



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Skim Pembiayaan Mikro

Policy Document

Applicable to:

1. Licensed banks, including licensed digital banks
2. Licensed Islamic banks, including licensed Islamic digital banks
3. Prescribed development financial institutions

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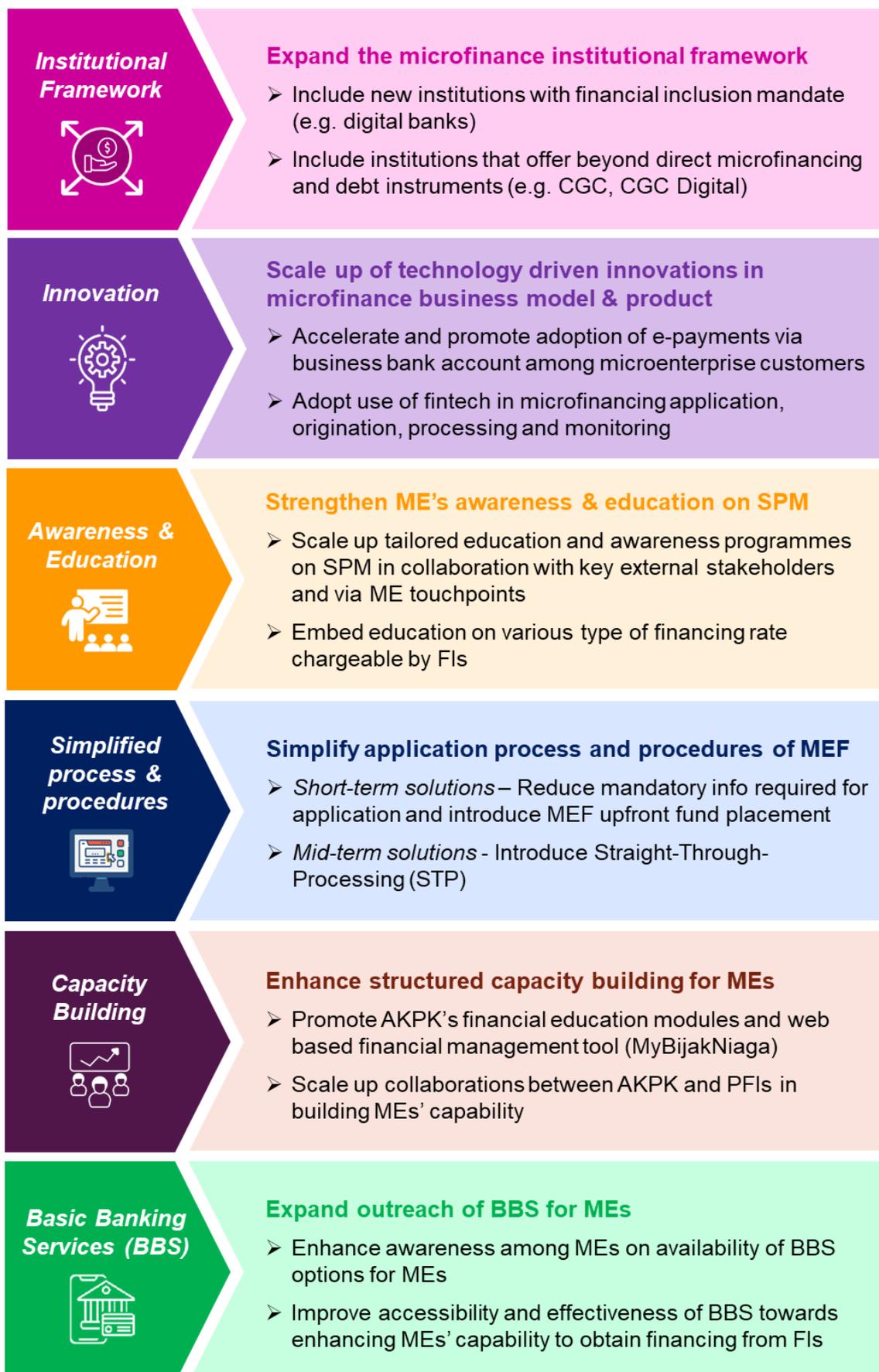
PART A OVERVIEW

1 Introduction

- 1.1** Skim Pembiayaan Mikro (SPM), which was launched in 2006 has positively contributed to the sustained rise in microfinancing supply by Participating Financial Institutions (PFIs) over the years. This initiative has also expanded the accessibility of microfinancing to the microentrepreneurs (MEs), particularly the unserved or underserved (U/US) segments such as informal businesses and low income MEs, as well as young businesses as outlined in Appendix 1.
- 1.2** The Financial Sector Blueprint 2022-2026 (FSBP) has introduced various initiatives to reinforce the finance ecosystem for MEs while promoting an inclusive and sustainable microfinance sector within Malaysia's financial system. BNM is introducing an enhanced SPM framework with strategic enablers that aims to achieve the following desired outcomes:
- (a) higher access to and take up of financing by MEs from PFIs;
 - (b) better outreach and service quality by PFIs to MEs, particularly to the U/US segments;
 - (c) wider options of financing products and non-financial services (e.g. capacity building programmes) for MEs to support upward migration;
 - (d) improved capability of MEs to secure loan/financing and to allow PFIs to accurately assess the MEs; and
 - (e) more vibrant landscape with greater participation by financial institutions (FIs) and players within the microfinance ecosystem (e.g., Credit Guarantee Corporation Malaysia Berhad (CGC), CGC Digital Sdn Bhd (CGC Digital), Agensi Kaunseling dan Pengurusan Kredit (AKPK)) offering innovative products and non-financial services.
- 1.3** This policy document outlines the enhanced SPM framework, which contains information and requirements to be complied with by FIs, as follows:
- (a) Part A – overview of the policy document;
 - (b) Part B – consolidated and proportionated policy requirements to provide a more enabling and fit-for-purpose regulatory framework for the implementation of SPM; and

- (c) Part C – operational requirements to be undertaken by FIs before and during their participation in SPM and for the utilisation of the Micro Enterprises Facility (MEF).

1.4 The SPM regulatory framework is complemented by six identified strategic enablers. The strategic enablers are designed to play a pivotal role in ensuring the success and resilience of the SPM initiative, fostering a robust and sustainable environment within the broader microfinance landscape as per Diagram 1 below.

Diagram 1: Strategic Enablers for Enhancement of Microfinance Ecosystem

2 Applicability

- 2.1 This policy document is applicable to all FIs as defined in paragraph 5.2.

3 Legal provisions

- 3.1 The requirements in this policy document are specified pursuant to:
- (a) sections 25, 47, 123, 143 and 144 of the Financial Services Act 2013 (FSA);
 - (b) sections 22, 57, 135, 155 and 156 of the Islamic Financial Services Act 2013 (IFSA); and
 - (c) sections 41, 42C and 116 of the Development Financial Institutions Act 2002 (DFIA).
- 3.2 The guidance in this policy document is issued pursuant to section 266 of the FSA, section 277 of the IFSA and section 126 of the DFIA.

4 Effective date

- 4.1 This policy document comes into effect on 11 November 2024.

5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA, IFSA and DFIA, as the case may be, unless otherwise defined in this policy document.
- 5.2 For the purpose of this policy document –
- “**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplement and transitional provisions that must be complied with. Non-compliance may result in enforcement actions;
- “**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**collateral**” refers to collateral to be pledged by a customer with an FI as security to the loans/financings obtained and claims are enforceable under the laws of Malaysia. This may include property, cash, unit trust, gold and deposit;

“**credit guarantee provider**” refers to an institution that assists MEs to gain access to loan/financing facilities from PFIs, by providing guarantee cover on such facilities such as CGC and Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP);

“**financial institution**” or “**FI**” refers to the following:

- (a) a licensed bank under the FSA (including a licensed digital bank);
- (b) a licensed Islamic bank under the IFSA (including a licensed Islamic digital bank); and
- (c) a prescribed development financial institution under the DFIA;

“**licensed digital bank**” refers to a person licensed under section 10 of the FSA to carry on banking business which is carried on wholly or almost wholly through digital or electronic means;

“**licensed Islamic digital bank**” refers to a person licensed under section 10 of the IFSA to carry on Islamic banking business which is carried on wholly or almost wholly through digital or electronic means;

“**Micro Enterprises Facility**” or “**MEF**” refers to a facility under BNM’s Fund for SMEs (the BNM Fund) that is channelled through PFIs of SPM with the objective of increasing access to microfinancing for MEs;

“**microentrepreneurs**” or “**MEs**” refer to:

- (a) microenterprises as defined in the Guideline for SME Definition¹ issued by SME Corporation Malaysia. For purposes of this policy document, this may include social enterprises and professional service providers²; or

¹ Guideline for SME Definition issued by SME Corporation Malaysia is available at www.smecorp.gov.my.

² Refers to social enterprises and professional service providers that meet the definition of microenterprises under the Guideline for SME Definition.

- (b) self-employed individuals who undertake his/her own business activities to earn a living and his/her business is not registered with any authorities outlined in the Guideline for SME Definition. This may include gig workers on digital platforms³ and participants of the iTEKAD programme⁴;

“microfinance access point” or **“MAP”** refers to a place or designated location, either physical or virtual that at a minimum, displays information, provides marketing and/or facilitates an application for an SPM product. This includes:

- (a) a PFI’s bank branch, business centre, microfinance centre or digital channels (e.g., internet banking, website);
- (b) an appointed agent or strategic partner; and/or
- (c) a third-party digital channel such as imSME platform⁵;

“participating financial institution” or **“PFI”** refers to an FI that is participating in SPM by offering SPM products to MEs;

“SPM product” refers to the product(s) or product line(s) offered by a PFI which fulfils the eligibility criteria stipulated in paragraph 8.1; and

“unserved or underserved segment” or **“U/US segment”** refers to a group of MEs whose needs for financial products and services are not adequately served or met, amongst others, as determined in accordance with the guiding principles in Appendix 1.

- 5.3** For the purposes of sections 121(b) and 121(c)(ii) of the FSA, sections 133(b) and 133(c)(ii) of the IFSA and sections 42A(b) and 42A(c)(ii) of the DFIA, BNM specifies that a financial consumer means microentrepreneurs as defined in paragraph 5.2.

³ Gig workers on digital platforms as defined by PENJANAGIG (i.e., individuals involved in carrying out tasks or work through a service provider platform on digital applications to earn income).

⁴ Participants of the iTEKAD programme refers to eligible low-income MEs subject to the terms and conditions outlined by respective PFIs.

⁵ imSME is an online SME financing/loan referral platform managed by CGC, accessible at www.imsme.com.my.

6 Related legal instruments and policy documents

- 6.1** This policy document must be read together with other relevant legal instruments, policy documents, guidelines or circulars that have been issued by BNM, including any amendments or reissuance thereafter, in particular:
- (a) Circular on Fair Debt Collection Practices issued on 11 September 2007;
 - (b) Dear CEO Letter on Enhancements to the Micro Enterprises Facility (MEF) issued on 11 November 2024;
 - (c) Dear CEO Letter on Update on Khidmat Nasihat Pembiayaan @ CGC and AKPK issued on 20 September 2023;
 - (d) eFIRST Participation and Operational Rule issued on 30 June 2016;
 - (e) Guidelines on Basic Banking Services issued on 10 December 2004;
 - (f) Guidelines on Basic Banking Services for Development Financial Institutions issued on 15 April 2009;
 - (g) Guidelines on Basic Banking Services for Islamic Banking Institutions issued on 16 December 2004;
 - (h) Guidelines on Complaints Handling issued on 17 December 2009;
 - (i) Guidelines on Imposition of Fees and Charges on Financial Products and Services issued on 10 May 2012;
 - (j) Guidelines on Product Transparency and Disclosure issued on 31 May 2013;
 - (k) Operational Guidelines on BNM's Fund for SMEs issued on 1 December 2020;
 - (l) Policy Document on Agent Banking issued on 16 June 2022;
 - (m) Policy Document on Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Financial Institutions (AML/CFT/CPF and TFS for FIs) issued on 5 February 2024;
 - (n) Policy Document on Central Credit Reference Information System (CCRIS): Requirements on the Submission, Usage and Protection of Credit Information issued on 1 December 2023;
 - (o) Policy Document on Financial Technology Regulatory Sandbox Framework issued on 29 February 2024;
 - (p) Policy Document on the Introduction of New Products issued on 7 March 2014;

- (q) Policy Document on Personal Financing issued on 15 December 2023;
- (r) Policy Document on Prohibited Business Conduct issued on 15 July 2016;
- (s) Policy Document on Responsible Financing issued on 6 May 2019;
- (t) Specification on Enhancing Access to Financing for Small and Medium Enterprises (SMEs) through imSME, an Online SME Financing Platform issued on 19 January 2018; and
- (u) Specification on Product Submission for Development Financial Institutions issued on 1 March 2023.

7 Policy Document and circulars superseded

- 7.1** This policy document supersedes the following documents that have been issued by BNM:
- (a) Circular on Establishment of Microfinance Branches by Locally Incorporated Foreign Banks issued on 27 April 2009;
 - (b) Dear CEO Letter on Eligible Products that Meet Bank Negara Malaysia's Definition of a Microfinance Product issued on 16 July 2007; and
 - (c) Dear CEO Letter on Enhancements to the Micro Enterprises Facility (MEF) issued on 23 May 2024.

PART B POLICY REQUIREMENTS**8 Skim Pembiayaan Mikro (SPM)*****Eligibility Criteria for SPM Product***

- S 8.1** An FI with one or more product(s) that in aggregate fulfils all the following criteria is eligible to classify its products as SPM products:
- (a) maximum loan/financing amount of up to RM100,000;
 - (b) the purpose of the loan/financing is for business activities, which includes working capital and/or capital expenditure;
 - (c) the loan/financing is offered to MEs; and
 - (d) flexible collateral requirement whereby no collateral shall be required from MEs as a pre-condition to obtain the loan/financing, except for those outlined in paragraph 8.6.

An FI intending to classify its product as an SPM product in order to be recognised as a new PFI of SPM or an existing PFI who wishes to classify additional products as an SPM product must comply with the notification procedures as set out in paragraphs 13.1 and 13.5.

Existing products approved by BNM under SPM shall be deemed classified as SPM products and the PFIs offering such SPM products shall be subject to all requirements of this policy document.

- G 8.2** Notwithstanding the maximum loan/financing amount set out in paragraph 8.1(a), PFIs are encouraged to offer small financing of RM5,000 or lower under SPM to provide continued access to microfinancing to the U/US segments that are in need of such financing amount.
- G 8.3** With respect to paragraph 8.1, for the purpose of classifying a product of an FI or PFI under SPM, the product can either be a new or existing product.
- S 8.4** Once a product is classified as an SPM product, the PFI shall ensure that the product features of the SPM product continue to fulfil the eligibility criteria stipulated in paragraph 8.1 at all times. A PFI shall notify BNM should the PFI

discontinue or change the features of any SPM product(s) in accordance with paragraph 13.3.

Source of Funding

- G 8.5** A PFI has the discretion to determine its source of funding to finance SPM customers, including but not limited to social and/or commercial funds and MEF. Notwithstanding this, a PFI is highly encouraged to utilise funding sources that could deepen its reach to the U/US segment and lower the cost of financing for MEs.

De-risking instruments

- S 8.6** With respect to paragraph 8.1(d), PFIs shall not require collateral from MEs as a pre-condition to obtain the loan/financing, except that PFIs may require:
- (a) Financial guarantee⁶ from third party. This may include guarantee from credit guarantee providers such as CGC or SJPP; and/or
 - (b) Contracts or account receivables as collateral for contract financing⁷ or invoice financing⁸.
- G 8.7** With respect to paragraph 8.5, a PFI may establish and use risk-absorbent funds to provide more accessible, affordable, and flexible SPM loan/financing to vulnerable segments that face challenges in accessing or fulfilling obligations as customers of commercially driven microfinance. Examples of customers within these vulnerable segments are zakat recipients (*asnaf*) and low-income MEs. The aforesaid risk-absorbent funds may include:
- (a) funds sourced from social finance instruments (e.g. donations, corporate social responsibility (CSR) contributions, zakat and cash waqf) as the funding sources for microfinance;

⁶ Refers to a promise to take responsibility for the borrower's financial obligation in the event of default.

⁷ Refers to a financing facility that provides financial support for contractors/suppliers who obtained a local contract such as supplies, services and contract works.

⁸ Refers to a financing facility that provides financial support for the ME upon delivery of goods or rendered services, leveraging on the outstanding invoices issued to their customers for immediate funding.

- (b) social impact investment funds that are sourced from investment accounts⁹ as the funding sources for microfinance; and/or
- (c) zakat wakalah fund¹⁰ for the settlement of microfinance debt to ease the burden of the indebted zakat recipient (*asnaf al-gharimin*) MEs after all efforts to recover their business are exhausted.

Business conduct

- S 8.8** A PFI that requires its prospective SPM customers to open a dedicated business bank account is not regarded as engaging in prohibited business conduct¹¹ under the Policy Document on Prohibited Business Conduct.
- S 8.9** The product features of the dedicated business bank account referred to in paragraph 8.8 shall at minimum, be equivalent to the product features of basic current accounts specified under the Guidelines on Basic Banking Services¹², including any amendments or reissuance thereafter.
- G 8.10** A PFI may require its existing and prospective SPM customers to:
- (a) utilise non-financial value-added services¹³ as a condition before or after obtaining microfinance under SPM; and
 - (b) report data or information on business performance for impact monitoring by the PFI.

⁹ For example, an investment account based on the concept of two-tier Mudarabah, a contract between the capital provider (*rabbul mal*) and the entrepreneur (*mudarib*) whereby:

- Returns are based on performance of the underlying asset. Any investment profit generated from the Mudarabah venture is shared between the capital provider (*rabbul mal*) and the entrepreneur (*mudarib*) according to mutually agreed upfront profit-sharing ratio.
- Any investment losses will be borne by the capital provider up to the amount invested and provided that such losses are not attributed by the entrepreneur's willful misconduct, negligence, fraud or breach of specified terms.

¹⁰ Refers to the portion of zakat being refunded for the purpose of self-distribution by the zakat payers (on behalf of zakat authorities) directly to *asnaf*. This is subject to specific rulings and approval by the respective zakat authorities.

¹¹ As set out in paragraph 5 of Schedule 7 of the FSA and IFSA and paragraph 5 of the Second Schedule of the DFIA.

¹² Including Guidelines on Basic Banking Services for Islamic Banking Institutions and Guidelines on Basic Banking Services for Development Financial Institutions.

¹³ For example, capacity building programmes, business management solutions.

- S 8.11** Notwithstanding paragraph 8.10(a), any cost arising from the non-financial value-added services, if passed on by PFIs to SPM customers, shall be made affordable¹⁴.
- S 8.12** In line with the Dear CEO Letter on Update on Khidmat Nasihat Pembiayaan @ CGC and AKPK, including any amendments or reissuance thereafter, a PFI shall provide adequate explanation, and refer the unsuccessful ME applicants, to Khidmat Nasihat Pembiayaan (MyKNP)@CGC. The MyKNP@CGC platform provides advisory services and alternative sources upon rejection of ME applications to have access to loan/financing.

Disclosure of Financing Rate

- S 8.13** A PFI shall specify the type of financing rate chargeable¹⁵ in advertisements, marketing materials and the Product Disclosure Sheet (PDS). In addition, the PFI shall disclose an indicative effective financing rate for an SPM product with loan/financing amount of RM100,000 and tenure of seven years to facilitate comparison and informed decisions by customers.

9 Incentives for Participating Financial Institutions

Micro Enterprises Facility (MEF)

- S 9.1** An FI or PFI intending to utilise MEF as its source of funding for SPM shall comply with the notification procedures as set out in paragraph 13.1 and 13.5 of this policy document and Appendix 2 of the Dear CEO Letter on Enhancements to the Micro Enterprises Facility (MEF).
- S 9.2** A PFI that utilises MEF must comply with the following requirements issued by BNM, including any amendments or reissuance thereafter:
- (a) Operational Guidelines on BNM's Fund for SMEs;
 - (b) eFIRST Participation and Operational Rule¹⁶;

¹⁴ For example, advanced capacity building programmes and business management solutions (e.g., all-in-one business management solutions that includes e-payments and bookkeeping).

¹⁵ For example, flat rate, fixed rate or floating rate.

¹⁶ BNM's Electronic Funds Integrated System (eFIRST) is an online financing administration system that allows access to FIs to facilitate the approval, disbursement, repayments and interest/profit computation of the financing and advances made by BNM via the BNM Fund.

- (c) Dear CEO Letter on Enhancements to the Micro Enterprises Facility (MEF); and
- (d) other relevant requirements that BNM may specify from time to time.

Stamp duty exemption

- G 9.3** A PFI is eligible for stamp duty exemption for the instrument of agreement for a loan/financing between the customer and the PFI under SPM for an amount not exceeding RM50,000 in accordance with the Stamp Duty (Exemption) (No. 4) Order 2011 [P.U.(A) 446]¹⁷ or any other order made pursuant to section 80(1) of the Stamp Act 1949.
- S 9.4** The information on the exact product name(s) that will be used in the loan/financing agreement between an SPM customer and the FI shall be submitted to BNM as part of the information required to be submitted together with the notification to classify the FI's product as an SPM product as set out under item 1(b) of Appendix 2.
- G 9.5** Upon obtaining confirmation from Lembaga Hasil Dalam Negeri (LHDN) that the product listing eligible for stamp duty exemption on LHDN's website has been updated, BNM will notify PFIs via email accordingly.
- S 9.6** A PFI shall ensure that the name of the SPM product in the loan/financing agreement is the same as the information submitted to BNM and the product listing published on LHDN's website¹⁸.

10 Microfinance delivery channels

Microfinance branches

- G 10.1** Following the liberalisation measures announced for the financial services sector on 27 April 2009, a participating locally incorporated foreign bank (participating LIFB) is allowed to establish up to ten microfinance branches in Malaysia, subject

¹⁷ The Stamp Duty (Exemption) (No. 4) Order 2011, and the list of PFIs and their approved Micro Financing Scheme products for stamp duty exemption are available at www.hasil.gov.my/en/stamp-duty/stamp-duty-order.

¹⁸ This is to be verified by LHDN for all stamp duty exemption requests received via stamp duty office or Stamp Assessment and Payment Systems (STAMPS).

to BNM's prior approval under section 25 of the FSA and section 22 of the IFSA respectively. This is to accord greater branching flexibility for participating LIFBs in promoting financial inclusion by establishing microfinance branches in Malaysia and to expand their outreach in supporting viable MEs and cater to the needs of the U/US.

- S 10.2** A participating LIFB with microfinance branch(es) is subject to the following requirements:
- (a) the microfinance branch can only offer SPM products as outlined under paragraph 8.1; and
 - (b) the establishment of additional branches are subject to the effectiveness of the existing ten branches in serving MEs.
- S 10.3** The Chief Executive Officer of a participating LIFB shall provide an annual declaration to BNM on the microfinance branch's compliance with the requirements stipulated in paragraph 10.2(a).
- S 10.4** BNM reserves the rights to revoke the approval granted for the establishment of microfinance branches under section 25 of the FSA and section 22 of the IFSA, as the case may be, should any participating LIFB fail to comply with the requirements stipulated in paragraph 10.2.

Leveraging on agents

- G 10.5** In addition to the services specified under paragraphs 8.6 and 8.8 of the Policy Document on Agent Banking, including any amendments or reissuance thereafter, other microfinance-related services that may be provided by agents on behalf of a PFI without BNM's prior approval, electronically or otherwise, to improve the accessibility of SPM are as follows:
- (a) act as an alternative customer interface¹⁹;
 - (b) provide referral/leads on microfinance application to PFI; and

¹⁹ For example, advertising of SPM product at agents' premises, postal and courier services to PFI, facilitate or guide customers to apply to the PFI via devices/system connected to the PFI's back-end system and facilitate collection of information or data on applicant/business on behalf of PFI via devices/system connected to PFI's bank-end system.

- (c) facilitate due diligence on customer identity for microfinance application via devices/system connected to PFI's back-end system on behalf of PFI.

S 10.6 In leveraging on its agent to provide microfinance-related services as stipulated in paragraph 10.5, a PFI shall comply with the following requirements:

- (a) relevant requirements which include, but are not limited to paragraphs 8.14, 9 and 10.2.3(d) of the Policy Document on Agent Banking, including any amendments or reissuance thereafter, and other relevant guidelines and policy documents issued by BNM;
- (b) all potential risks from such arrangement are mitigated with appropriate action plans;
- (c) PFI shall ensure that there are internal policies and procedures in place to assess the suitability and feasibility of these agents in offering such services; and
- (d) only agents that facilitate the opening of saving account services are allowed to offer the service stipulated in paragraph 10.5(c), subject to the requirements in paragraph 16 of the Policy Document on AML/CFT/CPF and TFS for FIs, including any amendments or reissuance thereafter.

S 10.7 Where agents are appointed to provide microfinance-related services as stipulated in paragraph 10.5, the PFI shall ensure that the agent and agent's staff do not undertake the following services on the PFI's behalf:

- (a) market and provide explanations regarding the SPM product beyond the marketing materials provided by the PFI;
- (b) receive physical documents from customer; and
- (c) conduct SPM loan/financing appraisal.

S 10.8 In addition to the requirements under paragraphs 10.6 and 10.7, a PFI shall comply with the following requirements:

- (a) the PFI shall put in place an awareness programme for MEs on the importance of understanding their rights and responsibilities before signing the loan/financing agreement as well as precautionary measures to be taken when dealing with agents; and

- (b) the PFI shall ensure that agents who facilitate microfinance-related services prominently display the contact details of the PFI's customer service centre for SPM to facilitate any further inquiry on SPM products and lodging of complaints on agent's services and misconduct (e.g., the imposition of unauthorised additional charges on MEs).

11 Digitalisation and technology-driven innovations

- G 11.1** To enhance the efficiency and effectiveness of SPM, a PFI is encouraged to:
- (a) scale up technology driven innovations in their microfinance business model and products;
 - (b) accelerate and promote adoption of e-payments via business bank accounts among its ME customers, to improve MEs' traceability and track record building;
 - (c) adopt use of fintech in microfinancing application, origination, processing and monitoring, such as through the use of automated credit decision and disbursement; and/or
 - (d) introduce digital microfinancing products²⁰ with greater outreach capabilities and service quality to provide convenient access to SPM, particularly for the U/US segments.
- G 11.2** With respect to paragraph 11.1(c), a PFI is highly encouraged to leverage on the imSME platform²¹ to ensure that MEs are adequately supported in obtaining loan/financing and to facilitate the loan/financing application process.
- G 11.3** A PFI is encouraged to adopt alternative data or credit scoring methods to facilitate onboarding of SPM customers and supplement credit decisioning for a more informed decision.
- G 11.4** A PFI may also adopt digital solutions for self-reporting by SPM customers to facilitate progress and impact monitoring.

²⁰ Digital microfinancing product refers to microfinancing products that are delivered fully via digital channels.

²¹ imSME is an online SME financing/loan referral platform managed by CGC, accessible at www.imsme.com.my.

12 Microfinance logo and client charter***National Microfinance Logo***

- S 12.1** To promote awareness on the availability of SPM products, a PFI shall ensure that the following steps are taken:
- (a) the national microfinance logo as set out in Appendix 4 (the Logo) for door stickers is displayed at the PFI's bank branches that offer SPM products. The Logo shall be clearly visible to all customers;
 - (b) the Logo is printed on all new documents and materials related to the PFI's SPM products, such as application forms, promotional materials, and other applicable materials; and
 - (c) the Logo is displayed at other microfinance access points (MAPs) that accept SPM loan/financing applications or display information related to SPM, including digital channels²².
- G 12.2** In addition to the requirements in paragraph 12.1, a PFI is encouraged to:
- (a) distribute the Logo stickers to customers of SPM; and
 - (b) encourage customers of SPM to display the Logo at their business premises.
- S 12.3** A PFI shall reproduce the Logo as stickers as per the requirement in paragraph 12.1 based on the following specifications:
- (a) **Colour**
 - (i) the Logo shall appear in green²³; and
 - (ii) the background of the Logo that forms the frame shall be in white.
 - (b) **Logo size and wordings**
 - (i) the minimum size of the Logo for stickers to be displayed at a PFI's physical MAPs²⁴, a strategic partner's business premises or an SPM customer's business premises shall be 15.0 cm x 18.5 cm; and
 - (ii) the words "PEMBIAYAAN MIKRO" shall be in capital letters.

²² For example, PFI's website/portal, PFI's internet banking, imSME platform.

²³ Colour coding of 'Pantone 3165' for coated and 'Pantone 322' for uncoated materials respectively.

²⁴ For example, bank branches, business centres, microfinance centres, agents.

- S 12.4** For the purpose of using the Logo in other documents and materials mentioned in paragraphs 12.1(b) and 12.1(c), a PFI shall ensure that the colour and aspect ratio of the Logo are duly observed.
- G 12.5** With respect to paragraph 12.3, a PFI may request for the softcopy of the Logo by emailing to microfinance@bnm.gov.my.
- S 12.6** The Logo is the property of BNM and shall not be used otherwise than as stipulated in this paragraph 12 without the prior written permission of BNM.

Microfinance Client Charter

- S 12.7** A PFI shall establish a Microfinance Client Charter (the Client Charter) which emphasises on the easy, fast and convenient features of the SPM product and states, at least, the following salient features:
- (a) **Easy**
- (i) flexible collateral requirement as outlined in paragraph 8.1(d) and 8.6;
 - (ii) the application form is simple and easily understood;
 - (iii) the eligibility criteria; and
 - (iv) the necessary documents which must be provided by applicants.
- (b) **Fast**
- (i) the duration for a PFI to approve an application is subject to the receipt of complete documentation from the applicants. A PFI shall ensure that the target approval time²⁵ of an average of six working days is met; and
 - (ii) the duration for a PFI to disburse the loan/financing is subject to acceptance of all parties of the relevant legal documentation and/or completion of training. A PFI shall ensure that the target disbursement time²⁶ of an average of four working days is met.
- (c) **Convenient**
- (i) the SPM product is available at all MAPs that display the Logo.

²⁵ Approval time refers to the number of working days upon receipt of complete documentation from the applicants until approval of loan/financing by the PFI.

²⁶ Disbursement time refers to the number of working days from acceptance of all parties (e.g., borrower, guarantor) of the relevant legal documentation and/or completion of training until disbursement of loan/financing.

- S 12.8** To improve customers' awareness on SPM, a PFI shall display the Client Charter at relevant MAPs, either through physical and/or digital means to ensure high visibility and accessibility by MEs.

PART C OPERATIONAL REQUIREMENTS**13 Notification procedures related to SPM and Micro Enterprises Facility (MEF)*****Notification procedures for participation in SPM, classification of a product as an SPM product and/or to utilise MEF***

- S 13.1** With respect to the requirement in paragraph 8.1 and paragraph 9.1, an FI intending to classify its product as an SPM product in order to be recognised as a new PFI of SPM, an existing PFI who wishes to classify additional products as an SPM product, or an FI or PFI intending to utilise MEF shall submit a notification to BNM at least five working days prior to the expected effective date for offering the SPM product or utilisation of MEF. At minimum, the notification to BNM shall contain the information on the product, as set out in Appendix 2. Unless otherwise notified by BNM within five working days from the date of complete submission by an FI or PFI of the notification, (a) an FI may classify its product as an SPM product and thus be recognised as a new PFI of SPM; (b) an existing PFI may classify additional products as an SPM product; and/or (c) an FI or PFI may utilise MEF accordingly.
- G 13.2** In completing the information as set out in Appendix 2, FIs or PFIs may:
- (a) refer to the examples of existing SPM products that are available at www.bnm.gov.my/microfinance; and
 - (b) consult BNM prior to submitting the notification.
- For further enquiries on SPM and MEF related matters, FIs or PFIs may email to microfinance@bnm.gov.my.

Notification procedures for discontinuation or change in features of SPM product(s)

- S 13.3** With respect to the requirement in paragraph 8.4, a PFI shall notify BNM at least five working days prior to the effective dates for the following events:
- (a) for discontinuation of any SPM product(s), a PFI shall submit a notification letter to BNM and provide justification for the discontinuation; and
 - (b) for change in features to any of SPM product(s), a PFI shall email to microfinance@bnm.gov.my and provide the updated information as set out in Appendix 2.

Notification procedures for Client Charter

- S 13.4** A new PFI shall submit a copy of the Client Charter to BNM within five working days of classifying its product as an SPM product under paragraph 13.1.
- S 13.5** The notification letter to be submitted by an FI, existing PFI or new PFI based on the requirements of paragraphs 13.1, 13.3(a) and 13.4 shall be addressed to:
- Director
Financial Inclusion Department
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
- G 13.6** With respect to paragraph 13.5, FIs are encouraged to make an electronic submission by emailing the notification letter to microfinance@bnm.gov.my.

14 Application procedures for microfinance branch and Sandbox participation***Application procedures for microfinance branch***

- S 14.1** For purposes of paragraph 10.1 on the flexibility for participating LIFBs to open microfinance branch(es), an application shall be submitted to BNM via the Regulatory Approval (RA) Portal to the following department:
- Director
Banking Supervision Department (JP2)
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

Application to participate in Financial Technology Regulatory Sandbox (Sandbox)

- G 14.2** PFIs may submit an application to participate in BNM's Financial Technology Regulatory Sandbox to test out new microfinance-related technology-led innovations or solutions, in accordance with the eligibility requirements and procedures as set out in the Policy Document on Financial Technology Regulatory Sandbox Framework, including any amendments or reissuance thereafter.

- S 14.3** Applications to participate in BNM's Financial Technology Regulatory Sandbox shall be submitted to the following department:

Director

Financial Development and Innovation Department

Bank Negara Malaysia

Jalan Dato' Onn

50480 Kuala Lumpur

- G 14.4** With respect to paragraph 14.3, applicants are encouraged to make an electronic submission by emailing to fintech@bnm.gov.my, cc microfinance@bnm.gov.my.

15 Reporting requirements

- S 15.1** In monitoring the growth of the microfinance industry, a PFI shall submit the following information to BNM:
- (a) monthly status report of SPM, Lending Financing Rate/Lending Financing Rate Islamic (LFR/LFRI) and MEF through STATSmart ISP Platform no later than 15 days after the end of each reporting month, unless otherwise specified by BNM; and
 - (b) information regarding the MAPs addressed to the Director of Financial Inclusion Department via microfinance@bnm.gov.my no later than 15 days after 30 June and 31 December of each year. The information required shall be submitted using the template in Appendix 3.
- S 15.2** In addition to the requirements in paragraph 15.1, a PFI shall submit and update the information pertaining to SPM and MEF in the Central Credit Reference Information System (CCRIS) in accordance with the requirements of the Policy Document on Central Credit Reference Information System (CCRIS), including any amendments or reissuance thereafter.
- S 15.3** A PFI shall submit any other information on SPM or MEF as may be required by BNM from time to time.

APPENDICES

Appendix 1 Guiding Principles of Unserved or Underserved Microentrepreneurs (MEs)²⁷

Guiding principles of unserved or underserved segments	Examples of unserved or underserved segments
Limited geographical accessibility to financing	<ul style="list-style-type: none"> • Self-employed individuals or microenterprises living in areas with inconvenient accessibility to microfinance access points (MAPs) where the nearest MAPs are located more than 10km travelling distance away. • Hard-to-reach areas such as rural/remote areas with no proper transportation infrastructure or inaccessible via normal mode of transportation.
Low financial take-up or usage or awareness of loan/financing products by FIs	<ul style="list-style-type: none"> • Self-employed individuals or microenterprises without business banking account or low usage of business banking products. • Self-employed individuals or microenterprises with low awareness/understanding on business banking products and services. • Self-employed individuals or microenterprises who are discouraged from visiting bank branches. • Self-employed individuals or microenterprises conducting transactions or having loan/financing with informal or illegal platforms and financial service provider.

²⁷ The guiding principles in this policy document are aligned with the principle-based guidance on the financially unserved and underserved under BNM's Strategy Paper on Financial Inclusion Framework 2023-2026.

Guiding principles of unserved or underserved segments	Examples of unserved or underserved segments
<p>Unable to conduct digital/online banking/mobile transactions due to lack of digital literacy, capability or connectivity</p>	<ul style="list-style-type: none"> • Self-employed individuals or microenterprises who are not technology-savvy. • Micro businesses owned by persons with disabilities and require assistance to perform financial transactions. • Does not have or use business's mobile or internet banking for banking and payment transactions. • Resides in areas with poor internet connectivity and/or unable to subscribe to internet services.
<p>Profiles of MEs – high risk, less agile, vulnerable due to personal circumstances</p>	<ul style="list-style-type: none"> • Less agile to adapt to changes in circumstances or life events and falls into financial hardship easily. • Low ability to withstand financial shocks. • Lack of capacity to make own decision and requires assistance to deal with financial institutions. • Informal businesses (e.g. self-employed individuals as stipulated in paragraph 5.2). • Self-employed individuals or microenterprises without business banking account. • Young businesses (business which is less than 3 years in operations). • Lack of credit history/income history/collateral/document, e.g. audited accounts, management accounts. • Micro businesses who require small financing (e.g. RM5,000 or below).

Guiding principles of unserved or underserved segments	Examples of unserved or underserved segments
	<ul style="list-style-type: none"> • Has limited understanding of the formal processes and procedures to obtain financial services. • Has adverse financial/credit track records. • Micro businesses owned by low-income individuals (e.g., asnaf, B40). • Home based businesses and businesses without a permanent business location/premise (e.g., night market sellers, hawkers).
<p>Difficulty in accessing financial products due to information asymmetry or concerns on commercial viability especially in new growth areas</p>	<ul style="list-style-type: none"> • Not typically suited to traditional bank-based financing and/or risk protection solutions. • Difficulty in accessing loan/financing and/or protection solutions due to information asymmetry or commercial viability concerns given the infancy stage of development.

Appendix 2 Notification Template for Participation in SPM, Classification of a Product as an SPM Product and/or to Utilise MEF

Criteria to fulfil or information to be provided by financial institution (FI) or participating financial institution (PFI)	Details
<p>1) Product/Programme Name</p> <p><i>To state:</i></p> <p>a) <i>The name of product/programme to be classified as an SPM product; and</i></p> <p>b) <i>The exact names of the product/programme that will be used in the loan/financing agreement between the SPM customer and PFI.</i></p>	
<p>2) Contract type (for Islamic product only)</p> <p><i>To state the Islamic contract type i.e. tawarruq, mudharabah etc.</i></p>	
<p>3) Compliance to the requirements of the Policy Document on the Introduction of New Products and/or other relevant requirements specified by</p>	

Criteria to fulfil or information to be provided by financial institution (FI) or participating financial institution (PFI)	Details
<p>BNM²⁸</p> <p><i>Please indicate 'Yes'/'No', product status (e.g., existing product, new product, material or immaterial change of an existing product).</i></p>	
<p>4) Source, type and size of fund</p> <p><i>To clearly indicate the source and type of fund for the product i.e., FI's own internal fund, MEF, Others (please specify).</i></p> <p><i>If there is a specific allocated fund size, please state the amount and whether it is a one-off allocation or on revolving basis.</i></p>	
<p>5) Credit Default Risk</p> <p><i>To indicate who will bear credit risk in case of default e.g., solely by FI, shared between FI and a third party.</i></p> <p><i>If the risk is shared with a third party, please indicate the name of the third party (e.g., CGC, SJPP, Government) and</i></p>	

²⁸ E.g., Specification on Product Submission for Development Financial Institutions issued on 1 March 2023, including any amendments or reissuance thereafter.

Criteria to fulfil or information to be provided by financial institution (FI) or participating financial institution (PFI)	Details
<p><i>details of risk sharing (e.g., ratio of risk sharing between FI and the third party, threshold of guarantee by third party).</i></p>	
<p>6) Collateral Requirement</p> <p><i>No collateral shall be required from MEs as a pre-condition to obtain loan/financing under SPM, including SPM funded by MEF, except for those outlined in paragraph 8.6 of this policy document.</i></p>	
<p>7) Loan/financing Amount</p> <p><i>Please specify:</i></p> <ul style="list-style-type: none"> • <i>Minimum loan/financing amount; and</i> • <i>Maximum loan/financing amount.</i> 	
<p>8) Financing rate chargeable to SPM customer (p.a), inclusive of guarantee fee (if any)²⁹</p> <p><i>For financing under SPM that will be funded by MEF, please specify the distinction of financing rate chargeable to SPM</i></p>	

²⁹ FI to specify the type of financing rate chargeable and disclose an indicated effective financing rate p.a. (based on financing amount of RM100,000 for 7 years).

Criteria to fulfil or information to be provided by financial institution (FI) or participating financial institution (PFI)	Details
<p><i>customer based on FI's own internal fund against MEF (Note: FIs are required to pass the cost-saving from MEF lower funding cost to SPM customer).</i></p>	
<p>9) Purpose of loan/financing - for business activities <i>E.g., working capital; and/or capital expenditure.</i></p>	
<p>10) Target segments <i>To list down:</i></p> <ul style="list-style-type: none"> • <i>Target segments (e.g., microenterprises as defined in the Guideline for SME Definition issued by SME Corporation Malaysia and/or self-employed individuals); and</i> • <i>Target sub-segment, if any (e.g., low-income MEs, young businesses).</i> 	
<p>11) Tenure <i>The tenure of loan/financing to SPM customer.</i></p>	

Criteria to fulfil or information to be provided by financial institution (FI) or participating financial institution (PFI)	Details
<p>12) Committed approval time³⁰ <i>BNM's requirement: loan/financing to be approved at an avg. of six working days.</i></p>	
<p>13) Committed disbursement time³¹ <i>BNM's requirement: loan/financing to be disbursed at an avg. of four working days.</i></p>	
<p>14) Eligible economic sector <i>To list down the sector that is eligible to apply for the product.</i></p>	
<p>15) Eligibility criteria to apply <i>To list down the criteria of applicants that is considered for the product.</i></p>	
<p>16) List of common documents required <i>To list down the documents to be provided by applicants:</i></p>	

³⁰ Approval time refers to the number of working days upon receipt of complete documentation from the applicants until approval of loan/financing by the FI.

³¹ Disbursement time refers to the number of working days from acceptance of all parties (e.g., borrower, guarantor) of the relevant legal documentation and/or completion of training until disbursement of loan/financing.

Criteria to fulfil or information to be provided by financial institution (FI) or participating financial institution (PFI)	Details
<ul style="list-style-type: none">• <i>mandatory documents</i>• <i>optional documents (if any)</i>	
17) Application procedures <i>To list down the microfinance access point for the application of this product e.g., branch, online, imSME etc.</i>	
18) Public Hotline Numbers <i>To list down the contact numbers to the dedicated officers managing application queries from the public.</i>	

Appendix 3 Report Template for Microfinance Access Points

All participating financial institutions (PFIs) are required to update and submit the following bi-annual report to BNM no later than 15 days after 30 June and 31 December of each year.

Name of PFI: _____

Report of month: (Jun / Dec) Year: _____

(A) Microfinance access points (by type)

Type of Microfinance Access Point	Functions or Services Provided <i>E.g. inquiry only, marketing only, referral or leads on application/product, accept application, conduct credit assessment, facilitate loan repayment/collection</i>
PFI's bank branches	
Business centres	
Microfinance centres	
Agents	
Strategic partners <i>(please specify)</i> <i>E.g., State Islamic Religious Council</i>	
Other physical channels <i>(please specify)</i>	
PFI's own digital channels <i>(please specify)</i> <i>E.g., website/portal, internet banking</i>	
Third party's digital channels <i>(please specify)</i> <i>E.g., imSME platform</i>	

(B) Number of microfinance access points (by state)

State	Type of Microfinance Access Points					
	PFI's bank branches	Business centres	Microfinance centres	Agents	Strategic partners	Others <i>(please specify)</i>
Johor						
Kedah						
Kelantan						
Melaka						
Negeri Sembilan						
Pahang						
Perak						
Perlis						
Pulau Pinang						
Sabah						
Sarawak						
Selangor						
Terengganu						
W.P. Kuala Lumpur						
W.P. Putrajaya						
W.P. Labuan						
Total						

Appendix 4 National Microfinance Logo

