



AMENDMENT

NOTICE TO FINANCE COMPANIES

NOTICE NO. BU/N-3/2020/67 – AMENDMENT NO. 3

TEMPORARY REGULATORY MEASURES

1. INTRODUCTION

- 1.1. This Notice sets out certain temporary measures and regulatory reliefs to finance companies in a collective effort to assist and reduce the financial burden of all customers (businesses and individuals) that have been affected following the COVID-19 pandemic.
- 1.2. This Notice is issued pursuant to section 54 of the Brunei Darussalam Central Bank Order, 2010 and applies to all finance companies in Brunei Darussalam licensed under the Finance Companies Act (FCA).
- 1.3. This Notice shall be read with the requirements of Notice No. BU/N-8/2018/58 – 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 customer[s]” means borrower[s] with existing credit / financing 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 / financing facility[ies]” means credit / financing facility[ies] provided to a customer by a finance company in the form of hire-purchase agreement or any other form or manner of credit / financing;



“fees and charges” means any direct fees and bank charges relating to the specified credit / financing 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.

“hire purchase agreement” means an agreement entered under the Hire Purchase Order, 2006 (HPO);

“monthly repayment” means the monthly repayable instalments as per hire purchase agreement.

“forborne exposures” means when a finance company 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/profit, 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 FCA and HPO.

3. ASSISTANCE TO AFFECTED CUSTOMERS

- 3.1. For a limited period, a finance company may offer assistance to affected customers in the business sector as well as affected individual customers with temporary deferment to existing monthly repayment in the manner as outlined in paragraph 4 of this Notice or restructuring of existing credit / financing 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; and



- 3.1.2. revision in interest / profit rates.
- 3.2. For the purpose of paragraph 3.1 of this Notice, the assistance shall only be applicable to existing motor vehicle financing.
- 3.3. In reference to paragraph 3.1 above, such available options of assistance are at the discretion of the finance companies. In addition, any application with regards to the options avail are subjected to individual finance company's due diligence and prudent credit risk assessment.
- 3.4. Notwithstanding the generality of the assistance above, any applications received by a finance company should be assessed objectively, fairly and in a transparent manner. In achieving this, a finance company 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 / FINANCING FACILITIES

- 4.1. For the purpose of this Notice, deferment means a suspension of financing repayment obligation of principal and / or interest / profit for a limited period of time.
- 4.2. Finance companies 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 / financing facility;
 - 4.2.2. Deferment with an extension of existing remaining tenor period of the credit / financing facility for which such extension shall be equivalent and not exceeding the approved deferment period;



- 4.2.3. Any finance company 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 finance company may grant a temporary deferment on existing monthly repayment based on applicable hire purchase agreement 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 finance companies 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 finance companies and shall conclude no 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 finance companies prior to the date coming into effect.
- 4.3.3. The credit / financing facility shall not exceed 90 days past due on the application date of such request.
- 4.3.4. The finance company shall establish internal policies including 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 finance company may continue to grant temporary deferment on existing monthly repayment based on applicable hire purchase agreement subject to the following conditions: -
- 4.4.1. The deferment period shall start from the approval granted by the finance companies and end no later than 30th June 2022; and
- 4.4.2. Paragraphs 4.3.3 to 4.3.5 above.

[Amendment No. 3 dated 11 January 2022]

[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 finance company has granted such temporary deferment to its' customers, the finance company 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 / profit during the deferment period and number of instalments or increased instalment amount or tenor of credit / financing facility;

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

5. RESTRUCTURING OF CREDIT / FINANCING FACILITY

5.1. From 1st April 2020 until 30th December 2020, a finance company may offer affected customers the option to restructure an existing credit / financing facility with the following conditions: -

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

[Amendment No. 3 dated 11 January 2022]

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

5.1.3. The interest / profit 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; and

5.1.5. Finance companies shall endeavour to conform to the Notice No. BU/N-11/2017/46 – Amendment No. 1 on Total Debt Service Ratio [TDSR]. For exceptional cases, finance companies 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.

5.2. Notwithstanding paragraph 5.1 above, from 1st April 2021 until 30th June 2022, a finance company may continue to offer affected individual customers the option to restructure an existing credit / financing facility subject to the conditions stated in paragraphs 5.1.1 to 5.1.5 above.

[Amendment No. 1 dated 27 February 2021]

[Amendment No. 2 dated 14 August 2021]

[Amendment No. 3 dated 11 January 2022]



6. REGULATORY TREATMENT FOR DEFERMENT AND RESTRUCTURING OF CREDIT / FINANCING FACILITY

- 6.1. The purpose of this Section is to inform all finance companies 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 finance companies.
- 6.2. Notwithstanding the requirements as set out in Notice No. BU/N-8/2018/58 – Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses, the following treatment for the specific interim financing arrangements shall apply:-
- 6.2.1. Deferment arrangements under paragraph 4.2.1 and paragraph 4.2.2 of this Notice
- (a) Credit / financing 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 6.2.1(a) above, the requirements set forth in Notice No. BU/N-8/2018/58 – 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 finance company 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 6.2.1(b)(i).

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



6.2.2. 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-8/2018/58 – Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses.

6.2.3. Restructuring of credit / financing facility [under paragraph 5 of this Notice]

[a] Such restructuring credit / financing facility 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.

[Amendment No. 3 dated 11 January 2022]

[b] Without prejudice to the classification set in paragraph 6.2.3(a) above, the requirements set forth in Notice No. BU/N-8/2018/58 – Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses remains in effect.

7. SUPERVISORY REVIEW

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

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.