

Response to feedback received

Takaful Operational Framework

Introduction

This document contains Bank Negara Malaysia's (the Bank) responses to the feedback received from takaful operators, retakaful operators and Malaysian Takaful Association during the consultation period of the Exposure Draft on Takaful Operational Framework (ED) issued on 18 May 2018.

The industry is generally supportive of the proposals as set out in the ED. The feedback received, where appropriate, has been reflected in the policy document or addressed through the Bank's responses as provided in this document.

Bank Negara Malaysia
26 June 2019

Product approval process

1. Is the “file-and-use” requirement in the policy document on *Introduction of New Products by Insurers and Takaful Operators* still relevant for new product (other than new Shariah contract that has not been endorsed by Shariah Advisory Council)?

The “file-and-use” requirement is still applicable for new products that fall within the requirements as specified in paragraph 9.1 of the policy document on *Introduction of New Products by Insurers and Takaful Operators*, with the exception of 9.1(d) which is superseded with the issuance of policy document on Takaful Operational Framework.

Establishment of Participant Individual Fund (PIF) Savings

2. Does the licensed person require Shariah Advisory Council’s approval for application of *Qard* contract for PIF Savings?

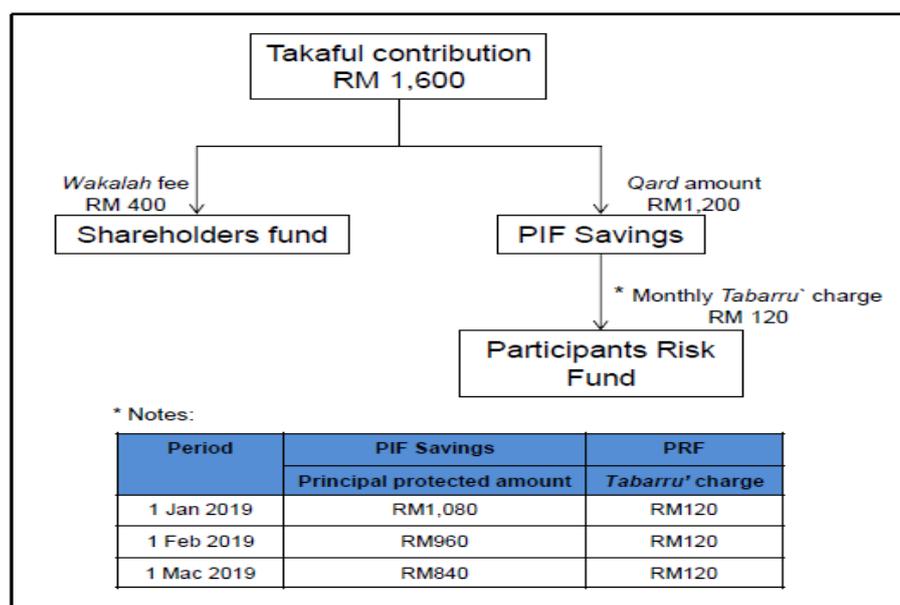
Shariah Advisory Council’s approval is not required for PIF Savings based on *Qard* as the Shariah contract is already approved by Shariah Advisory Council and issued as a policy document by the Bank. In this regard, licensed takaful operators shall also observe the requirements specified in the policy document on *Qard*.

3. Is the licensed takaful operator allowed to explore Shariah contracts other than *Qard* for PIF Savings?

A licensed person is allowed to explore other Shariah contracts for product structuring including for PIF Savings provided that the Shariah contract reflects the nature of PIF Savings i.e. principal protected amount.

4. The takaful industry seeks clarification on the workings of PIF Savings based on *Qard*.

The simplified illustration on the workings of PIF Savings based on *Qard* and *Wakalah* is as follows:



Cession of takaful risks to insurer or reinsurer

5. Is the permissibility to cede to insurer or reinsurer under unavoidable circumstances (as specified in paragraph 12.6) applicable for cession to insurer within the same financial group?

The requirement is applicable for cession to any insurers or reinsurers, including insurers or reinsurers within the same financial group.

Remuneration for management of takaful funds

6. Does the distribution of surplus from Participants Risk Fund (PRF) to the licensed takaful operator be considered as additional remuneration for the same work undertaken? This is in view that the licensed takaful operator has also received the upfront *wakalah* fees.

Yes, the distribution of surplus from PRF is an additional remuneration to licensed takaful operator. While upfront *wakalah* fees are meant to remunerate the licensed takaful operator for managing the takaful funds, the surplus sharing is an incentive fee to reward the licensed takaful operator for managing the PRF to be in a surplus position.