

Risk-Based Capital Framework for Takaful Operators

Issuance Date

31 May 2017

Effective Date

1 June 2017

The Risk-Based Capital Framework for Takaful Operators (RBCT) sets out the minimum level and approach to compute a licensed takaful operator's regulatory capital. The RBCT also specifies the expectations of Bank Negara Malaysia (the Bank) on valuation of assets and takaful liabilities, and regulatory limits for exposures to specific types of investment and counterparties.

Effective from 1 June 2017, the RBCT is issued pursuant to sections 57 (as prudential standards) and 155 (on submission of document or information to the Bank) of the Islamic Financial Services Act 2013 (IFSA). The RBCT shall replace the preceding RBCT issued on 26 June 2013 and will no longer be imposed as a licensing condition effective the same date.

The substance of the RBCT remains unchanged from the preceding issued on 26 June 2013 and shall continue to remain applicable to licensed takaful operators.

Summary of amendments to the RBCT issued on 31 May 2017 is highlighted in Attachment.

Summary of amendments to the RBCT issued on 31 May 2017

1. The issuance of the RBCT is to update its content to align with the provisions under the IFSA. Please note that the changes in this RBCT include the following:
 - (a) references to the repealed Takaful Act 1984 and the Islamic Banking Act 1983 have been substituted with the corresponding provisions under IFSA and any other relevant legal instruments or documents currently applicable to the licensed takaful operators, as the case may be; and
 - (b) general editorial amendments to enhance clarity.
2. The specific updates in the relevant paragraphs in the RBCT framework are listed in the table below:

No.	Changes	References
1	<p>Updates to Legal Provisions paragraph to align with the Islamic Financial Services Act 2013 (IFSA) effective 1 June 2017:</p> <p>(i) Revocation of registration condition on imposition of the RBCT to licensed takaful operators; and</p> <p>(ii) Specification of RBCT as prudential standards pursuant to section 57 of the IFSA and application of section 155 on requirement relating to submission of documents or information to the Bank.</p>	<p>Paragraph 3.1 and paragraph 6.1 (Part A Overview)</p>
2	<p>Editorial updates and clarification</p> <p>(i) Amendments to the terms used in the RBCT to be consistent with corresponding definitions under IFSA, Financial Services Act 2013 (FSA), and Development Financial Institutions Act 2002 (DFIA):</p> <p>(a) Licensed takaful operators (to replace “takaful operators”)</p> <p>(b) Licensed banks and licensed investment banks (to replace “institutions licensed under the Banking and Financial Institutions Act 1989”);</p> <p>(c) Licensed Islamic banks (to replace “institutions licensed under the Islamic Banking Act 1983”);</p>	<p>Throughout the RBCT</p> <p>Throughout <i>Appendix I Credit Risk Capital Charges and Appendix III Investment and Individual Counterparty Limits</i></p>

Attachment

No.	Changes	References
	<p>(d) Prescribed development financial institutions (to replace “institutions prescribed under the Development Financial Institutions Act 2002”); and</p> <p>(ii) Editorial enhancements for greater clarity and to facilitate continued enforcement of the requirements.</p>	Throughout the RBCT