



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Holding of Immovable Properties

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PART A OVERVIEW

1. Introduction

Policy objective

1.1. The objective of this policy requirement is to ensure that a banking institution exercises prudence in its acquisition, holding and rental of immovable properties in order to minimise its exposure to the risks associated with such holding.

Scope of policy

1.2. This policy document outlines the requirements in relation to the holding of immovable properties by a banking institution.

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 provision

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

4. Effective date

4.1. This policy document comes into effect on 30 June 2013.

5. Interpretation

5.1. The terms and expressions used in this policy document shall have the same

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meanings assigned to it in the FSA unless otherwise defined in this policy document.

5.2. For the purpose of this policy document:

“**S**” denotes a standard, requirement or specification that must be complied with. Failure to comply may result in one or more enforcement actions;

“**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;

“**Immovable property**” includes both land and buildings or any rights or interest therein, both in or outside Malaysia.

6. Circulars superseded

6.1. The circulars listed in Appendix 1 are superseded.

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PART B POLICY REQUIREMENTS

7. Holding of immovable properties

- S** 7.1. A banking institution is allowed to acquire, hold or rent immovable properties for the following purposes:
- i. conducting its business, subject to the requirements of section 25 of the FSA; or
 - ii. providing housing or other amenities for the staff; or
 - iii. satisfaction of debts (i.e. foreclosed properties).
- S** 7.2. A banking institution is required to obtain the written approval of the Bank prior to acquiring, holding or renting any immovable property for purposes other than those stated in paragraph 7.1.
- S** 7.3. Where a banking institution has acquired an immovable property by virtue of paragraph 7.1, the banking institution is allowed to let the remaining floors of the immovable property which are in excess of its current needs.

8. Regulatory limits

- S** 8.1. A banking institution shall comply with the following limits in respect of its holding of immovable properties:
- i. total holding of immovable properties, shares, interest-in-shares and collective investment schemes shall not exceed 50% of its Total Capital¹; and
 - ii. holding of immovable properties acquired in satisfaction of debts shall not exceed 1% of its Total Capital.

¹ Total Capital as defined under paragraph 7.2 of the *Capital Adequacy Framework (Capital Components)*.

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- S** 8.2. For the purpose of paragraph 8.1, the value of the immovable properties shall be measured in accordance with the applicable Malaysian Financial Reporting Standards.

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APPENDIX

Appendix 1 List of circulars superseded

1. Paragraph 1(d) of the *Blanket Approval to Banking Institutions* issued on 27 December 1995
2. *Purchase of Immovable Properties* issued on 27 December 1995
3. *Acquisition of Immovable Properties and Renovation of Office Premises* issued on 1 November 1991
4. *Acquisition of Properties Pledged as Collateral* issued on 21 May 1991