

Islamic Collateralised Funding Policy Document Frequently Asked Questions (FAQs) and Answers

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Introduction

This document is intended to provide clarification to the requirements specified in the Islamic Collateralised Funding Policy Document (the PD), and it does not replace or supersede the requirements. Any updates to this document will be notified by Bank Negara Malaysia (the Bank) from time to time.

If you have any further inquiries regarding implementation of the PD, kindly direct the queries to the following email address: immu@bnm.gov.my

No.	Question	Answer
Applicability		
1.	Is the PD applicable for intraday transactions?	Yes, except for intraday transactions entered into by a banking institution with the Bank.
2.	Is the PD applicable to transactions entered by a local banking institution with a foreign counterparty?	Yes, but the PD will only be applicable to the local banking institution.
3.	Is the PD applicable to SBBA or CCM transactions between two banking institutions involving collateral deposited in a foreign central depository?	Yes, the PD is applicable to SBBA or CCM transactions between two (2) banking institutions involving collateral deposited in a foreign central depository.
4.	Is the PD applicable to overseas parent company or holding company?	No, the PD only applies to “banking institutions” in Malaysia as defined in paragraph 5.2 of the PD.
SBBA transactions		
5.	Can the undertaking to buy or sell back securities under SBBA or reverse SBBA transactions be initiated prior to completion of the first leg of transactions.	No, the SBBA or reverse SBBA must be entered into by the contracting parties following the sequence as stated in the definitions of “SBBA” and “reverse SBBA” in paragraph 5.2 of the PD.
6.	Is there any grace period to transfer the legal ownership of SBBA securities sold under SBBA or reverse SBBA from SBBA seller to SBBA buyer?	No, the legal ownership of SBBA securities should be transferred immediately from SBBA seller to SBBA buyer upon completion of the outright sale transaction.
CCM transactions		

7.	What is the Shariah principle used for pledging of securities as collateral by CCM pledgor to CCM pledgee under CCM transactions?	<p>The pledging of securities under CCM transactions is based on the Shariah principle of <i>rahn</i> and shall be subject to all requirements of the Policy Document on <i>Rahn</i> and the Shariah Advisory Council's (SAC) Ruling on Collateralised Commodity Murabahah as an Islamic Financial Market Instrument at its 190th SAC meeting on 26 February 2019.</p> <p>The pledging of securities under a CCM transaction may happen in two (2) ways:</p> <ul style="list-style-type: none"> i. by security interest where the legal title and beneficial rights of the securities remain with CCM pledgor but the securities will be tagged to CCM pledgee throughout the transaction period, or ii. by security transfer where the legal title of the securities is transferred from CCM pledgor to CCM pledgee while the beneficial rights remain with CCM pledgor.
8.	Can CCM pledgee utilise the securities pledged under CCM transactions for other activities such as selling of the pledged securities to a third party?	Utilisation of the securities pledged, if any must be consistent with Rahn PD and Shariah Advisory Council's (SAC) Ruling on Collateralised Commodity Murabahah as an Islamic Financial Market Instrument at its 190th SAC meeting on 26 February 2019.
9.	After reaching the maximum tenure of five (5) years, can CCM pledgor renew CCM transactions without entering into a new commodity murabahah transaction?	No, after reaching the maximum tenure of five (5) years, the transacting parties must enter into a new commodity murabahah transaction if they wish to renew the CCM transaction.
General questions		
10.	Can a local banking institution continue to enter into SBBA or CCM transaction with non-licensed institutions after issuance of the PD?	Yes, the PD does not restrict with whom a local banking institution can enter into SBBA or CCM transactions.
11.	Is there a grace period prior to the full implementation of the PD?	One-year grace period is given for the industry to fully adopt the standards specified in the PD. Kindly refer to paragraph 4.1 of the PD.
12.	Is it permissible to enter into SBBA or CCM transaction for an amount lesser than RM10 million or with an odd figure?	Yes, as stated in paragraph 8.6 of the PD, it is permissible to enter into SBBA or CCM transactions for an amount which is different from the standard lot or minimum market lot subject to agreement between the transacting parties.

13.	Can the settlement of RENTAS securities for SBBA or CCM transactions takes place outside RENTAS?	No, the settlement of RENTAS securities cannot take place outside RENTAS except during the event of system failure.
14.	Can the securities sold under SBBA or pledged under CCM be considered as eligible liabilities for Statutory Reserve Requirement?	Securities under SBBA and CCM transaction will not form part of an item under eligible liabilities for the purpose of computation of Statutory Reserve Requirement.
15.	Can the securities sold under SBBA or pledged under CCM be considered as liquefiable assets under Liquidity Framework?	A banking institution shall ensure that the stock of high-quality liquid assets (HQLA) is free from any legal, regulatory, tax, accounting, and contractual encumbrances or other practical restrictions on the ability of the banking institution to liquidate, sell, transfer, or assign the asset. Kindly refer to paragraph 12 of the Policy Document on Liquidity Coverage Ratio on encumbrance and transferability of assets for further details.
16.	Would non-scripless securities (e.g; Acceptance Bills, Islamic Negotiable Instruments of Deposit etc) or non-RENTAS securities be eligible for SBBA or CCM transactions?	Yes, there is no restriction on the use of non-scripless securities or non-RENTAS securities for SBBA or CCM transactions as long as the securities are Shariah-compliant.