IN BANCATAKAFUL**

- 4.1. Bancatakaful should provide consumers with a cost-effective alternative vehicle for savings and investment, and convenient access to integrated financial services from Islamic banks.
- 4.2. Islamic banks can distribute credit-related and non-credit-related takaful products, from both the family and general sector. For the avoidance of doubt, the following meanings shall apply: -
  - 4.2.1. Credit-related takaful products refer to consumer credit takaful products purchased by borrowers in connection with mortgages, vehicle financing, personal financing and overdraft facilities provided by Islamic banks; and
  - 4.2.2. Non-credit related takaful products refer to any products other than those referred to in paragraph 4.2.1 subject to agreement between Islamic banks and takaful operators.
- 4.3. Investment-linked takaful products cannot be distributed through an Islamic bank. This refers to any takaful products that are tied to the performance of the underlying assets.

### 5. **CONDUCT OF BUSINESS**

- 5.1. Islamic banks are not allowed to perform tied-selling to their customers when offering any financing facility(ies). Customers must be given a fair option to select takaful product from their preferred takaful operator whereby takaful coverage is required before granting the financing facility(ies).
- 5.2. Islamic banks may set up an exclusive bancatakaful partnership arrangement when offering non-credit related takaful products to customers, subject to the approval from the Authority.



## 6. APPLICATION

- 6.1. Islamic banks are required to obtain the Authority's prior approval before entering into any bancatakaful arrangement. Details of the arrangement must include the following information:
  - 6.1.1. Panel of takaful operators proposed;
  - 6.1.2. Fees to be paid by the panel (including a description of the basis for, and components of, the fee structure);
  - 6.1.3. The period of the arrangement; and
  - 6.1.4. Details (including any certifications) of Islamic bank employees who provide any direct client-advisory services under the bancatakaful arrangement.
- 6.2. In order for the Authority to consider the application to enter into any bancatakaful arrangement, the Islamic bank employees must meet at minimum the following criteria: -
  - 6.2.1. A holder of a qualification approved by the Authority<sup>1</sup>; and
  - 6.2.2. An individual who fulfills the fit and proper criteria set out in "**Guidelines on Fit and Proper Criteria for Key Responsible Persons and Key Persons in Control Functions in Insurance and Takaful**" or any related notices and guidelines issued by the Authority from time to time.
- 6.3. Notwithstanding 6.2 above, any Islamic bank that currently has its own internal code of conduct must ensure that its internal standards are equivalent to the requirement as determined by the Authority.

**MANAGING DIRECTOR  
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 15 Rabiulakhir 1439 / 2 January 2018

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<sup>1</sup> The non-exhaustive list of qualifications approved by the Authority can be found in the General Insurance/Takaful Agent handbook which is also available on AMBD's website. Alternatively, bank employees may sit for the Qualifying Examination for Insurance and Takaful Agents (QEFITA) conducted by Centre for Islamic Banking, Finance and Management (CIBFM)