



## NOTICE TO FINANCE COMPANIES

NOTICE NO. BU/N-5/2022/76

### NOTICE ON REPORTING OF FRAUD INCIDENTS

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#### 1. INTRODUCTION

- 1.1. This Notice sets out the requirement for finance companies to report incidents of fraud to the Authority.
- 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 take immediate effect.

#### 2. DEFINITIONS

- 2.1. For this Notice-

**“authorised communication channel”** refers to email, mobile phone, letter or other channels that have been agreed between the Authority and the finance company;

**“Authority”** means Brunei Darussalam Central Bank as defined by the Brunei Darussalam Central Bank Order, 2010 [“BDCB Order”];



**“Financial Intelligence Unit”** means the agency responsible for receiving, requesting, analysing and disseminating information concerning money-laundering, suspected proceeds of crime and terrorist financing;

**“fraud”** can be defined as an act or omission intended to gain dishonest or unlawful advantage for the party committing the fraud or for other related parties; and

**“Key Responsible Persons”** refers to senior persons that are accountable or responsible for the management and oversight of the finance companies of which they may hold controlled functions in executive positions.

- 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.

### 3. FRAUD POLICY

- 3.1. A finance company shall establish a fraud policy approved by its board of directors which includes defining the classification of fraud incidents (material or non-material).

### 4. REPORTING REQUIREMENTS

- 4.1. A finance company shall report to the Authority in the form, manner and within such time as specified in paragraph 4.2 below, upon discovery of suspected or confirmed fraud incidents where such incidents<sup>1</sup> are material to the safety, soundness or reputation of the finance company.

- 4.2. For the purpose of paragraph 4.1, a finance company shall report fraud incidents to the Authority in the following manner via an authorised communication channel<sup>2</sup>:

- 4.2.1. Notify the Authority upon detection of a suspected fraud incident no later than 1 working day;

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<sup>1</sup> For fraud incident categorization, see Schedule 1

<sup>2</sup> For guidance on authorised communication channel under paragraph 4.2 of the Notice, see Schedule 2



- 4.2.2. Submit a report using the reporting form in Appendix 1, no later than 5 working days or such longer period as the Authority may allow, upon detection of a suspected fraud incident. Any reference to the reporting form shall be construed as reference to the current version of Appendix 1 which is displayed on the Authority's website at [www.bdcdb.gov.bn](http://www.bdcdb.gov.bn); and
- 4.2.3. Submit a brief summary detailing the necessary actions<sup>3</sup> and duration taken to resolve the case no later than 10 working days upon resolution of such case.
- 4.3. The reporting form and brief summary as per paragraphs 4.2.2 and 4.2.3 respectively shall be certified by the relevant Key Responsible Persons.
- 4.4. Where a fraud incident is suspected or confirmed and a finance company wishes not to report the Authority, it shall document the reasons for its decision.
- 4.5. A finance company shall furnish to the Authority such other information relating to the reporting of fraud incidents, as may be requested by the Authority.
- 4.6. For the avoidance of doubt, finance companies shall continue to comply with the provisions of the Criminal Asset Recovery Order, 2012. In relation to finance companies, this means that in addition to the requirements of paragraph 4.1 above, a Suspicious Transactions report shall be filed to the Financial Intelligence Unit of the Authority as required after a suspicion has been established<sup>4</sup>.

## 5. PROVISIONS REPEALED

- 5.1. The provisions of any other notices, directives and policy documents issued by the Authority prior to this Notice and which are inconsistent with it are hereby repealed

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<sup>3</sup> Refer to paragraph 4.5 of the Notice on Market Conduct, as may be revised from time to time

<sup>4</sup> Please refer to Guidance paper to Financial Institutions for the Obligation to Submit a Suspicious Transaction Report (STR) under Section 15 of Criminal Asset Recovery Order and Section 47 of Anti-Terrorism Order



MANAGING DIRECTOR  
BRUNEI DARUSSALAM CENTRAL BANK

Date: 14 Zulhijjah 1443H / 14 July 2022M



SCHEDULE 1: FRAUD INCIDENT CATEGORISATION

This schedule provides guidance for finance companies for the categorisation of fraud incidents. This list is non-exhaustive.

Type of event	Definition	Examples
<p><b>Internal fraud</b></p>	<p>Acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/ discrimination events, which involves at least one internal party.</p>	<p><b>Unauthorised activity:</b></p> <ul style="list-style-type: none"> <li>• Transactions not reported (intentional)</li> <li>• Transaction type unauthorized (with monetary loss)</li> <li>• Mismarking of position (intentional)</li> <li>• Misuse of privilege information</li> <li>• Misuse of system access</li> <li>• Falsifying personal details</li> <li>• Activity with unauthorised counterparty</li> <li>• Activity leading to incorrect pricing</li> <li>• Transaction over-reported</li> <li>• Unauthorised changes to programs or data or transactions</li> </ul> <p><b>Fraud and theft:</b></p> <ul style="list-style-type: none"> <li>• Credit fraud/worthless deposits</li> <li>• Theft/extortion/embezzlement/robbery</li> <li>• Misappropriation of assets</li> <li>• Malicious destruction of assets</li> <li>• Forgery</li> <li>• Disclosure of confidential information</li> <li>• Cheque kiting</li> <li>• Smuggling</li> <li>• Account takeover/impersonation/etc.</li> <li>• Tax non-compliance/evasion (wilful)</li> <li>• Bribes/kickbacks</li> <li>• <b>Insider trading (not on firm's account)</b></li> <li>• Accounting irregularities</li> </ul>
<p><b>External fraud</b></p>	<p>Acts of a type intended to defraud, misappropriate property or circumvent the</p>	<p><b>Fraud and theft:</b></p> <ul style="list-style-type: none"> <li>• Theft / Robbery</li> </ul>



	<p>law, by an external threat or a third party (including service provider under outsourcing arrangements with the finance company).</p>	<ul style="list-style-type: none"> <li>• Forgery / Counterfeit (Cover Notes, Policy Certificates, Currency, Cheque, Security Documents / Identification documents)</li> <li>• Fraudulent billing by suppliers</li> <li>• Cheque kiting</li> <li>• Card Related Fraud (online and offline transaction)</li> <li>• Internet Banking fraud</li> <li>• Mobile Banking fraud</li> <li>• E-money / Prepaid card fraud</li> <li>• Fraudulent account opening</li> <li>• Fraudulent application for banking products / facilities</li> <li>• Hacking or data breach damage (leading to fraud incidents specified above)</li> </ul>
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SCHEDULE 2

Please refer to the table and illustration below for the guidance relating to the Paragraph 4.2 of the Notice:-

Reporting Format	Timeline for submission	Minimum Information to be included	Authorised Communication Channel
Notification to Authority	No later than 1 working day	<ol style="list-style-type: none"> <li>1. Date and time of the incident was discovered</li> <li>2. Type of fraud incident</li> <li>3. Optional:                             <ul style="list-style-type: none"> <li>• Possible root cause of the incident</li> <li>• Possible impact of the fraud incident</li> <li>• Possible actions to be taken</li> </ul> </li> </ol>	<p><b>Mandatory:</b></p> <ul style="list-style-type: none"> <li>• Email (official Banking Supervision's email)</li> </ul> <p><b>To fulfill the requirements under this reporting, finance companies shall report via email.</b></p> <p>Other authorised communication channels are supplementary, and thus, will not replace the reporting via email. However, should there be exceptional circumstance such as internet connectivity outage, reporting via other authorised communication channels is considered sufficient.</p>
Submit a reporting form	No later than 5 working days	As set out in appendix 2 – Reporting form	<p><b>Mandatory:</b></p> <ul style="list-style-type: none"> <li>• Email (official Banking Supervision's email); or</li> <li>• Letter</li> </ul> <p><b>To fulfill the requirements under this reporting, finance companies shall report via email or letter.</b></p>
Submit a brief resolution summary	No later than 10 working days upon resolution of the incident	<ol style="list-style-type: none"> <li>1. Duration taken to resolve fraud incident including resolution date</li> <li>2. Actions taken to resolve the fraud incident</li> </ol>	

Note: Working days are from Monday to Friday, excluding official public holidays.



Illustration: Fraud reporting mechanism under paragraph of 4.2 of the Notice

