

Financial Services

Policy document on Bancassurance/ Bancatakaful

On 30 June 2022, Bank Negara Malaysia issued a policy document on Bancassurance/Bancatakaful.

The policy document shall come into effect on 1 January 2023 (except paragraphs 9.12 to 9.14 which have come into effect from 30 June 2022). The policy document supersedes: (i) the Guidelines on Bancassurance and the Guidelines on Bancatakaful, each issued on 17 June 2010; and (ii) the Circular on Marketing of Bancassurance / Bancatakaful Products issued on 24 December 2008.

The policy document is applicable to financial services providers, which are, licensed insurers, licensed banks and licensed investment banks under the **Financial Services Act 2013**, licensed takaful operators and licensed Islamic banks under the **Islamic Financial Services Act 2013** as well as prescribed institutions under the **Development Financial Institutions Act 2002**.

The policy document sets out the requirements and guidance for bancassurance/bancatakaful arrangements. The policy document serves to:

- ensure bancassurance/bancatakaful remains as a viable channel that is widely accessible for consumers to purchase insurance and takaful products;
- promote sound market conduct practices that safeguard consumers' interest through needs-based sales, disclosure and enhanced transparency; and
- promote market competitiveness and preserve consumer choice.

The requirements under the policy document are now extended to bancassurance/bancatakaful partners, where relevant.

Legal Updates

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The policy requirements will also apply to existing and new bancassurance/bancatakaful arrangements, including renewals of bancassurance / bancatakaful agreements, unless otherwise specified.

Task Force on Climate-related Financial Disclosures (“TCFD”) Application Guide for Malaysian Financial Institutions

On 29 June 2022, the Joint Committee on Climate Change (“JC3”) released the TCFD Application Guide for Malaysian Financial Institutions which outlines key recommendations for financial institutions on the implementation of more effective climate-related disclosures, supplemented by the relevant descriptions, guidance notes, considerations and examples that could be utilised as practical resources to facilitate the adoption of TCFD Recommendations by the Malaysian financial industry.

All financial institutions (local and foreign) are expected to adopt all basic recommendations set out in the TCFD Application Guide within a recommended period of up to 24 months.

Sustainable and Responsible Investment linked (“SRI-linked”) Sukuk Framework

On 30 June 2022, the Securities Commission Malaysia (“SC”) launched the SRI-linked Sukuk Framework (“Framework”) to facilitate fundraising by companies in addressing sustainability concerns such as climate change or social agenda, with features that relate to the issuer’s sustainability performance commitments.

The Framework is an extension of the initiatives under the SRI Roadmap that was introduced in 2019 to broaden SRI products offerings. More significantly, this initiative reflects the SC’s commitment to expand the reach of the Islamic Capital Market (“ICM”) to the broader stakeholders of the economy and build an enabling ICM ecosystem for the sustainability agenda.

Under the Framework, the proceeds raised can be utilised for general purpose, subject to the issuer committing to future improvements for sustainability outcomes within a predefined timeline, which will be monitored using key performance indicators (“KPIs”). The financial characteristic or structure of the SRI-linked sukuk may be varied based on the success or performance of the issuer in meeting its KPIs and sustainability goals.

The Framework also provides greater transparency for investors by requiring issuers to appoint an external reviewer before issuance and an independent verifier post-issuance to assess compliance with the framework and issuer’s sustainability performance which can be tracked by investors.

Pursuant thereto, revisions have been made to the following guidelines (collectively, “Guidelines”) introducing new chapter on the Framework and set out the additional requirements in relation to the issuance of SRI-linked sukuk:

- Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.
- Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors,

The revisions and amendments made to the Guidelines also include editorial amendments to enhance clarity and renumbering of pages consequent upon of the introduction of the new chapter on SRI-linked sukuk.

The *Prospectus Guidelines* has also been revised to reflect the introduction of the Framework as set out in the *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors*, particularly the requirement under the Framework for the publication of the expert’s reports.

CONTACT US FOR FURTHER INFORMATION REGARDING FINANCIAL SERVICES MATTERS.

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