Ketua Pegawai Eksekutif
Bank Islam Berlesen
Bank Berlesen

Tuan,

Regulatory Treatment of BNM Mudarabah Certificate (BMC) for
Licensed Banks and Licensed Islamic Banks

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 regulatory treatment on capital adequacy pursuant to section 47(1) of the Financial Services Act 2013 (FSA) and 57(1) of the Islamic Financial Services Act 2013 (IFSA) for licensed banks under the FSA and licensed Islamic banks under the IFSA that are sukuk holders. The determination of Risk Weighted Assets (RWA) associated with the credit risk and market risk exposures for the computation of capital adequacy requirement arising from the investment in BMC shall be subject to the:

(i) "look-through" approach on the underlying assets of the BMC as specified under Appendix XXI of Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets)¹ (CAFIB RWA) or Appendix XXIV of the Capital Adequacy Framework (Basel II: Risk Weighted Assets)² (CAF RWA), as the case may be; and
(ii) relevant approach³ adopted for the assignment of risk weight under the CAFIB RWA and CAF RWA.

3. Furthermore, the BMC is recognized as Level 1 high-quality liquid asset (HQLA) for purposes of compliance with Liquidity Coverage Ratio (LCR)⁴ in accordance with paragraph 10.1 of the LCR.

¹ Issued on 27 June 2013
² Issued on 27 June 2013
³ Refers to Standardised Approach or Internal Ratings Based (IRB) Approach for credit risk, and Standardised Approach or Internal Model Approach for market risk.

10/58/45
4. The single counterparty exposure limit (SCEL) associated with the investments in BMC shall be determined in accordance with paragraph 11.9 of the Single Counterparty Exposure Limit⁵ or paragraph 11.9 of the Single Counterparty Exposure Limit for Islamic Banking Institutions⁶, respectively.

5. The specification and requirements in this letter shall form an integral part of the CAFIB RWA and CAF RWA until the documents are amended. Any reference to the CAFIB RWA and CAF RWA shall include a reference to this letter.

Sekian, harap maklum.

Yang benar,

(Wan Mohd Nazri b. Wan Osman)
Pengarah
Jabatan Perbankan Islam dan Takaful

s.k. Pengarah, Jabatan Dasar Kewangan Pruden

---

⁴ Issued on 31 March 2015.
⁵ Issued on 9 July 2014.
⁶ Issued on 9 July 2014.