Capital Funds

Applicable to:
1. Licensed banks
2. Licensed Investment banks
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PART A  OVERVIEW

1  Introduction

1.1 Minimum capital funds requirements are introduced as an important entry and on-going requirements to ensure a banking institution maintains a minimum size of capital to operate and perform its intermediation function effectively.

1.2 This policy document sets out:
(a) the minimum capital funds that must be maintained by a banking institution; and
(b) components of capital funds.

2  Applicability

2.1 This policy document is applicable to a licensed bank and licensed investment bank (collectively referred to as “banking institution”).

3  Legal provisions

3.1 The requirements in this policy document are specified pursuant to sections 12 and 47(1) of the Financial Services Act 2013 (FSA).

4  Effective date

4.1 This policy document comes into effect on 3 May 2017.

5  Interpretation

5.1 The terms and expressions used in this policy document must have the same meanings assigned to them in the FSA, unless otherwise defined in this policy document.

5.2 For the purpose of this policy document–
“S” denotes a standard, obligation, requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

“G” denotes guidance which may consist of such information, advice or recommendation intended to promote common understanding and sound industry practices which are encouraged to be adopted;
“Capital funds” shall be the sum of:
(a) Paid-up ordinary shares;
(b) Paid-up preference shares;
(c) Irredeemable convertible unsecured loan stock (ICULS)\(^1\);
(d) Retained earnings; and
(e) Other disclosed reserves.

\(^1\) The amount of ICULS to be included as part of the capital funds shall be subject to the limit as set out in paragraph 7.2.
PART B  POLICY REQUIREMENTS

6  Minimum capital funds requirements

S  6.1  A banking institution is required to maintain at all times, the following minimum amount of capital funds as prescribed in the Financial Services (Minimum Amount of Capital Funds or Surplus of Assets over Liabilities) (Licensed Person) Order 20132  pursuant to section 12(1) of the FSA:

<table>
<thead>
<tr>
<th>Licensed bank which is a locally incorporated foreign bank</th>
<th>Minimum capital funds (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed bank, which is not a locally incorporated foreign bank:</td>
<td></td>
</tr>
<tr>
<td>(a) by itself; or</td>
<td></td>
</tr>
<tr>
<td>(b) in aggregation with the capital funds of its related corporation that is a licensed investment bank</td>
<td>2,000,000,000</td>
</tr>
<tr>
<td>Licensed investment bank which is not related to any licensed bank</td>
<td>500,000,000</td>
</tr>
</tbody>
</table>

S  6.2  In addition to the minimum capital funds requirements, a banking institution must also comply with the minimum regulatory capital requirements as set out in the Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk-Weighted Assets).

7  Other regulatory requirements

S  7.1  Any change in the paid-up ordinary shares or preference shares of a banking institution is subject to prior written approval of the Bank.

S  7.2  ICULS issued by a banking institution to its shareholders can be calculated as part of the capital funds as long as the total value of the ICULS to be included does not exceed 25% of the total capital funds (excluding the ICULS).

2  P.U.A 199/2013