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| BNM/RH/CIR 002-7 | Islamic Banking and Takaful Department | Prohibition on Specific/Restricted and Loss-Bearing Fund Placement from Islamic Banks to Parent Banking Institutions |
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1. APPLICABILITY

The circular is applicable to all Islamic banks licensed under Section 3(4) of Islamic Banking Act 1983 (IBA).

2. EFFECTIVE/ISSUANCE DATE

13 January 2010.

3. LEGAL PROVISION

This circular is issued pursuant to section 53A of the IBA.

4. DIRECTIVE

- 4.1 With effect from 9 November 2009, Islamic banks are not allowed to make specific/restricted and loss-bearing fund placement¹ with the parent banking institution². While existing placements, if any, are allowed to be continued, they shall not be rolled over upon maturity.
- 4.2 This policy measure is intended to promote the Islamic bank's further expansion using its own funds and prohibits Islamic banks from funding parent banking institutions.

¹ Refers to placement of investment/deposit based on Islamic banking concept such as Specific Investment Account.

² Notwithstanding this circular, any form of placement to conventional parent banking institutions is prohibited as these institutions do not conduct Islamic banking business.