

Islamic Banking Window Policy Document

Frequently Asked Questions (FAQs)

FAQs issued on: 11 November 2024

Introduction

This FAQs document supplements the Islamic Banking Window (IBW) Policy Document (PD) by providing clarification to the requirements specified in the PD, and it does not replace or supersede the requirements. Any further queries regarding implementation of the PD can be directed to: ifdconsult@bnm.gov.my

No.	Question	Answer
Eligibility Criteria		
1	<p>What is the definition of 'major adverse findings' as stated in paragraph 8.1(b)?</p> <p>Paragraph 8.1 of the IBW PD <i>A licensed person or prescribed institution which intends to carry on IBW operations shall comply with the following requirements:</i></p> <p><i>b) no major adverse finding⁶ made by BNM against the licensed person or prescribed institution.</i></p> <p>⁶<i>This includes Shariah non-compliance finding or major regulatory breaches.</i></p>	<p>'Major adverse findings' refers to non-compliance or breach which will impair the licensed person or prescribed institution's ability to carry on Islamic banking business or Islamic financial business that follows good governance and in compliance with Shariah, as stipulated under section 28 of the IFSA and section 33D of the DFIA. The parameters include major non-compliances that have been escalated for BNM's Enforcement Committee's attention including Shariah non-compliance incidents and or any non-compliance that could pose significant risk to the financial stability or reputation of a particular financial institution or systemic to financial system.</p>
Implementation of policy requirements		
2	<p>Paragraph 8.7 of the Guidelines on Skim Perbankan Islam (SPI (2012)) previously required the IBW operation to be headed by a Muslim with relevant background on Islamic banking. Does paragraph 8.7 of the IBW PD requires the similar expectation?</p> <p>Paragraph 8.7 of the Guidelines on SPI: <i>The IBD shall be headed by a Muslim senior management officer of the SPI licensed institution, at least the level of the Assistant General Manager (AGM). The position of the AGM should be equivalent to the status of other key functional heads to enable him to deal effectively with his peers and superiors when discharging his duties and responsibilities. The AGM should possess relevant background on Islamic banking and sufficient banking experience to enable him to perform his duties and responsibilities with regard to Islamic banking effectively.</i></p>	<p>Paragraphs 8.7 and 8.8 of the IBW PD are not intended to be prescriptive as opposed to previous requirement under the Guidelines on SPI i.e. being a Muslim as a requirement for the Head of IBW operation. Rather, the requirement under paragraph 8.6 provides the Board of IBW institution with a greater flexibility to appoint a qualified candidate to lead the IBW operation based on his or her professional qualification, skillsets, background and experience in managing the IBW operation and aligning with the IBW institution's strategies to expand its Islamic business.</p> <p>Further, the requirement is also in line with the requirement under the Policy Document on Shariah Governance issued by Bank Negara Malaysia ('BNM') on 20 September 2019 where the requirements (paragraphs 15.1 - 15.2) do not prescribe</p>

No.	Question	Answer
	<p>Paragraph 8.7 of the IBW PD: <i>An IBW institution shall designate a member of its senior management who has the authority, professional competence, knowledge and skillsets in areas relevant to Islamic banking to manage the overall IBW operations and discharge his or her duties and responsibilities effectively.</i></p> <p>Paragraph 8.8 of the IBW PD: <i>The designated member of senior management shall demonstrate solid appreciation of Shariah principles and the objectives of Shariah (maqasid Shariah) in Islamic banking business. In this regard, the designated member of senior management shall continuously develop and strengthen his or her knowledge and understanding on Islamic finance, as well as keeping abreast with the developments that may impact Islamic banking business.</i></p>	<p>any requirement for a Muslim to be the CEO or senior management of IFIs.</p>
Compliance with Shariah		
3	<p>Considering overseas IBWs operate in the different regulatory framework and societal landscape, is there any mechanism for IBW institutions to consult BNM in addressing challenges in complying with the Shariah Advisory Council (SAC) rulings as well as any standards, order, direction, requirement, condition, specification, restriction or otherwise specified, made or imposed pursuant to the IFSA?</p>	<p>Paragraph 8.22 requires IBW institutions, including overseas operation to observe all relevant SAC rulings and Shariah standards, including operational requirements issued by BNM.</p> <p>In cases of implementation challenges involving differences in or absence of Shariah views in the host countries, or challenges with the host countries' operating environment, the respective Shariah committees of the IBWs shall conduct robust deliberation on the applicability of the SAC rulings and Shariah standards to the IBW operations in the foreign jurisdiction and provide objective and sound advice to ensure that the operation, business, affairs and activities are in compliance with Shariah, consistent with paragraph 10.6. Upon comprehensive deliberation by the Shariah committee, IBW institutions may engage BNM for further consultation.</p>

No.	Question	Answer
Specific Requirements for IBW operations by overseas branches		
4	Is offshore IBW operation in the Federal Territory of Labuan, Malaysia categorised as an overseas branch?	Yes. Offshore IBW operation in the Federal Territory of Labuan, Malaysia is categorised as an overseas branch. Therefore, requirements under paragraph 10 (specific requirements for IBW operations by overseas branches) shall be observed by an offshore IBW branch in Labuan.