



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Holding of Immovable Properties

Applicable to:

1. Licensed banks
2. Licensed investment banks

TABLE OF CONTENTS

PART A	OVERVIEW	1
1	Introduction	1
2	Applicability	1
3	Legal provisions	1
4	Effective date	1
5	Interpretation	1
6	Policy document superseded	2
PART B	POLICY REQUIREMENTS	3
7	Holding of immovable properties.....	3
8	Regulatory limits.....	3

PART A OVERVIEW

1 Introduction

- 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.
- 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 banking institutions as defined in paragraph 5.2.

3 Legal provisions

- 3.1 This policy document is 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 1 January 2020.

5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA unless otherwise defined in this policy document.

- 5.2 For the purpose of this policy document–

“**S**” denotes a standard, an obligation, a 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 or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**banking institution**” refers to–

- (a) a licensed bank; and
- (b) a licensed investment bank;

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

6 Policy document superseded

- 6.1 This policy document supersedes the policy document on *Holding of Immovable Properties* issued on 27 June 2013.

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:
- (a) conducting its business, subject to the requirements of section 25 of the FSA;
 - (b) providing housing or other amenities for the staff; or
 - (c) 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's holding of immovable properties acquired in satisfaction of debts shall not exceed 1% of its Total Capital¹.
- 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.

¹ Total Capital as defined under the policy document on *Capital Adequacy Framework (Capital Components)*.