

ISSUES AND MATTERS RAISED BY AHLI-AHLI DEWAN PERNIAGAAN DAN PERUSAHAAN MELAYU BRUNEI (DPPMB)

No.	Question	Relevant Unit/ Agency	Response/Comments
1.	<i>What is the role of AMBD in helping start-up companies, especially fresh graduates who intend to start businesses?</i>	BU/CMU	<p>AMBD's primary objectives are to achieve and maintain domestic price stability, to ensure the stability of the financial system, to assist in the establishment and functioning of efficient payment systems and to oversee them, and to foster and develop a sound and progressive financial services sector.</p> <p>AMBD continues to play an active role in stimulating the growth of the banking sector and the wider economy. Since the year 2007, AMBD has issued 47 Notices where the objective of several of these notices were to assist businesses, including start-up companies.</p> <p>In terms of facilitating start-up businesses more specifically, AMBD has issued a Notice on Equity Crowdfunding Operators, as a guidance on the regulatory requirements for those who wish to operate Equity Crowdfunding Platforms which may facilitate fund-raising for start-up companies. Other notices will be introduced, including Peer-to-Peer Crowdfunding Operators. The Capital Market Unit and the FinTech Unit in AMBD work closely to facilitate start-up FinTech companies who wish to operate in the Sandbox environment.</p>
2.	<i>Since the setting up of AMBD and as stipulated in the AMBD Act, can you list down policies, programs and steps that have been taken by AMBD to promote and</i>	BU/CMU/TIU	<p><u>Banking Services</u></p> <p>Amongst the policies that have been issued by AMBD that could assist Malay entrepreneurs are as follows: -</p>

<p><i>help participants of Malay entrepreneurs? We are talking about services like securities, insurance, banking services, banking employment, consultancy and many others. Can you share with us those policies, programs and steps?</i></p>		<p>In December 2012, AMBD issued guidelines to banks in relation to exceeding the single borrowing limit (SBL), which is the maximum limit a bank can lend out to a single borrower or counterparty. The SBL was increased from 20% to 30% of the bank’s capital fund subject to meeting certain conditions. This would give the banks more room to increase financing.</p> <p>On 28 October 2015, AMBD issued amendments to several of its regulatory notices including:</p> <ul style="list-style-type: none"> <li>• Rental income and business income for sole proprietors are allowed to be included as part of the borrower’s gross monthly income for the purpose of calculating the monthly Total Debt Service Ratio (TDSR), subject to certain conditions.</li> <li>• Credit cards fully secured by fixed deposits would not be included in the computation of borrower’s TDSR.</li> </ul> <p>In January 2016, AMBD with the Brunei Association of Banks (BAB) initiated the publication of corporate indicative rates to ensure transparency among banks and to ensure customers are able to make informed decisions.</p> <p>In May 2017, AMBD deregulated certain lending/deposit rates. This allowed banks to price their lending/financing rates based on their internal risk appetites and the borrower’s credit worthiness. The deregulation of rates could also enhance efficiency in financial intermediation that can further support the growth of the financial sector in the long term and therefore, increase the financial sector’s contribution to the country’s Gross Domestic Product (GDP).</p>
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		<p><u>Capital Market</u></p> <p>AMBD, through the Capital Market Unit, is also responsible for formulating policies and the legal framework for the capital markets, and its regulations and supervision. In developing these policies, AMBD takes regard of the international best practices and current industry environment. The current policies and legal and regulatory framework facilitate the use of capital markets as an alternative fund-raising avenue for companies, as well as provide sufficient investor protection.</p> <p>AMBD also encourages those who wish to conduct regulated activities to take up the licences, subject to compliance to certain requirements. Thus far, incentives that are available include:-</p> <ul style="list-style-type: none"><li>• Section 269 of the Securities Market Order, 2013 (SMO) provides tax exemptions relating to managing investments and collective investment schemes</li><li>• Section 17(k) of the Incentives Order, 2001 provides pioneer status to those who perform financial services, giving tax exemption of up to 11 years. Post- pioneer status, there is also relief of up to 6 years (Section 23).</li></ul> <p>AMBD is also a member of a working group developing a Brunei Darussalam stock exchange. Part of the efforts include developing listing rules, which takes into consideration the businesses in Brunei Darussalam to provide such businesses the opportunity to raise funds through Initial Public Offering (IPO) and list on the stock exchange.</p>
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			<p>AMBD's policies and legal and regulatory framework relating to the capital markets do not discriminate between Malay and non-Malay entrepreneurs.</p> <p><u>Insurance/Takaful Products and Services</u></p> <p>On participating to carry on insurance/takaful business, one of the criteria to become a general insurance/takaful agent (whether as individual or corporate) requires the applicant to be a citizen or permanent resident of Brunei Darussalam. This initiative is intended to promote our locals to venture into and carry on general insurance/takaful business as agents.</p> <p>For Malay entrepreneurs, SMEs or any types of businesses, insurance companies and takaful operators are able to customise their products and services according to business needs subject to their underwriting.</p>
3.	<p><i>DPPMB is the major organization to promote and help participation of Malay entrepreneurs. Quite often the members of Jawatankuasa of DPPMB are being asked by the fellow members of DPPMB to help their financial situations. In most occasions, we have difficulties in helping them. The current nominated Yang Berhormat are not working in tandem with our activities too. How could AMBD help DPPMB to help fellow members of DPPMB who are experiencing financial stress?</i></p>	FCIU	<p>Entrepreneurs are advised to approach their respective financial institutions to discuss possible solutions when experiencing financial difficulties. Whilst AMBD does not get involved with financial institutions' commercial decisions, if an entrepreneur finds that he/she has not been treated fairly by the financial institution, in terms of market conduct, transparency and disclosure, AMBD can assist in facilitating dispute resolution.</p>

4.	<p><i>During the 3<sup>rd</sup> DPPMB World Café, 60 Brunei businessmen have identified 5 important subjects. One of them is access to finance for Malay entrepreneurs. May we know what are the AMBD steps to help Malay entrepreneurs in access to finance?</i></p>	<p>BU/ CB/ FCIU</p>	<p><u>Banking Services</u></p> <p>Please see response to Question 2. It is also important to note that the final lending decision will be subject to the bank's internal credit decision and risk appetite.</p> <p><u>Credit Bureau and Collateral Registry</u></p> <p>In order to facilitate access to finance, AMBD established the Credit Bureau, as well as the Collateral Registry system. The Credit Bureau collects and collates credit information from various data providers (such as banks and finance companies), and consolidates the information in the form of a credit report. The credit report is used by lenders to assess the credit worthiness of their prospective or existing borrowers.</p> <p>The Collateral Registry administers an online registry system that centralises all registrations of movable assets that have security interests attached to it. It is another form of a credit risk tool that can be used by the banks to identify any potential competing security interests in the same collateral.</p>
5.	<p><i>Total Debt Ratio TDSR was adjusted recently from 60% to 70%, can you give us few examples how individual loan applicants are affected by these changes?</i></p>	<p>BU</p>	<p>Effective from 10 August 2017, the new TDSR amendment allows banks and Perbadanan TAIB to increase the TDSR limit from 60% to a maximum of 70% for credit facilities to finance the purchase or construction of properties only such as houses.</p> <p>This amendment is intended to encourage home ownership particularly for borrowers with net monthly income of BND1,750.00 and above, and to have wider options in making home purchases. This amendment also aims to stimulate the domestic property</p>

			<p>market through increased bank lending which can contribute to economic growth, in line to Wawasan 2035.</p> <p>With this amendment, borrowers with net monthly income of between BND1,750 up to BND9,999.99 who wish to apply for new property loans are eligible to exceed the current 60% TDSR framework up to a maximum TDSR 70%. The 70% TDSR does not apply for refinancing or restructuring of existing property loans.</p>
6.	Does government housing loan require to pass TDSR test?	BU	$TDSR = \frac{\text{Monthly debt obligations}}{\text{Net monthly income}}$ <p>Government housing loan is already deducted in calculating the borrower's Net monthly income and therefore not included in the TDSR computation.</p>
7.	<i>When a house developer sale a semidetached house to a government civil servant, as a buyer. This buyer will pay small deposit, and the developer will change ownership of lot to the buyer. The developer will continue to complete the house. The Government housing loan of MOF will not allow to submit housing loan application until occupation permit is received from the developer. Thus, no progress payment will be received by the developer. This practice is not encouraging government civil servants to use their government housing loan to buy and own houses, also developers are reluctant to</i>	MOF	

	<i>use government housing loan to sale their houses. Can AMBD regulate the imbalance on payment system so that both the developer and buyers benefit</i>		
8.	<i>Government Linked Companies GLC, have been in existent more than 40 years. We have not seen any significant Malay entrepreneurs benefit from the business opportunities available from these GLC. May we know how could AMBD and GLC help Malay entrepreneurs to participate in the business opportunities of GLC?</i>	DA	
9.	<i>Delay in payments by the Government. Can we discuss? Few proposals were discussed regarding the delay in payments:- a. The bank charges an approved loan applicant due to delay in payments. Since the delay is due to the Government, can the bank transfer the charge to the Government? b. Simetie a bank officer and an approved loan applicant will meet JPKE to explain problems faced by the bank's client. In case of the delay of payment by the government is due to insufficient government budget loan, can the bank give loan to the</i>	MOF	

	<i>Government in order to pay the delayed payment?</i>		
10.	<i>Can AMBD set up Credit Guarantee Servicess (CGS)? Credit Guarantee Services Malaysia (CGS) have assisted many MSME. Almost 20 billion worth of tender have been assisted. The CGS will provide among others assistance to MSME by subsidizing the bank interest, while normal process of loan application and payment will be done by the bank itself. With many of local banks established several years already and they have not contributed to the growth of Malay MSME, thus by setting up CGS using funds contributed and collected form these banks.</i>	BU	AMBD recognises that the establishment of a Credit Guarantee Scheme can help reduce the risks of MSME lending, particularly businesses/enterprises without collateral or with inadequate collateral and track record or credit history information to obtain financing from financial institutions. With the establishment of SME Bank also known as Bank Usahawan, AMBD kindly advises DPPMB to contact officers from the Bank regarding the promotion of such schemes.
11.	<i>Do government rule on the Resolution of the Brunei Association of Banks? For example, the resolution that bars a company form financial facilities of member banks when one member bank is in legal trouble with the company. Can the affected company go overseas for finance? What is AMBD policy on giving loan to MSME?</i>	BU	We believe this practice serves as precautionary measures by the member bank and is not within AMBD's purview. AMBD does not restrict companies from getting loans from banks overseas. However, the loan application will be subject to the laws and regulations of the respective jurisdictions and the lending decision will be subject to the overseas bank's credit decision and risk appetite.
12.	<i>We understand that banks are required to submit report to AMBD on loans being approved by the banks. Do you have</i>	CB	All licensed banks and finance companies in Brunei, as well as Perbadanan TAIB, are required to submit their customers' credit information to the Credit Bureau. The report includes demographic

	<i>reports of loans being submitted and turned down by the banks? Do you have any particular patterns how and why loan applications are turned down?</i>		details of the customer, a summary of the customer's credit facilities, details of each credit facility, and payment history for the last two years. However, the Credit Bureau does not collect the reason for loan application rejection.				
13.	<i>Can you share with DPPMB, reports of non-performing loans? Can you offer financial clinics to members of DPPMB on causes and remedies of non-performance loans?</i>	BU/ FCIU	Such data is published monthly and can be found on AMBD's website ( <a href="http://www.ambd.gov.bn">www.ambd.gov.bn</a> ) under 'Monthly Statistical Bulletin'.				
14.	Basel II and IFRS 9 have been introduced to the banking sectors. Since corporate lending is limited in Brunei Darussalam, thus SME financing is fairly dominant. Since its introduction, how far has these regulations affects the share of SME financing by the banks?	BU	<p>The implementation of Basel II Pillar 1 Capital Adequacy Framework effective from 15 March 2017 gives lower risk-weights on capital charge to SME loans. Therefore, it can be seen as an incentive for banks to promote loans to this sector.</p> <p>The implementation of IFRS9 will be effective from 1 January 2018 where banks are required to provide allowances for expected credit losses instead of incurred credit losses under IAS 39. The impact of this implementation to corporate lending will be reviewed.</p> <p>In terms of share of SME financing by the banks, SME financing accounts for 24.7% of total corporate sector as of Q3 2017. This SME financing has increased by 6.3% since Q1 2017.</p>				
15.	Banks charge fees to their clients on production of bank accounts on every contract they participate with BSP contracts or annual financial agreement every year. These fees are fairly repetitive and expensive to many SME. Can AMBD help to reduce these fees.	BU	<p>Since 28<sup>th</sup> May 2015, the AMBD has issued a capping on certain type of fees which are related to all unsecured personal credit/financing facilities and all hire purchase facilities. These capping ensures that borrowers are not excessively charged. The table below summarises the types of fees which are regulated: -</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Maximum Fee (BND)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Item	Maximum Fee (BND)		
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16.	Do you have any human resource planning to train local bankers to take over posts of CEOs in all the banks?	Up to the bank	This should be under the purview of each bank to handle its own succession planning.										
17.	The AMBD Credit Rating has contributed toward better management of SME financial performance and ratings. Thus, DPPMB likes to suggest AMBD to discuss with DARE to set up SME	CB	The Credit Bureau AMBD provides a platform for credit information sharing to the banks and finance companies in Brunei Darussalam. The banks and finance companies provide regular submission of their customers' credit information to the Credit Bureau AMBD, in which a credit report is generated for the purpose of the bank's										

	<p>Competitiveness rating. This rating will show level of performance, capacities and capabilities of SMEs</p>		<p>assessment on their existing and prospective borrower's creditworthiness.</p> <p>As of now, the Credit Bureau AMBD does not provide credit rating per se. However, the Credit Bureau AMBD will be providing a credit scoring service, which is expected to be officially rolled out by middle of next year. The credit score is a number based on the probability of default, at a particular point in time, that will help the lenders to objectively assess the borrower's credit worthiness.</p> <p>The Credit Bureau AMBD continues to discuss with DARE on this matter, where AMBD will provide support and assistance to DARE by providing the relevant information and/or services that will help to measure the so-called "SME Competitiveness rating". In this regard, AMBD urges the businesses to play their role in sharing the necessary data on the businesses as required by DARE.</p>
18.	<p>Today Borneo Bulletin and Media Permata stated in the Titah yesterday that the standard of Getting Credit in Brunei Darussalam is the second highest in the world. May I know how AMBD have reach this high standard. At the moment the business community are experiencing difficulty in getting credit from the bank. Up to now, even rented house, rent, and 60 years pensioners salary are not accepted by the bank as collateral.</p>	CB/ BU	<p>The ranking is based on the World Bank's Doing Business Report 2018 under the Getting Credit indicator, in which it is a comparison among 189 economies. The indicator evaluates based on 2 sets of criteria: (i) the depth of credit information as provided by the Credit Bureau AMBD, and (ii) the strength of secured transactions and bankruptcy laws, where an electronic and online Collateral Registry system under AMBD was made operational in December 2016. The Collateral Registry AMBD facilitates the use of movable assets as a collateral for businesses to raise their working capital. The improvement in the indicator was contributed by the implementation of the necessary financial infrastructure and legal framework to facilitate access to credit.</p> <p>However, it is important to understand that the introduction of these financial infrastructure and legal framework does not prescribe guaranteed access to credit, as the banks have their own discretionary assessment on the business' creditworthiness based on their internal credit risk policy. It is the businesses' prerogative to</p>

		<p>build a trust business relationship with the banks in order to obtain preferable terms of financings.</p> <p>As previously mentioned, on 28 October 2015, AMBD issued amendments to the Total Debt Service Ratio policy. This amendment allowed the inclusion of rental income, monthly pension and business income for sole proprietors as part of the borrower's gross monthly income for the purpose of calculating the monthly Total Debt Service Ratio (TDSR), subject to certain conditions. This relaxation has therefore provided better access to finance.</p>
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BU – Banking Unit

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CMU- Capital Markets Unit

FCIU – Financial Consumers Issues Unit

TIU – Takaful and Insurance Unit