



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Granting of Credit Facilities

Applicable to:

1. Licensed insurers
2. Licensed takaful operators

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PART A OVERVIEW

1. Introduction

- 1.1 This policy document sets out the requirements to be complied with by a licensed insurer and licensed takaful operator for granting credit facilities.

2. Applicability

- 2.1 This policy document is applicable to a licensed person as defined in paragraph 5.2.

3. Legal provisions

- 3.1 This policy document is specified pursuant to-
- (a) section 47(1) and section 266 of the Financial Services Act 2013 (FSA); and
 - (b) section 57(1) and section 277 of the Islamic Financial Services Act 2013 (IFSA).
- 3.2 The requirements in this policy document must be read together with section 133 of the Companies Act 1965.

4. Effective date

- 4.1 This policy document comes into effect from 1 December 2015.

5. Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA and IFSA, as the case may be unless otherwise defined in this policy document.
- 5.2 For the purposes of this policy document-
- “**S**” denotes a standard, an 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 statements of information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**licensed person**” means a licensed insurer and a licensed takaful operator, unless otherwise specified.

6. Policy document superseded

6.1 This policy document supersedes the Policy Document on Granting of Credit Facilities issued on 28 June 2013.

PART B POLICY REQUIREMENTS

7. General requirements on granting credit facilities

- S** 7.1 A licensed person must obtain the prior written approval of the Bank to:
- (a) act, or arrange with any person to act, as a guarantor for a credit facility granted to any person; and
 - (b) grant a credit facility to any person specified in paragraph 7.2, subject to section 133 of the Companies Act 1965.
- S** 7.2 For the purposes of paragraph 7.1(b), a specified person is-
- (a) any of a licensed person's directors;
 - (b) a company or firm in which a licensed person has any interest as controller, manager or agent;
 - (c) a company or firm in which any of a licensed person's directors has any interest as director, partner, controller, manager or agent;
 - (d) an individual for whom or a company or firm for which any or its directors is a guarantor;
 - (e) a company in which a licensed person, any one or more of its directors has interest in voting shares of 20% or more;
 - (f) a company which has interest in voting shares of 20% or more in a licensed person; and
 - (g) a company in which the company in paragraph 7.2(f) above has interest in voting shares of 20% or more.
- S** 7.3 The Bank's prior written approval under paragraph 7.1(b) is not required for granting a credit facility to a director of a licensed person if that credit facility is secured in full by a life policy or family takaful certificate held by the director which does not exceed the surrender value of the policy or certificate.
- S** 7.4 For the purposes of paragraphs 7.2 and 7.3, "director" includes a relative of a director.
- G** 7.5 The purchase of private debt securities or Islamic private debt securities in the secondary market is not deemed as the granting of a credit facility.

8. Requirements on granting credit facilities to insurance or takaful agents

- G** 8.1 For avoidance of doubt, a licensed person is not required to obtain prior approval from the Bank or notify the Bank on credit facilities granted to its insurance or takaful agents.

- S** 8.2 A licensed person shall set out in its internal policies the specific purposes for which the credit facilities may be granted to the insurance or takaful agents. Any credit facility granted shall comply with such policies and must not be used to circumvent any requirements issued by the Bank on agency commissions.
- S** 8.3 Any credit facility granted by a licensed person to its insurance or takaful agents must only be granted from the licensed person's shareholders' funds. Documentation on any credit facility granted to an insurance or takaful agent must be properly maintained, updated and made available to the Bank for inspection upon request.