



Bilangan Kami : DFE/ASB/15/452

29 July 2015

Ketua Pegawai Eksekutif
Institusi Kewangan Pembangunan

Tuan,

**Regulatory Treatment of BNM *Mudarabah* Certificate (BMC) for
Development Financial Institutions**

The BMC is an Islamic monetary instrument or *sukuk* issued by Bank Negara Malaysia (the Bank) for the purpose of managing liquidity in the Islamic money market. The BMC is denominated in Ringgit and structured based on profit-sharing agreement between the Bank and *sukuk* holders (*rabbul mal*). The Bank will undertake the role of investment manager (*mudarib*) to mobilise and invest the *sukuk* holders' funds. In line with the *mudarabah* contract, the profit generated from the investment will be distributed between the Bank and *sukuk* holders based on the agreed profit sharing ratio and losses will be borne by *sukuk* holders.

2. With immediate effect, the Bank hereby specifies the following regulatory treatment for capital adequacy requirements pursuant to section 41 of the Development Financial Institutions Act 2002 (DFIA) for prescribed institutions under the DFIA that are *sukuk* holders. The determination of risk weighted assets associated with the credit risk exposures for the computation of capital adequacy requirements arising from the investment in BMC shall be subject to the "look-through" approach. This refers to the calculation of credit risk capital requirements based on the underlying asset funded by a placement and the fund provider shall calculate the capital requirements based on the risk weight applicable to the obligor of the underlying asset.

3. Furthermore, the BMC is recognized as marketable securities issued by the Bank pursuant to paragraph 17 and Part 4 of the Guidelines on Liquidity Framework for Development Financial Institutions¹. In this regard, the BMC shall be classified as a Class 1 liquefiable asset, with a yield slippage of 2% under the liquidity framework.

4. The specification in this letter shall form an integral part of the Capital Framework for Development Financial Institutions² until further notice. Any reference to the capital requirements of development financial institutions shall include a reference to this letter.

¹ Issued on December 2006.

² Issued on 22 February 2008.

Sekian, harap maklum.

Yang benar,



(Marina Abdul Kahar)

Pengarah

Jabatan Kewangan Pembangunan dan
Enterpris