



NOTICE TO FINANCE COMPANIES

NOTICE NO. BU/N-6/2022/77

MAINTENANCE OF CAPITAL ADEQUACY RATIO

1. INTRODUCTION

- 1.1. This Notice establishes the minimum Capital Adequacy Ratios ["CAR"] for a finance company and the methodology a finance company shall use for calculating these ratios.
- 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.
- 1.3. Unless expressly stated herein below, this Notice shall take immediate effect.

2. DEFINITIONS

- 2.1. For the purposes of this Notice –

"Authority" means Brunei Darussalam Central Bank as defined by the Brunei Darussalam Central Bank Order, 2010.

3. CAPITAL ADEQUACY RATIO

- 3.1. With effect from 1st January 2023, a finance company shall at all times maintain the CAR in relation to its total Risk Weighted Assets (RWA) as follows: -

	Minimum Ratios
Minimum Tier-1 CAR	5%
Minimum Total CAR	10%

- 3.2. A finance company shall compute the respective CAR in accordance with the Capital Adequacy Framework [ANNEX 1] and report the CAR in the Capital Adequacy Ratio reporting template. ("CARRT")

- 3.3. Unless directed by the Authority, a finance company shall comply with the CAR requirements in **this Notice at the standalone (“Solo”) level capital adequacy ratio requirements, which measures** the capital adequacy of a finance company based on its standalone capital strength and risk profile.
- 3.4. The Authority may vary the minimum Tier 1 CAR and minimum Total CAR applicable to a finance company. In exercising this discretion, the Authority may take into account, the risks arising from the activities of the finance company and such other factors as the Authority considers relevant.

4. CAPITAL ADEQUACY FRAMEWORK (ANNEX 1)

- 4.1. The Capital Adequacy Framework sets out the approach for computing regulatory CAR as well as the approaches to quantify capital, credit risk and operational risk respectively.
- 4.2. Any reference to the Capital Adequacy Framework shall be construed as reference to the current version of the Capital Adequacy Framework which is **displayed on the Authority’s website at www.bdcg.gov.bn**.

5. CAPITAL ADEQUACY REPORTING

- 5.1. A finance company shall complete and submit the CARRT on a monthly basis, no later than 15 calendar days after the month-end reporting date.
- 5.2. The Authority places significant emphasis on the quality of information submitted for the purpose of Capital Adequacy Framework. In this regard and at a minimum, the Chief Financial Officer of the finance company is responsible and shall be held accountable for the quality of the information submitted in all reporting templates to the Authority under the Capital Adequacy Framework.

MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK

Date: 14 Zulhijjah 1443H / 14 July 2022