



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

**Joint Information Note on the Issuance and  
Subscription of Ringgit and Foreign Currency-  
Denominated Sukuk and Bonds in Malaysia**

**Revised: 1 July 2013**

## **1.0 Introduction**

- 1.1 As part of the continuous efforts by Bank Negara Malaysia and the Securities Commission Malaysia to promote the development of the domestic capital market, in particular the Islamic bond market (sukuk) under the initiative to develop Malaysia as an International Islamic Financial Centre (MIFC), a framework has been introduced to facilitate the issuance of ringgit and foreign currency-denominated sukuk and bonds in Malaysia.
- 1.2 The purpose of this Joint Information Note is to set out the requirements on issuances and subscription of ringgit and foreign currency-denominated sukuk and bonds and shall be read together with the Securities Commission Malaysia's *Guidelines on Sukuk* and *Guidelines on Private Debt Securities* revised on 28 December 2012.

## **2.0 Submission of Application**

- 2.1 *Application by Multilateral Development Banks (MDBs)*  
Application shall be submitted to the Ministry of Finance, Bank Negara Malaysia and the Securities Commission Malaysia.

*Application by non-residents other than MDBs*

Application shall be submitted to Bank Negara Malaysia and the Securities Commission Malaysia.

Submission to Bank Negara Malaysia shall only be made for ringgit-denominated sukuk and bonds with the additional information outlined in the Appendix.

*Applications by residents*

Application shall be submitted to Bank Negara Malaysia and the Securities Commission Malaysia. Submission to Bank Negara Malaysia shall only be made for:

- (a) non-tradable ringgit-denominated sukuk and bonds issued to non-residents; or
- (b) foreign currency-denominated sukuk and bonds issued to non-residents exceeding the prudential limit on foreign currency borrowing from non-residents.

Resident issuers are required to complete Form 10A which can be obtained at <http://www.bnm.gov.my/fxadmin>, with the additional information outlined in the Appendix.

## **Issuance and subscription of ringgit and foreign currency-denominated sukuk and bonds**

- 2.2 A submission to Bank Negara Malaysia may be made directly to Bank Negara Malaysia or through an adviser<sup>1</sup> or a principal adviser<sup>2</sup>. The application should include, among others, the information outlined in the Appendix.
- 2.3 A submission to the Securities Commission Malaysia by:
- (a) MDBs and Multilateral Financial Institutions (MFI) shall be made directly to the Securities Commission Malaysia or through an adviser; or
  - (b) other issuers shall be made through a principal adviser in accordance with the *Guidelines on Sukuk* or the *Guidelines on Private Debt Securities*, whichever is applicable.

### **3.0 Depository & Settlement**

- 3.1 Ringgit-denominated sukuk and bonds must be issued/tendered through the Fully Automated System for Issuing/Tendering System (FAST).
- 3.2 Foreign currency-denominated sukuk and bonds may be issued/tendered through the FAST.
- 3.3 Ringgit-denominated sukuk and bonds must be deposited in Real-time Electronic Transfer of Funds and Securities System (RENTAS), with Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear)<sup>3</sup> as the Central Securities Depository for the sukuk and bonds, and Authorised Depository Institutions in Malaysia as the Sub-Depositories. An adviser or lead arranger/facility agent which is a RENTAS member shall be appointed to facilitate the process of depositing the sukuk and bonds in RENTAS.
- 3.4 Foreign currency-denominated sukuk and bonds may be deposited in RENTAS, with MyClear as the Central Securities Depository for the sukuk and bonds, and Authorised Depository Institutions in Malaysia as the Sub-Depositories. An adviser or lead arranger/facility agent which is a RENTAS member shall be appointed to facilitate the process of depositing the sukuk and bonds in RENTAS.

### **4.0 Shariah Adviser Requirement**

- 4.1 In the case of a ringgit and foreign currency-denominated sukuk, a domestic or foreign Shariah Adviser must be appointed to advise on all aspects of a ringgit and

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<sup>1</sup> "Adviser" means any person who provides advice or information to the applicant/issuer in connection with a submission made to the regulatory authority for a corporate proposal.

<sup>2</sup> "Principal adviser" has the meaning assigned to it under the *Principal Adviser Guidelines* issued by the Securities Commission Malaysia, which means the corporate finance adviser responsible for making submission to the Securities Commission Malaysia for corporate proposals.

<sup>3</sup> MyClear (a subsidiary of Bank Negara Malaysia) is the operator of RENTAS and acts as the central securities depository on behalf of Bank Negara Malaysia.

foreign currency-denominated sukuk issuance. Where a foreign Shariah Adviser has been appointed to advise on a foreign currency-denominated sukuk issuance, the appointed foreign Shariah Adviser shall comply with the relevant requirements stated in the Securities Commission Malaysia's *Registration of Shariah Adviser Guidelines*.

## **5.0 Governing Law**

5.1 The relevant transaction or offering documents must clearly state the applicable governing law. Notwithstanding the above, the relevant provisions of the Capital Markets & Services Act 2007 and the Securities Industry Act 1983 in relation to the issuance, subscription and trading of sukuk and bonds in Malaysia shall apply, and are to be complied with at all times.

## **6.0 Trustee Requirement**

6.1 The statutory requirement to appoint a trustee and enter into a trust deed is exempted if an issuance, offering or invitation of the foreign currency-denominated sukuk and bonds is:

- (a) made by the Federal Government, any State Government, any statutory body of Malaysia or guaranteed by the Federal Government of Malaysia;
- (b) made by any person or corporation formed or incorporated within or outside Malaysia, other than a special purpose vehicle which has no full recourse to another entity, with a local rating of AAA or an international rating of BBB and above, assigned by a credit rating agency, except where the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase, of the debentures may be made to a retail investor as specified by the Commission; and
- (c) made exclusively to sophisticated institutional investors<sup>4</sup>.

## **7.0 Utilisation of Proceeds**

7.1 The proceeds raised from the issuance of approved ringgit and foreign-currency sukuk and bonds by residents may be used either in Malaysia or abroad. Nonetheless, utilisation of ringgit proceeds for use abroad shall be in accordance with the prevailing foreign exchange administration rules.

7.2 The proceeds raised from the issuance of approved ringgit and foreign currency sukuk and bonds by non-residents may be used either in Malaysia or abroad.

7.3 Remittance of funds abroad must be in foreign currency.

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<sup>4</sup> As stated under paragraph 11, Schedule 8 of the Capital Markets & Services Act 2007.

## **8.0 Maintenance of funds**

8.1 Issuers and investors are free to open and maintain ringgit or foreign currency accounts with licensed onshore banks<sup>5</sup> in Malaysia to retain the proceeds arising from the issuance or subscription of the sukuk and bonds.

## **9.0 Hedging**

9.1 Non-resident issuers may hedge the foreign exchange and benchmark or interest rate exposure with a licensed onshore bank arising from the ringgit-denominated sukuk and bonds.

9.2 Non-resident investors may hedge –  
(a) the foreign exchange exposure with a licensed onshore bank or an appointed overseas office of the banking group of a licensed onshore bank; and  
(b) the benchmark or interest rate exposure with a licensed onshore bank,  
arising from the ringgit-denominated sukuk and bonds.

9.3 Resident issuers or investors may hedge the foreign exchange and benchmark or interest rate exposure with a licensed onshore bank arising from the foreign currency-denominated sukuk and bonds.

## **10.0 Acceptance as collateral under the Real-time Electronic Transfer of Funds and Securities System (RENTAS)**

10.1 Ringgit-denominated sukuk and bonds subject to a minimum credit rating of AAA by a local rating agency, and specified RENTAS securities issued by the Government and Bank Negara Malaysia may be accepted as collateral in the Intraday Credit Facility under RENTAS.

## **11.0 Recognition to Liquefiable Assets under Liquidity Framework**

11.1 The list of ringgit-denominated sukuk and bonds recognised as liquefiable assets is detailed out in the *Liquidity Framework* issued by Bank Negara Malaysia.

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<sup>5</sup> Licensed onshore bank refers to a licensed bank and a licensed investment bank under the Financial Services Act 2013 and a licensed Islamic bank under the Islamic Financial Services Act 2013.

**12.0 Acceptance as eligible securities to be transacted under repurchase operations**

12.1 The ringgit and foreign currency-denominated sukuk and bonds that are eligible as collateral to be transacted under repurchase operations with Bank Negara Malaysia are as per the list of collateral in the *Guidelines on Standing Facilities* issued by Bank Negara Malaysia.

**13.0 Capital Treatment for Licensed Onshore Banks**

13.1 Holdings of ringgit and foreign currency-denominated sukuk and bonds by licensed onshore banks are subject to the capital treatment outlined in the *Capital Adequacy Framework (Basel II – Risk-Weighted Assets)* and *the Capital Adequacy Framework for Islamic Banks* issued by Bank Negara Malaysia.

**14.0 Deduction from the Eligible Liabilities Base for Purposes of Computing the Statutory Reserve Requirement for Licensed Onshore Banks**

14.1 Ringgit-denominated sukuk and bonds held by licensed onshore banks in their trading books are deductible from their eligible liabilities for purposes of computing the Statutory Reserve Requirement.

**15.0 Risk Charge under the Risk-Based Capital Framework for Licensed Insurers and Takaful Operators**

15.1 Holdings of ringgit and foreign currency-denominated sukuk and bonds by licensed insurers and takaful operators are subject to the capital treatment outlined in the *Risk-Based Capital Framework* issued by Bank Negara Malaysia.

**16.0 Single Counterparty Exposure Limit**

16.1 The holdings of ringgit and foreign currency-denominated sukuk and bonds that are held by licensed onshore banks will be subject to the banks' respective single counterparty exposure limit. Only sukuk and bonds issued by Bank Negara Malaysia and the Government of Malaysia are exempted from the single counterparty exposure limit.

**17.0 Investment by residents in foreign currency-denominated sukuk and bonds**

17.1 Investment by residents in foreign currency-denominated sukuk and bonds issued in Malaysia shall be in accordance with the prevailing foreign exchange administration rules.

**18.0 Income tax and withholding tax on investors**

- 18.1 Any individual, unit-trust or listed closed-end fund is exempted from income tax on interest income or profits earned in respect of securities or bonds issued or guaranteed by the government, or debentures or Islamic securities, other than convertible loan stock, approved by the Securities Commission Malaysia.
- 18.2 Non-resident companies are also exempted from withholding tax on interest income or profits earned from Islamic securities or debenture issued in ringgit Malaysia, other than convertible loan stock, approved by the Securities Commission Malaysia, and also securities issued by the government.
- 18.3 Investors are exempted from income tax on profits earned in respect of Islamic securities originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved by the Securities Commission Malaysia.
- 18.4 There is no capital gains tax in Malaysia.

**Application for Issuance of Ringgit and Foreign Currency-denominated Sukuk and Bonds in Malaysia**

- (a) Profile of the issuer (e.g business activities, country of incorporation, shareholders, board of directors, financial report)
- (b) Credit rating of issuer and name of credit rating agency (credit rating report)
- (c) Type of sukuk or bonds
- (d) Size of issuance
- (e) Currency of issuance
- (f) Tenure
- (g) Benchmark/interest rate (e.g. fixed, floating) and frequency
- (h) Utilisation of proceeds
  - Additional information to be provided if proceeds of issuance are to be on-lent wholly or partly:
    - i. Name of borrower
    - ii. Relationship of issuer with borrower (if any)
    - iii. Purpose of financing/loan utilisation
    - iv. Terms of financing/loan
      - Amount
      - Tenure
      - Benchmark/interest rate
      - Repayment period
      - Prepayment/callable option
- (i) Lead manager/lead arranger/adviser
- (j) Other manager (if any)
- (k) Guarantor/underwriter (if any)
- (l) Listing details (if any)
- (m) Method of issuance (e.g. open tender, book-building, private placement)
- (n) Past sukuk or bonds issuances (if any)
- (o) Proposed hedging counter-party (if any)
- (p) Details of contact person:
  - (i) Malaysia
  - (ii) Abroad