



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Application Procedures for New Licences under Financial Services Act 2013 and Islamic Financial Services Act 2013

Applicable to:

1. Applicants under section 10 FSA
2. Applicants under section 10 IFSA
3. Shareholders of proposed licensed persons

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PART A OVERVIEW

1 Introduction

- 1.1 Pursuant to section 10 of the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA), Bank Negara Malaysia (the Bank) shall assess an application for a licence to carry on banking business, Islamic banking business, insurance business, takaful business or investment banking business, having regard to relevant factors including prudential requirements and whether the application will be in the best interest of Malaysia.
- 1.2 This policy document aims to set out the application and assessment process for–
- (a) prospective applicants under section 10 of the FSA to obtain a licence to carry on:
 - (i) banking business;
 - (ii) investment banking business;
 - (iii) life business;
 - (iv) general business; or
 - (v) professional reinsurer business; or
 - (b) prospective applicants under section 10 of the IFSA to obtain a licence to carry on:
 - (i) Islamic banking business;
 - (ii) international Islamic banking business;
 - (iii) family takaful business;
 - (iv) general takaful business;
 - (v) professional retakaful business; or
 - (vi) international takaful operator business.
- 1.3 Licensed persons carrying on investment banking business under FSA must also hold a Capital Markets Services Licence (CMSL) issued by Securities Commission Malaysia (Securities Commission) to conduct regulated activities pursuant to section 58 of the Capital Markets and Services Act 2007 (CMSA).
- 1.4 This policy document sets out–
- (a) considerations under the law in assessing an application for a licence set out in paragraph 1.2;
 - (b) the application procedure, including arrangements to submit an application to Securities Commission for a CMSL with the intention of carrying on investment banking business; and
 - (c) the information and documents to be submitted to the Bank to facilitate the assessment of the application.
- 1.5 Where the proposed licensed person has not been established/ incorporated, the applicant should be the controlling and/or majority shareholder of the proposed licensed person.

- 1.6 In line with the Bank's approach to regulating and supervising financial groups¹, shareholders with an aggregate interest in shares of more than 50% in the proposed licensed person is expected to be:
- (a) an existing licensed person under the FSA or IFSA;
 - (b) a financial holding company approved under the FSA or IFSA; or
 - (c) a foreign institution regulated by a supervisory authority outside Malaysia which exercises functions corresponding to those of the Bank under the FSA or IFSA.

2 Applicability

- 2.1 This policy document is applicable to–
- (a) an applicant applying for a licence under section 10 of the FSA or section 10 of the IFSA; and
 - (b) the shareholders of the proposed licensed person who require an approval under section 90 of the FSA or section 102 of the IFSA for the holding of interest in the shares in the proposed licensed person.

3 Legal provisions

- 3.1 The requirements in this policy document are specified pursuant to–
- (a) sections 9, 24, 90(1) and 143 of the FSA; and
 - (b) sections 9, 21, 102(1) and 155 of the IFSA.
- 3.2 The guidance in this policy document is issued pursuant to section 266 of the FSA and section 277 of the IFSA.

4 Effective Date

- 4.1 This policy document comes into effect on 27 December 2019.

5 Interpretation

- 5.1 The terms and expressions used in this 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 purpose of this policy document –

“**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretive, supplement 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

¹ Applicants should refer to the Bank's paper on *Approach to Regulating and Supervising Financial Groups* issued on 21 May 2014.

that are encouraged to be adopted; and

“board” refers to the board of directors of the applicant or the proposed licensed person, as the case may be.

6 Related legal instruments and policy documents

- 6.1 This policy document must be read together with other relevant legal instruments and policy documents that have been issued by the Bank, in particular –
- (a) *Application and Procedures for Acquisition of Interest In Shares and to be a Financial Holding Company.*

7 Policy documents superseded

- 7.1 This policy document supersedes –
- (a) *Guidelines on the Establishment of International Takaful Operator* issued on 17 July 2007;
 - (b) *Guidelines on Application for Registration and Operation of Retakaful Operator* issued on 11 October 2007;
 - (c) Paragraphs 2 and 6 of Part B in the *Guidelines on International Islamic Bank* issued on 24 March 2008; and
 - (d) *Guidelines on Investment Banks* issued on 1 July 2005 with the exception of paragraph 3.

PART B ASSESSMENT OF APPLICATIONS FOR NEW LICENCES

8 Considerations under the law

- 8.1 Pursuant to section 10 of the FSA and IFSA, in assessing an application to carry on any licensed business under the respective Act, the Bank shall consider all the factors set out in Part 1 and Part 2 of Schedule 5 of the FSA or IFSA, and such other matters that the Bank considers relevant.
- 8.2 Upon making the assessment on the applicant, and where the Bank is satisfied that such applicant may be granted a licence, the Bank shall recommend to the Minister of Finance (Minister) to grant a licence to the applicant. The factors set out in Schedule 5 of the respective Acts represent the minimum expectations on the applicant. Applicants should also note that upon commencement of business, pursuant to sections 48 and 123 of the FSA or sections 29, 58 and 135 of the IFSA, licensed persons are required to comply with the standards on prudential matters, standards on business conduct and where applicable, standards on Shariah matters, Shariah governance or other matters in relation to business, operation, affairs and activity of a licensed person under the FSA and IFSA at all times.
- 8.3 The factors set out in Schedule 5 of the FSA or IFSA are as follows—
- (a) the character and integrity of the applicant or, if the applicant is a body corporate, its reputation for being operated in a manner that is consistent with the standards of good governance and integrity;
 - (b) the business of the person to be authorised is not detrimental to the interests of its future depositors, policy owners, participants, users or the public generally;
 - (c) the soundness and feasibility of the plans of the applicant for the future conduct and development of the business of the person to be authorised;
 - (d) the nature and sufficiency of the financial resources of the applicant as a source of continuing financial support for the person to be authorised;
 - (e) the business record and experience of the applicant;
 - (f) the person to be authorised will be operated responsibly by persons with the competence and experience suitable for involvement in the operation of the person to be authorised;
 - (g) whether the nature, scale and activities of the corporate group of the applicant applying for a licence will impede the effective regulation and supervision of the person to be licensed, including having regard to the nature and degree of regulation and supervision of any financial institution within that corporate group;
 - (h) whether the application will be in the best interest of Malaysia, having regard to—
 - (i) the effect of the investment on the level and nature of economic activity in Malaysia, including the effect on productivity, efficiency and quality of financial services;
 - (ii) the contribution towards enhancing international trade and investment linkages between Malaysia and other countries;

- (iii) the effect of the investment on the stability of the financial system, including on conduct and behaviours that could pose a risk to the financial system; or
- (iv) the degree and significance of participation of Malaysians in the financial sector; and
- (i) in the case of licensed persons under the IFSA, the aims and operation of the business which is desired to be carried on by the person to be authorised will not involve any element which is contrary to Shariah.

9 Other legal requirements

Holding of 5% or More Interest in Shares of Licensed Person

- 9.1 A person is prohibited from entering into an agreement or arrangement to acquire shares in a licensed person which will result in the person holding an aggregate of 5% or more interest in the shares² of a licensed person, without the prior approval of the Bank or the Minister³, as the case may be.
- 9.2 In assessing an application for an approval under section 90 of the FSA or section 102 of the IFSA, the Bank shall take into consideration matters that the Bank considers relevant including any of the factors set out in Schedule 6 of the FSA or IFSA.

Control Over Licensed Person

- 9.3 No person shall have control over a licensed person unless a prior written approval of the Minister, on the recommendation of the Bank, is obtained⁴.

Form of Establishment

- 9.4 Subject to paragraph 9.5, all licensed persons are required to be public companies incorporated in Malaysia under the Companies Act 2016⁵.
- 9.5 A professional reinsurer, a professional retakaful operator, a licensed international Islamic bank, and a licensed international takaful operator may be established as a branch of a foreign institution⁶.

Minimum Capital Funds or Surplus of Assets Over Liabilities

- 9.6 All licensed persons are required to maintain at all times a minimum amount in capital funds or, in the case of a professional reinsurer, professional retakaful operator, licensed international Islamic bank or licensed international takaful operator established as a branch of a foreign institution, a minimum amount in surplus of assets over liabilities⁷.

² Please refer to Schedule 3 of the FSA or IFSA, as the case may be, for purposes of computation of interest in shares of a licensed person.

³ Section 87 of the FSA and Section 99 of the IFSA.

⁴ Section 88 of the FSA and Section 100 of the IFSA.

⁵ Section 24(1) of the FSA and Section 21(1) of the IFSA.

⁶ Section 24(2) of the FSA and Section 21(2) of the IFSA.

⁷ Section 12 of the FSA and IFSA.

- 9.7 The amounts applicable to licensed persons are as prescribed in the *Financial Services (Minimum Amount of Capital Funds or Surplus of Assets over Liabilities) (Licensed Person) Order 2013* or *Islamic Financial Services (Minimum Amount of Capital Funds or Surplus of Assets over Liabilities) (Licensed Person) Order 2013*.
- 9.8 The requirements on the computation of capital are stipulated in the policy documents *Capital Funds* and *Capital Funds for Islamic Banks*, published on the Bank's website.

Licence Fees

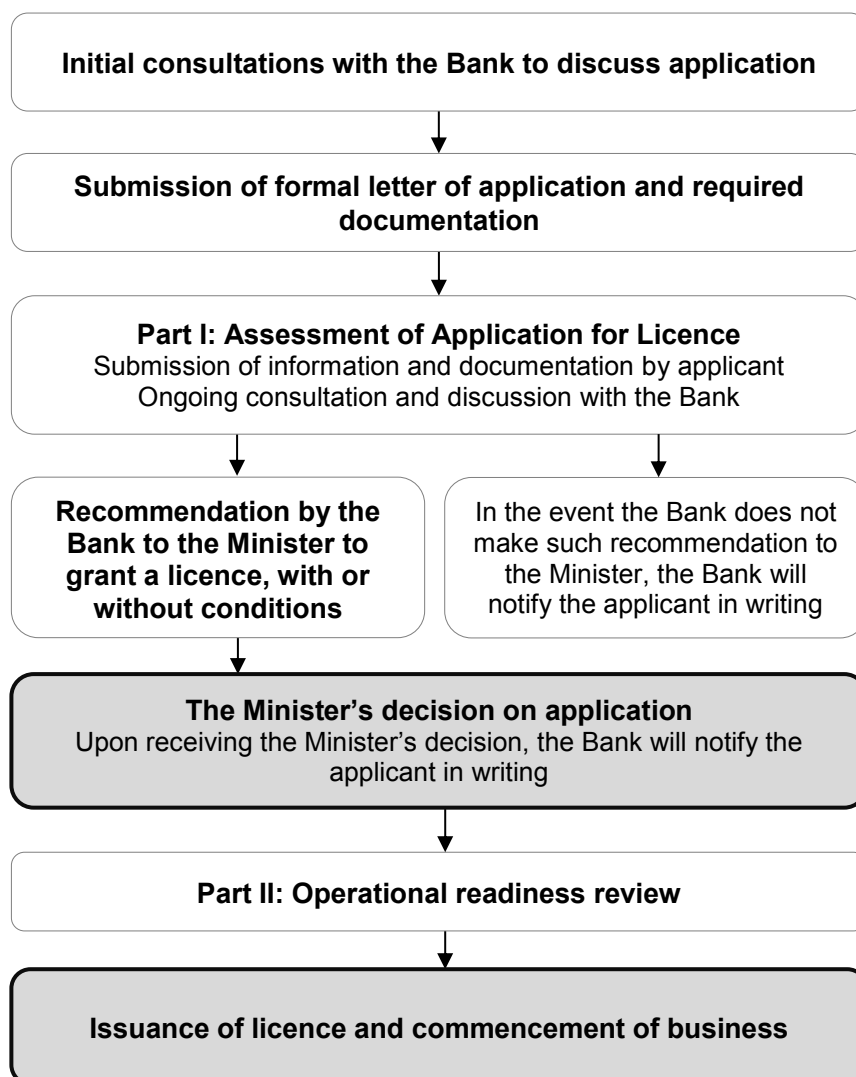
- 9.9 All licensed persons are required to pay an annual licence fee⁸, as set out in the *Financial Services (Fees) Regulations 2014* and *Islamic Financial Services (Fees) Regulations 2014*.

⁸ Section 26 of the FSA and Section 23 of the IFSA.

PART C APPLICATION AND REVIEW PROCESS

10 Overview

- S** 10.1 In addition to this part, an applicant for a licence to carry on investment banking business shall also comply with the application process set out in Appendix I.
- S** 10.2 The Bank requires any prospective applicant to meet and discuss with the Bank prior to submitting a formal application for a licence. A flowchart depicting the application process is as follows:



- G** 10.3 Applicants are also expected to demonstrate a clear understanding of the requirements under the laws administered by the Bank.

Part I: Assessment of Application for Licence

- S** 10.4 A formal application for a licence under the FSA or IFSA must be submitted to the Bank in writing and must include:
- (a) a formal letter of application signed by the chief executive officer of the applicant which contains –
 - (i) the name of the applicant; and

- (ii) the proposed name of the licensed person;
 - (b) certified copy of the board resolution of the applicant⁹ showing that the board approves of the application;
 - (c) where the applicant is a foreign institution, a letter from the home supervisor stating –
 - (i) no objection towards the applicant's intention to carry on licensed business in Malaysia;
 - (ii) the name and contact details of an officer at the home supervisor with whom the Bank can liaise in relation to the application; and
 - (d) the information and documentation set out under Part D of this policy document.
- S** 10.5 In reference to paragraph 10.4 (d), where the applicant is unable to provide certain document or information at the application stage, the applicant must notify the Bank in writing of such document or information and the justification for the inability to provide the same. In such a case, the Bank may require an applicant to provide any other information to facilitate the assessment by the Bank, or inform the applicant that it is unable to proceed with the assessment of the application in the absence of the information required.
- S** 10.6 Direct and indirect shareholders who will –
 - (a) hold an aggregate interest in the shares of 5% or more of the proposed licensed person; or
 - (b) hold an aggregate interest in shares of more than 50% or exercise control over the proposed licensed person,must also submit an application under section 90 of the FSA, or section 102 of the IFSA together with the documents and information specified by the Bank in the *Application Procedures for Acquisition of Interest In Shares and to be a Financial Holding Company*.
- S** 10.7 For documents which are not in English, the applicant must provide a certified English translation¹⁰ accompanied by the original document.
- S** 10.8 The applicant must direct the completed application to the following –
- Governor
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
Malaysia
- G** 10.9 With regard to assessing an application to carry on investment banking business, the Bank would consult Securities Commission.

⁹ If the applicant has a two-tier or dual board structure, the applicant is required to provide a copy of the resolution of each board.

¹⁰ The documents and translation must be certified by a notary public and authenticated at the Malaysian diplomatic mission of the applicant's home country.

- G** 10.10 Pursuant to section 36 of the Malaysia Deposit Insurance Corporation Act 2011, all licensed banks, licensed Islamic banks, licensed insurers and licensed takaful operators shall be deemed to be a member institution of the Malaysia Deposit Insurance Corporation (PIDM) from the date it is granted the licence. In this regard, the Bank would consult with PIDM in assessing applications to carry on the above businesses. More information on the terms and conditions of membership for PIDM can be obtained on PIDM's website.
- G** 10.11 Pursuant to regulation 3 of the Financial Services (Financial Ombudsman Scheme) Regulations 2015 and the Islamic Financial Services (Financial Ombudsman Scheme) Regulations 2015, all licensed banks and licensed Islamic banks are required to be a member of the Financial Ombudsman Scheme, operated by the Ombudsman for Financial Services and the membership commences on the date the licensed bank or licensed Islamic bank begins its operations.
- G** 10.12 In assessing an application under paragraph 10, the Bank may also consult other relevant regulatory/supervisory authorities in and outside Malaysia.
- G** 10.13 The Bank endeavours to process the application within a reasonable time and will promptly notify the applicant of the decision accordingly. This is conditional on the ability of the applicant to ensure timeliness and completeness of information submitted to facilitate processing of the application. The submission of an application is only considered as complete when the required documents and information have been received by the Bank. The Bank will communicate regularly with the applicant as part of an iterative process to ensure the completeness of such information in order to facilitate the assessment of the Bank.
- G** 10.14 Upon making the relevant assessment, a recommendation to the Minister to grant a licence, with or without conditions, can only be made where the Bank is satisfied that an applicant may be granted a licence.
- S** 10.15 Before the Bank makes a recommendation to the Minister, the applicant shall provide the Bank with the following –
- (a) Certificate of Incorporation or a notification of registration, as the case may be, issued by the Companies Commission of Malaysia to satisfy the requirement for the form of establishment; and
 - (b) confirmation with supporting document demonstrating that the proposed licensed institution has the required amount of paid-up capital.
- G** 10.16 The applicant will be notified by the Bank of the Minister's decision.

Part II: Operational Readiness Review**G**

10.17 The purpose of the operational readiness review is to satisfy the Bank that the organisational structure, policies, procedures and controls, compliance management framework, IT and accounting systems, business continuity plan and other systems and policies of the licensed person that have been approved by its board are in place and meet the relevant requirements and policy documents issued by the Bank, before commencing operations.

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10.18 The newly licensed person shall only commence¹¹ operations once the Bank notifies in writing that the licensed person has satisfied the Bank's operational readiness review which includes –

- (a) an approval from the Bank of the licensed person's directors, chief executive officer, appointed actuary, members of the Shariah Committee and external auditor, where applicable, has been obtained; and
- (b) payment of the annual licence fee in accordance with the *Financial Services (Fees) Regulations 2014* and *Islamic Financial Services (Fees) Regulations 2014* has been made to the Bank.

¹¹ Section 10(6) of the FSA or section 10(6) of the IFSA states that where the Minister grants a licence under subsection (4), a licensed person shall commence its licensed business within a period or further period as may be specified by the Minister, on the recommendation of the Bank, Hence, a newly licensed person must commence its business, subject to the fulfilment of operational readiness review, in accordance with section 10(6) of the FSA or section 10(6) of the IFSA, as the case may be.

PART D INFORMATION AND DOCUMENTATION REQUIREMENTS**11 Ownership, financial strength, supervisability and resolvability¹²**

- G** 11.1 The information below will enable the Bank to assess the applicant and its reputation for being operated in a consistent manner with good governance and integrity, track record, as well as capacity and capability to provide continuing financial support to the proposed licensed person. The Bank will also assess whether or not the nature, structure, scale and activities of the corporate group of the applicant will impede the effective regulation and supervision and the orderly resolution of the proposed licensed person.
- S** 11.2 The applicant shall submit the following documents and information together with its application –
- (a) name and address of the head office of the applicant;
 - (b) date and jurisdiction of incorporation –
 - (i) certified copy of the applicant's licence granted by a supervisory authority outside Malaysia which exercises functions corresponding to those of the Bank, if applicable; and
 - (ii) certified copy of constituent documents, including its Constitution, under which the applicant is established;
 - (c) summary of key activities (financial services and others) carried on by the companies in the applicant's corporate group;
 - (d) summary of the applicant's corporate group history of the latest three years and its investment and business expansion plans for the next five years;
 - (e) structure of the applicant's corporate group, including the proposed licensed person, and percentages owned by all direct and indirect shareholders in the proposed licensed person. Applicants must indicate –
 - (i) all direct and indirect shareholders owning aggregate effective interest in shares of 5% or more, as provided in Schedule 3 of the FSA or IFSA;
 - (ii) all shareholders highlighted under 11.2(e)(i) which are regulated financial institutions, a list of jurisdictions in which they are established, licensed or regulated, and the name of the primary regulator of each financial institution; and
 - (iii) detailed description of all material financial and operational dependencies on intragroup and external providers of outsourced services, including by the proposed licensed person;
 - (f) annual reports, including entity-level and consolidated audited financial statements¹³, of the applicant for the last three years. The applicant must

¹² "A firm is 'resolvable' if it is feasible and credible for the resolution authorities to resolve it in a way that protects systematically important functions without severe systemic disruption and without exposing taxpayers to loss". Please refer to the Financial Stability Board paper *Key Attributes of Effective Resolution Regimes for Financial Institutions* (October 2011) pending further guidance by the Bank on recovery and resolution planning.

¹³ To the extent practicable, the financial statements should be compliant with the International Financial Reporting Standards, or the Malaysian Financial Reporting Standards (MFRS) set by the

- also provide an analysis demonstrating it is capable of providing continuing financial support to the proposed licensed person, including a confirmation from the home supervisor that there are no legal or regulatory impediments that may hinder the applicant from providing prompt financial support to the proposed licensed person where and when necessary;
- (g) latest report of all direct controlling and/or majority shareholders of the proposed licensed person issued by a recognised credit rating agency;
 - (h) where the applicant is a foreign institution, a confirmation from the home supervisor that:
 - (i) the applicant is of good financial standing, meets the prudential regulatory requirements in the home jurisdiction, and, to the best of knowledge of the home supervisor, has no record of material breaches of statutory or other administrative or regulatory enactments;
 - (ii) the home supervisor practices prudential supervision in accordance to the Core Principles for Effective Banking Supervision or Insurance Core Principles and Methodology promulgated by the Basel Committee on Banking Supervision or International Association of Insurance Supervisors, respectively; and
 - (iii) the home supervisor performs consolidated supervision over the applicant and its related entities (which will include the proposed licensed person) and agrees to share information and co-operate with the Bank to facilitate the Bank's supervision of the proposed licensed person;
 - (i) whether in the past five years, the applicant and/or its subsidiaries have been subject to any of the following:
 - (i) civil suits affecting the applicant's ability to meet its financial obligations;
 - (ii) criminal convictions; and
 - (iii) enforcement actions for breaches of any statutory, regulatory or other administrative requirements relating to financial services, securities or tax laws; and
 - (j) details of whether any regulated financial institution in the applicant's corporate group, whether as an entity or part of its operations, has previously had its licence suspended or revoked, been denied a request to establish a financial institution or had restrictions imposed on its operations by other regulators, and reasons why.

12 Business plan

S 12.1 The applicant must submit to the Bank a clear and comprehensive business

Malaysian Accounting Standards Board (MASB). Where the financial statements are not compliant with the IFRS or MFRS, provide a comparison between the financial position and results under accounting standards used to complete the applicant's financial statements and the IFRS or MFRS.

plan which has been approved by its board to enable the Bank to assess the viability of the plans and the applicant's ability to support and contribute to developing the proposed licensed person's business, which includes ensuring that the proposed licensed person has adequate financial, managerial and organisational resources in place to support its business strategy and operations both at the outset and on a continuing basis.

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- 12.2 The applicant must submit the business plan under paragraph 12.1, which at the minimum, include –
- (a) reasons the applicant intends to conduct the business in Malaysia;
 - (b) outline of the proposed licensed person's business as a whole, including an overview of each proposed line of business and annual business targets over a three-year period. This includes a description of products and services offered, the delivery channels and takaful operating model (for takaful business);
 - (c) how the proposed licensed person's business fits within its group global strategy and global operations;
 - (d) reasons the applicant believes the business plan will be successful and the strategy for achieving this success, supported by feasibility and market studies and a discussion of key assumptions. This may include:
 - (i) analysis of proposed lines of business against the operating environment, including the Malaysian infrastructure and institutional framework, target markets, competitors, threats and opportunities, and plans to address them;
 - (ii) availability of human capital and expertise, including names and credentials of key experts;
 - (iii) supporting technology, systems and processes;
 - (iv) supporting research and development capabilities and initiatives; and
 - (v) track record and experience of the applicant specifically pertaining to the business plan;
 - (e) pro-forma financial statements¹⁴ (base case), including balance sheet and income statement for the first three years of operations. Major asset, liability, income and expense categories to be identified, including a description of off-balance sheet activities. Identify and discuss key economic and other assumptions underlying the calculations. For an application of insurance business or takaful business, applicants must provide details of the actuarial assumptions;
 - (f) sensitivity analysis showing the impact of changes in key assumptions on viability of the base case business plan, under a worst-case scenario. Applicants must provide an elaboration on the changes in assumptions;
 - (g) contingency plans which include but are not limited to the following –
 - (i) a diverse set of potential management triggers for identifying stress scenarios;
 - (ii) a suite of potential remediation options to respond to a range of

¹⁴ In accordance with the Malaysian Financial Reporting Standards.

- (iii) stress scenarios, including but not limited to capital shortfalls and liquidity pressures and options to address them;
- (iii) high-level governance and escalation process to activate and execute the contingency plans; and
- (iv) high-level communication strategy which ensures that all relevant stakeholders are adequately informed of the measures under the contingency plan and its impact on them¹⁵;
- (h) source of initial and future capital for base case and other scenarios in the form of a capital plan and funding policies. Such capital must comply with the respective capital adequacy frameworks;
- (i) projected staff complement and roles, including the proposed number of Malaysians who will hold mid- to senior-level positions as well as any planned training and education initiatives;
- (j) an organisation chart showing departments and divisions, including key control functions such as compliance, risk management and internal audit functions, and setting out the responsibilities, authorities and matrix reporting relationships;
- (k) detailed description of proposed arrangements to outsource¹⁶ any material function, activity or service within the group or to an external provider, and how the arising risks would be managed at the entity and group level. Applicants must also provide a draft business continuity plan as an ongoing operation which provides an assessment on continuity of services in the event of disruption in services at the service provider level and ability of the entity to assume the outsourced function / activity / service internally; and
- (l) implementation plan for three years from commencement of business onwards, including clear timelines, milestones to be achieved and organisational arrangements to oversee and monitor implementation.

12.3 To reflect the commitment that the business of the licensed person will be carried out in accordance with the business plan, an enforceable undertaking pursuant to section 259 of the FSA or section 270 of the IFSA may be offered by the applicant. The enforceable undertaking should incorporate elements of the business plan, including the applicant's specific and measurable commitments to meet the best interest of Malaysia. The Bank will give due consideration to the strength of the undertaking in evaluating whether the best interests of Malaysia is likely to be served, and where these commitments have been rolled out successfully in other jurisdiction. After granting of licence by the Minister, the Bank expects for the licensed person's established board to take ownership and ensure the feasibility of implementation of the business plan. During the operational readiness review period prior to commencement of business, the licensed person's board will be able to make necessary adjustments to the implementation plan without altering substantively the commitment undertaken.

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¹⁵ The Bank will be specifying the relevant documents and information in a separate document relating to this matter

¹⁶ Please refer to any policy document, specification or guidelines issued by the Bank in respect of outsourcing arrangement including the policy document on *Outsourcing* issued 23 October 2019.

13 Key responsible persons

- S** 13.1 The applicant must submit to the Bank information on proposed key responsible persons¹⁷, which includes the board, members of the Shariah Committee (only applicable for an application for a licence under IFSA), and senior officers which are necessary for the Bank to assess whether the proposed licensed person will be operated responsibly by persons with suitable competence and experience. The applicant must provide the names and current curriculum vitae of proposed key responsible persons demonstrating that the individual has the qualifications, working experience and expertise to provide direction to the proposed licensed person's business or manage the control functions.
- G** 13.2 All corporate governance practices adopted by a licensed person must be in compliance with the relevant corporate governance standards issued by the Bank.

14 Risk management and internal controls

- G** 14.1 A review of the overall system of risk management and internal controls will enable the Bank to preliminarily assess the proposed licensed person's ability to manage and mitigate business risks and comply with the Bank's regulations. A list of the relevant standards is published on the Bank's website. As specified in paragraph 10.17 the Bank will conduct an operational readiness review that will assess these processes in more detail after the Minister has granted the licence.
- S** 14.2 An applicant must provide to the Bank an overview of –
- (a) relevant proposed risk management frameworks, including where relevant, oversight by and arrangements for reporting to head office, in relation to:
 - (i) market risk;
 - (ii) credit risk;
 - (iii) operational risk;
 - (iv) insurance risk;
 - (v) technology and cyber risk; and
 - (vi) Shariah risk (only applicable for an application for a licence under IFSA);
 - (b) relevant proposed policies, procedures and controls governing–
 - (i) asset and liability management;
 - (ii) investment and lending, including in relation to large exposures, monitoring asset quality and lending to connected parties;
 - (iii) capital management, including the proposed Internal Capital Adequacy Assessment Process (ICAAP);
 - (iv) funding and liquidity frameworks;
 - (v) risk appetite framework;
 - (vi) underwriting;
 - (vii) claims management;

¹⁷ "Key responsible persons" is defined in the *Fit and Proper Criteria* standard issued by the Bank on 28 June 2013

- (viii) reinsurance or retakaful arrangement;
 - (ix) agency or other channel management;
 - (x) business continuity management; and
 - (xi) outsourcing arrangements, including safeguards in place to govern movement of customer data across entities within the group;
- (c) internal audit framework; and
 - (d) compliance management framework to ensure compliance with applicable Malaysian legislations and regulations, including those pertaining to Shariah compliance (applicable for applications for licence under IFSA).

APPENDIX I ADDITIONAL INFORMATION FOR INVESTMENT BANK LICENCE APPLICANTS

- S** 1. An applicant for a licence to carry on investment banking business must simultaneously apply to Securities Commission for a CMSL to conduct regulated activities under the CMSA. The application process flow is as follows –



- S** 2. Applicants must make a duplicate submission of the application, addressed separately to Securities Commission, according to the information and documentation requirements set out in Part D of this document. The duplicate application shall be submitted to –
- Chairman
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia
- G** 3. The Bank and Securities Commission will jointly assess the application based on each authority's respective governing laws and regulations, and may jointly or separately request for additional information to facilitate the assessment.
- G** 4. Applicants may liaise directly with Securities Commission for further information on Securities Commission's assessment factors¹⁸, other relevant capital market regulations and the relevant guidelines.
- G** 5. The Bank will make a recommendation to the Minister, based on the assessments of both the Bank and Securities Commission, to grant a licence to carry on investment banking business to the applicant.
- G** 6. In terms of regulation and supervision, a licensed investment bank will be jointly regulated by the Bank and Securities Commission. The Bank will be responsible for the prudential regulation of the licensed investment bank to ensure safety and soundness of the licensed investment bank. Securities Commission will be responsible for the business and market conduct of the licensed investment bank in order to promote market integrity and investor protection in the capital market.
- G** 7. A licensed investment bank will also need to comply with Bursa Malaysia's rules, including being subject to day-to-day market surveillance. However, Bursa Malaysia's rules with respect to governance and capital adequacy requirements will be disappplied to the extent that the areas are covered by the relevant policy documents issued by the Bank¹⁹.

¹⁸ Applicants should refer to Securities Commission's document *Licensing Handbook* issued on 28 September 2007 (Revised: 8 November 2019).

¹⁹ Corporate Governance, Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk-Weighted Assets).