



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# 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)<sup>1</sup>;
  - (d) Retained earnings; and
  - (e) Other disclosed reserves.

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<sup>1</sup> 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 2013*<sup>2</sup> pursuant to section 12(1) of the FSA:

	Minimum capital funds (RM)
Licensed bank which is a locally incorporated foreign bank	300,000,000
Licensed bank, which is not a locally incorporated foreign bank: (a) by itself; or (b) in aggregation with the capital funds of its related corporation that is a licensed investment bank	2,000,000,000
Licensed investment bank which is not related to any licensed bank	500,000,000

- 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).

<sup>2</sup> P.U.A 199/2013