BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Restricted Committed Liquidity Facility

Applicable to:
1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks

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PART A OVERVIEW 1

1. Introduction 1
2. Applicability 1
3. Legal provisions 1
4. Effective date 1
5. Interpretation 1

PART B ESTABLISHMENT OF THE FACILITY 4

6. Application and Renewal 4
7. Margin Requirements 4
8. Drawdown 4
9. Facility Rate 4

PART C OTHER PROVISIONS 6

10. Termination 6
11. Notices 6
12. Confidentiality 6

APPENDIX 1 Application/Renewal Form for the Establishment of the RCLF 7
APPENDIX 2 Scope of Eligible Securities 8
APPENDIX 3 Margin Requirements 9
APPENDIX 4 Drawdown Request Form 10

PART A OVERVIEW

1. Introduction

1.1 The Restricted Committed Liquidity Facility (RCLF) is introduced to allow banking institutions to obtain liquidity from the Bank. Banking institutions that intend to use the RCLF will be charged a fixed Facility Rate and will be required to designate a pool of unencumbered Eligible Securities that would be sufficient to support the total size of the RCLF.

1.2 The objective of this document is to provide guidance on the establishment of the RCLF with the Bank.

2. Applicability

2.1 This document is applicable to all banking institutions as defined in paragraph 5.1.

3. Legal provisions

3.1 This document is issued pursuant to section 95 of the Central Bank of Malaysia Act 2009.

4. Effective date

4.1 This document comes into effect on 15 August 2016.

5. Interpretation

5.1 Unless the context otherwise requires, the following expressions shall bear the following meanings hereby respectively assigned to them, namely:-

"banking institutions"	refers to: (a) a licensed bank and a licensed investment bank under the Financial Services Act 2013; and (b) a licensed Islamic bank except for a licensed International Islamic bank under the Islamic Financial Services Act 2013;
"business day"	refers to any calendar day from Monday to Friday except a public holiday in Malaysia;
"Collateralised Murabahah Arrangement (or CCM)"	refers to the sale and purchase of commodity on an overnight deferred payment basis pursuant to the Collateralised Murabahah Agreement and Agreement to Pledge entered into between the Bank and the Participant;
"Drawdown"	refers to utilisation of the RCLF by the Participant by means of the entry into overnight repo, CCM or SBBA, as the case may be, by the Bank and the Participant;

"Eligible Securities"	refers to the unencumbered securities which are eligible to support the total size of the RCLF and can be used as collateral for the Drawdown of the RCLF;
"EMEAP-members"	refer to the central banks and monetary authorities who are members of the Executives' Meeting of East Asia-Pacific Central Banks which include Australia, China, Hong Kong Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, and Thailand;
"Facility Rate"	refers to a rate payable to the Bank by the Participant as consideration for the benefits provided under the RCLF;
"Global Master Repurchase Agreement (or GMRA)"	refers to the Global Master Repurchase Agreement, an international standard repurchase agreement prepared by the International Capital Market Association as entered into between the Bank and the Participant;
"margin"	refers to the margin imposed by the Bank on the Eligible Securities for the RCLF and overnight repo, CCM or SBBA, as the case may be;
"Master Agreement"	refers to the Global Master Repurchase Agreement, Sell and Buy Back Agreement or Collateralised Murabahah Agreement and Agreement to Pledge, as the case may be, entered into between the Bank and the Participant;
"overnight repo"	refers to outright sale of Eligible Securities to the Bank by the Participant on an overnight basis with the agreement to buy back the Eligible Securities on the maturity date, as governed by Global Master Repurchase Agreement, as the case may be;
"Participant"	refers to a banking institution which has been approved by the Bank to establish the RCLF with the Bank;
"Restricted Committed Liquidity Facility (or RCLF)"	refers to a liquidity facility offered by the Bank to the banking institutions in accordance with the Terms and Conditions;
"Sell and Buy Back Agreement (or SBBA)"	refers to an Islamic repurchase agreement transaction as governed by the Sell and Buy Back Agreement whereby the Participant sells Islamic Eligible Securities at an agreed price to the Bank and subsequently the Bank and the Participant enter into another agreement thereon whereby the Bank promises to sell and the Participant to buy back such Eligible Securities on the next business day and at an agreed price; and

"Terms and Conditions"	refer to the terms and conditions which govern the establishment of the RCLF between the Bank and the Participant.

PART B ESTABLISHMENT OF THE FACILITY

6. Application and Renewal

6.1 A banking institution may request to establish the RCLF with the Bank by submitting the following documents to the Bank:

(a) a completed application form in accordance with the template in Appendix 1;
(b) two (2) copies of the Terms and Conditions which have been duly signed.

6.2 The Bank will signify its approval of the request by returning a copy of the signed Terms and Conditions to the Participant.

6.3 Subject to the Bank's approval, the Participant may renew the RCLF by submitting to the Bank a renewal form in accordance with the template in Appendix 1.

7. Margin Requirements

7.1 A Participant must identify and list the Eligible Securities that it wishes to use to support the total size of the RCLF and the utilisation of the RCLF in the application form.

7.2 The list of Eligible Securities is set out in Appendix 2 and can be amended by the Bank from time to time at its sole discretion without prior notice.

7.3 An appropriate margin will be imposed on the Eligible Securities in calculating the net price as follows:

net price = [100% – margin %] x market price (clean price)

7.4 The margin requirements for Eligible Securities are set out in Appendix 3 and can be amended by the Bank at its sole discretion without prior notice.

8. Drawdown

8.1 A Participant may request to utilise the RCLF by submitting to the Bank a Drawdown request form in accordance with the template in Appendix 4.

8.2 A Drawdown of the RCLF will be effected by overnight repo, CCM or SBBA, as the case may be, between the Bank and the Participant in accordance with the Master Agreement as well as the Terms and Conditions.

9. Facility Rate

9.1 In consideration of the benefits obtained by a Participant under the RCLF, the Participant is required to pay to the Bank a fixed monthly Facility Rate during the tenure of the RCLF in the manner set out in the Terms and Conditions.

9.2 The Facility Rate in respect of a calendar month shall be calculated as follows:

Facility Rate = size of the RCLF x rate x $\frac{1}{12}$

9.3 The Bank may review the Facility Rate at its sole discretion without prior notice. The revised rate shall be applicable to new and on-going RCLF.

PART C OTHER PROVISIONS

10. Termination

10.1 The RCLF may be terminated in accordance with the Terms and Conditions.

11. Notices

11.1 Any notice given by a Participant will be delivered to the Bank at:

Director
Jabatan Operasi Pelaburan dan Pasaran Kewangan
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
Email address: irmu@bnm.gov.my or immu@bnm.gov.my
Fax: 03-26946240

11.2 Any notice to the Participant will be sent to the registered office, email address or facsimile number of the Participant specified in the application form, or to any such other address as notified by the Participant from time to time.

11.3 Any notice given in conformity with paragraphs 11.1 and 11.2 shall be deemed to have been given:-

(a) on the second business day following the day the notice was put into the post, if the same is delivered by prepaid registered post; or
(b) on the first business day following the day the notice is sent, if the same is sent by email or facsimile transmission.

12. Confidentiality

12.1 The Bank will preserve the confidentiality of any information provided in respect of the Participant's dealings with the Bank on the RCLF, including the details of any overnight repo, CCM or SBBA, as the case may be, between the Participant and the Bank. This would not include information which is or becomes public knowledge.

APPENDIX 1 Application/Renewal Form for the Establishment of the RCLF

(Please use institution's letter head)

Establishment of Restricted Committed Liquidity Facility (RCLF)

To: Director
Jabatan Operasi Pelaburan dan Pasaran Kewangan
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

Date:_____

Application details:

☐First time application ☐New ☐Renewal[1]

Organisation ID: _____ Tenure: _____
Start Date[2]: _____ Maturity Date[2]:_____
Total size of RCLF: _____

Collateral details:

Stock Code	Clean Price	Nominal	Margin %	Net Value
Total size				

[1] For RCLF which has yet to mature.

[2] Start date and maturity date are the first and last day of the applicable month.

_____ (Authorised Dealer)

_____ (Authorised Signatories)
(Affix Company Seal or Stamp)

APPENDIX 2 Scope of Eligible Securities

1. Ringgit denominated Eligible Securities that qualify for the RCLF are:-
   (a) securities issued by the Government of Malaysia;
   (b) securities issued by the Bank;
   (c) securities issued by EMEAP-member governments;
   (d) securities issued by non-EMEAP-member governments with minimum investment grade international ratings of Baa3, BBB- , whichever lower, as defined by Fitch Ratings ("Fitch"), S&P Global Ratings ("S&P") and/or Moody's Investor Services, Inc ("Moody's");
   (e) securities with explicit guarantee by the Government of Malaysia, EMEAP-member governments or non EMEAP-member governments with minimum investment grade international ratings of Baa3 or BBB- , whichever is lower, as defined by Fitch, S&P and/or Moody's;
   (f) securities issued by multilateral development banks or multilateral financial institutions with AAA international rating, as defined by Fitch, S&P and Moody's;
   (g) securities issued by non-residents with AAA domestic ratings and minimum investment grade international ratings of Baa3, BBB- , whichever is lower, as defined by Fitch, S&P and/or Moody's;
   (h) corporate bonds and sukuk with AAA domestic ratings as defined by Rating Agency Malaysia (RAM) and Malaysian Rating Corporation (MARC); and
   (i) other securities that may be specified by the Bank from time to time.

2. Non-ringgit denominated Eligible Securities that qualify for the RCLF are:
   (a) securities issued by the Government of Malaysia;
   (b) securities issued by EMEAP-member governments in USD, GBP, EUR, JPY and their respective home currencies;
   (c) US Treasury Securities and UK Gilts;
   (d) securities issued by multilateral development banks or multilateral financial institutions with AAA international rating as defined by Fitch, S&P and Moody's, and securities issued by International Islamic Liquidity Management Corporation (IILM); provided that the securities above are issued in USD, GBP, EUR or JPY;
   (e) home currency sovereign issues of countries which the Bank has a signed Cross Boarder Collateral Arrangement (CBCA) with; and
   (f) other securities that may be specified by the Bank from time to time.

For paragraphs 1 and 2 above, "securities" means scripless securities, which include straight bonds, zero coupon bonds, floating rate bonds and sukuk, and discount notes unless otherwise specified by the Bank.

APPENDIX 3 Margin Requirements

1. For **Ringgit** denominated Eligible Securities, the following margins will apply:

Issuer / Securities	**Margin (%)**				
	0 - 1 yr	1 - 3 yr	3 -5 yr	5 - 10 yr	>10yr
Government of Malaysia Bank Negara Malaysia	0.50	1.00	2.00	3.00	5.00
Other Governments					
• AAA, AA, A	0.50	1.00	2.00	3.00	5.00
• BBB+ to BBB-	5.50	6.00	7.00	8.00	9.00
Issuer with explicit guarantee from the Government of Malaysia, EMEAP countries and countries with minimum investment grade international ratings with both AAA domestic ratings and minimum investment grade international ratings	2.50	3.00	4.00	5.00	6.00
Multilateral Development Bank (MDB) Multilateral Financial Institutions (MFI)	2.50	3.00	4.00	5.00	6.00
Corporate bonds and sukuk (only AAA domestic ratings)	6.00	7.00	8.00	9.00	10.00

2. For **non-Ringgit** denominated Eligible Securities, a 2.0% additional margin will be imposed over and above the margins listed in the table above.

3. For any Eligible Securities not listed above, the margins will be as determined by the Bank.

APPENDIX 4 Drawdown Request Form

(Please use institution's letter head)

Restricted Committed Liquidity Facility (RCLF) Drawdown Request

To: Director Date: _____

Jabatan Operasi Pelaburan dan Pasaran Kewangan

Bank Negara Malaysia

Jalan Dato' Onn

50480 Kuala Lumpur

Drawdown details:

Organisation ID: _____ Tenure: _____

Value Date: _____ Maturity Date: _____

Total Nominal Amount: _____ Rate (%): _____

Collateral details:

Stock Code	Clean Price	Nominal	1st Leg Proceeds	2nd Leg Proceeds
Total				

Remarks: *The following agreement applies:*
1. Global Master Repurchase Agreement & its Annexes;
2. Sell and Buy Back Agreement; or
3. Collateralised Murabahah Agreement and Agreement to Pledge

_____ _____

(Authorised Dealer) (Authorised Signatories)

(Affix Company Seal or Stamp)