

Shearn Delamore & co.

Legal Updates December 2020



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Financial Services

Bursa Malaysia Securities Expands Market Making Framework

Bursa Malaysia Securities Berhad (“Bursa”) has, via [Participating Organisations’ Circular No. R/R 13 of 2020](#) issued on 24 November 2020, made amendments to the rules and directives of Bursa in relation to the expansion of the market making framework. The amendments seek to ensure efficiency in market making by according market makers with greater flexibility to quote prices and respond to market demands.

Amongst others, the amendments expand the qualification criteria of Market Makers to foreign corporations which

- i. have a minimum paid up capital equivalent to RM2,000,000.00;
- ii. have at least three years of relevant market making experience in securities or derivatives markets; and
- iii. is regulated by either a securities or derivatives exchange in a jurisdiction which regulator is a signatory to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding (“IOSCO MMOU”) or the Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organisations (“BOCA Declaration”) respectively or a regulator who is a signatory to the IOSCO MMOU or the BOCA Declaration respectively.

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Bursa has also issued FAQs regarding the expansion, available at <https://tinyurl.com/y756u73u>.

The amendments took effect from 7 December 2020. The full circular is available at <https://tinyurl.com/y9rexuw8>.

New financing facilities for SMEs affected by COVID-19

On 1 December 2020 Bank Negara Malaysia (“BNM”) published further information regarding the implementation of the Targeted Relief and Recovery Facility (“TRRF”) and Micro Enterprises Facility (“MEF”), which were announced in the Budget 2021.

TRRF

The TRRF is a RM2 billion facility is aimed at assisting eligible SMEs in the services sector. Eligible SMEs can obtain financing for working capital purposes of up to RM500,000 for a tenure of up to seven years, including a repayment moratorium of at least six months. The facility is offered at a rate of up to 3.5% per annum and is available through 21 participating financial institutions (“PFIs”), with guarantee coverage by Credit Guarantee Corporation (“CGC”) or Syarikat Jaminan Pembiayaan Perniagaan (“SJPP”). The TRRF is available until 31 December 2021 or until full utilisation, whichever is earlier.

MEF

The total size of the facility has been increased from RM300 million to RM410 million, with an available balance of RM200 million. The MEF has been enhanced to improve access to credit for micro enterprises, to include self-employed individuals, gig

workers on digital platforms and participants of the iTEKAD programme. Eligible micro enterprises can obtain financing for working capital and capital expenditure purposes of up to RM50,000. The financing rate will be determined by the PFIs. PFIs can also seek guarantee coverage from CGC or SJPP for this facility.

Interested SMEs can apply directly to the PFIs.

The full announcement is available at <https://tinyurl.com/ydz939x4>.

BNM Exposure Draft on Perlindungan Tenang

On 1 December 2020 BNM issued the exposure draft on Perlindungan Tenang. The exposure draft sets out the proposed requirements and guidance in providing microinsurance/microtakaful products under Perlindungan Tenang. The proposals in the exposure draft seek to accommodate further development of insurance and takaful products that respond to the needs of the unserved or underserved segments as well as to promote innovative, sustainable and inclusive insurance and takaful business models. Upon issuance, the policy document will apply to licensed insurers under the **Financial Services Act 2013** and licensed takaful operators under the Islamic **Financial Services Act 2013**.

The Perlindungan Tenang initiative was launched by BNM in 2017 in collaboration with the industry, with the objective of expanding insurance and takaful solutions targeted at the unserved and underserved segment, particularly the bottom 40% of households (B40), which are affordable and accessible, provides good protection value, easy to understand and administratively simple to purchase and to make claims.

Responses to the exposure draft must be submitted by 15 January 2021.

The full exposure draft is available at <https://tinyurl.com/y9g9yusr>.

BNM issues Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions

On 9 December 2020 BNM issued the following policy documents:

1. Revised Capital Adequacy Framework (Capital Components);
2. Revised Capital Adequacy Framework for Islamic Banks (Capital Components); and
3. Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions.

These policy documents set out BNM's requirements on the transitional arrangements for regulatory capital treatment of accounting provisions for banking institutions (including the financial holding company) and Development Financial Institutions respectively. They are consistent with guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions — interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of Covid-19" (April 2020).

The policy documents are available at <https://tinyurl.com/ycesunuf>.

For further information regarding financial services matters, please contact our [Financial Services Practice Group](#).

Tax and Revenue

Income tax

The practice note on **Clarification on Determining the Gross Income from Business Sources of not more than RM50 million of a Company or Limited Liability Partnership (Practice Note No. 4/2020)** issued on 21 December 2020 has recently been published on the [Inland Revenue Board of Malaysia's official website](#). This practice note replaces the earlier Practice Note No. 3/2020 which was issued on 18 May 2020.

For further information regarding tax and revenue law matters, please contact our [Tax and Revenue Practice Group](#).



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