



# Recent Developments and Future Direction

## A. Recent Major Developments

Recent major developments are considered those that have occurred in the Brunei bond market or been announced since the first publication of the ASEAN+3 Bond Market Guide for selected economies in April 2012.

### 1. Developing Financial Infrastructure

Significant advances have been made in recent years in developing the core financial infrastructure in Brunei Darussalam. In November 2014, AMBD completed its first phase with the launch of the RTGS system and subsequently established an Automated Clearing House in May 2016. AMBD's RTGS system is the first in ASEAN to be implemented using SWIFT's new ISO20022 MX message standards, which positions Brunei Darussalam well to take advantage of ASEAN economic integration. The Automated Clearing House system also adopted the ISO20022 standard. Such developments are intended to pave the way for international integration in future.

AMBD has introduced the Fintech Unit with responsibility for the regulatory and development strategies needed to facilitate the use of financial technology (Fintech) in the financial sector of Brunei Darussalam. One of the first initiatives of the Fintech Unit was the issuance of the Fintech Regulatory Sandbox Guidelines, which promotes Fintech and gives flexibility to prospective Fintech companies in Brunei Darussalam, including capital market participants, to test their prototypes within the confinement and predetermined requirements of the regulatory sandbox.

### 2. Auction System for Brunei Government Sukuk Al-Ijarah

AMBD has recently started to utilize the Bloomberg auction system for the issuance of Brunei Government Sukuk Al-Ijarah. The new platform acts as an interim solution to automate the *sukuk* auction process.

## B. Future Direction

Market participants in the Brunei bond market are looking forward to a number of policy initiatives and proposed market developments in the near future. This section is intended to provide an overview of those initiatives and developments that have already been announced.

### 1. Central Securities Depository System

AMBD is implementing a CSD to bring under domestic control all the management of *sukuk* issues and enable secondary market trading. The CSD will provide safekeeping of securities and operate as a registration and securities settlement system, to enable auction settlement and trading of Brunei Government Sukuk Al-Ijarah and, potentially,

corporate bonds. Within these systems, exchanges of title and payment will occur simultaneously via a real-time interface with the RTGS (delivery-versus-payment) in order to eliminate settlement risk from the transaction. The CSD is also expected to adopt the new ISO20022 standard to facilitate cross-border linkages.

## 2. Development of the *Sukuk* Market

There are plans to expand the domestic *sukuk* program. AMBD, as an agent of the Government of Brunei Darussalam for *sukuk* issuance, will introduce longer-term Brunei Government Sukuk Al-Ijarah and other suitable forms of *sukuk*. This would facilitate the development of the secondary market and support the creation of a government securities yield curve as a benchmark rate for corporates and other institutions to issue *sukuk*.

## 3. Adopting ISO Standards for *Sukuk*

Parallel to the further development of domestic financial infrastructure, AMBD also plans to adopt ISO standards such as ISO 6166 (International Securities Identification Number) and ISO 10962 (classification of financial instruments) to help give domestic *sukuk* and other potential securities more exposure and visibility in the global financial marketplace. AMBD has plans to become a National Numbering Agency that will be responsible for issuing standards for securities registered in Brunei Darussalam. Adopting international standards allows for easier facilitation of cross-border linkages for the development of the bond market not only in Brunei Darussalam but also in ASEAN+3.

## 4. Establishment of the Brunei Securities Exchange

The aspiration is for the characteristic features of the Brunei Securities Exchange to be unique to Brunei Darussalam. Fundamentally, the vision of the exchange is to be simple in terms of design and yet have comprehensive rules based on international standards and best practices in order to cater for various investment products. In addition, with Brunei Darussalam being an Islamic country, a core objective of the exchange is to provide for the needs of Muslim investors. *Sukuk*, being one of the common types of Syariah-compliant securities, may potentially be listed on the Brunei Securities Exchange. Companies will also have the opportunity to be listed, provided they are able to meet the listing rules of the exchange, which are currently being prepared.

## 5. Syariah Governance Framework

In terms of the Syariah-compliant financial infrastructure, a key initiative currently developed by AMBD is the Syariah Governance Framework. The purpose of this framework is to help ensure that the structure, processes, products, and services of IFIs are in accordance with Syariah principles. In addition, the Syariah audit will be conducted on a continuous and periodical basis to ensure that existing Islamic products and services continue to comply with Syariah principles. Another initiative will be to provide a product approval guideline that will provide a set of procedures for IFIs to follow when determining the category of approval required from the SFSB and AMBD for new Islamic financial products or any enhancement or variation made to an existing product.