



NOTICE TO ISLAMIC BANKS

NOTICE NO. BU/N-8/2018/58

NOTICE ON SYARIAH-COMPLIANT OVERNIGHT STANDING FACILITIES

1. Introduction

- 1.1 This Notice is issued pursuant to Section 66 of the Islamic Banking Order, 2008 and applies to all Islamic banks (hereinafter “banks”) in Brunei Darussalam.
- 1.2 This Notice shall take effect from **20th September 2018** (“Effective Date”).

2. Definitions

- 2.1 For the purpose of this Notice:

“Acceptance Facility” means a Standing Facility offered by the Authority, which a bank may use to place Brunei dollars with the Authority based on the principle of al-wadiah yad dhammanah;

“Authority” means Autoriti Monetari Brunei Darussalam established under the Autoriti Monetari Brunei Darussalam Order, 2010 (S103/2010);

“Book-Entry” means a system that enables transfers of securities and other financial assets which do not involve the physical movement of paper documents or certificates, e.g. the electronic transfer of securities;

“Central Securities Depository” or “CSD” means an entity that:

- Enables securities and holders of securities to be registered and securities transactions to be processed and settled by Book-Entry;
- Provides custodial services (e.g. the administration of corporate actions and redemptions);



- Plays an active role in ensuring the integrity of securities issues. Securities registered in the CSD can be held in a physical, but immobilized, form or in a dematerialized form (i.e. they exist only as electronic records);

“Collateral” means any one or any combination of the eligible securities pledged by the bank for the purpose of securing a transaction as specified in the Terms and Conditions;

“Funding Facility” means a Standing Facility offered by the Authority which a bank may use to receive Brunei dollars from the Authority subject to a requirement for sufficient eligible securities as Collateral;

“Late Penalty Charge” means the penalty imposed on an Eligible Counterparty in the event of settlement failure in relation to AMBD’s Syariah-Compliant Standing Facilities;

“Overnight” means the maturity term of transactions that must be repaid by the start of the next business day;

“RTGS” means the Real-Time Gross Settlement system;

“Safekeeping Fee” means the fee charged for the safekeeping of Collateral applicable to Funding Facilities as specified in the Terms and Conditions;

“Standing Facility” means the standing facilities offered by the Authority under the Terms and Conditions of AMBD’s Syariah-Compliant Standing Facilities; and

“Terms and Conditions” means the Terms and Conditions of AMBD Syariah-Compliant Standing Facilities, including any related schedule(s).

- 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 Islamic Banking Order, 2008.

3. Objective

- 3.1 As part of establishing a domestic money market for Brunei Darussalam and ensuring financial stability, the Authority is introducing a Syariah-compliant Overnight Standing Facility. To maintain the integrity of the domestic money market and to ensure access by the banks as a means for managing liquidity, the Standing Facility shall be in operation on all business days in Brunei Darussalam.



- 3.2 Syariah-compliant Standing Facilities consists of Funding Facilities and Acceptance Facilities which are available to banks under the Islamic Banking Order, 2008, and is a participant in both the RTGS and, in the case of Funding Facilities, the CSD.
- 3.3 Funding facilities are available to banks to obtain Overnight Brunei dollar liquidity from the Authority against eligible Collateral.
- 3.4 Acceptance Facilities are available to banks to make Overnight Brunei dollar deposits/placements with the Authority.

4. Announcement of Rates

- 4.1 The Authority shall, in its discretion, determine the Safekeeping Fee which will be announced on a scheduled basis on the Authority's website.

5. Additional Requirements

- 5.1 All banks are required to enter into a contractual relationship with the Authority in a form as may be determined by the Authority to ensure the accessibility of the Standing Facility. Notwithstanding the above, any transaction entered into with the Authority, shall be at the banks discretion.
- 5.2 The banks shall adhere to any instructions given by the Authority to ensure compliance with this Notice and any related laws and regulations.

6. Grace Period

- 6.1 All banks shall, three (3) months from the Effective Date, comply with this Notice including any applicable agreement with the Authority.



6.2 The grace period in paragraph 6.1 above shall not be applicable in cases of settlement failure by an Islamic bank.

**MANAGING DIRECTOR
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 2 Muharram 1440/ 12 September 2018