



Our Reference : JPIT/PB/4/5/1

23 Ogos 2013

To Chief Executive Officers of Banking Institutions

Tuan,

Regulatory treatment for IILM Sukuk

With the coming into effect of the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA), the Liquidity Framework (LF) and Liquidity Framework-i (LFi) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) (CAFIB RWA) and the Capital Adequacy Framework (Basel II Risk-Weighted Assets) (CAF RWA), which are guidelines issued under the repealed Banking and Financial Institutions Act 1989 and the Islamic Banking Act 1983, as the case may be, are deemed as standards specified under section 47 of the FSA and section 57 of the IFSA, respectively.

2. We wish to inform that with immediate effect, the regulatory treatment for IILM Sukuk are as follows:

- i. IILM Sukuk are recognised as Class 1 liquefiable asset, with a yield slippage of 4.5% under the LF and LFi. For purposes of regulatory reporting, holdings of IILM Sukuk shall be classified as "Danamodal bonds"; and
- ii. Investments in Short Term IILM Sukuk, which is based on A1 ratings and current structure of the sukuk, shall be subject to the following treatment under the CAFIB RWA and CAF RWA:
 - 20% risk weight under the Standardised Approach for credit risk. For purposes of regulatory capital reporting, holdings of IILM Sukuk shall be classified as "Other Assets"; and
 - 0.25% to 1.0% specific risk charge as per paragraph 5.47 of CAFIB RWA and paragraph 5.52 of CAF RWA as well as the general risk charge under the Standardised Market Risk Approach. For purposes of regulatory capital reporting, holdings of IILM Sukuk shall be classified as "Non-G10" category.

3. The requirements in this letter shall form part of CAFIB RWA, CAF RWA, LF and LFi until the standards are amended. Any reference to the CAFIB RWA, CAF RWA, LF and LFi shall include a reference to this letter.

Sekian, harap maklum.

Yang benar,

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