



NOTICE TO ISLAMIC BANKS
NOTICE NO. BU/N-2/2024/78

MAINTENANCE OF LIQUIDITY COVERAGE RATIO



1. INTRODUCTION

- 1.1. Liquidity Coverage Ratio (LCR) is a quantitative requirement which seeks to ensure that Islamic banks hold sufficient high-quality liquid assets (HQLA) to withstand an acute liquidity stress scenario over a 30-day horizon.
- 1.2. This Notice aims to establish the minimum LCRs for Islamic banks and the methodology for Islamic banks that shall be used for calculating these ratios.
- 1.3. This Notice is issued pursuant to section 66 of the Islamic Banking Order, 2008 (IBO) and applies to all Islamic banks in Brunei Darussalam licensed under the aforesaid Order.
- 1.4. Unless expressly stated herein below, this Notice shall take immediate effect.

2. DEFINITIONS

- 2.1. For the purpose of this Notice-

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

“Key responsible person” has the same definition as the Notice on Appointment of Key Responsible Persons for Islamic Banks;

“Solo” means at entity level in reference to the operations of an Islamic bank in Brunei Darussalam on a stand-alone basis;

- 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 IBO.



3. GENERAL REQUIREMENTS

- 3.1. With effect from 1st January 2026, an Islamic bank shall, at all times, maintain a minimum LCR level of not less than 100% on an aggregated basis¹.
- 3.2. An Islamic bank shall compute the LCR in accordance with the LCR Framework [ANNEX 1] and report the result using the LCR reporting template.
- 3.3. An Islamic bank shall comply with the minimum LCR requirements in this Notice on a Solo level, which refers to the operations of the Islamic bank in Brunei Darussalam on a stand-alone basis.
- 3.4. The Authority may vary the minimum LCR level or impose a separate LCR level in other currency applicable to an Islamic bank. In exercising this discretion, the Authority may take into account, inter alia, any relevant risk factor of an Islamic bank and whether the LCR is commensurate with the overall risk profile of the Islamic bank and any other factor the Authority may determine.

4. LIQUIDITY COVERAGE RATIO FRAMEWORK (ANNEX 1)

- 4.1. The LCR Framework sets out the methodology for computing regulatory LCR, which has been developed based on internationally agreed standards on LCR set by the Basel Committee on Banking Supervision.
- 4.2. Any reference to the LCR Framework shall be construed as reference to the current version of the LCR Framework which is displayed on the Authority's website at www.bdcg.gov.bn.

5. UTILISATION OF HQLA DURING LIQUIDITY STRESS

- 5.1. An Islamic bank shall give prior written notification to the Authority of its intent to utilise its HQLA in a liquidity stress situation, where such utilisation will cause the Islamic bank's LCR to fall below the minimum prescribed requirements as described in paragraph 3.1.
- 5.2. For the purpose of paragraph 5.1, an Islamic bank shall –
 - 5.2.1. provide its justification for the utilisation of HQLA;

¹ LCR to be calculated across all currencies, rather than focusing on any single currency



- 5.2.2. set out the cause of the liquidity stress situation and to provide supporting documents, where available; and
 - 5.2.3. detail the steps which it has taken and is going to take to resolve the liquidity stress situation,
to the Authority within one business day after the utilization of its HQLA.
- 5.3. An Islamic bank shall also keep the Authority informed of material developments during the liquidity stress situation.

6. SUBMISSION OF RETURNS

- 6.1. With effect from 1st July 2025, an Islamic bank shall complete and submit the LCR reporting template on a Solo level on a monthly basis, no later than 15 calendar days after the month-end reporting date.
- 6.2. The Authority places significant emphasis on the quality of information submitted for the purpose of LCR Framework. In this regard, an Islamic bank shall designate a key responsible person accountable for the quality of the information submitted in all reporting templates to the Authority under the Liquidity Coverage Ratio Framework.

MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK

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