

## Financial Services

### Bank Negara Malaysia issues Policy Document on Reference Rate Framework

The policy document on Reference Rate Framework (“RRF PD”) was issued by Bank Negara Malaysia (“BNM”) on 11 August 2021 and will come into effect on 1 August 2022.

The RRF PD, when it comes into effect, will apply to:

- banks licensed under the **Financial Services Act 2013**;
- Islamic banks licensed under the **Islamic Financial Services Act 2013**; and
- development financial institutions prescribed under the **Development Financial Institutions Act 2002**,

(collectively, the “FSPs”).

With effect from 1 August 2022, a Standardised Base Rate (which will be linked solely to the Overnight Policy Rate (“OPR”)) will be used as the common reference rate for pricing of all new retail loans or retail *Shariah*-compliant financing facilities (including, without limitation, housing loans/financing, vehicle loans/financing and personal loans/financing).

Any change to the Standardised Base Rate will only occur when there is a change to the OPR, as determined by the Monetary Policy Committee of BNM. Other components of loan pricing such as borrower’s credit risk, liquidity risk premium, operating costs, profit margin and other costs will continue to be reflected in the spread above the Standardised Base Rate.

BNM has indicated that the shift towards the new Standardised Base Rate will not impact the effecting lending rates of existing retail loans or retail *Shariah*-compliant financing facilities

The RRF PD, when it comes to effect on 1 August 2022, will supersede the policy document on Reference Rate Framework which was issued on 18 August 2016.

# Legal Updates

AUGUST 2021

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## BNM issues two new exposure drafts

On 12 August 2021, BNM issued two new exposure drafts, namely:

- Application Procedures to Carry On Financial Advisory Business and Islamic Financial Advisory Business (the “Application Procedure”); and
- Prudent and Professional Conduct by Financial Advisers (“PPC Exposure Draft”).

The Application Procedure sets out, among others:

- BNM’s considerations in assessing an application for new approval or renewal of approval to carry on financial advisory business and Islamic financial advisory business;
- the documents and information which must be submitted to BNM in the abovementioned applications; and
- the procedures to be followed for the abovementioned applications.

Prior to the Application Procedure exposure draft, only a Frequently Asked Questions on Application to Carry on Financial and/or Islamic Financial Advisory Business is made available on BNM’s website.

The PPC Exposure Draft is intended to set out the business conduct, prudential, governance and operational requirements that must be met by an approved financial adviser or approved Islamic financial adviser, on an ongoing basis, in order to manage its business operation in a fair, responsible and professional manner that instils trust and confidence among consumers.

The deadline to submit a feedback for both exposure drafts is 9 September 2021.

**CONTACT US FOR FURTHER INFORMATION REGARDING FINANCIAL SERVICES MATTERS.**

# Tax & Revenue

## Tax Matters During the National Recovery Plan Phases

In view of the implementation of the National Recovery Plan in Malaysia, the Inland Revenue Board (“IRB”) has issued a list of Frequently Asked Questions on tax matters arising during this period. The FAQ ([updated as at 30 July 2021](#)) is accessible via this [link](#).

The IRB has also recently issued a media statement on the operation hours of their service counters according to the phases under the National Recovery Plan. Click [here](#) to read the full media statement.

## Service tax

The revised versions of the following general and industry guides have recently been published on the Royal Malaysian Customs Department’s MySST website:

- (i) [Panduan Umum Cukai Perkhidmatan \(Versi 3\)](#) (as at 4 August 2021) — presently available in Malay language only;
- (ii) [Panduan Perkhidmatan Pengurusan](#) (as at 4 August 2021) — presently available in Malay language only;
- (iii) [Panduan Perkhidmatan Penghantaran dan Pengagihan Elektrik](#) (as at 4 August 2021) — presently available in Malay language only; and
- (iv) [Panduan Perkhidmatan Kelab \(Kumpulan C, D & E\) \(Versi 2\)](#) (as at 4 August 2021) — presently available in Malay language only.

## **CONTACT US FOR FURTHER INFORMATION REGARDING TAX & REVENUE LAW MATTERS.**

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